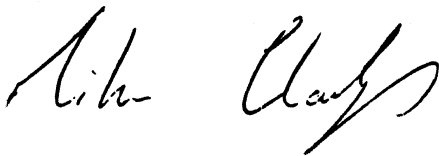


Executive

Councillor C. D. Christer, O. Johnson, D. Lavin, D. G. Llewellyn, M. J. Malone,
C. Marshall, A. Taylor, A. Watson O.B.E

Dear Councillor,

Your attendance is invited at a meeting of the Executive to be held in the
Council Chamber, Civic Centre, Consett on 08 October 2007 at 4.30 P.M. for
consideration of the undernoted agenda.



MIKE CLARK

Chief Executive Officer

Agenda

1. **TO RECEIVE ANY DECLARATIONS OF INTEREST FROM MEMBERS.**

To receive any disclosure by Members of personal interests in matters on the agenda, identify the item on the agenda, the nature of any interest and whether the Member regards the interest as prejudicial under the terms of the Code of Conduct.

2. **REVIEW OF SCRUTINY BOARD DEBATE**

To consider the notes of the Scrutiny Board Meeting held 1st October 2007 (To be circulated at the meeting).

2.A. **MINUTES**

To consider the minutes of the meeting held 10th September 2007
(Herewith F)

Attached Documents:

[Minutes of the meeting held 10th September 2007 \(Herewith F\)](#)

3. **TYNEDALE LOCAL DEVELOPMENT FRAMEWORK: SITE ALLOCATION DEVELOPMENT PLAN DOCUMENT ISSUES AND OPTIONS**

To consider the report of the Director of Environmental Services
(Herewith A)

Attached Documents:

[TYNEDALE LOCAL DEVELOPMENT FRAMEWORK: SITE ALLOCATION DEVELOPMENT PLAN DOCUMENT ISSUES AND OPTIONS \(Herewith A\)](#)

4. **CORPORATE PROCUREMENT STRATEGY 2007 - 2010**

To consider the report of the Deputy Chief Executive (Herewith B)

Attached Documents:

[CORPORATE PROCUREMENT STRATEGY 2007 - 2010\(Herewith B\)](#)
[CORPORATE PROCUREMENT STRATEGY \(Appendix A\)](#)

5. **EXCLUSION**

THE PRESS AND PUBLIC ARE LIKELY TO BE EXCLUDED FROM THE MEETING FOR THE FOLLOWING ITEMS OF BUSINESS ON THE GROUNDS THAT THEY INVOLVE THE LIKELY DISCLOSURE OF EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 3 OF PART 1 OF SCHEDULE 12(A) OF THE LOCAL GOVERNMENT ACT 1972 (AS AMENDED).

6. **DISPOSAL OF LAND AT MOORSIDE**

To consider the report of the Deputy Chief Executive (Herewith C)

7. **LEASE OF HOBSON GOLF CLUB**

To consider the report of the Deputy Chief Executive (Herewith D)

8. **CONSETT AND STANLEY MARKETS**

To consider the report of the Deputy Chief Executive (Herewith E)

Agenda prepared by (Elaine Renton), Democratic Services

EXECUTIVE

Minutes of a meeting of the Executive held in the Council Chamber, Civic Centre, Consett on 10th September 2007 at 4.30 p.m.

PRESENT

Councillor A Watson (Chairman)

Councillors: C D Christer, O Johnson, D Lavin, D G Llewellyn, C Marshall, M J Malone and A Taylor.

IN ATTENDANCE

Councillors: I Agnew, L Marshall, E J Williams and W Tyrie.

APOLOGIES FOR ABSENCE

There were no apologies for absence submitted.

23. REVIEW OF SCRUTINY BOARD DEBATE

A list of items discussed at Scrutiny Board were circulated, the Chair advised that the comments, if any, would be referred to as each agenda item was discussed.

24. DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

25. MINUTES

RESOLVED: That the minutes of the meeting held 9th July 2007 be agreed as a correct record.

26. COUNCIL PERFORMANCE – REVIEW OF PERFORMANCE FIRST QUARTER 2007/08

Councillor Malone presented the report which provided Members with an update on performance for the Best Value Performance Indicators for the first quarter of 2007/08. Appendix 1 detailed the performance for all indicators and was included for members' information. The main text of the report concentrated upon areas

where performance was a concern or where significant increases in performance had occurred. A detailed analysis of performance for all red risk indicators for the first quarter of 2007/08 was included. In addition significant falls or gains in performance for amber risk indicators were highlighted along with a short summary of performance for green rated indicators.

He highlighted the following:

- Of the 5 red risk indicators where performance for this quarter can be compared to that for the same period last year 4 have demonstrated an improvement in performance this quarter.
- Recorded levels of violent crime have fallen in comparison to Q1 and year-end 2006/07. Also sickness and absence levels are 19% lower than at the same period last year.
- Almost 60% of amber rated indicators have demonstrated an improvement in performance this quarter.
- 92% of green rated indicators have either continued to demonstrate an improvement in performance or retained their already high levels of performance.
- Majority of Planning and Housing Benefit/Council Tax indicators continue to improve or retain top quartile performance with all of the Street Cleansing and Recycling indicators continuing to demonstrate improvement in Quarter 1.

All red risk rated indicators had now completed action plans for 2007/08 and all action plans for Quarter 1 had been referred to the relevant Scrutiny Panels in September and October of 2007.

Councillor Christer referred to the red risk action planning process for 2006/07 and asked for clarification that all Action Plans had been reviewed and updated for 2007/08. In response the Performance Management Officer advised that all best value performance indicators which had been allocated a 'red risk' during 2006/07 had completed an action plan which had been referred to the relevant Scrutiny Panels throughout the year. In a number of cases this action planning process had improved performance and risk ratings had been amended accordingly and a red rating removed where necessary and replaced with an amber one. Updated or new action plans had now been produced for all red risk indicators identified for the first quarter of 2007/08. Particular reference was made to the fact that both incidences of violence crime and recorded absences had reduced during Quarter 1 for the first time since a red risk rating had been assigned at the beginning of 2006/07.

Councillor Johnson commented on BVPI 199d – fly tipping - and asked Members to note that following the year-end external audit it had been discovered that a number of enforcement actions had been taken by the Environment Agency Enforcement Officer which could have been included within the year-end outturn performance figure for BVPI 199d as this authority contributes to the cost of the above post. These additional enforcement actions, if recorded, would have

placed the authority in the higher performing quartiles nationally during 2006/07. Councillor Johnson requested that these actions be recorded in future.

Scrutiny Board Comments: *The Board Members welcomed the report and actions being taken to improve performance. In answer to a question from Councillor Barnett in relation to improvements in waste collection figures against the perceived increase in fly tipping, Mr Reynolds advised that such would form part of a further report to Members. There were no other issues raised by Members on the content of the report.*

Options: Whether or not to commission further reports into the performance of any of the best value performance indicators.

RESOLVED: That the information contained in the report regarding best value performance indicators be noted.

Reasons: To ensure that any slippages in performance can be noted and indicators which posed concerns can be directed to the Action Planning and Scrutiny process.

27. ADOPTION OF GATESHEAD UNITARY DEVELOPMENT PLAN

Councillor Johnson presented the report which informed Members of the adoption of Gateshead's replacement Unitary Development Plan (UDP) and sets out the response to this Council's representations. Members were reminded of the representations made to the Re-Deposit Draft of Gateshead's replacement UDP in April 2006. A Public Inquiry had been held in October 2006 and the Inspector's Report was published in May 2007.

The report advised that the Inspector had agreed with Derwentside's comments on all issues apart from the site at Chopwell, which was now under construction, and the lack of a phasing policy. However, even on this particular objection the deletion of the housing sites at Kibblesworth and Chopwell addressed most of this Council's concerns.

Scrutiny Board Comments: *The Scrutiny Board reviewed the report and there were no issues of concern.*

Options: Whether or not to challenge the Gateshead UDP.

RESOLVED: That the changes made to the Gateshead replacement UDP be welcomed and that no challenge be made.

Reasons:

1. The recommendations made by the Planning Inspector following the Public Inquiry were binding on Gateshead Council.

2. The recommendations of the Inspector had therefore been incorporated into the UPD and adopted by Gateshead Council on 19th July 2007.

28. SUB NATIONAL ECONOMIC DEVELOPMENT AND REGENERATION REVIEW

Councillor Llewellyn presented the report which provided an overview of the Governments Sub-National Review of Economic Development and Regeneration and to confirm the role of the Council in responding to the opportunities provided by the review.

Councillor Watson referred to paragraph 3.10 of the report and raised questions on how these incentives were to be distributed, whether through the LAA or some other means. The Deputy Chief Executive Officer advised that as yet no details of how the incentives were to be delivered had been released by the Government.

Councillor Christer commented that these recommendations had a potential to benefit areas such as Derwentside. Discussion took place on potential impact of the Local Government Review and of the need to lobby any new authority to ensure the future of economic development of the area.

Scrutiny Board Comments: *Members of the Board agreed that the Council should continue to support and maintain a full and active part in the outcome and implementation of the Sub-National Review.*

Options: Whether or not to participate in the Sub-national review.

RESOLVED: The content of the report be noted and that:

1. The Council agrees to maintain a full and active part in the outcome and implementation of the sub-national review.
2. As part of this, the Council agrees to engage in the Business Support Simplification Programme (BSSP).
3. The Council continues to work with Job Centre Plus and other key agencies to address Worklessness and to ensure that getting people into work remains a key economic development priority for the district.

Reason: The strengthening of the role of local authorities in economic development and increasing local accountability in regional strategy development and implementation was to be welcomed.

29. DERWENTSIDE'S LOCAL DEVELOPMENT FRAMEWORK ANNUAL REPORT 2006/2007

Councillor Johnson presented the report which advised Members of the preparation of the Council's third Annual Monitoring Report (AMR) covering the

period 2006/07. He commented that this was an excellent report and the main purposes of the ANR were to:

- Assess the progress of Development Plan Document preparation against the targets and milestones in the adopted Local Development Scheme.
- Analyse the effectiveness of existing 'saved' Local Plan policies and their impact on national and regional targets, particularly in relation to housing.
- Provide baseline data for future monitoring, including the Government's Core Output Indicators, identifying how any gaps in the data will be filled.

Councillor Llewellyn referred to the issue of an Affordable Housing Policy and asked questions on when this was to be produced. In response the Director of Environmental Services advised that Officers needed to ensure that any policy was accurate, robust and capable of withstanding challenges therefore wished to wait until the Housing Market Assessment information was available before proceeding with the policy. Councillor Llewellyn raised concerns that any statistics / economic figures used would be of a 'snapshot' in time and open to challenge.

Discussion took place on the definition of 'affordable housing'. The Chief Executive Officer advised that there were a number of definitions and a series of approaches would be taken to allow the authority to have evidence and accurate information in place to produce a robust Affordable Housing Policy.

Scrutiny Board Comments: *The Scrutiny Board reviewed the report and there were no issues of concern.*

Options: Whether to agree, amend or reject the proposal in the report regarding the Annual Monitoring Report.

RESOLVED: That the contents of the 2006/07 Annual Monitoring Report be agreed for submission to Government Office North East (GONE) before 31st December 2007.

Reason :

1. 'Review' and 'monitoring' are key aspects of the Government's 'plan, monitor and manage' approach to the new Planning system and Regulation 48 of the Town and Country Planning (Local Development) (England) Regulations, 2004 required local planning authorities to produce an Annual Monitoring Report (AMR).
2. The AMR must be approved by the Council and submitted to the Government Office for the North East before 31st December each year.

30. PROPOSALS FOR A NEW CEMETERY DEVELOPMENT AT MOORSIDE, CONSETT

Councillor Lavin presented the report which was an update on an original report presented to Environment Scrutiny Panel on 5th October 2006, which had

referred to the closure of Castleside Cemetery and impending closure of Blackhill Cemetery. It had been estimated that Blackhill Cemetery would be full within the next 3 years, based on current burial rates / pre-purchasing of grave plots.

Councillor Johnson advised that local ward Members were in support of the proposals. Councillor Christer referred to Scrutiny Board comments and highlighted the need to consider the reports off-road biking activities and the possible affects on the proposals.

Scrutiny Board Comments: *Councillor Hicks, in welcoming the report, agreed with the recommendation to retain adjacent land for potential future expansion. Councillor Barnett suggested that additional security measures be considered for inclusion in the scheme, making reference to recent problems at Blackhill Cemetery. Reference was made to problems with regard to off-road biking near the facility and the need to control such activities. Following further discussion there were no other issues of concern.*

Options: Whether to support or reject the proposal to include this project in the Capital Programme.

RESOLVED:

1. That the proposal for a new cemetery development at Moorside, Consett for inclusion of the project in the Capital Programme be supported.
2. That the project be designed and split into two modules over a period of time.
3. That a firm be commissioned to carry out the Project Management of this project.
4. That Members note the potential impact on the revenue budget for maintenance costs for the new Cemetery, estimated at £30,000 per annum for Grounds Maintenance.
5. That the Council owned land surrounding the development contained within the report be retained to ensure a continuity of Cemetery facilities in the future.

Reasons:

1. A number of areas of land in Council ownership had been examined and Ward Members and Members of the Cemetery Working Group, officers and consultants had concluded that the Moorside site was both suitable for the intended purpose and would adequately serve the needs of the residents of Consett and the surrounding communities.
2. Without further funding to complete the final brief and works schedule the project cannot proceed and a formal planning application cannot be made.

31. EXCLUSION

ON THE MOTION OF COUNCILLOR M MALONE SECONDED BY COUNCILLOR D G LLEWELLYN THAT UNDER SECTION 100(A) OF THE LOCAL GOVERNMENT ACT 1972, THE PRESS AND PUBLIC BE EXCLUDED FROM THE MEETING FOR THE FOLLOWING ITEMS OF BUSINESS ON THE GROUNDS THAT THEY INVOLVE THE LIKELY DISCLOSURE OF EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 3 OF THE LOCAL GOVERNMENT ACT 1972 (AS AMENDED).

32. DISPOSAL OF LAND AT PONT LANE LEADGATE

Councillor Marshall presented the report which requested approval to dispose of an area of land held on trust by the Council at Pont Lane, Leadgate at an undervalue, and, to transfer an equivalent area of land in terms of value, into Trust.

It was noted that Local Ward Members were in support of the proposal.

Scrutiny Board Comments: *The Scrutiny Board welcomed the report. Councillors Stelling and Williams supported the proposals.*

Options:

1. **Proceed with a disposal at an undervalue.**
2. **Agree to a disposal at market value.**
3. **Refuse to dispose of any land.**

RESOLVED:

1. **That authority is given to proceed with a disposal in accordance with 3.13.1 of the report and,**
2. **transfer Trust status to the land hatched and numbered 3 on the plan attached to the report.**

Reasons:

1. The Council would receive a substantial capital receipt.
2. This would facilitate the retention of a well established local Company and its 92 employees.
3. There would be a significant improvement to the local environment and to the quality of life of the local community.
4. It will result in the establishment of an area of land for the enjoyment of the public.

CONCLUSION OF MEETING

The meeting closed at 5.08 p.m

**TITLED: Tynedale Local Development Framework: Site Allocation
Development Plan Document Issues And Options**

TO/ON: Executive – 8th October 2007

BY: Director of Environmental Services

PORTFOLIO: Environment

STATUS: Report

STRATEGIC FACTOR CHECKLIST

The Council's Corporate Management Team has confirmed that the Strategic Factor Checklist has been applied to the development of this report, and there are no key issues, over and above those set out in the body of the report, that need to be brought to Members' attention.

1 SUBJECT MATTER AND PURPOSE

- 1.1 Tynedale District Council has published for consultation the Site Allocations Issues and Options document which forms part of its Local Development Framework. Representations were required by 14th September so officers have forwarded comments before the deadline. This report explains those issues that are relevant to Derwentside and seeks Member's endorsement of the comments sent to Tynedale Council.

2 BACKGROUND

- 2.1 Tynedale Council is asking for comments on the development potential of the near 300 sites, which landowners and other interested parties have suggested for development over the period to 2021. The proposed uses of the sites include housing, recreation and retail amongst others.
- 2.2 Tynedale are currently awaiting the Inspector's report for the submission of the Core Strategy that went to public examination in April 2007, the Inspectors report was expected in August 2007. The Core Strategy establishes the basic approach to the scale and location of development and the policies in the Core Strategy will be a key factor in determining how many sites are needed and where.

3 SITE ALLOCATIONS ISSUES AND OPTIONS DOCUMENT

- 3.1 The Site Allocations document groups the list of potential sites into areas and the area that is most relevant to the Council is the Shotley Low Quarter, which is adjacent to the District. The inclusion of sites as options should not be interpreted as an endorsement by Tynedale Council; it is just the first stage of consultation in deciding which sites should be taken forward at the preferred options stage. Four sites are outlined in Shotley Low Quarter (See Appendices 1 to 5). Private consultants acting on behalf of their clients have proposed all

of the sites for housing, sites SA121, SA122, SA123 for economic development and site SA121 and SA123 for tourism development.

- 3.2 The Tynedale Core Strategy proposes that the main focus for development will be Hexham, Haltwhistle and Prudhoe. To a lesser extent development will also be directed to Allendale, Bellingham, Corbridge and Haydon Bridge. Shotley Bridge and Whittonstall are listed as named villages that would be suitable for small-scale development. This approach reflects the approach of the Regional Spatial Strategy.
- 3.3 National Government guidance in Planning Policy Statement 1: Delivering Sustainable Development (PPS1), Planning Policy Statement 3: Housing (PPS3), Planning Policy Statement 7: Sustainable Development in Rural Areas (PPS3) and Planning Policy Guidance 13: Transport (PPG13), all support sustainable development through the location of development in existing local centres close to local facilities and services.

4 COMMENT

- 4.1 The overall scale of development envisaged in Tynedale is relatively small. Tynedale Council will have to consider detailed planning assessments of each site including how it relates to the Core Strategy and a Sustainability Appraisal looking at the relative impact on environmental, social and economic objectives. Given the national, regional and planning context the allocation of any of the sites in Shotley Low Quarter for residential development would be unacceptable.
- 4.2 PPS7 allows for economic development sites in rural areas where there is a need for employment creation and Policy EDT3 in Tynedale's Core Strategy allows employment development in rural areas if it forms part of a farm diversification scheme. Therefore economic development would be acceptable on sites SA121 and SA122 but not SA123.
- 4.3 Policy EDT4 of Tynedale's Core Strategy allows small-scale new build tourism development and accommodation in the open countryside. Therefore sites SA121 and SA123 would be acceptable for tourism development.

5 CONCLUSION

- 5.1 It is unlikely that the sites that have been put forward in the Shotley Low Quarter will be considered suitable for housing development due to their unsustainable location and the policies in Tynedale's Core Strategy. However it is still important to make this Council's views on these sites known, therefore representations should still be made.

