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***NORTH NORFOLK***  
***DISTRICT COUNCIL***



**PROCUREMENT**  
**STRATEGY**

**2009/10 to 2011/12**

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## Foreword by Cllr Graham Jones

Local Authorities find themselves under ever increasing pressure to provide services within tight budgetary constraints, and are continually being asked to do more for less, and never more so than in the current financial climate which has seen unprecedented economic turmoil. Effective and targeted procurement has the ability to stretch finances, which means that more can be redirected towards front-line services. There is a direct correlation between the quality of purchasing, the economies achieved and the resources available for the ultimate consumer.

The Procurement Strategy 2009/10 to 2011/12 sets the framework in which the Council will work to ensure that purchasing delivers value for money across all services, directly contributing to the achievement of the Council's corporate aims and objectives in support of the Community Strategy and Corporate Plan. The Council recognises that the procurement of goods, works and services has a major impact on many aspects of life in North Norfolk, including the environment, social factors and economic development, which are reflected in the Council's procurement policies, practices and improvement outcomes.

The strategy addresses all elements of procurement activity, from identifying the need, considering options, procuring the appropriate goods, services or works, effective supplier and contract management. The strategy also addresses the many solutions available to the Council, from establishing corporate contracts, using collaborative and consortia arrangements, through to developing long-term strategic partnerships.

This strategy continues to provide a clear focus on balancing two priorities:

- identifying and delivering efficiencies, but not at the expense of quality and
- developing and embracing sustainable procurement.

This means that all Council buyers have the responsibility to ensure that all procurement activity addresses relevant social, economic and environmental standards, whilst having an understanding of whole life costs and breaking down the barriers to Council opportunities.

The Procurement Strategy is supported by the Council's Finance Code of Practice, Contract Procedure Rules and corporate systems which provide guidance and support for all officers of the Council who procure goods, services and works.

This Strategy has been endorsed by both Corporate Management Team (CMT) and Cabinet and agreed by Full Council. The key outcomes will be monitored via the Council's performance management arrangements and through the Procurement Board. The Procurement Strategy continues to be an ambitious programme, setting high standards for the Council and is one that will require action by, and commitment from, all Councillors, managers and staff in all departments.

*Councillor Graham Jones, Cabinet Member for Organisational Development, Communications, Customer Services and ICT*

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## 1.0 Executive summary

The Procurement Strategy 2009/10 to 2011/12 establishes the Council's strategic approach to procurement. Consideration of this strategy is not optional and should be read in conjunction with the Council's Finance Code of Practice, Contract Procedure Rules and Scheme of Delegation.

The Local Government Act 1999 places a duty of Best Value on all authorities to secure continuous improvement in the way that functions are carried out, having regard to a combination of efficiency, economy and effectiveness. Effective procurement is crucial in securing high quality, best value public services and the Government has highlighted that the development of a clear procurement strategy is a key step towards achieving Best Value and delivering the demanding efficiency targets in the 2007 Comprehensive Spending Review.

This Procurement Strategy also emphasises the increasing importance of sustainable procurement, using procurement to support wider social, economic and environmental objectives, in ways that offer real long term benefits.

Best value and efficiency targets will not be achieved if the authority fails to approach competition positively, taking full account of the opportunities for innovation and genuine partnerships which are available from working with others in the public, private and voluntary sectors. Importantly, this strategy seeks to balance two priorities:

- delivering efficiencies and quality and
- sustainable procurement, engaging with local and regional suppliers to promote the local economy and taking account of the social and environmental impact of spending decisions.

A mixed economy and sustainable approach to procurement also relies on developing a collaborative approach to procurement with other authorities and organisations to achieve economies of scale where appropriate.

The Council recognises the importance of a strong and vibrant local economy and the role it can play in stimulating local markets. The Council has signed up to the Small Business (SME) Friendly Concordat which provides a series of commitments that aim to increase the local regeneration impacts of procurement decisions.

The Council has developed its internet site (<http://www.northnorfolk.org/business/314.asp>) to provide potential suppliers with a host of information in relation to the Council's procurement processes, which includes a portal advertising all current tender opportunities.

Standardised pre-qualification/tender documentation has also been produced and has been based upon best practice documents from the Office of Government Commerce (OGC). These documents have been specifically designed so as to minimise the barriers faced by smaller suppliers, and limits the amount of documentation requested at the Pre Qualification Questionnaire (PQQ) stage, saving

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suppliers both time and money, thereby encouraging increased interest, participation and competition, and consequently increasing value for money.

The Council also participated in the 'Open4business' meet the buyer event which was held at Sprowston Manor during April 2009, which was attended by over 200 suppliers.

At the 'Recession Summit' meeting which was also held in April 2009 and attended by over 140 local business people, Councillors and Council officers, procurement was identified as one of the key themes for helping to kick start the local economy following the recent turmoil in the financial markets and features in the action plan that has been produced following the summit.

