

Procurement Strategy for the Dorset Councils Partnership of North Dorset District Council, West Dorset District Council and Weymouth & Portland Borough Council

Summary

This strategy is based on the vision of the National Procurement Strategy, for Local Government procurement, which encourages all Councils in England to engage with the delivery of outcomes in four key areas.

1. Making Savings
2. Supporting Local Economies
3. Leadership
4. Modernising Procurement

Introduction and Background

Local communities and taxpayers depend on the Dorset Councils Partnership to commission essential public services and to commercially manage suppliers. Procurement's role is 'strategic' but it is not always recognised as such either from within or outside our own organisations.

The strategic vision for local government procurement is:

- Commitment from the top in each council (from both the executive and senior managers)
- More efficient use of the sector's procurement resources
- Speaking with a single cohesive voice nationally
- Exerting influence right across the public sector

Objectives

Making Savings

The Dorset Councils Partnership are dealing with significant financial pressures resulting from reductions in government funding and rising demand. The Partnership need to make savings. This means using spending power wisely and strategically and setting objectives for procurement and contract management.

Supporting Local Economies

The Partnership needs to maximise the economic, social and environmental benefits to communities from every pound that is spent, and it is believed that spend with SMEs (Small to Medium sized Enterprises) and VCSEs (Voluntary and Community Sector Enterprises) can make a very significant contribution to local economic growth. This includes Social Value Act duties. We can do more to remove barriers faced by SME's and VCSE's bidding for our contracts.

Demonstrating Leadership

To be able to deliver, Procurement needs to demonstrate leadership to increase its impact and influence across the Borough and Districts.

Modernisation

To rise to the challenge we need to modernise in terms of scope, use of technology and practices and procedures.

Making Savings

Overview

In order to demonstrate leadership of key spend categories to address financial pressures, drive market management and to develop new models of service delivery through procurement, the Partnership should look at adopting a category management approach as a starting point to identify key spend areas.

Category management in procurement can help to reduce the cost of buying goods and services, reduce risk in the supply chain, increase overall value for the supply base and gain access to more innovation from suppliers. It is a strategic approach that focuses on the vast majority of organisational spend on both services and supplies and if applied effectively seeks to reduce demand, simplify the way we buy and aggregate spend across the entire organisation or multiple organisations. The results can be significantly greater than traditional transactional based purchasing.

Councils have been encouraged to establish partnering and collaboration arrangements for at least a decade and many have been doing just so for much longer. Much has been done already, including a move to more joint and integrated commissioning but the increasing issues relating to financial pressures and the need to demonstrate the impact that improved efficient procurement can have on outcomes for communities makes this even more important going forward.

Working with the wider public sector is becoming more and more normal practice, the Partnership needs to consider integration of their demand and supply chains with their colleagues in fire, health, police and other wider public sector organisations to appropriately aggregate spend, use wider experience and greater expertise and to reduce duplication of work.

The Dorset Councils Partnership spends significant and increasing amounts via contracts with suppliers, often as part of our transformation to meet financial challenges. We need to be more effective in contract and supplier management to ensure we maximise both the opportunities for additional income generation and the potential savings these bring. Contract management is more than ensuring suppliers meet their contractual obligations, it can also help us to identify and manage our own and suppliers' risks, and achieve savings and continuous improvement throughout the life of the contract.

1. Category Management

Outcomes

- Category Management will help the Dorset Councils Partnership to make savings by maximising value from areas of spend.
- The Dorset Councils Partnership achieves savings through developing and using more standard specifications for appropriate goods and services.
- A broad understanding of the Dorset Councils Partnership supply market is gained through appropriate spend and supplier analyses.

Recommendations

- Recognise the benefits and tap into category management plans of other public sector organisation and through Professional Buying Organisations (PBO's).
- Review existing framework arrangements at early stages of procurement to reduce duplicated effort.
- Recognise the benefits from engaging with a national approach and ensure timely publication of data to ensure a robust analysis can take place.

2. Partnering and Collaboration

Outcome

- The Dorset Councils Partnership make savings by aggregating spend through effective collaboration or via a shared service on common goods and services without compromising the need for social value and providing opportunities for local businesses.

Recommendations

- Develop a greater approach to partnering and collaboration
- Explore opportunities through existing routes to market, in particular harnessing existing shared service or PBO Resources.

3. Contract and Supplier Management

Outcomes

- A corporate approach to contract management means the Dorset Councils Partnership can demonstrate their effectiveness in gaining most value from contracts.
- The Dorset Councils Partnership obtains best value from supply chains through proper relationship management.

Recommendations

- Measure contract outputs and key performance indicators to ensure competitiveness over the life of the contract.
- Ensure visibility of supply chains.
- Expect main contractors to act fairly with supply chains and mandate timely payment to subcontractors through contract clauses.

4. Performance and Transparency

Outcomes

- Supplier performance on contracts increases and costs decrease across the whole sector through effective performance monitoring and transparency.
- Innovation and transparency is improved because the Dorset Councils Partnership share commercial and performance data on common goods and services.
- Published data, under the transparency code opens new markets for local businesses, the voluntary and community sectors, and social enterprises to run services or manage public assets.