6 RECOMMENDATIONS

- 6.1 The Executive is recommended to:
- i) Object to the allocation of the following sites for residential development; SA121; SA122; SA123; SA069
 - ii) Object to the allocation of the following site for economic development;

SA123

For further information contact Mike Allum, Principal Planning Officer, Telephone: 01207 218278 or E
Mail: m.allum@derwentside.gov.uk

Background Documents:

Tynedale Site Allocations Issues and Options

Tynedale District Submission Draft Core Strategy

Planning Policy Statement 1: Delivering Sustainable Development (PPS1)

Planning Policy Statement 3: Housing (PPS3)

Planning Policy Statement 7: Sustainable Development in Rural Areas (PPS3)

Planning Policy Guidance 13: Transport (PPG13)

Derwentside District Council

Corporate Procurement Strategy 2007-2010

“The Derwentside Procurement Way”



Foreword by the Leader of the Council and the Executive Director

Strategic procurement has been significantly raised in profile in local government since the establishment of the National Procurement Strategy and it is also recognised as increasingly important activity within Derwentside District Council.

The Council spends over £20 million a year on goods, works and services and we recognise that having a Corporate Procurement Strategy and Action Plan is essential to ensure that we can use our procurement spend strategically to achieve the overall aims and objectives of the Corporate Plan.

This Corporate Procurement Strategy and Action Plan sets the framework in which the Council will work to ensure that procurement activities across the Council achieve the requirements of Best Value across all services and directly contribute to our Corporate Plan vision of ensuring *that “Derwentside is a place that people want to live in and are proud of”*

This Corporate Procurement Strategy and Action Plan has been developed as a result of consultation with Members, Heads of Service, the North East Centre of Excellence and other important stakeholders, including external assessments of our capability.

Since we established our Corporate Procurement division in 2005 we have built upon the initial capability and pockets of good practice in existence and have adopted some innovative and collaborative approaches to procurement including a shared Head of Procurement with two neighbouring authorities.

In addition to the successful achievement of National Procurement Strategy milestones, we have also received positive external assessments from the Improvement and Development Agency (I&DeA) and the North East Centre for Excellence (NECE) regarding our procurement and e-procurement capabilities.

This is an essential Corporate Strategy and we encourage the whole Council and our partners to support it and work together to enable us to improve our strategic procurement capacity and capabilities and enable the Council to continue to demonstrate value for money and improved services for the benefit of our community.

We hope that you will find this strategy informative and are able to offer your best efforts to support the successful development of DPW the *“Derwentside Procurement Way”*.

Alex Watson OBE
Leader of the Council

Mike Clark
Chief Executive

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1 INTRODUCTION

This Strategy will cover the period of 2007-2010 and sets out the Council's aims, objectives, framework, policies and actions relating to its future approach to procurement.

In addition to the Community Strategy and Corporate Plan it has been developed in consideration of various other important reports and inputs such as:

- § The National Procurement Strategy for Local Government - 2 Years On
- § Strong and prosperous communities – The Local Government White Paper
- § Procuring the Future -The Sustainable Procurement Task Force National Action Plan
- § Transformational Local Government - Discussion paper
- § Sir Peter Gershon report - Releasing resources to the front line
- § The renewed approach to CPA with specific regard to Value for Money and Use of Resources
- § External assessment of capability and progress by I&DeA via an e-procurement health check and a procurement challenge
- § Guidance provided by the Government, OGC, I&DeA and others; and
- § Best Practice identified by Government, local authorities and procurement organisations including the North East Regional Centre of Excellence.

Definition of Procurement and its importance

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 the useful life of an asset. It involves options appraisal and critical “make or buy” (i.e. whether or not to provide services in-house) decisions.

The procurement of works and services is a key part of Best Value legislation, which requires local authorities to secure continuous improvement in economy, efficiency and effectiveness in the exercise of its functions in order to demonstrate value for money.

Such procurement involves challenging the current method of service provision and includes a requirement to consider private competition, partnerships, shared services and other models of delivery alongside traditional direct service methods, and existing as well as new services need to be reviewed under the procurement process and procurement is therefore about making choices.

In the context of a procurement process, obtaining Best Value means choosing ***the option that offers the optimum combination of whole life costs and benefits to meet the customer's requirement.***

Procurement requirements can include social, economic, environmental and other strategic objectives, which should be defined at the earliest stages of the procurement cycle and the criterion of Best Value is then used at the award stage to select the bid that best meets the requirement.

2 THE CORPORATE CONTEXT

Derwentside District Council (DDC) is continually striving to ensure that local communities, local businesses, statutory and voluntary agencies are working together to evolve into a community that both believes in itself and recognises that by working together the district will be a place that people want to live in and be proud of, and the Council has developed a Corporate Plan for the district for 2006-2010 to achieve the vision set out in the Derwentside Community Strategy.

The Corporate Plan

The Corporate Plan for the district for 2006 - 2010 contains a vision of:

“We will work to ensure Derwentside is a place people want to live in and are proud of”

In realising this vision for local people the Council wants to ensure that they:

- § Can influence the decisions of service providers
- § Are encouraged and enabled to lead a healthy lifestyle
- § Can access quality employment opportunities locally
- § Have received high quality education and training that has equipped them with the necessary skills to maximise their potential
- § Feel safe and crime levels are amongst the lowest in the country
- § Have access to a range of housing and vibrant local retail centres that meets their needs, and they live in a clean local environment
- § Are serviced by an excellent local Council.

To achieve this vision the Corporate Plan has been developed and it contains **7 aims** as shown below and the Corporate Procurement Strategy is an essential contributor towards the achievement of all of these aims.

- § **Community Safety:** *Together with our partners deliver a safer place*
- § **Strong Communities:** *Together with our partners, deliver a place with strong, cohesive communities and enable them to achieve their vision*
- § **Health:** *Together with our partners improve the Health of the population and reduce health inequalities*
- § **Economy:** *Together with our partners, deliver an economically successful place*
- § **Environment:** *Together with our partners, create a clean, attractive and sustainable environment*
- § **Learning:** *Together with our partners, deliver a learning community*
- § **Excellence:** *Together with our partners, achieve organisational Excellence*

The Corporate Plan aims will require the Council to demonstrate strong community leadership and encourage greater community involvement in the planning, delivery and review of services.

It will also require the Council to demonstrate objectively that we learn lessons and act on feedback and manage risk and make the best use of resources and partnerships to achieve value for money and enhance service delivery.

Procurement is an essential element of the delivery of effective and efficient services and if the procurement spend is used strategically it can make a significant contribution to the work of the Council in support of the Corporate Plan aims.

The 2004-2006 Corporate Procurement Strategy provided a valuable contribution to the Council's successes within the previous Corporate Plan and it is therefore important that the new Corporate Procurement Strategy can support and contribute to the successful achievement of the 2006-2010 Corporate Plan.

The relationship between the new Corporate Procurement Strategy and other important Council strategies and plans within the Council's Performance Management Framework, is illustrated and explained in the Performance Monitoring and Review section of the Strategy.

3 THE NATIONAL PROCUREMENT STRATEGY & "2 YEARS ON"

The Government's **National Procurement Strategy for Local Government (NPS)** set the scene for all Councils to be delivering significantly better and more cost effective public services through sustainable partnerships and a mixed economy of competitive suppliers from many sectors.

The NPS requires all councils to:

- § **Make the necessary cultural changes**
- § **Provide leadership and build capacity**
- § **Engage in partnerships and collaboration**
- § **Do business electronically**
- § **Stimulate markets and achieve local community benefits.**

The Government continues to encourage all Councils to find new ways to deliver significantly better services at lower costs by way of streamlining procurement, working in partnerships, redesigning the delivery of services, sharing back-office systems or pooling buying power via collaboration.

The NPS encourages key decision-makers to think of new and exciting ways to work with partners to deliver quality services and achieve strategic objectives.

The NPS seeks the implementation of world-class practices in procurement, resulting in significant impacts in all aspects of public service delivery and performance and illustrates how Local Government should use innovative ways to procure, work in partnership with others, and manage services that will:

- § Better achieve community plan objectives
- § Deliver consistently high quality services that meet user needs with a range of partners from other sectors
- § Provide savings and better value for money, thereby improving the cost effectiveness of the council
- § Build social cohesion and promote equality of opportunity for service users, businesses and Council staff

- § Be sustainable for the communities and areas served and benefit local citizens
- § Support delivery of the Council's e-Government agenda
- § Enable Councils to manage and assess risks in the market place
- § Be delivered through different structures and in new forms

The Government's vision for local authority procurement is that all Councils should be:

- § Delivering significantly better quality public services that meet the needs of citizens through sustainable partnerships with a range of public, private, social enterprise and voluntary sector organisations
- § Operating a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- § Achieving and demonstrating continuous improvement in value for money by collaborating with partners at local, regional, national, and European levels
- § Obtaining greater value from all categories of procurement expenditure through a corporate procurement strategy and the necessary resources for implementation
- § Realising community benefits
- § Stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services

A Government report into NPS progress "**2 Years On**" recommended that Councils should continue to improve and achieve all of the milestones and develop innovative procurement practices, as pressures on the public purse will intensify.

The report referred to the Comprehensive Spending Review in 2007 (CSR07) and to ensure that maximum value for money is achieved for every pound spent. It encourages an improved corporate approach to asset management and also highlighted the need for Councils to accelerate the pace of service transformation.

The report specifically made the following recommendations:

- § Respond to the national commodity, goods and services programme including the use of market intelligence
- § Consider strategic partnerships and develop shared services
- § Improve relationships with the third sector
- § Participate in regional e-marketplaces
- § Support sustainable procurement and the new equalities agenda

The Council established our Corporate Procurement Division in 2005 in response to the NPS and we have built upon the initial capability and pockets of good practice in existence and have adopted some innovative and collaborative approaches to procurement, however there are further opportunities for improvement to meet the new challenges.

An assessment of the Council's procurement capabilities versus the NPS milestones by I&DeA in January 2007 identified that 19 of the 21 initial NPS milestones had been fully achieved by the end of 2006, and it will therefore be important for the Council to continue to build upon the good progress made and continue with the NPS themes and address the above recommendations in the new Strategy for 2007-2010.

4 KEY PRINCIPLES AIMS AND OBJECTIVES OF THE STRATEGY

Procurement is a means by which the Council can help deliver its strategic objectives and it also reinforces the achievement of Best Value and compliance with EC Procurement Directives and the Public Contracts Regulations 2006.

Key Procurement Principles

Taking account of the National Procurement Strategy for Local Government, all of the Council's procurement decisions and actions will be taken in accordance with the Principles of:

1. Focusing on desired outputs and outcomes
2. Being driven by customer and community needs to deliver services that are designed around the citizen or business
3. Seeking to achieve value for money by the most advantageous balance of quality and price by using with pre-agreed multi-criteria in decision-making
4. Encouraging competition, increased choice, innovation and value for money
5. Developing collaborative and partnership arrangements and adopt a shared services culture wherever appropriate without adversely affecting service quality
6. Being open, objective, transparent, fair and accountable
7. Promoting sustainability, ethical practices, social inclusion and professional service delivery and to work within the Council's Equality Policy
8. Ensuring that the people delivering services are well trained, knowledgeable, motivated and committed
9. Achieving the Council's Corporate Plan and Corporate Procurement Strategy
10. Incorporating performance review and comparison
11. Developing and utilising e-procurement systems to engage with suppliers, improve efficiency and generate sustainable cost benefits

Overall Purpose and Aims

The overall purpose of the Strategy is to:

To ensure that all procurement decisions made by the Council will help to deliver the Corporate Plan objectives and produce Best Value by demonstrating Value for Money and the effective Use of Resources.

All procurement decisions should be made in order to achieve community benefits and support the continuous improvement of service delivery in Derwentside.

The 3 Key Aims

The key aims of the Strategy are to:

AIM 1: Improve our capacity and capability to deliver successful procurement projects, effective contract management and to develop constructive supplier relationships.

AIM 2: Improve our existing procurement framework and processes to ensure that all procurement decisions are on an informed, consistent, transparent and sustainable basis.

AIM 3: Ensure that the procurement process leads to continuous improvement in service delivery, value for money and the efficient use of resources and derived community benefits.

The Key Objectives

1. To provide a corporate focus to procurement in order to successfully deliver new approaches to procurement and maximise their impact
2. To secure commitment to effective procurement from Members and employees at all levels within the organisation
3. To support cultural change for delivery by supporting the development of the skills, knowledge and empowerment of employees
4. To ensure that all procurement processes are objective, consistent, fair, transparent and operated in the interests of customers and the community
5. To achieve value for money and effective use of resources via partnerships and collaboration arrangements wherever possible
6. To exploit the use of e-procurement and technology where appropriate to achieve efficiency savings to help deliver better services
7. To ensure that the procurement process supports continuous improvement of procurement activity and local services
8. To promote diversity, competition and choice in service delivery where this can enhance service performance and community benefits
9. To ensure that the Equality Policy and its objectives are incorporated into all procurement activities
10. To promote the principles of sustainability through the procurement process
11. To improve the performance management of procurement and service provision

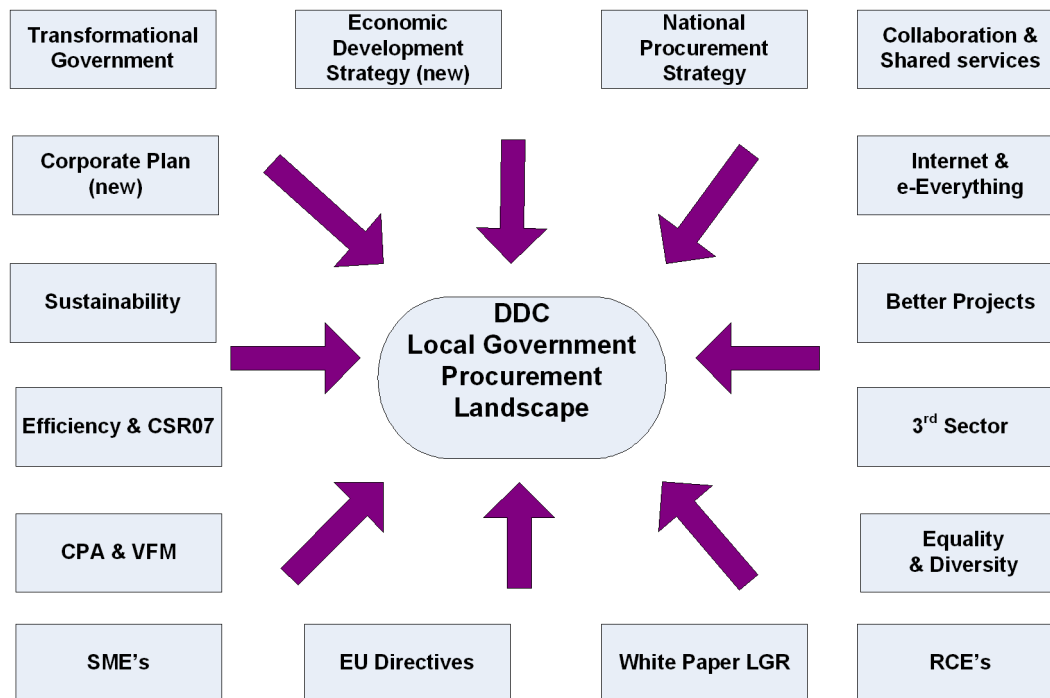
5 LOCAL GOVERNMENT PROCUREMENT LANDSCAPE

In order to develop the new Strategy it has been important to research the local government landscape and factors that will have an influence on the future direction of the procurement decision-making processes of the Council.

In an environment of demographic change, global economic integration, global uncertainty, technological innovation as well as the increased importance of issues such as climate change and sustainability, there will be some new and difficult challenges for Councils.

A PESTEL framework summary (Political, Economic, Social, Technological, Environmental, and Legal) was researched and is demonstrated below to highlight the complexity of the Local Government procurement landscape for the Council and some of the key drivers for change are also explained in detail.

PESTEL summary



Drivers for change

The **Comprehensive Spending Review 2007** (CSR 07) will require Councils to ensure that spending is aligned to appropriate priorities and that maximum **value for money** is achieved for every pound spent during Financial Years 2008-9 to 2010-2011

Councils will be expected to accelerate their improvements and transformation within tight fiscal constraints continue to ask tough questions such as what services could be delivered better or differently and what may need to be stopped in order to drive out inefficiencies whilst ensuring that the required outcomes are achieved.

As outlined in the **Local Government White Paper** -Strong and Prosperous Communities Government will continue to encourage cross-cutting reviews and service collaboration, and there will be a further development of the **efficiency programme** following the Gershon review that is likely to require ambitious efficiency gains, thus increasing furthermore the demands on Councils budgets to deliver services.

The Council does not possess all of the resources to deliver the Corporate Plan by itself and will therefore be required to **collaborate** and create **partnerships** or **shared services** with others. It will also need to develop relationships with suppliers in the **public, private, social enterprise and voluntary sectors** to deliver services and carry out projects or acquire supplies and equipment.

In support of the Government objective to make the UK a leader in the EU for sustainable procurement, the Sustainable Procurement Task Force has developed a **National Action Plan** to deliver **sustainable procurement** which is defined as:

“Sustainable Procurement is 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 to the environment.”

The definition footnote also states that sustainable procurement should consider the environmental, social and economic consequences of: Design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain.

The National Action Plan requires Councils to build sustainability into procurement decisions and has provided a **flexible framework** to assess the sustainable procurement capability and provided a prioritisation methodology to enable Councils to prioritise 10 key spend areas identified for sustainable procurement attention.

The National Action Plan does highlight the requirement for further **toolkits and expert advice** to be developed to assist public sector procurers and sustainable procurement will therefore be a key issue to address in our new Corporate Procurement Strategy.

Local Government is now currently preparing a Sustainable Procurement Action Plan specifically for Chief Executives and Heads of Procurement and this will require Councils to reset policy, strategy, priorities and targets for sustainable procurement in the future.

It will also be important to obtain political and managerial leadership and commitment to mainstream sustainable procurement into all of the Council's activities as well as ensuring an appropriate balance with the requirements of CSR 07.

The Transformational Local Government paper encourages Councils to seize the opportunity to lead change and re-shape local public services and that modern technology such as ICT can stimulate and support transformational change.

The key messages of the paper were that **Transformational Government** will require three key transformations:

1. **Services enabled by IT must be designed around the citizen or business**, not the provider, and provided through modern, coordinated delivery channels. This will improve the customer experience, achieve better policy outcomes, reduce paperwork burdens and improve efficiency by reducing duplication and routine processing, leveraging delivery capacity and streamlining processes.
2. **Government must move to a shared services culture** – in the front-office, in the back-office, in information and in infrastructure – and release efficiencies by standardisation, simplification and sharing.
3. There must be **broadening and deepening of government's professionalism in terms of the planning, delivery, management, skills and governance of IT-enabled change**. This will result in more successful outcomes; fewer costly delivery failures; and increased confidence by citizens and politicians in the delivery of change by the public services.

Councils have a general duty to eliminate unlawful discrimination through positive action and to act to promote equality and furthermore are expected to pay due regard to the provisions of this duty in all of its functions.