This strategy provides a corporate focus for procurement, embracing the Council's commitment to strategic procurement and it's alignment with corporate objectives and values. The document is not intended to be a 'user manual', although the principles contained within the strategy should be applied to all facets of procurement activity. Additional detail regarding the Council's procurement processes can be found within the Contract Procedure. Additionally there are user guides available on the intranet and the Procurement Toolkit is due for release by the end of the calendar year.

## **2.0 What is meant by procurement?**

Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a services contract or the end of a useful life of an asset.

Procurement is concerned with the management of the entire supply chain from manufacturer/service provider/works contractor to end-user. The essential task is to identify the optimum route to achieving Value For Money (VfM) in each instance and to employ maximum skill and determination in achieving it. Selection of the best suppliers and managing new forms of relationships with them will lead to the continual improvement of services.

Local Authorities find themselves under ever increasing pressure to provide services within tight budgetary constraints, and are continually being asked to do more for less, and never more so than in the current financial climate which has seen unprecedented economic turmoil. Effective and targeted procurement has the ability to stretch finances, which means that more can be redirected towards front-line services. There is a direct correlation between the quality of purchasing, the economies achieved and the resources available for the ultimate consumer.

**EVERY ASPECT OF LOCAL AUTHORITY SERVICE INVOLVES PROCUREMENT.**

There are two main distinguishable aspects to procurement as follows:

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- the strategic core function of determining strategy and organisation to ensure that services are purchased and delivered effectively; and
  - the professional task of procurement covering both the traditional purchasing of goods and services for the Council's departments and contracting for services direct to the community.

Strategic procurement is a series of activities and processes that sits at the heart of the Council, providing the framework by which the Council obtains value for money in all the goods, services and works that it requires.

A procurement strategy is vital to:

- Formalise key messages on procurement to staff
- Provide consistency and ensure best practices in procurement
- Provide a source of information regarding the Council's approach to procurement for internal and external use
- To create a climate in which all parties (internal & external) can contribute to achieving best value and value for money
- To comply with legislation, government and other procurement guidance and external audit requirements.

### **3.0 The Council's procurement principles**

The Council's Procurement Strategy recognises that different models and approaches will be required for the very different and divergent services that the Council has responsibility for. The Council will apply the following guiding principles in its procurement activity to ensure the achievement of value for money;

- Consider the impact of all major procurements on the achievement of the strategic priorities of the Council as identified within Changing Gear, the Council's Corporate Plan for 2008 – 2011.
- The Council will undertake all procurement activity within a corporate framework, applying the overriding principles of fairness, openness and transparency to all activities.
- Preserve the highest standards of honesty, integrity, impartiality and objectivity in all dealings.
- Strategic procurement will ensure that the Council obtains value for money in the acquisition and management of its resources, balancing quality and cost, and supporting improved service delivery through the freeing up of resources.
- Consider the potential for innovation, the management and balance of risk, and the opportunity for new or alternative methods of service delivery.

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- All procurement activity should support and promote Council policies and priorities, including equal rights, sustainability, value for money and supporting the local economy.
  - Operate within the framework determined by European Union and United Kingdom law and those outlined within Finance Code of Practice and Contract Procedure Rules, in that order of precedence.
  - Utilise competition as a means of achieving economy, efficiency and effectiveness, wherever appropriate and seek to ensure that this contributes to the competitiveness of suppliers, contractors and service providers.
  - Ensure that procurement activity is customer focused, involving internal consultation and involvement to support service objectives. Feedback will be sought and customer satisfaction measured as a means of improving performance.
  - Consult end Service Users, where appropriate, to ensure that the service meets their needs, especially where decisions directly affect their lives.
  - The Council will ensure that procurement activity is undertaken in the most effective and appropriate manner, considering all options including (although not exclusively);
    - Development of strategic partnerships, particularly where these will result in significant service improvements and/or efficiencies
    - The use of collaborative procurement with other Councils and organisations
    - Development and promotion of corporate contracts
    - Using Council maintained approved supplier lists or the lists of other formally approved organisations
    - Use of consortia arrangements and framework agreement such as those available through the Eastern Shires Purchasing Organisation (ESPO) and the Office of Government Commerce (Buying Solutions)
  - Continue to support the local economy and SME's, breaking down barriers to entry into the Local Government market place where these exist
  - All procurement will be assessed on a whole life costing and benefits basis and procurement decisions will be evidence based.

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## 4.0 The Corporate Plan and Sustainable Community Strategy

The Corporate Plan, Changing Gear, sets out what the Council intends to do between 2008 and 2011. It revises the last corporate plan, which was published in 2006, and reflects the Council's continuing journey along the road to excellence. The purpose of that journey is to improve the way the Council runs its business and raise the quality of services to the community of North Norfolk.