Recommendations

- Baseline contract spending and outcomes internally over time and with other councils and use this information to inform our contingency planning and re-competition strategies.
- Join together with other councils and partners to share information that makes processes and performance more open and transparent.
- Ensure the rights to the data created as a result of a service being contracted out remains with the Partnership.

5. Risk and Fraud Management

Outcomes

- Risks are identified and managed through an approach to risk management that is integral to the council's corporate processes.
- Fraudulent procurement practices are identified and reduced in both the supply chain and post contract award.

Recommendation

- Proactively audit contracts to check for fraud.

6. Demand Management

Outcome

- Costs and oversupply are reduced through implementation of demand management techniques with the procurement and commissioning cycle.

Recommendations

- Build in a demand management approach before procurement begins.
- Seek alternative mechanisms to procure customer needs.

Supporting Local Economies

Overview

The Dorset Councils Partnership must focus on providing the maximum benefit onto our communities from every taxpayer pound that is spent and with our economic development role, take responsibility for generating economic, environmental and social growth in local communities. The Public Services (Social Value) Act 2012 requires councils to consider social value in all services contracts with a value above the EU threshold. Social Value can mean many different things, for example the inclusion of targeted recruitment and training opportunities in public contracts that can make a contribution to addressing the issue of poverty and reduced social mobility.

The private and voluntary sector organisations that are so important to local and regional economies need to view council contracts in a positive way and want to do business with us. The Partnership needs to continue to make better use of our purchasing power to create opportunities; for jobs and training, for regeneration and to maximise value for money.

In order to encourage a mixed range of suppliers of suppliers to deliver value for money services the Partnership needs to encourage suppliers to bid for new or emerging requirements, to be innovative and to work collaboratively with other providers in the economy.

We can help to remove barriers to effective working by improving access to our tendering opportunities, being open and transparent about what we have already procured and as far as possible by identifying and publishing future requirements.

1. Economic, Environmental and Social Value

Outcomes

- The Partnership gains maximum value from procurement through inclusion of economic, environmental and social value criteria in contracts for goods/services and works.
- We reduce waste by making sustainable choices when procuring products and services – helping us to cut costs, and meet our social, economic and environmental objectives.
- Consideration given to smaller businesses and community or voluntary organisations with regard to smaller service contracts.

Recommendations

- Consideration is given as to how to obtain social value in all procurements over the EU threshold.
- Sustainability is considered at the 'identify need' stage of the procurement cycle.

2. Improving access for SME's and VCSE's

Outcomes

- A wide range of suppliers are encouraged to do business with us through use of portals to advertise tender opportunities.
- Barriers to doing business with us are removed without compromising due process.
- SME's and VCSE's are able to identify potential 'partners' with whom to form consortia to bid for our contracts.
- The Dorset Councils Partnership identify forward spend wherever possible and use this data to inform pre-market engagement and supplier planning.
- Define criteria within the process focusing on supporting and addressing local economic priorities (such as skills gaps, training, economic deprivation etc.) is a significant part of the progress enabling bidders to show how their bid will support the council's economic, social and environmental priorities.
- Social and voluntary enterprises, organisations and other council services working and/or operating in areas suffering with economic deprivation will be made aware of potential contracts (and council services that are being considered for alternative service delivery) through engagement and support during the procurement process.

Recommendations

- Identify all procurement opportunities over £5,000 through regional portals.
- Ensure websites make it clear which portals are being used to advertise tender opportunities and how suppliers can register.

- Measure the amount of local spend as a way of identifying and reducing the barriers for smaller organisations in bidding for our contracts.
- Develop or update and publish the 'selling to the council' guide.
- Mandate payment by suppliers to their subcontractors be no greater than those in the primary contract, through contract clauses.
- Engage with single, simplified PQQ's such as PAS91 for construction.
- Learn from and engage with the supply base and other councils on a regional basis through market days.
- Ensure that lotting strategies do not create unwanted barriers for smaller businesses.
- Link into existing framework contracts which outline how consortia can be encouraged.
- Establish performance related criteria for all contracts to enable us to consider how contracts can perform against local social and economic criteria such as supporting development of skills and offering employment opportunities in areas suffering with economic deprivation.

Leadership

Overview

Councils have led the way in the public sector, demonstrating initiative and resourcefulness to rise to the social, economic and environmental challenges that our communities are facing. It is this willingness to think about doing things differently, then actually take action, that has made local government the most efficient part of public sector.

In order to make the most of our influencing role, there needs to be early and stronger engagement with markets, and in particular with commissioners of services, to decide on whether a procurement route is the best option for the service being commissioned. Procurement will use their understanding of existing markets to help commissioners make a value for money decision and, if necessary, to help consultation with the market to appraise the potential delivery models, with the fairness and transparency rules.

1. Single Cohesive Voice

Outcome

- Central Government policy takes into account the needs and differences of local government because local government procurement speak clearly with one cohesive voice.