The Council has an Equality Policy and a three-year action plan and it will therefore be important that the new Strategy ensures that procurement practices and policies contribute to our priorities for **equality and diversity**.

This duty will require us to ensure that we treat all suppliers and partners equally and that procurement decisions ensure that our suppliers operate and comply with an effective equality policy, and therefore actions will need to be taken in the new Strategy.

The Government has established nine **Regional Centres of Excellence** to act as change agents for local government efficiency and procurement.

The **North East Centre of Excellence** (NECE) works with all 25 local authorities in the North East region and has a vision that all Councils are committed to driving service improvement through efficiency and effective procurement.

In support of the procurement agenda NECE has established a Strategic Procurement Network consisting of procurement representatives of each Council who have defined and initiated several projects for **collaborative procurement**.

Collaborative working via this network has enabled the Council to contribute to and benefit from several projects within the scope of NECE and the new Strategy will need to include actions to commit us to work furthermore in regional and sub-regional procurement projects to make effective use of our resources.

6 STRATEGIC PROCUREMENT ASSESSMENT

In order to develop the new Strategy it has been important to assess the current strategic procurement situation within the Council in order to identify improvement areas for the new Strategy.

In response to the National Procurement Strategy the Council developed a Corporate Procurement Strategy and Action Plan for 2004-2006 and established a small Corporate Procurement Division in January 2005.

Following successful progress towards the Corporate Procurement Strategy and Action Plan the final action for completion was to obtain a health check against our progress and two **external assessments** were funded by NECE and carried out by I&DeA.

In July 2006 an **e-procurement review** occurred and following a very positive assessment the following recommendations for future consideration were made:

1. Formalise the strategy for e-procurement
2. Develop a plan for supplier adoption in support of e-procurement
3. Review and update the corporate IT Strategy

4. Investigate the appropriateness of purchase cards
5. Implement further tactical opportunities for e-procurement
6. Identify any other opportunities from the regional e-procurement strategy

In January 2007 a **Procurement Challenge** was carried out by I&DeA and the Council were assessed as successfully achieving 19 of the 21 NPS milestones.

The Challenge identified that the two outstanding NPS milestones were the roll-out of the recently procured e-marketplace and re-consideration of the potential application of purchase cards and 7 recommendations were made mainly with regard to embedding the good progress made since 2005:

1. Adopt a wider strategic procurement management approach by mapping all procurement expenditure using a “portfolio approach” (risk/value matrix) and develop appropriate strategies for key spend areas
2. Clarify further the roles and responsibilities for Executive, Scrutiny and Officers within the procurement process and adopt a wider corporate approach to project management based upon PRINCE2
3. Undertake an appropriate skills analysis for Councillors and Officers to develop training programmes
4. Develop new local performance indicators to support performance management
5. Consider other options for e-procurement such as purchasing cards, e-invoicing and e-auctions
6. Build upon and embed the approach to sustainability into the new Procurement Strategy and processes
7. Further consider the supply chain (including SME’s) in partnerships and incorporate into contract management processes

Since the establishment of the NPS the Government has launched other national projects and initiatives to increase furthermore the importance of strategic procurement management within Local Government as demonstrated in the drivers for change previously described.

In addition to the external assessments and consideration of all of the aforementioned issues, the Council’s Procurement Champions who represent their Directorates at the cross-functional Procurement Strategy Network carried out an **internal assessment** via a **SWOT Analysis** (Strengths, Weaknesses, Opportunities, and Threats)

The SWOT analysis demonstrated below has provided additional information for the new Strategy and has influenced the policies, structure and Action Plan within the new Strategy.

SWOT Analysis by Procurement Champions

Strengths	Weaknesses
<p>Clear leadership vision for strategic procurement</p> <p>Procurement Strategy Group with responsibility for Strategy progress</p> <p>Procurement Strategy Network to support delivery of the Strategy</p> <p>Procurement has a high profile and is well supported cross functionally</p> <p>Corporate procurement team is established</p> <p>Regional reputation of Council capability is high</p> <p>Shared procurement service with neighbouring authority</p> <p>Designated Member and Officer Champions are appointed</p> <p>Initial Strategy and Action Plan achieved provides a good platform</p> <p>I&DeA commended the Council on excellent progress and NPS status</p> <p>Procurement savings target has been achieved one year early</p> <p>Member involvement in strategic procurement projects</p> <p>Officer and Member training carried out</p> <p>PRINCE2 trained Officers and corporate Project Management system</p> <p>Active participation in collaborative relationships via NECE</p> <p>Strategic partnership working demonstrated</p> <p>Good use of frameworks, National and Regional agreements</p> <p>Membership of NEPO and Durham Procurement Partnership</p> <p>Purchase to Pay process mapped and e-marketplace planned</p> <p>Spend analysis information via Powerplay</p>	<p>Procurement work programme is only 2 years in duration</p> <p>Progress and speed of delivery of some work programme items</p> <p>Quality of tendering for some work programme items</p> <p>Procurement project management and monitoring within Service Plans</p> <p>Insufficient early Member involvement at the “Define the need” stage</p> <p>Insufficient Member involvement at the “Lessons learned” stage</p> <p>PRINCE 2 project management approach is not fully embedded</p> <p>Corporate Project Management system is not fully utilised or embedded</p> <p>“Gateway Reviews” are not carried out for major projects</p> <p>e-marketplace is not fully deployed across the Council</p> <p>Sustainable procurement process is not fully embedded</p> <p>3rd Sector working and engagement is not fully embedded</p> <p>Lack of IT Strategy to support transformation</p> <p>No formal supplier adoption authorisation process exists</p> <p>Procurement savings achieved may not be fully realised into the front-line</p> <p>Procurement savings achieved are not currently re-assigned corporately</p>
Opportunities	Threats
<p>Adoption of a wider strategic procurement management approach</p> <p>Mapping of key procurement expenditure via portfolio approach</p> <p>Development of sourcing strategies for key spend areas</p> <p>Embedding of a strategic procurement approach into Service Plans</p> <p>Develop a 3-5 year procurement work programme to support MTFP</p> <p>Increase visibility of work programme on website to engage suppliers</p> <p>Development of intranet or web-based procurement pages</p> <p>Intranet or web-based pages to include guides, processes, toolkit etc.</p> <p>Develop standardised local performance indicators via NECE</p> <p>Re-consider Purchase Cards and e-auctions</p> <p>Increase centralised procurement resources for appropriate spend areas</p> <p>Increase sub-regional collaboration</p> <p>Communication of e-procurement strategy</p> <p>Participation in NECE regional procurement projects</p> <p>Development of sustainable procurement process</p> <p>Shared services opportunities</p> <p>Transforming services to better meet user needs</p> <p>Value for Money Strategy opportunities</p> <p>Supplier engagement activities for larger collaborative projects</p> <p>Supplier engagement activities for smaller contracts below tender level</p>	<p>Comprehensive Spending Review cost pressures</p> <p>Further development of Efficiency Programme will challenge budgets</p> <p>Local Government Review (LGR) – staff retention and recruitment</p> <p>LGR may restrict collaborative working appetite in the short-term</p> <p>Lack of capacity and skills for Procurement work programme</p> <p>DDC may not possess all of the required new skills and competences</p> <p>Lack of supplier engagement for larger collaborative projects</p> <p>Larger collaborative projects may reduce local supplier spend</p> <p>Local SME capability for larger collaborative projects</p> <p>Lessons learned from previous projects are not formally captured</p> <p>Lessons learned from previous projects are not easily communicated</p>

7 CORPORATE PROCUREMENT POLICIES

In consideration of the Principles, Aims and Objectives, the local government landscape and the assessment of the Council's current situation, the following Corporate Procurement Policies will apply for the new Strategy:

Procurement Policy 1	Procurement Framework
<p>The Procurement Framework set out in the Council's Corporate Procurement Strategy will form the basis of all considerations and decisions relating to the contracting of services, works, goods and construction, working within the Council's Financial Regulations.</p> <p>The Procurement Framework will be supported by Procurement Guides, Procedural Notes and business processes in order to operationally diffuse its procurement processes across the Council.</p>	
Procurement Policy 2	Whole Life Cost
<p>All procurement decisions will be made on the basis of whole life costs.</p> <p>The Council will apply pre-determined multi-criteria seeking the appropriate balance between costs and quality and other relevant criteria in making contract awards.</p>	
Procurement Policy 3	Stakeholder Consultation
<p>The Council will consult with all employees and other key stakeholders with a direct interest in the outcome of procurement decisions.</p> <p>The effective involvement of employees and their representatives in service reviews and the subsequent procurement process will be encouraged and facilitated.</p>	
Procurement Policy 4	Business Cases
<p>All services will be required to develop business cases relating to service and contract delivery and be incorporated within service plans annually.</p> <p>Key procurement projects in the Procurement Work Programme will also require a business case.</p>	

Procurement Policy 5	Financial Regulations for Procurement
Financial Regulations for Procurement will be reviewed annually in order to reflect the Council's Procurement Strategy, any new processes to promote efficient and effective procurement, whilst maintaining safeguards of probity and good governance.	
Procurement Policy 6	Procurement Decision-Making
Key procurement decisions will be recorded to identify and report the budget, decision-making criteria and procurement result in order that value for money can be demonstrated objectively and an auditable trail is available for scrutiny by stakeholders.	
Procurement Policy 7	Budgetary Authorisation
<p>Budgets will be identified in advance of all procurement activities in order to ensure authorisation to proceed and no procurement decisions will be authorised over any agreed budget value.</p> <p><i>“No budget = No sourcing” & “No sourcing over agreed budget”</i></p>	
Procurement Policy 8	Procurement Contracts Register
A Procurement Contracts register will be maintained by Corporate Procurement and all contracts entered into must be recorded on this register upon conclusion of any procurement process.	
Procurement Policy 9	Corporate Procurement Leadership & Consultation
For all tenders over the EU threshold Corporate Procurement will lead the tender process, and for key procurement projects the tender documentation will be approved by Corporate Procurement in advance of issue.	

Procurement Policy 10	Corporate Contract Compliance
<p>To ensure contract compliance once the Council has established a corporate contract for goods, services or works then no other contractual relations will be entered into for this spend area unless agreed with Corporate Procurement and authorized by the relevant Director.</p>	
Procurement Policy 11	Procurement Plan & Advertising
<p>To ensure appropriate advertising for procurement and to encourage supplier engagement the Council will publish its future Procurement Work Programme and any other identified procurement requirements on the corporate website.</p>	
Procurement Policy 12	Collaboration
<p>The Council will seek to collaborate with others wherever possible and practical in order to make the best strategic use of its procurement spend and achieve value for money.</p>	
Procurement Policy 13	Efficient Procurement
<p>The Council will seek ways to continuously improve the efficiency and effectiveness of its procurement processes by e-procurement and other appropriate technologies.</p>	
Procurement Policy 14	Sustainability
<p>The Council will seek to mainstream sustainable procurement into all of the Council's activities as well as ensuring an appropriate balance with the requirements of CSR 07.</p>	
Procurement Policy 15	Supplier Management
<p>The Council will seek to work closely with its key suppliers in an objective, transparent and constructive way in order to ensure that service delivery is managed effectively, demonstrates continuous improvement, and that contract management is efficient.</p>	

8 THE PROCUREMENT STRUCTURE

The Government expects that large Councils will establish dedicated corporate procurement functions to stand alongside other strategic functions and that act as a focal point for procurement expertise within the Council and for suppliers wishing to do business with the council.

The Government suggests that smaller Councils will need to consider other options e.g. shared resources, partnering and linkages to Regional Centres of Excellence for creating a focal point and coordinating procurement across the Council.

If the Council is to be able to address the procurement challenges laid down by Government it will, in addition to establishing “strategic drive” be necessary to establish operational capacity and expertise in order to both fully engage with the procurement agenda, link with other organisations and support the development of new processes.

Establishment of a “whole service” procurement function for a relatively small authority such as Derwentside is unlikely to be cost-effective or appropriate for the management of all procurement requirements.

There is however a continued need for some dedicated capacity and expertise to be available in Corporate Procurement to assist the Council to achieve the Corporate Procurement Strategy and Action Plan and develop appropriate business systems, processes and guides that can be used by staff with a procurement responsibility, as well as to develop collaborative procurement arrangements with other partners.

The Derwentside will continue to adopt a “Centre-led” model for strategic procurement and this entails the following approach:

- § Central led systems, policy and procedures
- § Centrally owned and sourcing for none core-competency items
- § De-centrally owned with subject matter with procurement expertise provided centrally for core-competency items

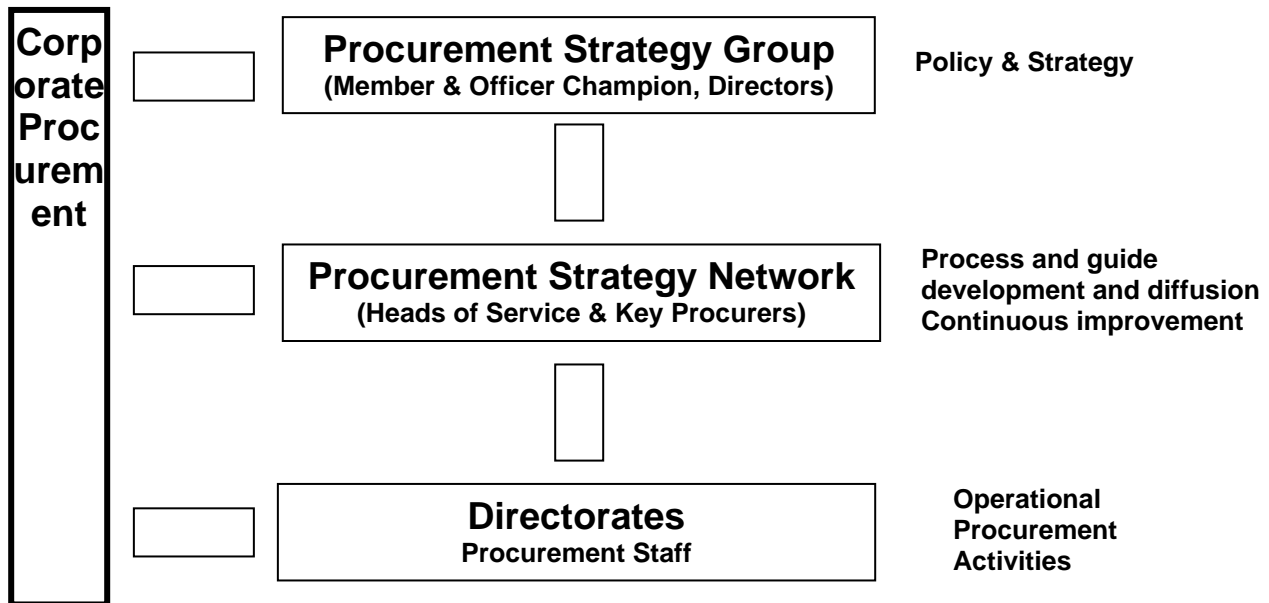
The Centre-led model will lead to increased centralisation through re-deployment of the Council’s resources as it blends spend leverage, process standardisation and knowledge-and resource-sharing attributes of a full centralisation model with the local empowerment and execution characteristics of the decentralised model.

Derwentside have already decided to collaborate with our neighbouring authorities Chester-le-Street and Sedgfield Borough, and have established a service level agreement for a shared Head of Corporate Procurement to facilitate a strategic capacity and capability. It will be important to remain open to further collaborative and resource sharing schemes, as well as the potential for the creation of a single procurement function together with other local authorities.

The centre-led model provides a sound basis for collaborative working with other bodies and it is possible that reciprocal role sharing for some spend areas will occur as the Strategy develops.

In consideration of the Member and top management commitment and resources required to ensure the success of the Strategy, as well as the need for cross-functional resource participation, a Procurement Strategy Group (PSG) and a Procurement Strategy Network (PSN) have been established with a reporting line to the Corporate Management Team.

The structure for the procurement organisation is shown below and the roles and outline terms of reference are also explained:



Procurement Strategy Group

In order to ensure that the Strategy is appropriately coordinated, monitored and implemented a Procurement Strategy Group (PSG) has been established and is led by the Member Champion for Procurement, and is attended by an Officer Champion from the Corporate Management Team plus other relevant senior management Officers

The updated terms of reference for the PSG are:

1. To provide Member and senior management commitment and guidance towards the Strategy
2. To monitor, challenge and review the implementation of the Corporate Procurement Strategy and Action Plan
3. To propose any revisions to the Strategy as a result of good practice, legislation or other key developments
4. To ensure the Council applies adequate priority and resources towards the successful achievement of the Strategy
5. To continuously promote efficient and effective procurement throughout the Council
6. To report progress of the Strategy to Corporate Management Team and Executive

Procurement Strategy Network

In order to ensure that a cross-functional approach is adopted with appropriate participation and role sharing of the Action Plan responsibilities a Procurement Strategy Network (PSN) has also been established and it reports to the PSG.

The PSN is led by Corporate Procurement and is attended by Heads of Service and other key staff with a procurement responsibility or a procurement involvement, and will develop a more corporate approach to procurement across the Council as well as to develop and diffuse the processes, guides and systems within the Directorates.

The PSN will also ensure that all Directorates have an opportunity to contribute to and benefit from procurement as well as ensure that appropriate corporate wide resources are applied to achieve the Strategy.

The updated terms of reference for the PSN are:

“To develop the Derwentside Procurement Way and to diffuse the procurement processes across the Authority to support the successful achievement of the Corporate Procurement Strategy”.

1. To fully support Corporate Procurement in order to successfully implement the Corporate Procurement Strategy and Action Plan and the Efficiency Agenda
2. To develop new procurement processes and working methods
3. To diffuse new processes, e-Procurement technology and operational working methods across the Authority
4. To develop strategies and actions to ensure the achievement of the procurement targets
5. Discuss and generate ideas for and opportunities for continuous improvement via procurement
6. To identify and implement opportunities for cross cutting and collaboration across the Authority via procurement
7. To report to the PSG any recommendations for changes to Council procedures or rules related to procurement activities
8. To develop and report the Procurement Work Programme status to the PSG
9. To carry out any tasks or studies requested by the PSG (including Efficiency and or Transformation issues)
10. To monitor and report the progress status of the Corporate Procurement Strategy to the PSG

Directorate Procurement Staff

In addition to the central procurement activities carried out by Corporate Procurement and other collaborative partners, staff located in Directorates will carry out operational procurement and day-to-day purchasing in line with the Corporate Procurement Strategy and Financial Regulations of the authority.

In order to ensure consistency of approach across the authority each Directorate will have a Procurement Champion who will attend to the PSN and work together with Corporate Procurement to provide support and guidance to staff as required.