The Sustainable Community Strategy has been developed by the North Norfolk Community Partnership (NNCP), which is the local strategic partnership (LSP). NNCP brings together a range of influential organisations in the public, community and business sectors, organisations whose actions impact on the quality of life as well as the opportunities open to local residents and the people who work in or visit the district. Those organisations, (which include the Council, the police, health and voluntary sectors), have all signed up to achieve a shared vision for the future of North Norfolk.

That vision is of a place where everyone can enjoy a high quality of life and where the unique and attractive environment is sustained into the future. It is a place;

- where people feel safe and live in decent homes
- where equality and diversity are valued and celebrated
- where people have diverse career and training opportunities, and jobs which add value
- where residents choose healthy lifestyles in sustainable communities and can access a wide range of activities which meet everyone's needs
- where the environment is protected and where the identity and special character of the area is retained.

The Council is continuing to achieve some notable successes and has made significant improvements in priority services such as benefits administration, recycling and planning. And yet the Council wants to do better, to be recognised as an excellent council reflecting how the community is served and the way in which the organisation is managed.

The Council faces a particular challenge in 2009 following the Government's decision to ask the Boundary Committee to consider the viability of creating a structure of unitary local government in Norfolk to replace the current two-tier arrangements. As the Council moves through this process, there will be two clear aims: to deliver the corporate plan, and to place the Council in a position of strength from which to go forward into any successor council, to protect the priorities and values that are important to the people of North Norfolk.

Changing Gear highlights three themes, which above all will influence how the Council moves forward:

- The shared vision for the future of North Norfolk expresses what local people have said is important and informs our choices about meeting their needs and aspirations

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- The service priorities reflect the choices the Council have made, what the Council does and the outcomes the Council wants to achieve
  - The business strategy contains a new organisational development plan to improve customer service and community engagement, deliver greater efficiency and cost effectiveness and strengthen governance and compliance

Effective procurement is crucial to achieve continuous improvement and to securing value for money in public services. The Council is one of the largest purchasers of goods and services in the district, and has both legal and moral responsibilities when making procurement decisions.

It is important to ensure that procurement decisions are legal, ethical, in accordance with the policies and procedures of the Council and that consideration is given to the impact on the economic, social and environmental well-being of the district. Coordinated and focused procurement activity enables the Council too proactively contribute to both the Community Strategy and the Corporate Plan.

## **5.0 Value For Money and corporate procurement**

The Council aims to provide services that offer best value for money in terms of economy, efficiency and effectiveness, and that have the capacity to improve performance.

In the context of a procurement process, obtaining 'best value for money' means choosing "the optimum combination of whole life costs and benefits to meet the customer's requirements". This is not necessarily the lowest initial price option and requires an assessment of the ongoing revenue/resource costs as well as initial capital investment. The Council's requirements can include social, environmental and other strategic objectives and should be specified at the earliest stages of the procurement cycle. The criterion of best value for money is used at the award stage to select the bid that best meets the requirement.

Procurement is an essential part of achieving value for money, and while the Council believes that in-house services can provide a high quality, flexible framework for developing and delivering services it also acknowledges that there may be other ways to deliver services, through partnering and shared service arrangements for example. The Council will support in-house providers where they offer value for money and operate in the best interest of service users.

Procurement should be an important element in any strategic service review. It is that rigorous review process that should trigger consideration of alternative methods of provision. Each review should always include a robust and challenging appraisal of service delivery models. The initial consideration will analyse whether there may be material net benefits arising from a change to the method of provision.

Should the Council take a decision that an in-house service be exposed to competition, it will undertake this in an open and fair manner, and ensure that:

- staff and their representatives are fully and properly consulted
- appropriate outcomes, performance standards and monitoring processes are

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developed

- all information required for a due diligence process is identified and collected
- innovation is encouraged
- relevant Council policies and priorities are incorporated into any specification
- probity, accountability and competitive neutrality is ensured and conflict of interest is avoided or managed
- the responsibilities and accountabilities of all parties are explicit.

The ability to radically re-think and re-shape the way the Council undertakes procurement and secures continuous improvement is key.

## **6.0 Savings and efficiency targets**

It is essential that the Council not only adopts processes to secure value for money, but that it can evidence the efficiencies obtained to demonstrate delivery of national efficiency targets arising from, for example, the Spending Review 2007. The savings target going forward is currently 4%.

During the 2007 Comprehensive Spending Review period, covering the financial years 2008/09 to 2010/11 inclusive, councils in England are required to submit information on their achievement of Value for Money (VfM) gains. This is done through one of the indicators in the National Indicator Set (NIS): National Indicator 179 (NI179), which is defined as: 'the total net value of ongoing cash-releasing Value for Money gains that have impacted since the start of the 2008/09 financial year'.

One of the major benefits of effective procurement is its cash-releasing capability. By purchasing works, goods and services more effectively, it should be possible to reduce prices and other costs without having a detrimental effect on services.