Recommendations

- Engage with procurement networks to ensure visibility of and input into policy.
- Join with Professional Buying Organisations to showcase and share good practice and to influence Government and wider public sector.

2. Commitment from the top

Outcomes

- Procurement is recognised as strategically important by the Chief Executive, Members and Senior Officers within the Partnership.

- Procurement is supported in each authority through the appointment of a Councillor champion.
- Best overall value has been considered in all of our addressable third party spend.
- Procurement is a driver to implement Council Policy.

Recommendations

- Provide periodic updates to senior managers and elected members on implementation of good practice and its relevance to the organisation.
- Encourage an Elected Member Champion for Procurement.
- A senior level director takes overall strategic responsibility for procurement and ensures full value is extracted from all procurement decisions.
- Link this Procurement Strategy to the Corporate Strategy and show how the Procurement Strategy supports and can help to deliver corporate objectives.

3. Commissioning

Outcomes

- The Partnership identifies strategic outcomes in relation to assessed user needs, and design and secure appropriate services to deliver these outcomes.
- The Partnership better understands and manages demand through the commissioning process to better target services efficiently and effectively.

Recommendations

- Use a strategic commissioning approach to appraise new service delivery models.
- Procurement and Commissioning staff work together to ensure best outcomes for service users.
- Demonstrate a willingness to move to multifunctional delivery.
- Set out a corporate approach to decommissioning services that includes:
 - Clear Objectives
 - Co-produced products and strategy
 - Communications strategy
 - Transparency
 - Timescales and timetable
 - Risk management
 - Defined roles for those involved

4. Procurement Training

Outcomes

- The Dorset Councils Partnership builds better procurement competences within each Council by ensuring staff are equipped with the knowledge, training and practical skills needed to derive maximum benefit from procurement practices.
- The Partnership is more influential with suppliers through taking a more commercial approach to procurement.
- Council officers understand and implement the flexibilities afforded by the new EU Procurement Directives.

Recommendations

- Engage with other councils to 'piggy back' onto training and development programmes.
- Ensure senior officers are involved directly in high value contracts.
- Recruit consultants with commercial skills to help with developing a more commercial approach to procurement.
- Council officers understand and implement the flexibilities afforded by the new EU Procurement Directive.

Modernisation

Overview

Recognising the importance of political drive and vision behind increasing commercial activity to drive financial self-sufficiency, there is an increasing role for procurement in commercialisation and income generation. Regeneration of existing contracts could be a useful source of further savings or income but Procuring Officers need to see each new contract they negotiate as an opportunity for a more commercial approach which may also include, exploring assets, selling services and understanding and reducing costs/benefit analysis.

In order to get best value from the market, the Partnership should encourage supplier innovation. This may be through hosting supplier or provider innovation days on specific procurement projects, through allowing for innovative tenders in the procurement process or by moving towards outcome based specifications that focus attention on the results – or outcomes – that the services are intended to achieve. We should be sharing information about innovation through case studies, discussion forums and sharing templates.

A wide range of e-procurement tools already exist, for example e-marketplaces, e-tendering and e-invoicing. Studies have concluded that the UK public sector falls behind our European counterparts, particularly the Scandinavian countries and particularly in the area of e-invoicing which is due to be adopted as a new EU Directive in 2016. The Dorset Councils Partnership should be looking to realise benefits from e-invoicing and should now be encouraging our suppliers to embrace this technology at the earliest opportunity.

The Government is expected to transpose the new EU Directives into UK Law late in 2014, the new directives will bring increased flexibilities for the Partnership and businesses, freeing up markets and facilitating growth. There will also be a new light touch concessions directive i.e. where the consideration consists in the right to exploit works or services or that right together with payment (e.g. toll bridges, canteen services) and operating risk is transferred to the supplier. A new innovation partnerships procedure will be introduced which allows authorities to encourage suppliers to develop works, supplier or services not currently available on the market, through long term partnerships.

1. Commercialisation and Income Generation

Outcome

- Procuring staff are more commercially minded, and understand and realise benefits from all funding streams including how contracts can be developed to generate income.

Recommendations

- Invest in training and developing commercial acumen for new and existing staff.
- Develop forward savings and income generation plans.

2. Supplier Innovation

Outcome

- Suppliers are able to demonstrate innovation through all stages of the procurement cycle.

Recommendations

- Join with other councils and Professional Buying Organisations to engage in supplier market and innovation days.
- Ensure terms and conditions are flexible enough to allow for changes in technology during the life of the procurement.
- Use outcome-based specifications that include the minimum technical and performance requirements and focus on a statement of the problem that needs to be solved.

3. Using Technology

Outcomes

- Increase efficiency and productivity and realise full benefits through the use of appropriate e-procurement solutions in procurement processes.
- Use of e-invoicing helps the Dorset Councils Partnership and suppliers streamline administrative processes and improves supplier liquidity.

Recommendations

- Use electronic means for tendering processes in line with EU Directives
- Work with suppliers to encourage a move to more e-business.
- Consider making e-invoicing a contractual requirement.