The Role of Members

The role of Members is critical and The Improvement and Development Agency (I&DeA) highlighted in their “Member’s Guide to Procurement” that lack of Member commitment was a common reason for the failure of major procurement projects in Local Government and specifically recommend that Members role in procurement should be to:

- § Conduct inquiries into new models of service delivery
- § Review areas of high spend to identify opportunities for improved value for money
- § Challenge the progress of major procurement projects
- § Review the performance of partnerships and other key contracts
- § Ensure that lessons are learnt from major projects and partnerships

In order to enhance the input from Members in strategic procurement projects at key stages of the procurement cycle the Council has decided to establish a trained Member Procurement Group to support the new Strategy.

In order to assist Members with their responsibilities and decision-making for strategic procurement projects a list of questions that could be raised at the different stages of the procurement cycle has been developed and this is included in Appendix 4.

9 PROCUREMENT SPEND ANALYSIS

Overall Spend Analysis

The Council has collaborated with the NECE and participated in the regional spend analysis project using a software tool called Powerplay.

This tool has enable the Council to understand the details of its spending and its contract status and will also enable the Council to collaborate more closely with the other North East Councils also using Powerplay.

The total gross budget for the Council is approximately 70M and excluding non-influencable procurement spend, in areas such as salary costs, pensions, and grants etc. the Council’s recurring procurement spend is approximately £15 million per annum and there are approximately 200 different categories of spend type.

In addition to this the Council spends approximately £6 million per year on capital projects that are subject to specific procurement and tender processes on a case-by-case basis.

The Council spends approximately 55% of its overall spend within the North East of England and within in the North East 41% of this is spent within the Derwentside area.

Approximately 23% of the Council’s overall spend is made within the Derwentside area and although the Council is not able to source locally for the sake of it, the procurement items that are sourced locally contribute directly to the Council’s strategic objectives related to economic development and sustainability.

The analysis shows that approximately 20% of the number of category types represents

approximately 80% of the overall spend value and that a classical Pareto relationship exists.

The Council has relationships with approximately 2500 suppliers and raises approximately 30000 purchase orders per year equating to an average order cost of £500.

All procurement activities are carried out in line with the Council's Financial Regulations and individual tenders and quotations are sought, however the analysis has identified that there are 49 (15%) categories and £4.6 million (30%) of formally arranged ongoing contracts.

The Council's strategic procurement strategies are based upon mapping of both the risk and value and each spend area has now been classified into a classification type (routine, leverage, bottleneck, strategic) and this will require a different strategic sourcing approach in each case (see Procurement Framework).

The analysis shows that by value, the classification breakdown is 15% routine, 25% leverage, 20% bottleneck and 40% strategic, thus re-enforcing furthermore the importance of a strategic procurement capacity and capability within the Council.

The analysis shows that this current situation represents a big opportunity to increase the level of formal contract coverage and develop more efficient procure to pay solutions, as well as potentially to improve the competitiveness of the goods, services and works procured by the Council and improve relationships by working more closely with the selected suppliers.

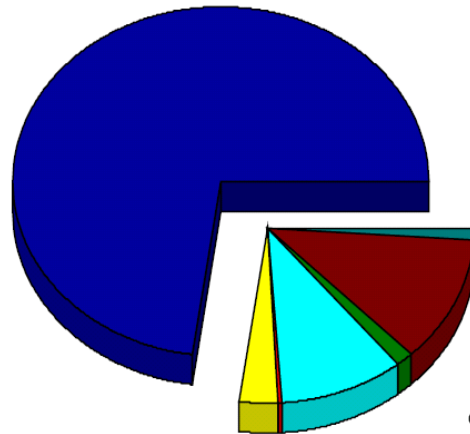
The charts below provide some of the spend information in detail and the key action within the Strategy is to formalise and agree the detailed content of the future procurement work programme.

Spend By UK Region

North East

Spend within County Durham

Derwentside



Sedgefield

Teesdale

Wear Valley

Chester-le-Street

Durham

Easington

Northern Ireland
Scotland
Wales
South West

Derwentside
Sedgefield
Teesdale
Wear Valley
Chester-le-Street
Durham
Easington

£3,779,385.87
£155,709.75
£21,962.14
£508,866.19
£70,477.53
£604,877.74
£56,048.42

£509,448.37
£1,889,592.65

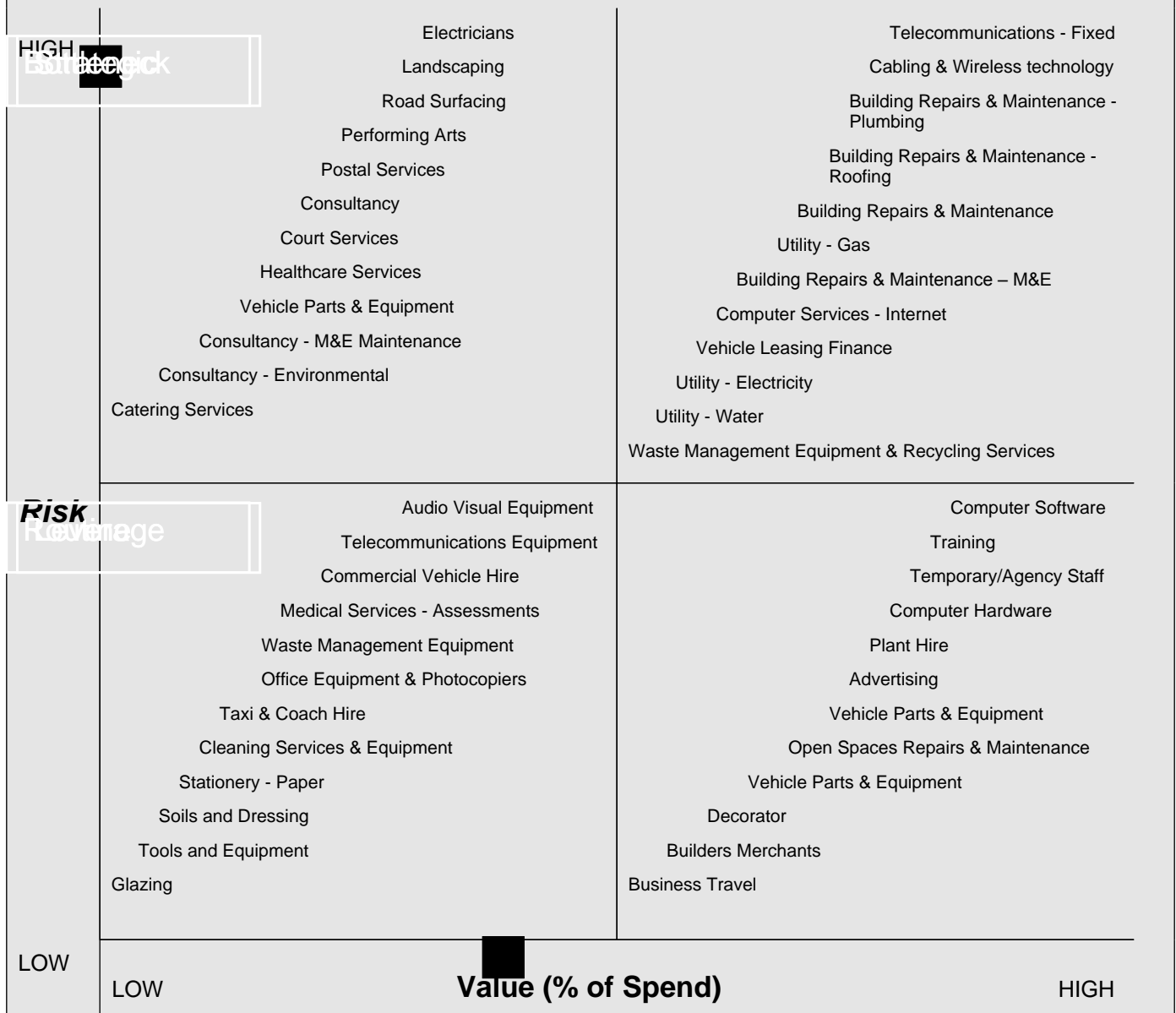
Examples of the Spending areas

An example of some of the key spending areas and their risk / value assessment from our analysis is demonstrated below.

The example below uses four levels for positioning each product/service area as follows:

- Strategic items = High Risk/High Value
- Leverage items = Low Risk/High Value
- Bottleneck items = High Risk/Low Value
- Routine items = Low Risk/Low Value

A more detailed explanation of this assessment is included in the Procurement Framework



Local Spend Analysis and LM3

In consideration of the Council's large spending power and its Corporate Plan aim of "*Together with our partners create an economically successful place*", it is important to understand what happens to the money spent on goods, services and works and its potential impact on the local economy.

Working together with the NECE, the Council initiated a project called Local Multiplier 3 (LM3) in order to understand how much of its procurement was spent locally within Derwentside and how much of the spend was subsequently re-spent locally and the impact on the Derwentside economy.

A survey of approximately 600 suppliers representing 85% of Council spend occurred and achieved an overall response rate of 38% although the Derwentside supplier response rate achieved a 50% response which was very positive.

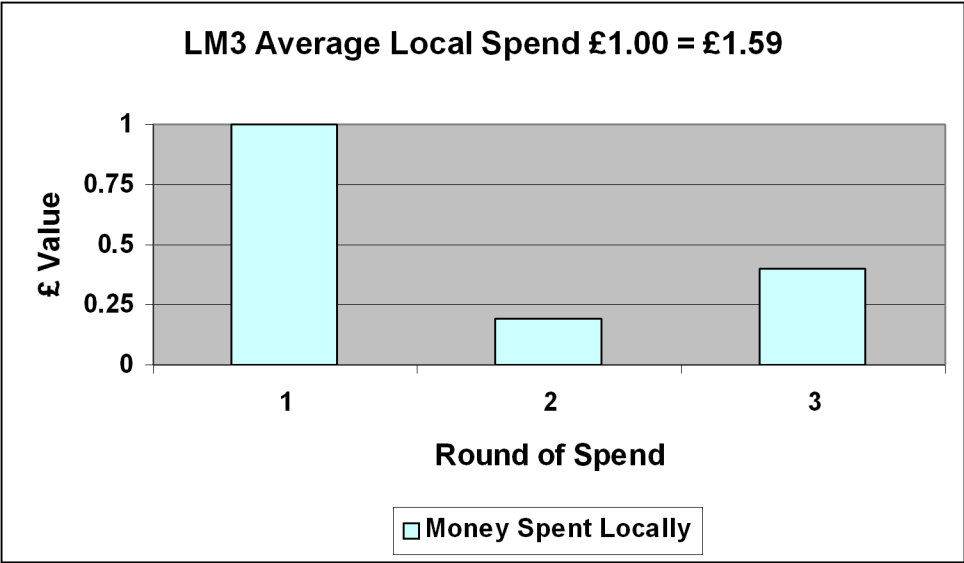
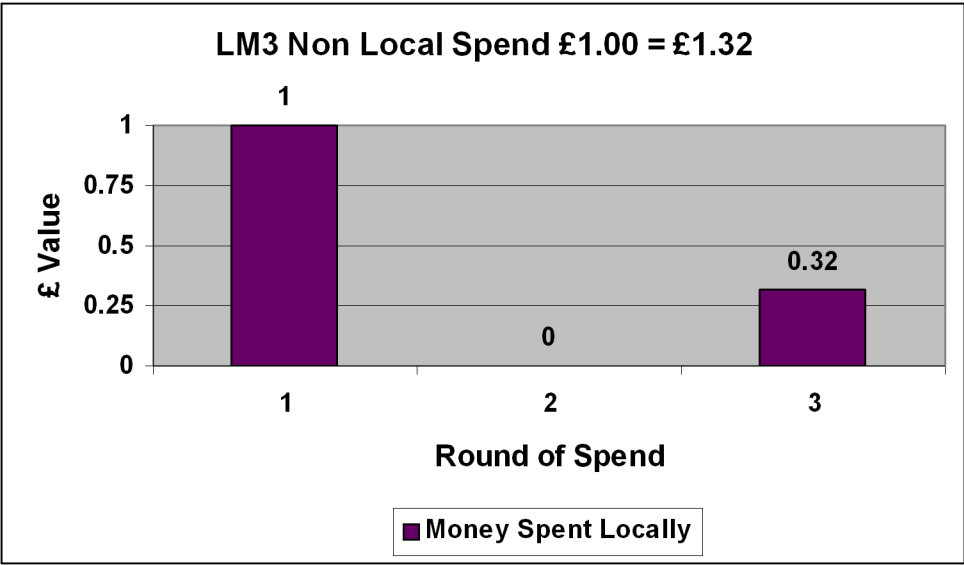
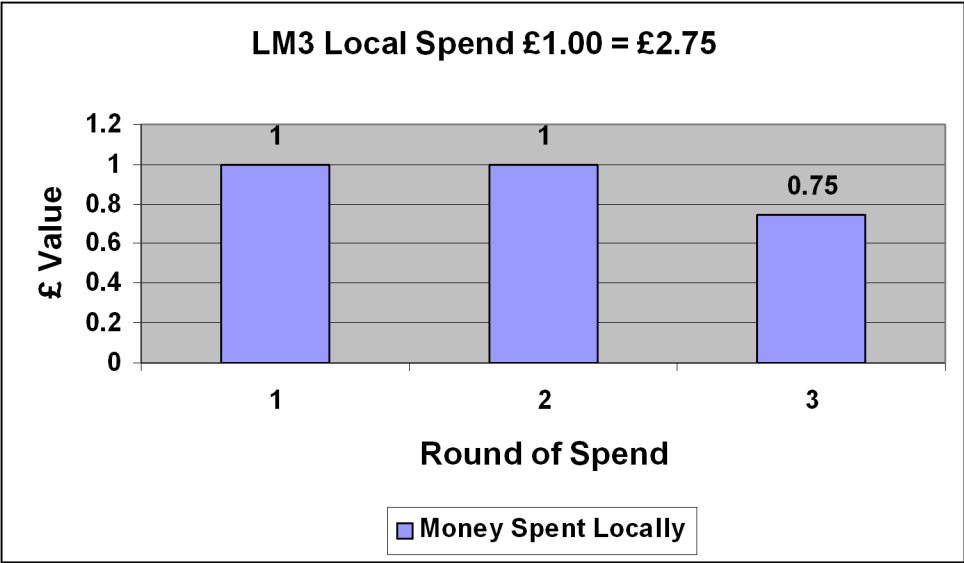
The responses were analysed using the LM3 tool developed by the New Economics Foundation and showed that by measuring 3 rounds of spend, for every £1.00 spent locally in Derwentside it resulted in the circulation of an additional £1.75 within the local economy, whereas in contrast for every £1.00 spent outside the Derwentside region it resulted in only £0.32 being circulated back into the local economy.

On average for every £1.00 currently spent equates to an additional £1.59 within the local economy as demonstrated in the graphs below.

Using these results it is now possible to understand in more detail the impact of local and non-local sourcing decisions, for example if there was a 10% shift in overall procurement spend to the local economy (£1.5 million) then this would actually create an additional £2.1 million of spend circulating into the local economy.

The Council is not permitted to positively discriminate in favour of local suppliers, however if the Council and local suppliers can engage effectively regarding the Council's Procurement Strategy and processes, and suppliers can demonstrate their competitiveness to meet customer requirements and are awarded contracts, then this will have a favourable effect on the economy of Derwentside and support the objectives of our Corporate Plan.

A continuation of effective supplier engagement, awareness, education and improvement will therefore be an important element of the Strategy and necessitate further close working between Corporate Procurement and Economic Development colleagues and other external partners.



10 PROCUREMENT ACTION PLAN

Action No.	Action Required	Lead Responsibility	Financial Year				Corporate Plan Aim Links
			2007	2008	2009	2010	
1 ACTIONS TO PROVIDE INCREASED LEADERSHIP AND CAPACITY							
1.1	Review and reassign the PSG / PSN members based upon business priority	Deputy Chief Executive					
1.2	Review Corporate Procurement structure across DDC to improve efficiency and effectiveness of operation	Head of Corporate Procurement					
1.3	Develop a Procurement Competency Framework	Head of Corporate Procurement					
1.4	Implement a Procurement Training Programme for Officers and Members	Head of Corporate Procurement					
1.5	Ensure Officers with a significant procurement responsibility are professionally trained via CIPS	Divisional Head of Human Resources					
2 ACTIONS TO ENSURE EFFECTIVE POLICY AND STRATEGY APPLICATION							
2.1	Communicate and diffuse the new Corporate Procurement Strategy to all stakeholders with procurement interest	Head of Corporate Procurement					
2.2	Mainstream sustainable procurement into Council activities by achieving the milestones set out in the National Action Plan.	Sustainability Officer					
2.3	Carry out an Equality Impact Assessment to ensure compliance with Equality Policy objectives	Head of Corporate Procurement					
2.4	Overview and Scrutiny process to assess pre-agreed key procurement projects	Executive Support Officer					
2.5	Financial Regulations for Procurement to be reviewed annually to reflect new processes	Head of Financial Services					

Action No.	Action	Lead Responsibility	Financial Year				Corporate Plan Aim Links
2.6	Internal Audit to ensure process audit checks via the e-sourcing system	Internal Auditor					
10	<u>PROCUREMENT ACTION PLAN</u>	Lead Responsibility					
2.7	Ensure all corporate Value for Money studies include effective involvement from Corporate Procurement	Director of Corporate Policy					
3 ACTIONS TO IMPROVE THE PROCUREMENT PROCESS							
3.1	Carry out detailed spend analysis to identify opportunities for contract establishment (including regional data sharing for collaboration)	Head of Corporate Procurement					
3.2	Map major procurement expenditure by a risk / value portfolio approach	Head of Corporate Procurement					
3.3	Develop sourcing strategies for any agreed strategic or key spend areas	All Divisional Heads					
3.4	Develop a structured procurement work programme to support the needs of the Medium Term Financial Plan	Head of Corporate Procurement					
3.5	Review and develop the Procurement Tool Kit / guides for cross authority use and to embed process standardisation	Head of Corporate Procurement					
3.6	Develop intranet or web based procurement pages for the Procurement Tool Kit / guides	Divisional Head of IT					
3.7	Establish a trained Member Procurement Group to improve the customer voice into the procurement process at key stages of the cycle	Head of Corporate Procurement					
3.8	Develop and implement a Gateway Review process for key pre-agreed procurement projects	Head of Corporate Procurement					

Action No.	Action	Lead Responsibility	Financial Year				Corporate Plan Aim Links
3.9	Review and improve Sourcing Summary Sheet process to ensure procurement decisions are recorded, authorised and reported effectively	Head of Corporate Procurement					
3.10	Investigate the adoption of a standard process to calculate the whole life cost of procurement project across DDC	Head of Corporate Procurement					
3.11	Review the current Corporate Project Management Protocols and processes and develop a proposal for improvement	Head of Corporate Procurement					
3.12	Review the current contract management and supplier relationship management processes and develop a proposal to establish a consistent approach (including supplier feedback)	Head of Corporate Procurement					
4 ACTIONS TO PROMOTE AND INCREASE PARTNERING AND COLLABORATION							
4.1	Investigate opportunities for increased procurement collaboration nationally and regionally and sub-regionally	Head of Corporate Procurement					
4.2	Investigate the opportunities for a shared procurement function with other partners	Head of Corporate Procurement					
4.3	Implement the (NECE) Partnership Development Toolkit to facilitate the establishment of partnering and shared services	Internal Auditor & Risk Manager					
4.4	Implement the (NECE) Joint Service Delivery Models guide to support the selection of the optimum models	Head of Corporate Procurement					
4.5	Proactively support regional initiatives and networks via continued close working with NECE and other bodies	Head of Corporate Procurement					