## **7.0 Use of Resources**

Use of resources is an Audit Commission assessment of how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment forms part of the comprehensive area assessment (CAA) framework as well as other relevant performance assessment frameworks. It is carried out yearly by appointed auditors as part of the external audit at local authorities; fire and rescue authorities; police authorities and forces; and primary care trusts.

The assessment defines use of resources in a broader way than previously, embracing the use of natural, physical and human resources. It also places new emphasis on commissioning services for local people and achieving value for money.

Auditors produce a judgement for each of the following three themes:

- Managing finances - focusing on sound and strategic financial management.
- Governing the business - focusing on strategic commissioning and good governance.

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- Managing resources - focusing on the effective management of natural resources, assets and people.

## **8.0 Sustainability**

Simply put sustainable procurement is good procurement and can be defined as 'a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage, or indeed improving the environment'.

To support the Council's sustainability objectives an Environmental and Sustainability Strategy has been developed and was approved by Council in February 2009. The Procurement Strategy now takes this a step further by introducing the Sustainability Policy and the Sustainable Procurement Questionnaire along with associated officer guidance.

The Council recognises it has a vital role to play in becoming an environmentally sustainable organisation, through its procurement of buildings, goods, works and services. Procurement decisions have major environmental and socio-economic implications, both locally and globally, now and for future generations.

The Council will strive to minimise the negative environmental, social and economic impacts of the goods and services purchased. In order to help achieve this a number of standards will be adopted in relation to procurement, including banning the use of environmentally damaging products and processes where a less environmentally damaging alternative is available (such as the use of asbestos), restricting the use of certain products by using practical alternatives (such as PVC and PVC based products), and by reducing the purchase of new products by re-using, repairing or refurbishing existing products (by specifying products can be recycled for example). The full policy can be found within Appendix A.

The Sustainability Policy is further complimented by a Sustainable Procurement Questionnaire which is to be included as part of the documentation when suppliers are pre-qualifying and tendering. Detailed guidance has also been developed to further supplement the policy and will be available for officers on the Council's intranet.

The Council recognises the need to carry out procurement activities in an environmentally responsible manner and will, therefore:

- Comply with all relevant environmental legislation.
- Encourage contractors and suppliers to investigate and develop environmentally friendly procedures and products.
- Ensure that suppliers environmental policies are considered during tender evaluations and that, where appropriate, environmental criteria are used in the award of contracts.
- Wherever possible and practicable, specify the use of environmentally friendly materials and products.

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- Ensure that specifications as appropriate, provide the facility for suppliers to provide environmentally friendly alternatives.

## **9.0 Equality**

North Norfolk District Council aims to treat people fairly, justly and with respect in both employment and service provision, to find ways to support those groups who are disadvantaged or excluded and promote inclusivity and celebrate diversity.

In addition to this, there are several pieces of recent legislation, which collectively, require that the Council must:

- Eliminate unlawful discrimination and harassment.
- Promote equality of opportunity.
- Promote good relations between persons of different backgrounds.
- Encourage participation in public life for people of different backgrounds.

To achieve these aims the Council is currently consulting on its Combined Equalities Scheme which details how the Council is working to improve equality for people irrespective of their religion and belief, sexual orientation and age.

This scheme will permeate all facets of Council activity, including the area of procurement. The Council will treat all people fairly including those contracting to supply goods or services. It will not discriminate on the grounds of age, colour, disability, ethnic origin, gender, and sexuality or on any other unjustifiable grounds. Suppliers or contractors appointed for the provision of goods, services or works will have to comply with these criteria. As part of the development of standardised documentation an Equal Opportunities module has been developed to be used during pre-qualification and tendering to ensure that the Council can monitor the achievement of these aims.

## **10.0 Partnering**

The Council acknowledges the importance and significance of partnerships in delivering services and already benefits from a range of partnerships with the private, public and voluntary organisations. The Council has adopted a Partnership Framework which should be followed when entering a partnership right through to when it is terminated.

Partnering may be identified through strategic service performance reviews to provide opportunities for providing improved delivery of a major project or service. This would necessitate the creation of a sustainable relationship with suppliers in the public, private, social enterprise or voluntary sectors to deliver services, carry out major projects or acquire supplies and equipment. The Council will encourage the development of new methods or approaches to procurement that will deliver services more efficiently, effectively and economically.

Benefits could include:

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- better designed solutions
  - integration of services for customers
  - access to new and scarce skills
  - economies of scale and scope
  - investment
  - community benefits (including jobs and local economic effects)
  - the sharing of risk and reward

Partnerships can often have a vital role to play in helping to secure value for money, and the Council would seek to test potential partnership options by:

- Carrying out a challenging option appraisal
- Examining partnering models, including:
  - Public Sector consortium
  - Non-profit distributing organisation
  - Voluntary and Community sector provision
  - Partnering contract
  - Local Authority Company (Local Government Act 2003)
  - Joint Venture Company
  - Framework Agreement

(The preferred model should be identified through a business case before Procurement commences. This should show a clear rationale and mandate for the partnership. This includes a clear terms of reference and political support).