Action No.	Action Required	Lead Responsibility	Financial Year				Corporate Plan Aim Links
6	Work together to establish common procurement documentation to facilitate collaboration and process standardisation	Head of Corporate Procurement					
5 ACTIONS TO DO BUSINESS MORE ELECTRONICALLY							
5.1	Communicate e-procurement strategy	Head of Corporate Procurement					
5.2	Develop supplier adoption strategy for e-procurement	Head of Corporate Procurement					
5.3	Develop IT strategy to support business transformation process	Divisional Head of IT					
5.4	Introduce new e-sourcing portal	Head of Corporate Procurement					
5.5	Roll out e-marketplace across DDC	e-marketplace Project Manager					
5.6	Develop a process with procedures and training of staff to support e-marketplace integration with Financial Management System	Head of Financial Services					
5.7	Investigate the use of purchase cards	Head of Corporate Procurement					
5.8	Introduce a complete electronic procurement payment process	Head of Financial Services					
5.9	Investigate opportunities from the regional e-procurement strategy	Head of Corporate Procurement					

Action No.	Action	Lead Responsibility	Financial Year				Corporate Plan Aim Links
10	Review and update Corporate Procurement webpage to improve information and signposting for stakeholders	Corporate Procurement Officer					
5.11	Investigate the use of e-RFQ across DDC	Head of Corporate Procurement					
6 ACTIONS TO FURTHER STIMULATE MARKETS AND ACHIEVE COMMUNITY BENEFITS							
6.1	Benchmark spend profiles and its effect impact on the local economy via the LM3 tool	Head of Corporate Procurement					
6.2	Develop a process to promote business opportunities with SME's and facilitate identification of opportunities	Divisional Head of Economic Development					
6.3	Promote the principles of the Small Business (SME) Concordat with all main contractors and throughout the supply chain	All Divisional Heads					
6.4	Establish a supplier conference to communicate and engage and promote business opportunities with suppliers including the 3 rd sector	Divisional Head of Economic Development					
6.5	Communicate procurement opportunities and major contract award data via the Corporate Procurement website and e-sourcing portal	Head of Corporate Procurement					
6.6	Review and update the "How to business guide" to ensure it accurately reflects the current status	Head of Corporate Procurement					
6.7	Introduce new standardised procurement documentation with other LA's to simplify the process for suppliers.	Head of Corporate Procurement					

Action	Action Required	Financial Year					Corporate Plan Aim Links
10	7 ACTIONS TO FURTHER IMPROVE PERFORMANCE MANAGEMENT <u>PROCUREMENT ACTION PLAN</u>	Responsibility					
7.1	Establish Corporate Procurement savings targets on a disaggregated basis to support the achievement of the Medium Term Financial Plan	Head of Corporate Procurement					
7.2	Ensure the Efficiency Targets set contain an appropriate contribution from procurement savings targets to support the achievement of the Medium Term Financial Plan	Head of Financial Services					
7.3	Introduce a process to ensure procurement savings are reported, realised and reflected into budgets	Head of Financial Services					
7.4	Introduce a process to demonstrate how procurement and efficiency savings have been invested into front line service improvements	Head of Financial Services					
7.5	Directorates to include procurement savings targets within Service Plans and report progress as a KPI at DMT meetings	All Directors					
7.6	Investigate the possible introduction of common KPI's with other LA's to facilitate benchmarking and improvement activities	Head of Corporate Procurement					

11 PERFORMANCE MONITORING AND REVIEW

The Council has a robust Performance Management Framework as demonstrated in the diagram below that shows the relationship between the Corporate Procurement Strategy and other corporate strategies and plans.

The performance of procurement activities will therefore need to be measured with a view to continuously improving services and to achieve best value for money in support of the Council's Corporate Plan and Medium Term Financial Plan

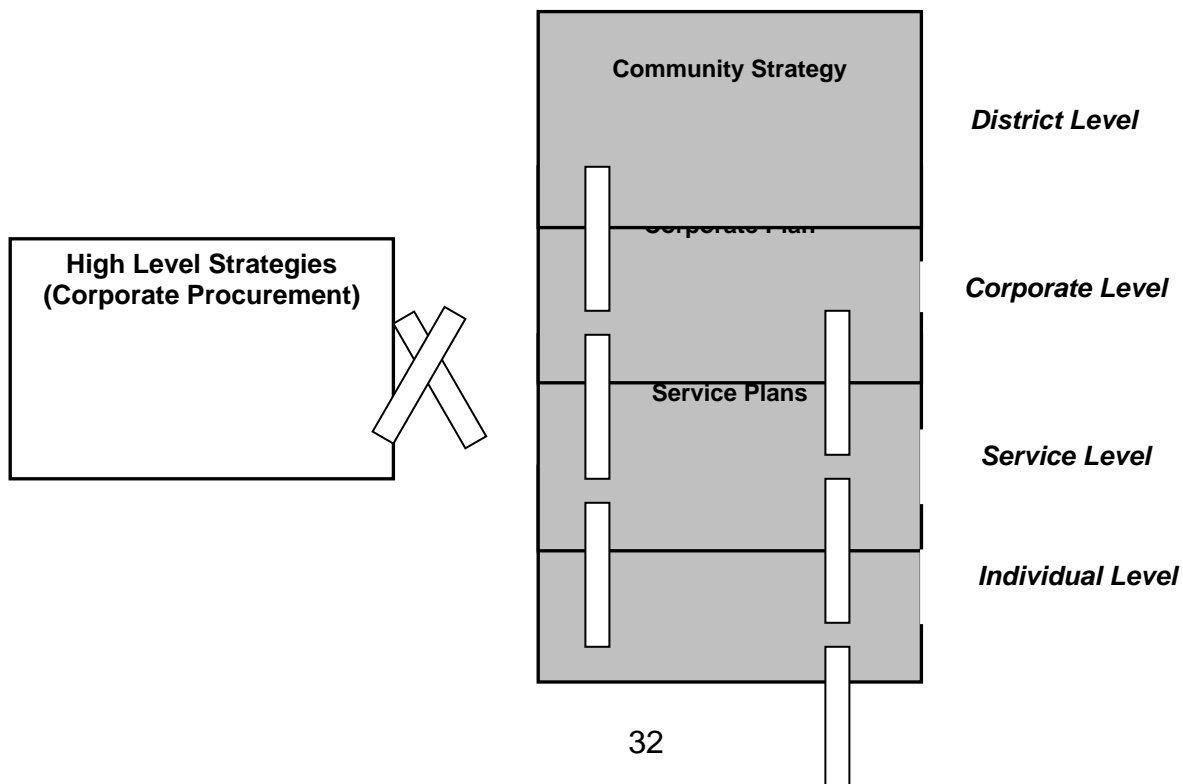
Procurement performance measurement will need to be concerned with its contribution to strategic objectives as well as operational measures of efficiency and this will also include tangible procurement savings and contract coverage.

All Heads of Service reporting through Directors of the Council, will be responsible for the detailed implementation and continued monitoring of individual procurement decisions reached through this Strategy and for reporting on detailed achievements and outcomes.

The Corporate Procurement Strategy and Action Plan will influence the Service Plans of each service area, and projects and Key Performance Indicators will be established in each service area and be monitored and reviewed via this Performance Management Framework.

The Corporate Procurement Service Plan will therefore include key projects and Key Performance Indicators on an annual basis and the progress of Corporate Procurement Strategy and Action Plan will be monitored and reviewed via the Procurement Strategy Group and Procurement Strategy Network.

In addition to local Key Performance Indicators, the Council will seek to collaborate with others including NECE to determine some performance indicators that will facilitate benchmarking and improvement activities regionally and nationally where appropriate.



APPENDIX 1: PROCUREMENT FRAMEWORK

Procurement Framework

The Government views strategic procurement as central to the successful delivery of modern public services and it is therefore essential that the Council can exploit the opportunities from innovative procurement methods whilst ensuring that procurement is built upon the principles of value for money and sustainability.

Strategic procurement is about balancing whole life cost and fitness for purpose whilst ensuring appropriate competition and by treating suppliers fairly in line with the European Union procurement rules.

A systematic approach to strategic procurement can ensure that the required outcomes are achieved and the following Procurement Framework whilst not being a formal code of practice or procedures manual, it will form the basis of all procurement considerations and decisions.

The Procurement Framework set out below will form the basis of all considerations and decisions relating to the contracting of services, works, goods and construction, and although it is not intended to be a code of practice, it has been developed to provide a macro level guide to procurers, and enable stakeholders and potential suppliers to understand the Council's processes in an open and transparent way.

It is not typical for a Council to include such a detailed explanation of a Framework in a Procurement Strategy, however in consideration of our Small Business Friendly (SME) Concordat commitments the Council believe that it is a constructive approach to enable our current and potential suppliers to understand our thinking and requirements as much as possible for mutual benefit.

The Procurement Framework will ultimately be supported by internally by appropriate Procurement Guides, Procedural Notes, Procurement Documentation and processes that will be developed to operationally diffuse the procurement processes across the Council.

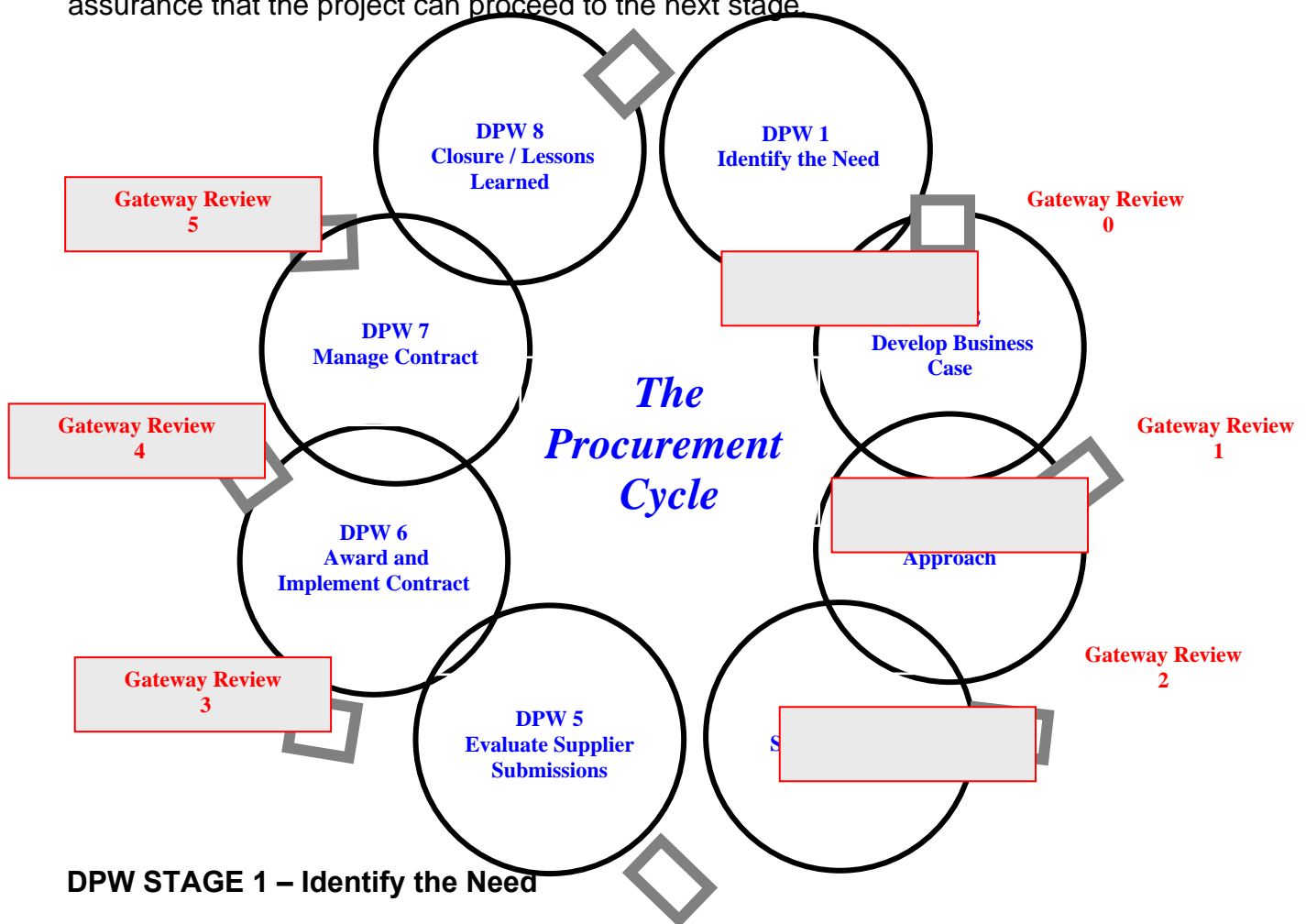
The Framework and overall procurement approach will be titled locally as **The Derwentside Procurement Way** or **DPW**



The Procurement Cycle

The Procurement Cycle demonstrates the eight key steps (DPW1à DPW8) in any procurement project and the information and lessons learned at each stage feeds into the next stage of the cycle.

Also demonstrated are the Gateway Review processes (See Page 62) that are independent reviews of the procurement process at key points in the procurement cycle to provide assurance that the project can proceed to the next stage.



DPW STAGE 1 – Identify the Need

The procurement need may initially be identified in a number of ways such as:

- § From Elected Members
- § Through weaknesses identified in Comprehensive Performance Assessment
- § Best Value Reviews or Value for Money studies
- § Service improvement activities by Heads of Service
- § Identification of poor performance
- § Customer feedback
- § Identification of a new service requirement
- § The end of an existing contract
- § Identification of a collaborative opportunity
- § Medium Term Financial Plan requirements

There is however a need to pro-actively plan each procurement project taking into

consideration alternative requirements and sourcing strategies for the different types of goods, services and works and to ensure there is a firm foundation for the procurement project.

At this initiation stage it is important to obtain appropriate commitment and support for the procurement project and confirm important issues and for key procurement projects a **Procurement Project Brief** is recommended.

The Procurement Project Brief should provide the full and firm foundation for the initiation of the procurement project and its contents will be extended and refined via stakeholder consultation to ultimately establish the Procurement Business Case (if required) and Project Initiation Document (if required) and the Procurement Specification.

The **Procurement Project Brief** contains the following information:

The Authority for the procurement project: Who has the authority and personal accountability to ensure that the procurement project outcomes will be successfully delivered.

The Background to the procurement project: The background and drivers for the project and to ensure that it is a project and not a programme and to ensure that the procurement project is in fact required.

The Timescale: The outline timescale or deadlines in order to meet the customer requirements.

The Objectives: The specific objectives of the procurement project and their priority and the Community Strategy or Corporate Plan objectives the project will address.

The Procurement Project Budget: The budget for the procurement project contained in the Medium Term Financial Plan or the estimate of the budget at this stage of the project. This is important as all procurement decisions will be recorded and reported and no procurement decisions should be authorised over an agreed budget level.

The Scope: The scope of the procurement project and any relationship to other projects or a programme.

The Outline Deliverables: The tangible procurement project deliverables and any desired outcomes

Any Exclusions: Anything that is specifically excluded from the procurement project or any options that will not be considered together with an explanation of the reason for exclusion.

Any Constraints: Any specific constraints that may affect the procurement project for example, budgetary or timescales, difficulty in specifying the requirements, the necessity for a Make versus Buy study, or lack of market maturity etc.

The Main Interfaces: Important stakeholders or people who need to be involved in the procurement project, or people that need to provide or receive information or any required meetings or communications, or system interfaces etc.

Procurement Project Team structure: The member and roles and responsibilities of the

people who will participate or support the procurement project to a successful conclusion.

Previous Lessons Learned: Issues identified from previous projects that may enable an improved outcome to be achieved.

Quality Expectations: A list of the customer's quality aspirations or expectations that will make the product or service acceptable.

Customer quality expectations need to be identified to allow the Acceptance Criteria to be derived later.

Outline Business Case: An initial outline business case justification for the commencement of the procurement project.

This may contain information such as the reasons for the procurement project, initial options, the benefits expected, any known risks, costs, timescale, investment appraisal or evaluation.

For strategic, complex or specific one-off procurement requirements a full *Procurement Business Case* may be required therefore the initial outline business case can provide information to develop this at a later stage.

Procurement Project Tolerances: A list of any permissible deviations in terms of time, cost, scope, risk, benefit or quality.

Acceptance Criteria: A definition in measurable terms of the characteristics of the product or service to be procured such as target dates, major functions, appearance, personnel required, performance levels, capacity, capability, accuracy, availability, location, frequency or reliability.

Risks: Any known risks for the procurement project should be identified and recorded using the Corporate Risk Template recommended in the Risk Management Strategy.

Outline Procurement Schedule or Project Plan: An outline Procurement Timing Schedule or Project Plan should be developed.

References: A list of any reference information that may increase the understanding of the procurement project.

Once the Procurement Project Brief has been established it is necessary to adopt a strategic procurement approach by **mapping the procurement expenditure using a "portfolio approach" (risk / value matrix)** and this will enable an appropriate strategy to be developed for the procurement project.

The mapping should be carried following consultation with Corporate Procurement in order that a consistent application of the portfolio approach occurs including reference to other spend areas and previous projects.

An example of the portfolio approach is demonstrated below.

Strategic Procurement Portfolio Approach

	CATEGORISATION	Risk or Specialisation of the procurement project	BOTTLENECK	STRATEGIC	
	Risk / Value Judgment		High Risk / Low Value	High Risk / High Value	
	Procurement Driver		Security of Supply	Close relationship / Partnering	
	Approach		Reduce the risks Ensure supply continuity Safety stock holding Dual sourcing Long contract period Reduce supplier dependency Widen the specification	Comprehensive business case Very close project management Strategic partnerships Mutual trust and commitment Open exchange of information Very close working relationship Require continuous improvement	
	CATEGORISATION		ROUTINE	LEVERAGE	
	Risk / Value Judgment		Low Risk / Low Value	Low Risk / High Value	
	Procurement Driver		Minimise transaction cost	Minimise prices	
	Approach		Reduce the number of orders Electronic ordering Purchasing cards Collaboration Aggregate demand Specification standardisation Try to shift to “Leverage”	Price reduction strategies Continuous price improvements Regular competitive tendering Shorter contract period Regular benchmarking Collaboration Partnerships of “convenience”	
Value of the Procurement Spend					

DPW STAGE 2 – Develop the Business Case

For many procurement projects the Outline Business Case contained within the Procurement Project Brief will be sufficient for the needs of the project however, for some strategic, complex or specific one-off procurement requirements, a full **Procurement Business Case** may be required and the initial outline business case included in the Procurement Project Brief can be used as a base point.

The Procurement Business Case is a description of the reasons for the procurement project and the justification for undertaking the project, based upon the estimated costs of the project as well as the risks and the business benefits and savings.

The Procurement Business Case should cover the entire scope of the procurement project, and it drives the decision-making processes as well as providing a reference document to continually align the procurement project progress against the objectives and benefits defined.

The Procurement Business Case presents clearly the information necessary to support a series of decisions throughout the project and over time, increasingly commit an organisation to the achievement of the outcomes or benefits possible as a result of investment in business change.

The early decisions focus on whether the investment is justified in value for money terms assessing: benefits, strategic fit, achievability, affordability, options and commercial aspects.

Later decisions focus on whether the investment continues to offer value for money in the light of any changed circumstances and the delivery of promised benefits.

The main elements of the Procurement Business Case cover issues such as: strategic fit, costs and benefits, achievability, value for money, affordability, risks and options appraisals.

In detail the **Procurement Business Case** contains the following information:

The reasons for the procurement project: An explanation of the reasons why the procurement project outcome is required and this information can be identified from the Procurement Project Brief.

Stakeholder consultation is essential at this stage in order to ensure there is a valid reason for the procurement project to proceed further.

The options available: A description of the various options that have so far been considered to deliver the required outcome for the procurement project.

The chosen option should be indicated together with an explanation of the reasons why the procurement project has been selected.

It is important to always commence with a “do nothing” option as a starting point in order for this option to act as a comparison for all other options considered.

The benefits expected: A measurable description of each of the benefits that the procurement project will deliver and it is important to consider both positive and negative issues as there may be a negative implication of the “do nothing” option such as large costs or legal challenge etc.

The risks: A summary of the key risks identified at this stage of the procurement project documented using the Corporate Risk Template recommended in the Risk Management Strategy.

The costs: An objective summary of the costs of the procurement project on a whole life cost basis in order that this can be compared with the budget contained within the Medium Term Financial Plan or Asset Management Group data.

The timescales: The timescale for the procurement project in order to meet the customer requirements.

An overall schedule or project timing plan should be used as supporting documentation.

An investment appraisal: A demonstration on a whole life cost basis of the balance between the development, operational, maintenance and support costs for the procurement project against the financial benefits over the total project life.

The baseline for the procurement project investment appraisal should be the “do nothing option” and the data should be demonstrated tangibly, and although some intangible benefits may also be achieved, such as “happier residents”, it is beneficial to try to express these benefits into tangible measures for the appraisal.

Guidance should be sought from Finance to ensure an appropriate investment appraisal is carried out.

An evaluation: A summary evaluation of the investment appraisal to evaluate the benefits that will be achieved, and to assess if any adjustments are required if things do not go to plan, or a worst case scenario occurs.

The result of this evaluation may lead to a revision of the decision to proceed at any stage of the procurement project, or may require adjustments to be made to either budgets or to the benefits to be realised.

DPW STAGE 3 – Define the Procurement Approach

Once the Procurement Project Brief and/or the Procurement Business Case have been established, and the procurement expenditure has been mapped via the strategic procurement portfolio approach, the procurement approach should now be defined.

The purpose of this stage is to define the type of procurement solution that is to be developed for the procurement project and/or the method of delivering that solution.

This will include how to approach the market and identifying any environment into which the solution must fit and will enable an appropriate approach to be developed.

In deciding on the provision of goods, services and works, the Council can take account of wider sustainability objectives such as protection of the environment or encouragement of local businesses, support for the local economy and local employment.

Provided there is compliance with Public Contracts Regulations 2006 the procurement project can be used to stimulate markets and generate benefits for local communities in line with community plans and this can be done most effectively by good contract design and specification and well considered procurement approach.

When deciding on the procurement approach for a particular requirement there is also a need to take into account any potential added value that small firms or voluntary and community sector providers, social enterprises and minority businesses might bring - either as a direct suppliers of goods and services or indirectly further down the supply chain as result of appropriate supplier engagement activities.

The risks of different procurement approaches also need to be identified, quantified, allocated and managed and it is important to consider any price penalty to be incurred for passing on any risks to contractors, therefore the procurement approach should consider which risks are better managed directly and which risks would be disproportionately expensive to pass on to a contractor.

It may be necessary to adopt a strategic and systematic approach to the market, rather than engaging with it on a tactical, short-term and project-by-project basis in order to gather and consider market intelligence in relation to procurement project objectives.

Early market engagement is recommended for procurement projects that:

- § Involve significant business change for the customer organisation
- § Involve high levels of risk or uncertainty
- § Push the boundaries of what has been achieved before (technically, organisationally or in any other sense)
- § Require the involvement and expertise of the private sector at the earliest possible stage in order to shape the project.

Early market engagement such as **market sounding** will enable the Council to assess the reaction to a potential requirement or approach and can assist to make the subsequent procurement approach be more focused and efficient.

Specifically market sounding can gather information related to issues such as:

- § Feasibility of the procurement project
- § Capability of the market to achieve what is required
- § Maturity of the market to assess if there is sufficient competition for a competitive procurement process
- § Capacity of the market to achieve what is required in the scale or time frame required

This early market engagement can feed directly into the Procurement Project Approach but it is important to engage with the suppliers early, widely, fairly and ensure good communication, as well as maintaining genuine competition throughout the process and ensuring that commercial confidentiality is maintained.

It is recommended that Corporate Procurement should be consulted for guidance regarding any early market engagement for major projects.

The **Procurement Approach** will identify a full description of the approach for the procurement project, the options considered and the reasons for proceeding with the specific procurement approach.

The procurement approach will consider the following issues and make a number of decisions as part of this stage:

- § Specifically what will be procured during the procurement project
- § How will the work be bundled or split
- § The proposed contract model
- § A statement of the specific requirements
- § The proposed pricing mechanism
- § The proposed contract duration and any intention to extend based upon performance
- § The terms and conditions for any assets, employees, and services
- § The type of relationship that is required (contractor / client or partnership etc.)
- § The type of procurement process will to be followed (OJEU / Tender & the number of stages / Quotation process)
- § Any collaboration approaches such as the use of another existing public sector contract or any collaborative approaches to the market such as aggregating volume with other bodies
- § Any opportunities for shared service provision
- § Any potential transitional governance arrangements required particularly in cases of out-sourcing
- § Any potential to take account sustainability issues (social, economic, environmental)
- § The risks that need to be managed by DDC or the contractor

Some of the **options available** for a procurement project are as follows:

- § Cessation of the service in whole or in part
- § Market test the service
- § In house supply (Make)
- § Out-sourcing (Buy)
- § Traditional procurement process
- § Use of framework agreements or contracts from other appropriate organisations
- § Partnering or shared services (public-private organisation/public-public organisation)

A full evaluation of all of the options may not always be appropriate or cost effective however the Procurement Project Approach should be recorded to explain the rationale for proceeding or not proceeding with the different options.

Some of the **influencing factors** in this options appraisal are: cost, service risk, deliverability, funding availability, practicality, efficiency benefits, time-scales, legal and statutory issues.

In order to assist in this process there is a **Service Delivery Options Matrix** (Appendix 2) and a **Procurement Choice Matrix** (Appendix 3).

At this stage of the procurement cycle the draft contract and specification will be developed and if the value is above the OJEU threshold advised in the Council's Financial Regulations then consultation with Corporate Procurement is necessary.

This consultation is important to ensure that the procurement process and documentation are compliant, and that an appropriate OJEU procurement procedure is selected and followed within the required timeframes.

It is also necessary to ensure that the principles of Non-discrimination, Equal treatment, Transparency and an Audit trail are assured as part of the procurement process.

The specification needs to be finalised before it is issued to suppliers with, depending on the procurement strategy, an Invitation to Tender.

A **specification** can be defined as *“a statement of needs to be satisfied by the procurement of external resources”*.

It is also known as an operational requirement, statement of requirement, statement of service requirement and output-based specification and its purpose is to present prospective suppliers with a clear, accurate and full description of the organisation's needs, and so enable them to propose a solution to meet those needs.

The supplier's response to the requirement is evaluated to arrive at, depending upon the procurement strategy, either the supplier to be awarded the contract, or those suppliers invited to take part in negotiations and the requirements in the specification subsequently become incorporated in the contract with the successful supplier.

For simple procurements the specification is drafted before the OJEU notice is placed but for more complex procurements the specification develops from a statement of the business requirements developed during the preparation of the business case.

The requirement may be refined in consultation with suppliers as part of market sounding or after the supplier selection stage and this is particularly useful where innovative solutions are being considered but this should be handled with care and integrity to maintain a level playing field.

Except in the simplest of cases, the specification will need to draw information together from a number of sources and the first step is to identify these sources via a stakeholder map.

The map may include individuals, organisations such as: Members, Residents, Service users, Service providers, Customers, Business owners, Other stakeholders, Technical specialists.

The specification may also draw upon information from documents such as: business strategies and plans, business requirements, specifications or contracts for similar goods or services, current contract to be replaced, service level agreements etc.

Another important source for this information will be the previous documents compiled earlier

in the Procurement Cycle such as the Procurement Project Brief, Procurement Business Case and the Procurement Approach.

The specification should provide sufficient detail to allow the market to respond, while allowing scope for innovation where appropriate.

There are **three basic types of specification**:

Functional specification: This states the function or duty of the requirement such as to provide a refuse collection service for domestic properties.

Performance specification: This defines the performance required e.g. a refuse collection service capable of removing x tonnes of waste from x homes in a defined area.

Technical specification: This sets out the technical and physical characteristics of how the supplies, services or works must be provided e.g. a refuse collection service using x number of vehicles of x capacity and with x staff, undertaking collections on stated days.

Functional and performance specifications are preferred as they allow the supplier to provide innovative solutions to meeting the Council's requirements because they are output-based, and focus on what the Council wants and not how a supplier is to provide it.

Technical specifications are generally too restrictive, particularly for service provision, and retain the risk of failure with the Council however in certain circumstances it may be essential to specify exactly what is required in detail.

If it is necessary to follow an OJEU process there are four **OJEU procedures** available for selection as follows:

Open Procedure: under which all suppliers interested may respond to the advertisement by tendering for the contract.

Restricted Procedure: under which a pre-qualification selection is made of those who respond to the advertisement and only those selected are invited to submit a tender for the contract, this procedure ensures that an overwhelmingly large number of tenders are not received.

Competitive Dialogue: under which the Council enters into dialogue with bidders following an OJEU notice and a selection process to develop one or more suitable solutions for its requirements and on which chosen suppliers will be invited to tender.

Negotiated Procedure: under which the procurer may select one or more suppliers with whom to negotiate the contract. An advertisement in the OJEU is usually required however in certain circumstances it may not be necessary to advertise.

As a general guide Corporate Procurement would discourage the use of this procedure unless it is in exceptional circumstances such as a case of protection of exclusive rights.

Public authorities have a free choice between the Open and Restricted Procedures and the

Competitive Dialogue is available if it is not possible to award using the Open or Restricted Procedures, for example in a case of a particularly complex project where it is very difficult to specify the exact requirements, and it is necessary to discuss all aspects of the procurement project with potential suppliers.

A final step at this stage of the procurement cycle is to ensure that the Business Case is reviewed and updated where required.

DPW STAGE 4 – Select Potential Suppliers

In order to ensure appropriate competition, advertising of procurement opportunities provides an important link between the Council and its suppliers.

Financial Regulations outline specific requirements regarding advertising and in the case of an OJEU process there are clearly defined rules regarding the advertising process and the number of suppliers to be invited to tender.

It is the intention of the Council to communicate procurement opportunities and future Work Programmes as much as possible in advance via the Corporate Procurement webpage and via the Buyer Profile in order to provide an open and transparent dialogue with potential suppliers.

The Council also advertises all of its tender opportunities using the Council's electronic tendering system and can additionally use the Supply2.gov.uk which is a Government-backed service designed to give companies easy access to lower-value opportunities offered by the public sector.

The Supply2.gov.uk web portal brings buyers and suppliers together and is an important website for lower-value business opportunities for contracts that are typically worth less than £100,000.

Where a large number of replies are expected an early sifting via a **pre-qualification** exercise, based on information requested in the advertisement, will help to provide a manageable number to invite to tender.

The Council has developed a standard Pre-Qualification Questionnaire (PQQ) that allows flexibility to include the technical capability of the supplier, however the criteria should be carefully chosen to avoid unnecessary ruling out at this stage of suppliers who might be suitable to provide the requirements.

Any supplier who submits a Pre-Qualification Questionnaire should be offered feedback to explain why they were not invited to provide a tender and that ensure constructive feedback is provided as a basis for understanding or improvement.

Once suppliers have been identified as suitable for further consideration, they may be **invited to tender** via the Council's Invitation to Tender (ITT) process using the Council's electronic tendering system.

The Council has developed standard ITT documents but is currently involved in a regional project to harmonise its documentation but typically the ITT comprises four main parts:

1. The ITT including detailed tendering instructions
2. The specification
3. The contract terms and conditions

4. The pricing schedule

Tendering instructions: This section provides advice on the timescales and administration of the procurement process and conditions for tendering including the decision-making award criteria

Specification: As explained previously in detail the specification provides potential suppliers with a statement of the Council's requirements and will form an important part of any contract with the supplier.

It will also provide the information on which suppliers will base their pricing and resourcing structure and therefore must be comprehensive and clear.

Contract Terms and Conditions: The Council intends to use standard forms or the terms and conditions of contract, prepared with specialist legal advice, and suppliers will be requested to accept with minimal variation prior to award of contract.

These set out the basic requirements that will be common to most procurement items and should be included in all invitations to tender

It is recommended that suppliers' own terms and conditions should not be accepted without having taken advice from Legal Services as they are unlikely to be favourable to the Council.

Pricing Schedule: This is a document for suppliers to complete showing their proposed prices and expenses and it will take a variety of different forms depending on what is being procured and how, but it should be developed to enable a whole life cost of the procurement project to be calculated.

Other important information to include in the ITT tendering instructions are:

- § Award or Tender evaluation criteria (mandatory)
- § Budget (optional)

The Small Business Friendly (SME) Concordat states that the Council will assess potential suppliers against published **award or tender evaluation criteria** that are proportionate to the risks of the individual procurement project.

If an OJEU procedure is followed it is mandatory for any contract notice or ITT documentation to contain criteria and the relative weighting, and if it is not feasible at this stage then the criteria should be listed in order of importance.

The ITT documentation should clearly communicate whether the contract will be awarded on the basis of lowest price or the Most Economically Advantageous Tender (MEAT) although Corporate Procurement encourage the use of multi-criteria based decisions as much as possible in order to ensure an overall value for money decision.

Any supplier questions and answers that arise as part of the procurement process can be managed electronically via the e-tendering system and any answers provided that are of relevance or of potential interest to all suppliers can be published via the e-tendering system in the interests of transparency and fairness.

All supplier responses will be made available to the appropriate Procurement Officer via the e-tendering system once they have been opened and validated in line with Council procedures.

There is no specific requirement for **budget disclosure** under any legislation and it is therefore important to consider each individual procurement project on a case-by-case basis.

The aim of each procurement project should be to ensure that the budget available is consistent with the expected costs of a suitable solution that demonstrates value for money and a strong understanding of the market and the various solutions can facilitate this.

Early market engagement with a representative group of suppliers, internal cost estimating or analysis of previous procurement project costs or data from the medium term financial plan are the best sources of information to establish the budget value.

There are risks associated with budget disclosure in small markets where collusion may occur however if managed effectively the disclosure of the budget can stimulate competition especially in more mature markets where there is less of a risk of collusion.

The benefits of budget disclosure are that it sends a clear message of the Council expectation and therefore can assist suppliers in their decision-making regarding whether to submit a tender or not and potentially can save a lot of wasted time particularly where supplier resources are limited.

Disclosure of the budget can also enhance the reputation of the Council as it demonstrates trust and transparency that can ultimately help to build strong supplier relationships.

As a general guide Corporate Procurement would encourage budget disclosure unless there were obvious risks but it is essential that budget information is made available to all potential suppliers to ensure fairness.

DPW STAGE 5 – Evaluate Supplier Submissions

The overall purpose of the Corporate Procurement Strategy is to ensure that all procurement decisions made by the Council will help to deliver the Corporate Plan objectives and produce Best Value by demonstrating Value for Money and the effective Use of Resources.

The Strategy also requires the Council to ensure that all procurement decisions should be made in order to achieve community benefits and support the continuous improvement of service delivery in Derwentside, so it is therefore important to evaluate the supplier submissions in order to identify the optimum combination of whole life costs and benefits to meet the customer's requirement.

In order to achieve the appropriate outcome for a procurement project the contract will either be awarded on the basis of lowest price or the Most Economically Advantageous Tender (MEAT).

The following criteria is therefore proposed for consideration for use in procurement projects although it will be appropriate to select the appropriate criteria on a project-by-project basis, as well as to develop more detailed criteria for more complex projects.

Appropriate weightings should be developed for each of the criteria to achieve the required outcomes and as a minimum the ITT document should ideally advise the percentage score applied to the criteria

for Quality, Price, Delivery, Technology & Innovation, Management and Policy where they will be used.

Some of the criteria included below may have already been used during a pre-qualification exercise so it should therefore not be used again as part of the award or tender evaluation stage of the process.

The proposed criteria (with suggestions for sub-criteria) for consideration in procurement projects are as follows:

Quality

- § Quality of Goods / Service or Works
- § Quality management system
- § Quality improvement process
- § Management and control of materials or inputs
- § Management and control of suppliers
- § Management and control of facilities and/or processes

Price

- § Competitiveness of Goods / Service or Works
- § Competitiveness of After-sales requirements
- § Quality of the information provided
- § Transparency of cost breakdown Information
- § Cost control of materials and suppliers
- § Commitment to price and efficiency improvement throughout the project life

Delivery

- § Delivery availability or accuracy of Goods / Service or Works
- § Delivery availability or accuracy of After-sales needs
- § Project management capability
- § Management and control of agreed changes
- § Packaging presentation & disposal
- § Commitment to flexibility and self-sufficiency within the project

Technology & Innovation

- § Technical suitability of supplier proposal
- § Demonstrated technical capability or experience
- § Innovative suggestions to improve Best Value
- § Attitude and flexibility to adopt changes

Management and Policy

- § Commitment to DDC Corporate Plan objectives
- § Financial health (considering project risk)
- § Overall company strategic direction
- § Health and Safety Policy

- § Sustainability Policy
- § Equality and Diversity Policy
- § Management and development of people
- § Communications and deployment strategy

In order to assess the **Price criteria** this should be considered on a **whole life cost** basis including cost factors such as:

- | | |
|------------------------------------|--|
| - Acquisition cost | - Initial capital cost |
| - Ongoing revenue costs | - Implementation / Installation / acceptance |
| - Initial training | - Documentation |
| - Facilities costs | - Transition costs |
| - Business process change costs | - Design or specification changes |
| - Delivery or transportation costs | - Maintenance costs |
| - After-sales costs | - Consumable costs |
| - Licenses | - Taxes |
| - Health and safety costs | - Security costs |
| - Withdrawal from service costs | - Disposal costs |

It may be necessary to carry out some **tender clarification** if there are any unclear points and it may also be necessary to carry out some **post tender negotiations** with the lowest price or most economically advantageous supplier proposal and the results from these processes should be fed-back into the overall tender evaluation.