- Examining opportunities for the collaborative procurement of partnerships
- Following best practice in the partnership procurement process, including:
  - building continuous improvement into contracts
  - following the guidance contained in the final report of the Strategic Partnering Task Force (Office of the Deputy Prime Minister, March 2004)
  - adopting a structured approach to project and risk management
  - streamlining the process to procure partnerships

In certain situations a properly procured and managed strategic service delivery partnership could potentially help the Council achieve step-changes in the quality of service provided (subject to a robust business case and thorough options appraisal). Strategic partnering of this nature can provide access to new ways of thinking, new resources and new skills whilst allowing for innovation and the pursuit of long-term or difficult goals.

Partnerships can provide access to new investment, opportunities and skills that the Council would not necessarily be able to achieve on its own, and the Council is therefore committed to exploring all options in order to provide the quality services demanded by tax payers both now and in the future.

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## **11.0 Collaboration, networks and links with other Local Authorities**

Collaboration between North Norfolk, other Councils and public bodies to combine buying power, to procure or commission goods, works or services jointly or to create shared services is seen as an option which can really 'add value'. This form of public-public partnership should, in appropriate circumstances, be regarded as an option capable of delivering economies of scale and accelerated learning. The Council will seek, for example, to extend existing activities and develop new and emerging activities including:

- Use of and involvement with Improvement East (formerly the Regional Centre of Excellence)
- Development of a countywide contracts database to help to identify collaborative opportunities
- Extending the use of 'open' framework agreements to enable use within the local or regional public sector community, such as those provided by the Office of Government Commerce (OGC), and Eastern Shires Purchasing Organisation (ESPO)

## **12.0 Valuing the workforce**

The Council recognises that a well-motivated and skilled workforce is essential to deliver quality services. This applies equally whether services are provided internally, externally or in partnership. The Council will:

- Consult with employees and recognised trade unions throughout Strategic Service reviews and any subsequent procurement process.
- Abide by legislation, regulation and codified guidance including internal employment policies and procedures.
- Employment practices, equalities and social inclusion issues, health and safety, and training and development of staff will be taken into account in the procurement of services.

The Council was re-assessed against the Investors In People standard in August 2009 and, having exceeded the required standard, was granted Bronze Award status. Recent research has demonstrated that Investors in People improves financial performance, increases profitability and helps organisations meet their strategic objectives. CBI research undertaken in 2008 stated that "Investors in People is a particularly useful framework for organisations undergoing significant or rapid change." Involvement with the programme reflects the Council's ongoing desire to have a well trained, well motivated and responsive workforce.

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The Council is committed to learning and development of all staff and members involved in procurement. An annual training programme will be published and delivered as an integral element of the Procurement Improvement Plan through the Corporate training Programme to support the programme of modernisation and the development of innovative procurement methods. Training delivery will be via both internal and external providers, as appropriate, following a skills audit. The continual measurement of awareness and the competency of procurement related staff will be ongoing.

### **13.0 Local purchasing**

The Council understands its responsibilities to local communities and the opportunities afforded through procurement to help deliver corporate objectives, including the economic, social and environmental objectives set out within the Corporate Plan.

In response to the sudden collapse of the banking sector back in September 2008 and the subsequent economic turmoil the Council held a 'Recession Summit' meeting in April 2009 which was attended by over 140 local business people, Councillors and Council officers. Procurement was identified as one of the key themes for helping to kick start the local economy following the recent upheaval in the financial markets and as such features in the improvement plan that is currently being developed to act on the findings of the summit.

As part of the Budget 2008, the Chancellor invited Anne Glover to lead an advisory committee to provide advice for the 2008 Pre-Budget Report on action to reduce the barriers small and medium sized firms face when competing for public sector contracts and to advise on the practicality of setting a goal for SME's to win 30 per cent of all public sector business in the next five years.

The Glover report entitled 'Accelerating the SME economic engine: through transparent, simple and strategic procurement' was published as a response to this request at the end of 2009, and identified 12 key objectives to help achieve the objectives set, which are as follows;

#### **Transparency**

- By 2010, contract opportunities above £20,000 across the whole public sector should be advertised electronically with standard indicative contract value ranges, and accessible through a single, free, easy to search online portal.
- Government should issue all tender documentation electronically by 2010 and this should be kept as brief as possible. Businesses should be permitted to tender electronically for all public sector contracts by 2010; no "paper only"

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tenders should be required after this date, with an ambition for all tenders to be electronic by 2012.

- Details of contract awardees should be published online in a standard format within 48 days of contract signature, accessible via the single portal by 2010.
- Tendering opportunities thought especially suitable for SME's or consortia of SME's should be flagged by the procurer during the advertising process. Government should provide strategic and detailed guidance for procuring authorities on assessing suitable contracts for flagging, based on risk, value and market maturity.