Post tender negotiation is only successful when it has:

- § Produced an outcome that is acceptable to both the Council and the supplier
- § Been carried out efficiently and is not more resource intensive than necessary
- § Encouraged and supported a good working relationship between the parties rather than reinforced adversarial relations.

It is also important to be aware that if an OJEU procedure is followed that there are restrictions and Corporate Procurement and Legal Services should be consulted in advance of any post tender negotiations.

The **principles of post tender negotiation** are that:

- § It must be conducted within the scope of the EC Procurement Directives
- § It must be a controlled and documented process
- § It must have a clear audit trail

The European Commission have issued a statement as follows:

“in open and restricted procedures all negotiation with candidates or tenderers on fundamental aspects of contracts, variations in which are likely to distort competition, and in particular on prices, shall be ruled out; however, discussions with candidates or tenderers may be held but only for the purpose of clarifying or supplementing the content of their tenders or the requirements of the contracting authorities and provided this does not involve discrimination”

The evaluation processes should be documented and should involve relevant stakeholders to ensure a balanced judgement is made for the procurement project, and the supplier selection should be made in

line with the Financial Regulations of the Council and authorised accordingly.

If an OJEU procedure is followed the Council is required to maintain a record of the following:

- § Contract details
- § Selection decisions
- § Justification for the use of a selected procedure
- § Names of all tenderers
- § Reasons for selection
- § Reasons for abandoning an OJEU procedure

In support of this requirement and in the interests of good procurement practice the Council will develop and use a **Sourcing Summary Sheet (SSS)** to record all such information for all tenders in the future that can also be used as a source of information for procurers carrying out future procurement projects, as well as to support any information that is required to be provided as a result of a Freedom Of Information request.

DPW STAGE 6 – Award and Implement the Contract

In major projects, the mobilisation and implementation phases of the procurement process are critical to success and this may involve the transfer of staff, assets, data and third party contracts.

The management of change more generally will be a key task and Human Resources professionals will need to be involved from an early stage particularly regarding the management of staff transfers.

The approach adopted in the public sector in line with the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) has reduced many staff concerns and the management of staff transfers will be more straightforward when staff have been appropriately consulted together with Human Resources professionals.

There are three key activities to carry out at the Award and Implement stage of the procurement process:

- § Contract award
- § Debriefing
- § Post-implementation review

Contract award

The contract can be awarded to the successful supplier and this process should be carried out with the involvement of Legal Services to ensure compliance with Financial Regulations as contracts above a specified value should be in writing and executed under the Seal of the Council.

If an OJEU procedure has been followed, in advance of issuing a Contract Award Notice, it is necessary to notify the unsuccessful suppliers of the Council's decision to award the contract to a particular supplier and allow a minimum of 10 days for the "Alcatel Period" or a **standstill period**, to allow time for any unsuccessful suppliers to apply to the court for an interim

measure such as an injunction, which could lead to the decision being overturned.

Debriefing

Debriefing is the provision of feedback to a supplier following a notification to them that they have or have not been successful in response to an advertisement, request for quotation or invitation to tender.

Supplier debriefing is good procurement practice and should be provided wherever it is requested and the offer of meaningful feedback is a commitment in the Council's Small Business (SME) Friendly Concordat, and aims to proactively provide debriefing in order to enable suppliers to develop improvement plans for future procurements.

Debriefing of suppliers is recommended as it can:

- § Assist suppliers in offering improved value for money on future procurements
- § Allow the Council to explain their policies on achieving best value for money
- § Improve the Council's image as a professional procurement organisation
- § Provide an opportunity to gain feedback from suppliers on the Council's procurement process

Clearly it is not practical to provide a debriefing in every case and the content of the debriefing will vary according to the different types of procurement, however it should contain feedback about the selection process followed, the strengths and weaknesses of the suppliers' proposal, and any key reasons why the supplier was unsuccessful.

It is also important to ensure that at all stages the debriefing does not reveal content of any other supplier proposals that are commercially sensitive or have been supplied in confidence.

Post Procurement Review

This is a formal review undertaken once the procurement has had time to demonstrate benefits or outcomes and its purpose is to confirm that the benefits set out in the business case for the project (and the specification) have been achieved.

This process can also consider issues such as compliance with procedure, timescales, benefits realised, feedback received and can provide valuable information for future procurement projects, and enable the Business Case, Risk Register, Contracts Register to be updated appropriately.

The Post Procurement Review at this stage can also provide documented information to support the final stage of the procurement process DPW 8 – Closure and Lessons Learned, and thus ensure that valuable knowledge is retained for use during the next procurement project for this type of requirement.

DPW STAGE 7 – Manage the Contract

Contract Management

Effective contract management is a vital and often neglected part of the procurement process

and unless proactive and professional contract management takes place even well specified and procured contracts can fail to deliver what was expected of them.

Contract management is the process that enables both the Council and the supplier to contract to meet their obligations in order to deliver the objectives required from the contract.

It also involves building a good working relationship between the Council and the supplier and it continues throughout the life of a contract and involves managing proactively and anticipating future needs as well as reacting to situations that arise.

The central aim of contract management is to obtain the services as agreed in the contract and achieve value for money by optimising the efficiency, effectiveness and economy of the service or relationship described by the contract, as well as balancing costs against risks and actively managing the customer: supplier relationship.

Contract management also involves seeking for continuous improvement in performance over the life of the contract, in order to meet the requirements of the end customer.

The three main elements of effective contract management are as follows:

- § **Service delivery management** ensures that the service is being delivered as agreed, to the required level of performance and quality
- § **Relationship management** keeps the relationship between the two parties open and constructive, aiming to resolve or ease tensions and identify problems early
- § **Contract administration** handles the formal governance of the contract and changes to the contract documentation

Service Delivery Management

Service delivery management involves the practicalities of contract management ensuring that what has been agreed is delivered to appropriate quality standards or service levels.

Responsibilities for managing service delivery and for managing customer obligations must be clear and appropriately apportioned between the Council and its supplier.

Service level management is the process of managing the performance provided to the Council as specified in the contractual performance metrics and it plays an important role for the supplier in balancing cost and quality of services in order to provide the end customer with best value for money.

Well-structured service level management will help the supplier to:

- § Quantify benefits and costs
- § Ensure that responsibilities are clearly defined and agreed
- § Charge for services delivered efficiently and fairly
- § Clearly define services and their deliverables
- § Ensure that the services provided comply with the agreed business requirements
- § Develop a knowledge of current and future customer needs

There should be a detailed agreement between the Council and the supplier of the required

service levels and thus the expected performance and quality of service to be delivered.

The contract should define the service levels and terms under which a service or a package of services is provided and mutual and individual responsibilities should be agreed and documented.

Measuring service quality means creating and using quality metrics measurements that allow the quality of a service to be measured and some of the aspects of service quality that could be assessed are:

- § Completeness
- § Availability
- § Capacity
- § Reliability
- § Flexibility
- § Timeliness
- § Responsiveness
- § Security
- § Standards
- § Usability
- § Accuracy
- § Auditability
- § Satisfaction

Relationship Management

The Council's contractual arrangements will create a commitment to one supplier or a small number of suppliers for some time and this therefore will involve a degree of dependency and it is therefore in the interest of the Council and the supplier to make the relationship work.

Relationship management comprises of a discrete set of responsibilities and activities and the approach will vary depending on the type of contract and there is no one style that is appropriate for every contract or for every supplier.

Factors influencing the type of relationship are the value of the spend, the criticality of the goods or services provided, the availability of substitutes in the event of contract failure and the market share and strategic influence of the supplier, but it is important to understand that in any relationship three key factors for success are:

- § Mutual trust and understanding
- § Openness and excellent communications
- § A joint approach to managing delivery

Important factors in establishing the management structures for the relationship include:

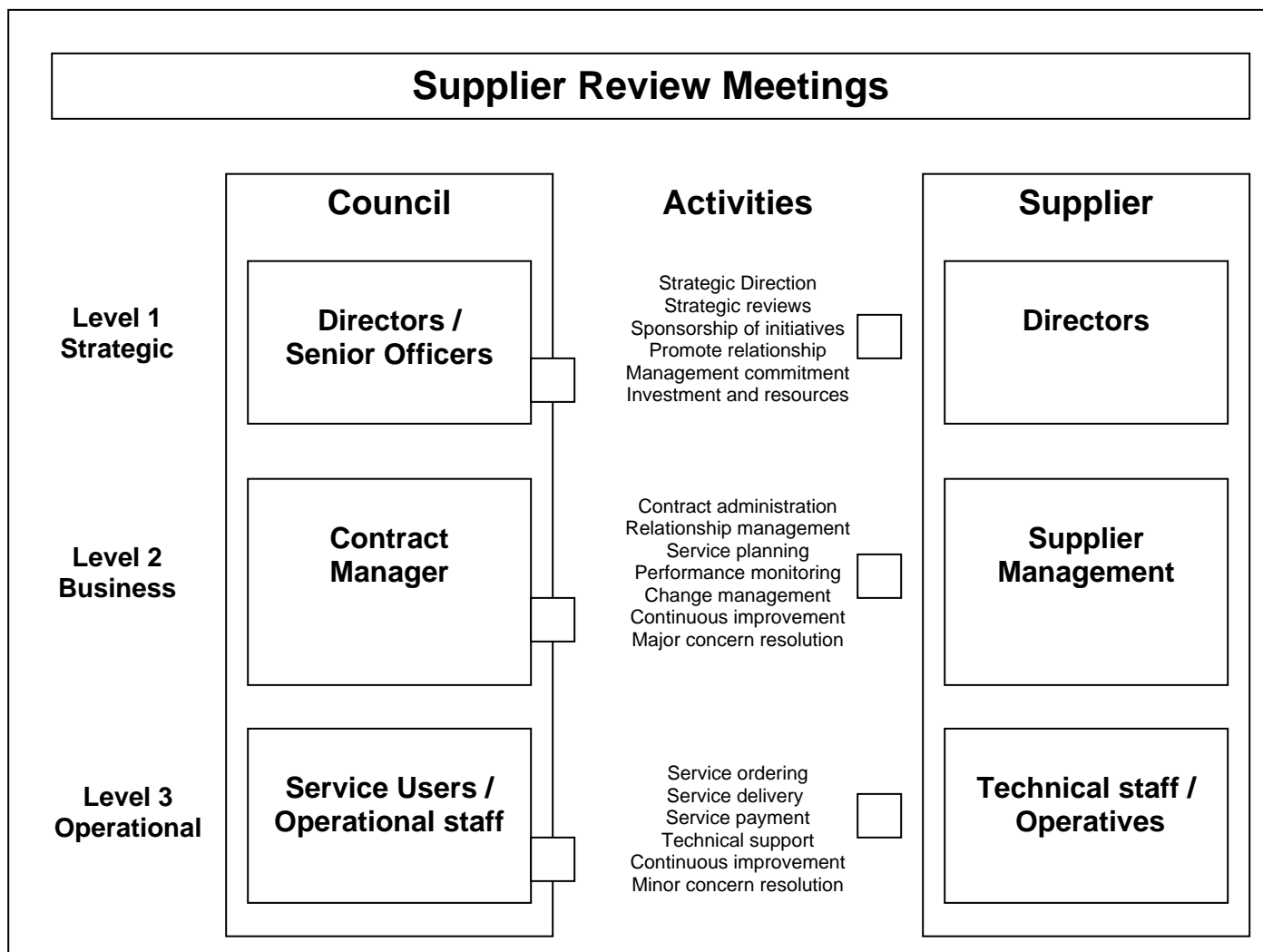
- § Ensuring that the relationship is championed at senior levels in both organisations
- § Recognising that the attitudes and actions will lead the tone of the relationship
- § Ensuring that governance arrangements are equitable and relationships are peer-to-peer
- § Avoiding a large number of formal management levels

- § Allowing some differentiation between the relationship management level and the contract management level.
- § Creating an opportunity for long-term strategic issues to be considered as well as the more day-to-day service delivery aspects.
- § Ensuring that roles and responsibilities are clear
- § Ensuring that the staff involved in managing the relationship are suitably empowered
- § Agreeing escalation routes and ensuring that they are understood and used properly
- § Encouraging an approach that seeks to resolve problems early and without escalating up the management chain unnecessarily.

An open relationship in which the Council and the supplier feel able to share problems, plans and concerns should be sought, and good communication and two-way information sharing are important factors in the development of an open relationship.

In order to encourage such an open relationship the Council encourages suppliers to engage and participate in Supplier Review Meetings and an example of three typical communication levels is shown below.

The detailed requirements for the Supplier Review Meetings should be agreed as part of the procurement process.



Contract Administration

Contract administration is concerned with the mechanics of the relationship between the Council and the supplier and the implementation of procedures defining the interface between them and the smooth operation of routine administrative functions.

Contract administration will require appropriate resourcing from both the Council and the supplier and some examples of the procedures that contribute to contract administration are as follows:

- § Contract maintenance and change control
- § Charges and cost monitoring
- § Ordering procedures
- § Payment procedures
- § Budget procedures
- § Resource management and planning
- § Management reporting (KPI's and improvements)
- § Asset management

These procedures will need to be designed to reflect the specific circumstances of the contract and the organisations involved, and it is possible that some additional administrative procedures may also be needed.

In consideration of changing customer needs the contractual relationships will evolve and must respond to changes in the business environment.

It is therefore important that the contract document itself and the administration procedures are capable of evolving efficiently and effectively through formal change control procedures and by mutual consent.

In summary the following are **essential success factors** for good contract management:

Good preparation

An accurate assessment of needs helps create a clear output-based specification and the Council's evaluation procedures and selection should ensure that the contract is awarded to the right supplier in the first place.

The right contract

The contract is the foundation for the relationship and it should include aspects such as allocation of risk, the quality of service required, and value for money mechanisms, as well as procedures for communication and dispute resolution should this be required.

Single business focus

The Council and the supplier should understand the objectives and business of each other. The Council has clear corporate objectives and should have a clear understanding of how the contract will contribute to them and the supplier must also be able to achieve their own objectives during the contract life.

Service delivery management and contract administration.

Effective governance will ensure that the end customer gets what is agreed to the level of quality required, and the performance of the contract must be monitored objectively to ensure that the Council and the end customer continues to get value for money.

Key performance indicators (KPI's) are therefore recommended with regular reporting to appropriate stakeholders to provide an objective basis for measurement and improvement within the life of the contract.

It is important that the contract management phase is considered to be a key part of the procurement process and that the Business Case is continually re-assessed and developed during the contract management phase.

Relationship management

Mutual trust and understanding, openness, and regular communications are important to the success of an arrangement and the Council should arrange Supplier Review Meetings at

agreed periods to ensure that two-way information sharing and performance reporting and reviews occur.

It is important that the Council and the supplier have clearly agreed the communications strategy for the contract, including each others' reporting lines, roles and responsibilities in order that it is clear how business will be conducted and communicated in between the Supplier Review Meetings.

Continuous improvement.

Continuous improvement in service delivery is clearly stated in the purpose of the Corporate Procurement Strategy.

The Council will therefore seek commitments to improvements in price, quality or service via our contract terms during the contract life and the Supplier Review Meetings should be arranged to ensure that these improvements are realised for the benefit of the end customer.

People, skills and continuity

There must be people with the right interpersonal and management skills to manage the relationship on a peer-to-peer basis and at other levels in the organisation.

Clear roles and responsibilities should be defined between the Council and the supplier and continuity of key staff should be ensured as far as is practically possible.

A project or contract manager (or contract management team) should be designated early on in the procurement process and adequate resources should be applied to manage the contract.

Knowledge

The staff involved in managing the contract must understand the business fully and know the contract documentation inside out as this is essential if they are to understand the implications of opportunities and problems over the life of the contract.

Knowledge transfer during the different stages of the procurement cycle is essential and it therefore important to ensure that the contract management team receives all information and an effective handover from the staff responsible for the procurement process, including the Risk Register.

Flexibility

Management of contracts will usually require some flexibility from both the Council and the supplier, and it is therefore important to establish a willingness to adapt the terms of the contract to reflect the changing customer requirements during the life of the contract.

Change management

Contracts should be capable of change (to terms, requirements and scope) and the relationship should be strong and flexible enough to facilitate any required changes.

Proactivity

Good contract management is not reactive and aims to anticipate and respond to business needs of the future.

Exit Strategy

The exit strategy for every contract should be clearly defined (including contingency plans for early termination) and the period running up to the exit managed to ensure that there is no loss of service delivery if this is still appropriate.

Decisions on future arrangements must be made in adequate time to allow for a full procurement process should a further procurement be required.

DPW STAGE 8 - Closure and Lessons Learned Review

The final stage in the procurement cycle is the closure and lessons learned review in this should be carried out to ensure that there is feedback into the procurement process in terms of:

- § Compliance with the Council's Procurement Strategy
- § Performance of the actual costs and timescales against those planned
- § Benefits secured from the contract against those previously earned
- § Feedback from suppliers and stakeholders
- § An assessment of technical methods and tools used.
- § An assessment of the management processes
- § Implications/pointers for future procurement
- § Updated to contracts and risk registers
- § Future performance management and relationship development requirements

It is recommended that an end of procurement project report is developed and communicated to Corporate Procurement in order to ensure that the important information gathered is retained for future application on other procurement projects.

Risk Management

The Council has a Risk Management Strategy and a Risk Management section to provide corporate risk management services and to assist Officers to ensure that procurement risks are managed effectively.

Risk is defined as "the combination of the probability of an event and its consequences" and although risk has come to be associated solely in negative terms, the upside of risk should not be ignored.

In addition to downside risks, a combination of probability and consequence may present an opportunity that the Council may wish to exploit and not always be a threat to aims, assets and operations, and risk management will analyse the situation and aid the decision making process.

Risk management involves the identification, evaluation, economic control and monitoring of those risks which threaten the assets (including human resources) corporate aims, statutory duties and service delivery of the Council, and the risks of different procurement requirements should be identified, quantified, allocated and managed.

Types of Risk

Risks may be identified as either strategic or operational (see the Council's Risk Management Strategy for details) and examples of some typical risks within procurement projects are as follows:

- § Political change leading to project misalignment with authority objectives
- § Loss of key procurement or project management staff
- § Insufficient resources and skills
- § Inadequate advertising
- § Insufficient customer consultation
- § Incorrect specification
- § Poor quality tender documentation
- § Procurement cycle is not followed appropriately
- § EU Procurement Regulations (Public Contracts Regulations 2006) breach
- § Low response rate from market leading to poor (or no) competition
- § Funding cannot be secured for the full period of the contract
- § The projected timescales for implementation are too short
- § Evaluation process fails to identify the best value for money supplier
- § Supplier performance risk
- § End-customer satisfaction risk
- § Fluctuations in inflation and interest rates
- § Cost uncertainty risk
- § Authority limit risk – maverick purchasing
- § Regulatory non-compliance risk
- § Information security, access and privacy risk
- § Terms and Conditions risk
- § Reputation risk
- § Environment, health and safety risk
- § Inventory and obsolescence risk
- § Automatic Renewals risk
- § Contractual and legal risk
- § Employee or third party fraud risk
- § Outsourcing risk
- § Efficiency risk
- § Opportunity loss risk

When should a risk assessment occur?