### **Simplicity**

- Qualification criteria that are not specific to a sector should be standardised and incorporated in all pre-qualification questionnaires so that businesses do not need to repeatedly submit the same core information in different formats.
- Procurers should give businesses the opportunity to provide details of all previous relevant experience when bidding for contracts, not just public sector experience. This should be taken into account when selecting successful tenderers.
- Procurers should ensure that, where they rely on a particular accreditation scheme or standard as part of the process of prequalification or contract award, that they take a flexible approach. Businesses should be given the opportunity to provide evidence that they can meet the contract requirements by reference to other similar equivalent accreditations or standards they may already hold – especially where these have been recognised or required by other public sector procurers.

### **Strategic Procurement**

- Departments should use their Innovation Procurement Plans to set out how procurement aligns with their overall commercial strategy, encourages innovation and gives advanced notice of long-term procurement plans.
- Government should encourage wider use of outcome-based specifications across the public sector, as a means of driving innovation.
- Government should expect and enable prime contractors to make their subcontracting opportunities accessible through the single, online portal created in Recommendation 1.
- Through contract management, Government should ensure that SME's and other firms acting as sub-contractors obtain contract conditions, including promptness of payment terms, that are no worse than those applicable to the prime contractor.

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## **Measurement**

- The Committee recommends that all central government departments should report annually on the value of their contract spend with SME's, creating a reliable single source of quantitative data which can be used to inform future policy decisions and evaluate the recommendations in this report.

The Council has already addressed a number of these issues, such as simplifying and standardising pre-qualification questionnaires but any recommendations not already implemented will form part of the procurement improvement plan.

It is important to understand that procurement legislation limits the Council's ability to favour local businesses, but there are numerous ways in which the Council can legitimately support local businesses as follows;

- Continuing to work pro-actively with local businesses and partners (such as the Business Forum) to explain how to do business with the Council, obtaining their feedback in order to improve documentation and processes
- Increasing the level of contact with local business by working in liaison with local businesses to sponsor and support locally held 'meet the buyer' events.
- Encourage supplier partnerships to better facilitate competitive quotations for Council business, through consortium bids.
- Packaging contracts in such a manner that, where possible, it does not preclude the following organisations from tendering:
  - Small and medium sized enterprises (SME's)
  - Local and regional companies
  - Newly formed businesses
  - The voluntary and community sector (VCO's)
- Review the Council's Select List procedures and the potential for the establishment of a Preferred Supplier Listing.
- Following the best practice guidance contained within the 'Third Sector Guide for Public Sector Commissioning in Norfolk' recently published by Voluntary Norfolk.

The challenge which the Council has to face and overcome in relation to local purchasing and economic development is to balance the following conflicting priorities:

- The overriding requirement to achieve value for money and the necessary quality
- Local sourcing where possible within the legislative framework and
- Procuring in a sustainable way with regard to environmental, social and economic factors

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During the period covered by the last strategy (2005/06 to 2008/09) the Council achieved the following improvements in relation to supporting the local economy;

- Development and publication via the internet of a 'Selling to the Council' guide as a means of clarification for suppliers and as an opportunity to market the Council.
- Publishing details of forthcoming bidding opportunities and contact details for each contract on the Council's internet site coupled with the use of the Government backed 'Supply2Gov' website for advertising lower value contract opportunities (typically under £100,000).
- Reviewed the internal procurement processes and procedures to examine methods of reducing the challenges facing small, medium enterprises when doing business with the Council which led to the development of the standardised contract documentation discussed in more detail above.
- The Council also participated in the 'Open4business' meet the buyer event which was held at Sprowston Manor during April 2009. The event was hosted by Norfolk County Council and supported by the Norfolk Chamber of Commerce, Shaping Norfolk's Future and Business Link among others. The event provided the opportunity for local suppliers to meet a range of buyers from both the public and private sectors to discuss the products and services that they had to offer and the best way to go about supplying the various organisations. The event was attended by over 200 suppliers who had the opportunity to meet nearly 30 different buying organisations.
- The Council has signed up to the national Small Business (SME) Friendly Concordat which provides a series of commitments that aim to increase the local regeneration impacts of procurement decisions.
- Fostered strong links with local business organisations such as the North Norfolk Business Forum and Business Link.
- The Council held a 'Recession Summit' meeting during April 2009 which was attended by over 140 local business people, Councillors and Council officers, to look at options for a strategy to help the District come through the recession, and an improvement plan is currently being developed following this forum.

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## 14.0 Electronic procurement (e-procurement)

In the context of this strategy, e-procurement generally relates to the contractual business relationship between the Council and its suppliers and contractors. It describes the use of an electronic procurement system to acquire goods, works and services from third parties.

Electronic procurement is an area of procurement that is developing and changing at an extremely rapid rate. The Improvement Plan relating to this aspect needs to remain flexible to ensure that it stays responsive to emerging developments, and must include the capacity for improvement based on continuous learning, although certain aspects of the development of e-procurement have been put on hold pending the results of the Local Government Review (LGR).

The use of information and communication technology will be used to reduce the cost, and improve the efficiency and effectiveness, of all aspects of the procurement process for the Council and its suppliers and contractors. It is one aspect of the overall strategy requiring integrated development with other aspects. There are distinct advantages for suppliers including smaller firms.

## 15.0 Risk management in procurement

It is important to recognise that risk management covers all aspects of procurement. The following diagram illustrates the hierarchy of risk.



In procurement activity, it is always good practice to adopt a risk log that identifies the risks associated with the specific procurement exercise, and how the risks will be managed, and this is essential for higher value or more complex procurements. Risk should be managed throughout the procurement cycle to ensure that risks are identified and managed by the most appropriate stakeholder.

Various 'Best Practice' guides are available on the intranet for officers (<http://intranet.northnorfolk.org/cs/files/folders/procurement/default.aspx>), one of which relates specifically to the management of risk throughout the procurement process.

**Review:** It is important to try and take a step back from the procurement process once it is complete so that there can be some consideration of the process itself to identify lessons learnt ie what went well, what didn't go well to inform and refine future procurement activity.

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**Contract Management:** This is a significant factor in the success or failure of any contract and as such it needs to be given adequate consideration and time within the procurement cycle. All contracts should have a nominated officer who is responsible for managing and monitoring the contract and this should also include the development of the relationship with that supplier. The development of a 'Contracts Manual' has been included within the Improvement Plan contained within Appendix B to provide officers with guidance specifically in relation to contract management following the contract award stage.

**Project Management:** Any project which involves significant risk must be managed in an appropriate manner using the Council's new approved project management methodology. Indicators of significant risk include:

- Staff transfer
- Significant implications across multiple service areas
- Significant potential for reputational risk
- Significant potential for financial risk

The necessary guidance and documentation in relation to project management can now be found on the intranet ([http://intranet.northnorfolk.org/corporate/project\\_management.asp](http://intranet.northnorfolk.org/corporate/project_management.asp)) and covers the life of a project from the initial project proposal, business case and project initiation document through to project closure and post project review.

## **16.0 Performance management**

Performance management plays a key role in the management of any successful organisation and it is the process by which the Council seeks to improve services to residents. Performance management will help the Council to deliver the objectives in the Corporate Plan 2008-2011, Changing Gear. To inform members, staff and residents that the Council is improving is not sufficient, the Council needs to be able to go further and actually demonstrate how it is performing and how this improvement in performance relates to enhanced services and outcomes for the District.

The Council is continuing to make improvements to the internal performance monitoring arrangements through the use of the Ten Performance Management System. The Council uses a range of national and local indicators to measure procurement activity and the Procurement Officer is required to report progress on a monthly basis via the Ten system, with progress ultimately being reported to members on a quarterly basis.

Performance management in procurement will be achieved through the following;

- The Procurement Officer will produce an annual report to Members on procurement which will focus on the procurement activity undertaken during the year, the savings achieved and a review of planned procurement for the forthcoming years

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- The contracts register will be reported to the Performance and Risk Management Board on a regular basis to ensure that all contracts above a de-minimis level of £10,000 are recorded
  - Procurement improvement plans (for example, the improvement plan that forms Appendix B of this document) will be recorded on the Ten Performance Management System and achievement against targets will be reported to Members via the quarterly performance updates
  - Procurement will also form a key element of the new project management reporting that has been developed on the Ten system, for example, procurement progress in relation to the letting of contracts for capital projects
  - Procurement plays an important role in helping the Council to achieve its 4% efficiency target, and the monitoring of these efficiency savings is included as part of the regular budget monitoring reporting process
  - The Council has recently developed a 'Carbon Reduction Plan' which incorporates a series of schemes designed to help achieve the Council's target of reducing carbon emissions by 33% over the next 5 years and effective procurement will help to ensure that the resources available are maximised
  - A 'Contracts Manual' will be developed to provide guidance, help and support to officers in relation to contract management following the contract award stage

## **17.0 Contract register**

It is essential that the council maintains an up-to-date contracts register to ensure that all of the council's main contracts (over £10,000) are identified and recorded. The register helps to identify lead officers and also acts as a trigger point when contract end dates are getting close to ensure that future procurement can be undertaken in a timely fashion. Comparing contract registers with other local authorities can also help to identify common areas of spend and highlight potential areas for collaboration and joint procurement.

The council's contract register records the following information:

- service area
- contractor/supplier name
- supplier address
- title/description of services/works/goods
- official order number/contract reference
- contract start date
- contract end date
- contract review date
- contract extension periods if relevant
- contract value
- framework agreement if relevant
- contact officer

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By comparing the contracts register with the supplier spend analysis opportunities for new contracts and savings can be identified where no formal agreement may previously have existed.

## **18.0 Probity**

Controls within the procurement and financial processes exist to promote good practice and not only help the prevention of fraud but also protect the individuals concerned against allegations of fraud. Compliance with appropriate legal requirements and the internal controls set out in the Contract Procedure Rules and Finance Code of Practice is essential. Involvement in procurement requires consideration of the following:

- There is a duty to behave honestly and in a trustworthy manner maintaining standards which the public is entitled to expect.
- All staff have a fiduciary responsibility which means they are individually and collectively, responsible for the safe and proper arrangements relating to public spending.
- All managers have a responsibility to ensure systems and appropriate training are operating to prevent fraud.

## **19.0 Procurement code of conduct**

Out of necessity all procurement activity must be undertaken to the highest standards of ethics and public accountability. The Council insists on strict ethical standards from its suppliers and must therefore in turn exhibit the highest ethical standards itself. Officers and members must not only be fair and above board in all business dealings, but should also avoid any conduct that is capable of having an adverse interpretation put on it.

All employees must adhere to the Officers' Code of Conduct and the Protocol for Employees on Gifts and Hospitality, whilst members need to take note of the Members Code of Conduct (all available on the intranet).

The Council's recently updated Whistleblowing Policy provides further commitment to ensuring the highest possible standards of openness, probity and accountability. In line with that commitment it expects employees, members, contractors and members of the public who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis and the policy establishes the protocol to be followed in these situations.

In addition to the above employees undertaking any purchasing activity should consider themselves bound by the Code of Ethics of the Chartered Institute of Purchase and Supply (CIPS) which is available to download from the Council's intranet ([http://intranet.northnorfolk.org/corporate/finance\\_legal/procurement.asp](http://intranet.northnorfolk.org/corporate/finance_legal/procurement.asp)).

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## 20.0 Procurement developments

### Standardised contract documentation

As part of the Council's improvement process procurement practices in relation to the SME/local supply base have been reviewed to try and address some of the obstacles that these suppliers face when tendering for Local Government contracts. As well as help and guidance on the website, which includes a portal advertising all current tender opportunities, the Council also advertises opportunities within the local paper (Eastern Daily Press) and on the government backed Supply2Gov website (<http://www.supply2.gov.uk/>) which is generally used to advertise lower value tenders and which suppliers can register with for free to receive updates of opportunities in their area.

Standardised pre-qualification/tender documentation has also been produced and has been based upon best practice documents from the Office of Government Commerce (OGC). These documents have been specifically designed so as to minimise the barriers faced by smaller suppliers, and limits the amount of documentation requested at the Pre Qualification Questionnaire (PQQ) stage, saving suppliers both time and money, thereby encouraging increased interest, participation and competition, and consequently increasing value for money. These documents are modular, so that purchasing officers need only send out those documents that relate specifically to the procurement in question, and come with guidance both for suppliers to help with completion of the forms and also for officers to help with the assessment of the completed submissions.

### Website development

The Council has developed its internet site (<http://www.northnorfolk.org/business/314.asp>) to provide potential suppliers with a host of information in relation to the Council's procurement processes. The site now contains sections on Selling to the Council, the Council's Procurement Strategy and Rules, Tips on how to tender successfully and also a section that advertises all current tender opportunities available.

### Intranet development – Toolkit, best practice guides

A dedicated section has also now been established on the Council's intranet site to provide a resource for officers ([http://intranet.northnorfolk.org/corporate/finance\\_legal/procurement.asp](http://intranet.northnorfolk.org/corporate/finance_legal/procurement.asp)), and this includes a number of procurement 'Good practice guides' that cover various subjects including contract management, ethical procurement, risk management, negotiation skills, specification writing etc. The 'Procurement Toolkit' is also due for release on the intranet by the end of the year and this will provide an invaluable reference source for all offices that may be involved with purchasing across the Council and will provide advice and guidance on the internal purchasing and tender processes, European law, Contract Standing Orders and also provide standardised documentation to make the whole procurement process more straightforward.

## 21.0 How will this be delivered? - Improvement Plan

The key objectives to deliver the Procurement Strategy are contained in an Improvement Plan. It is the core to delivering good procurement in North Norfolk and the practical means by which the Strategy will be developed and delivered. The

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Improvement Plan necessitates flexibility and seeks to recognise a direction of travel as well as detailed actions. The Plan envisages a three year delivery period overall and will be further developed as the 'marketplace' for public sector procurement changes and dependent upon outcomes from the innovative elements being examined. The plan is annexed as Appendix B.

## **22.0 Review and updating of this strategy**

This Strategy and the Improvement Plan will be reviewed annually. Any updates required will be considered by the Scrutiny Committee before presentation to the Cabinet and ratification by Full Council. A full review of the Strategy will be undertaken no later than October 2012.