For major or high-risk procurement projects a risk assessment should be carried out to identify and quantify the likelihood (probability) and impact (severity) of each risk, and then determine appropriate risk control measures (actions) to mitigate or eliminate each risk.

The risk assessment should occur at the earliest opportunity following a corporate assessment of the Procurement Work Programme in conjunction with the Risk Management

function at the “Identify the need” stage in a procurement project (DPW 1).

Each risk should then be allocated to an appropriate Officer and the risk control measure, trigger for action or review and the date of the next review should be documented and communicated to relevant project team members.

The risk assessment should be reviewed at each stage of the procurement cycle as every project will be subject to some elements of change and the risk assessment document provides a report to ensure that all risks are monitored and managed.

It is recommended that consultation with the Risk Management section occurs for risk assessment activities within procurement projects, to ensure that a consistent and corporate approach is taken and to also ensure that important knowledge is retained for use on other projects in the future.

For any risk assessment of a procurement project, all risks should be identified and recorded using the Corporate Risk Template recommended in the Risk Management Strategy.

Risk treatment

The purpose of risk treatment is to either reduce or remove the likelihood or consequence of an unwanted event.

There are several methods used in this area and sometimes a combination of the treatments may be necessary.

Whatever control actions are introduced, a nominated officer must be responsible for their implementation and this should be noted in the risk assessment.

The four categories of risk treatment are:

- § **Avoidance** – Terminate the risk by doing things differently
- § **Reduction** – Take action to reduce either the likelihood of the risk occurring or to reduce the impact if the risk does take place
- § **Transfer** – Transfer the consequences of the risk to a third party
- § **Tolerate** – After analysis of the risk, take an informed decision that it is acceptable without any further control measures being introduced.

In addition to the above measures, it may be necessary to develop contingency plans in case the higher-level risks actually do take place.

Contingency plans should limit resulting impact, accelerate and give order to the Council’s response, meet urgent customer needs and protect the Council’s reputation.

For large contracts risk management may be more key than risk allocation, and it is important to realise that risks passed on to contractors will carry a price, so it will be necessary to

decide which risks can better managed directly and which risks would be disproportionately expensive to pass on to a contractor.

This risk assessment provides the framework against which risk can be monitored and managed and for major or high-risk procurement projects there will be a need to incorporate Gateway Reviews.

Gateway Review Process

A Gateway Review within procurement is a review of a major or high-risk procurement project carried out at key decision points by a team of experienced people who are independent of the project team.

The purpose of a Gateway Review is to ensure that the procurement project can successfully proceed to the next stage of the procurement cycle.

There are five Gateway Reviews that can be carried out during the lifecycle of a project with three occurring before contract award and two looking at service implementation and confirmation of the operational benefits.

The Gateway Review Process provides assurance and support for person responsible for a procurement project and supports them to achieve their project aims by ensuring that:

- § The best available skills and experience are deployed on the procurement project
- § All the stakeholders covered by the procurement project fully understand the status and the issues involved
- § There is assurance that the procurement project can progress successfully to the next stage of development or implementation
- § More realistic time and cost targets are achieved for the procurement project
- § Knowledge and skills among Local Government staff are improved through participation in review teams
- § Advice and guidance is provided to procurement project staff by fellow practitioners

APPENDIX 2: SERVICE DELIVERY OPTIONS MATRIX

1. Cease the service in whole or part

Less Suitable	More Suitable
<ul style="list-style-type: none"> § Uncertain if alternative providers do or will meet existing needs and demands § There is potential for future service development § Doubts about the evidence collected on the service and community needs 	<ul style="list-style-type: none"> § There is evidence of no or little need or demand for the service § Other service providers will meet community needs without support from the Council § The cost of the service considerably outweighs the benefits § The service requires investment that cannot be sustained

2. Market test the service

Less Suitable	More Suitable
<ul style="list-style-type: none"> § If there are substantial investment requirements § Clear options/preferences already exist § No interest in the supplier market § As a “stock response” to external delivery options 	<ul style="list-style-type: none"> § There is a need to demonstrate value-for-money § Strengthening supplier market identified but not quantified § An ‘open mind’ exists in terms of most appropriate means of future delivery

3. Continue the in-house service through traditional delivery methods

Less Suitable	More Suitable
<ul style="list-style-type: none"> § In-house service is poor § The service requires external investment § There is an active, competitive market with established suppliers § Service is easy to specify and monitor § If culture change is needed. § As a “stock response” to internal delivery options 	<ul style="list-style-type: none"> § Proven service performance and quality § Standardised service delivered § Low risk approach preferred § No need/opportunities/potential for significant improvements identified

4. Continue the in-house service through new delivery methods

Less Suitable	More Suitable
<ul style="list-style-type: none"> § In-house service is poor § The service requires external investment § There is an active, competitive market with established suppliers § Service is easy to specify and monitor 	<ul style="list-style-type: none"> § The in-house service is, or is close, to meeting local targets and national standards § There is no supply market § The cost/risk of externalisation will be high § There will be a high impact if the service fails § Service improvement potential can be demonstrated § Flexibility in service provision needed

5. Establish new service using direct employment

Less Suitable	More Suitable
<ul style="list-style-type: none">§ High set-up costs§ Access to private capital or specialist skills needed§ High impact of operating risk/cost§ There is an active, competitive market with established suppliers§ Service is easy to specify and monitor	<ul style="list-style-type: none">§ Flexibility in delivery required§ Quality control is critical§ The cost of changing means of provision is likely to be high§ There will be a high impact if the service fails

6. Re-negotiation of outsourced service with the existing provider

Less Suitable	More Suitable
<ul style="list-style-type: none">§ Existing service is poor§ The service requires investment the existing provider cannot or will not make§ There is an active, competitive market with established suppliers§ Service is easy to specify and monitor	<ul style="list-style-type: none">§ The existing service is, or is close, to meeting local targets and national standards§ There is little choice of alternative service provider§ The cost of changing means of provision is likely to be high§ There will be a high impact if the service fails

7. Competitive tendering

Less Suitable	More Suitable
<ul style="list-style-type: none">§ Suppliers consider the Council is “going through the motions” and therefore do not bid§ Staff are unwilling to make the improvements necessary for a competitive in-house bid§ The cost of preparing for competition outweigh the benefits§ The in-house team has no real chance of winning§ Market testing is a last ditch effort to avoid externalisation	<ul style="list-style-type: none">§ The pressure of competition is necessary to ensure improvements in current performance§ There is an active and competitive supply market§ The service is easy to specify and monitor§ A new service area is being developed and there is no preference between in-house and external provision In-house performance can be benchmarked against competition

8. Contracting out an existing in-house service

Less Suitable	More Suitable
<ul style="list-style-type: none">§ In-house service and management is demonstrated to be best value§ Opportunists or monopolists dominate the market§ The Council’s service objectives are not extended beyond mainly value for money judgments§ Service is difficult to specify and monitor	<ul style="list-style-type: none">§ In-house service is poor§ There will be a clear client – contractor relationship§ There is an active competitive market with established suppliers§ The benefits of using the market outweigh the costs§ Service is easy to specify and monitor

9. Externalisation with Partnership

Less Suitable	More Suitable
<ul style="list-style-type: none"> § Service is easy to specify and monitor § Opportunists or monopolists dominate the market § The Council's main objective is to save money § In-house service is more likely to deliver best value 	<ul style="list-style-type: none"> § Service is difficult to specify and monitor § The Council wants a close working relationship with the supplier and considerable involvement in service delivery § A programme of future innovation can be agreed § There is a high level of trust between the Council and proposed supplier § External suppliers can offer benefits that cannot be found in-house § Strategically important, long term, contracts § Contracts requiring continuous development

10. Transfer to alternative specialist provider/company

Less Suitable	More Suitable
<ul style="list-style-type: none"> § There is an active market available and there is no additional gain by transfer § The service is essentially personal or is highly regulated § The Council has clear service objectives to achieve § The service has key financial or operational significance to the Council and needs close management, monitoring and specification § There is little or no specialist interest in providing the service 	<ul style="list-style-type: none"> § The activities or services provided by the specialist organisation match the Council's aims and objectives § The Council and organisation can agree on the level of accountability to the Council § Suitable specialist organisations already exist or may be formed § Organisational independence is beneficial to service users § Access to trading powers is needed/suitable

11. Joint Commissioning

Less Suitable	More Suitable
<ul style="list-style-type: none"> § There is little or no interest in joint commissioning from other organisations § The service has key financial or operational significance to the Council § The Council is unwilling to delegate control of the service § Existing contractual commitments are a barrier § The cost of joint commissioning outweigh the benefits 	<ul style="list-style-type: none"> § The activities or services provided by another organisation match the Council's aims and objectives § The Council has a commitment to joint working § The pooling of resources will bring clear sustainable benefits

12. Hybrid

Less Suitable	More Suitable
<ul style="list-style-type: none">§ The service is easy to specify and monitor§ The service is a clearly definable single service§ The service is made up of so many separate elements so that a hybrid approach may lead to an unmanageable service arrangement§ Economy and effectiveness are best served by a single service delivery option	<ul style="list-style-type: none">§ The service consists of discrete aspects that may have different impacts and definitions of best value§ Excellent services are closely linked to services that need considerable improvement§ External resources can best be used to support in-house services rather than competing with them§ Evidence from the review is unclear§ Breaking down or amalgamating the service with another will increase the opportunities for best value

APPENDIX 3: PROCUREMENT CHOICE MATRIX

The Procurement Choice Matrix - How Important to the Council is In-house Provision?

Suitability for Considering Contracting-Out Options

Most Suitable -- Least Suitable

1	2	3	4	5	6
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Policy Performance/Implementation Impact

Does the activity contribute to the Council's strategic objectives and core values?	Not at all								Sole purpose
Would external provision fundamentally impact on the Council's core policy delivery?	Unlikely								Very likely
Will contracting out the activity have an adverse effect on the Council's ability to retain skills and knowledge?	No								Yes
Do major elements of the activity impact on Civil/Emergency planning?	No (or outputs easily specified)								Yes. (outputs/outcomes difficult to specify)
Is there a direct linkage between this service and other core services/issues?	No (or one that can be replaced)								Yes. Strong and dependent link.

Competitive Environment

Is the market sufficiently mature to deliver through competition?	Yes - wide range of competent suppliers								No
Is the Council likely to be committed to the monopoly provider by contract provisions?	No								Yes

Ease of Specification

Is the activity easy to specify (e.g., set processing targets)?	Yes								No
Is the activity easy to measure and verify delivery?	Yes								No
Will contract management be easy or difficult?	Easy								Difficult
Will contract management cost be high?	No								Yes
Are there frequent changes in outputs/outcomes required because of local or national policy change?	No (or easily specifiable)								Yes

Risk

Is the Council likely to be committed to long-term agreements with a single supplier?	No (or can be controlled or reduced)								Yes
Would an alternative procurement decision facilitate acceptable risk transfer?	Risks are measurable and private sector willing to accept								High risk, or contractor able to transfer all risk back to Council
Is the market dominated by a monopoly supplier? Will the Council be hostage to such a supplier at re-tender?	Yes								No
Is it likely that the activity will require large amounts of capital investment?	Yes. Significant need for investment								No. All available by direct labour and leasing

Service Performance

How does the existing activity perform on cost PIs?	High								At or below lower quartile cost
How does the existing activity perform in terms of service quality compared to other organisations?	Poor PIs								At or above upper quartile quality assessment
How does the existing activity perform in customer surveys?	Rated poor								Rated highly

Service Delivery Impact

Is direct delivery important to those who receive the activity?	No (or unlikely to perceive)								Yes
Will an outside supplier be willing to assist with fluctuating workloads?	Yes								No

APPENDIX 4: MEMBER'S GUIDE TO QUESTIONS

Gateway	Example of typical Procurement Questions for Members
0	<ul style="list-style-type: none"> ▪ has the need been clearly articulated and does it meet customer standards and expectations? ▪ what are the outcomes we are trying to achieve? ▪ are the outcomes aligned with strategic objectives and the needs of the community? ▪ can the outcome be achieved in an alternative way? ▪ what measures would be appropriate to demonstrate that the outcomes have been met? ▪ how have we considered the lessons learnt from similar projects? ▪ can we afford it?
1	<ul style="list-style-type: none"> ▪ conscious of budget constraints, could the money be better spent? ▪ have we considered all of the relevant costs and benefits? ▪ is the timetable realistic? ▪ have we got the people to do this? ▪ does this project affect anything else we are doing? ▪ have all the alternative options been considered? ▪ have the risks been identified? ▪ has the feasibility study been satisfactorily been completed?
2	<ul style="list-style-type: none"> ▪ are there suppliers that can do it? ▪ is the specification sufficiently clear to ensure providers understand our desired outcomes? ▪ what service standards are we setting? ▪ what wider benefits will there be for the community? ▪ how are we addressing equalities? ▪ how is health and safety built in? ▪ will we meet our sustainability objectives? ▪ have staff been consulted? ▪ how will we control risk? ▪ what are the cost/quality award criteria and weightings? Are they linked to the subject matter of the contract? ▪ is the procurement strategy legal, robust, appropriate and understood by suppliers?
3	<ul style="list-style-type: none"> ▪ have the agreed supplier selection criteria been applied objectively? ▪ have we complied with internal and external regulations? ▪ are sufficient resources allocated to ensure outcomes are met? ▪ what incentive is there to perform well? ▪ how will we know the provider is achieving the desired outcomes and when they are not? ▪ have we got the finance?
4	<ul style="list-style-type: none"> ▪ is the business case still valid? ▪ is the original desired outcome still valid? ▪ are key performance indicators being met? If not, what's being done to address those shortfalls? ▪ how will we capture the lessons learnt?
5	<ul style="list-style-type: none"> ▪ were the defined outcomes achieved? ▪ what worked well? ▪ how good a client were we? ▪ what could we do better if we were to start all over again? ▪ how will the lessons learnt be captured and communicated as a council asset?

STRATEGIC FACTOR CHECKLIST

The Strategic Factor Checklist has been applied to the development of this report, and there are no key issues, over and above those set out in the body of the report, that need to be brought to Members attention.

1. **SUBJECT MATTER AND PURPOSE OF REPORT**

- 1.1 The purpose of this report is to request Member approval of the Corporate Procurement Strategy 2007-2010 (the new Strategy).

2. **BACKGROUND**

- 2.1 The Council's Corporate Procurement Strategy and Action Plan 2004-2006 has been successfully concluded and a replacement strategy has been being developed for 2007-2010.
- 2.2 The new Strategy is an essential corporate strategy, as it will ensure that procurement can strategically contribute to the achievement of the Council's corporate objectives and the Corporate Plan and support the achievement of the Community Strategy.
- 2.3 In consideration of the fact that strategic procurement is a corporate wide activity it has been important to ensure that the ideas and opinions of key stakeholders were captured and considered in order that the new Strategy can effectively support the needs of the Council.
- 2.4 Members are key stakeholders in strategic procurement management and I&DeA specifically recommend that Members ensure that the procurement strategy is aligned to the Council's objectives, and are involved in the setting and approval of the strategy.
- 2.5 Following consultation with Members and Officers as well as other external organizations, the Corporate Procurement Strategy 2007-2010 has been developed and a copy has been placed in the Member's Room and is also available electronically via the following address link:

P:\Procurement\Procurement Strategy 2 (2007+) Stakeholder engagement\Procurement Strategy Final Draft

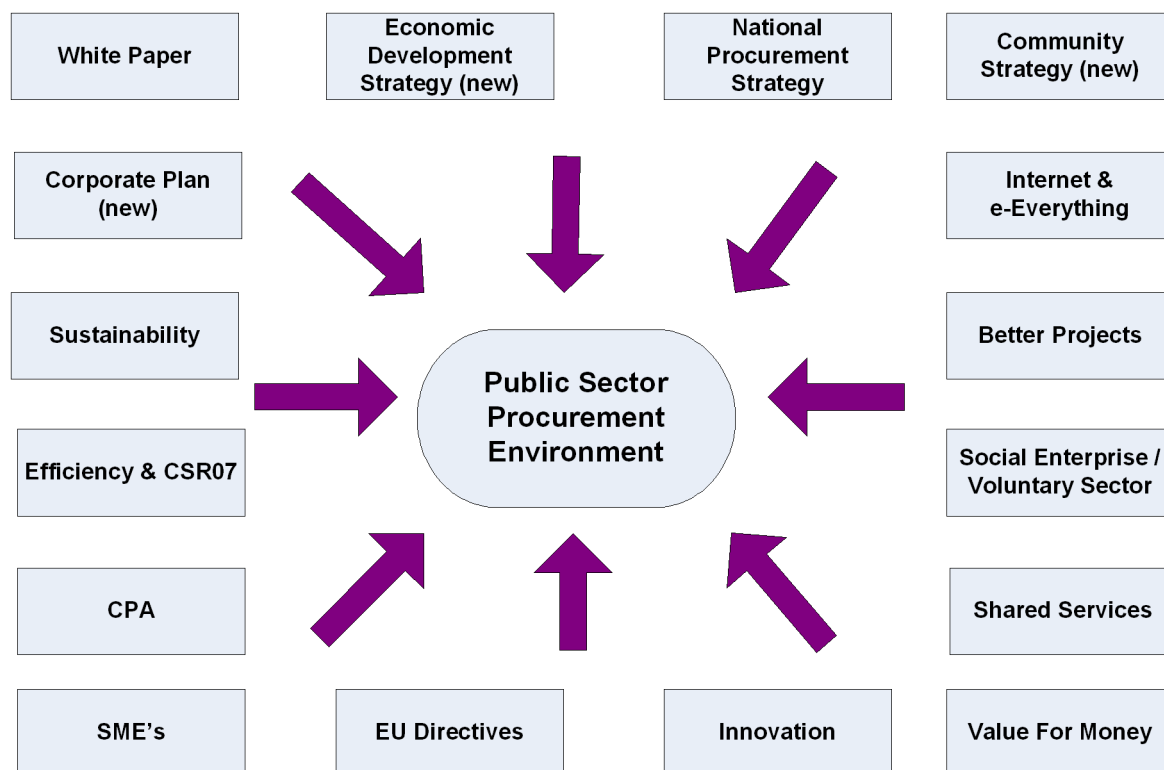
- 2.6 A summary presentation of the new Strategy is available in the public drive via the above address link.

3. **RELEVANT MATERIAL CONSIDERATIONS**

- 3.1 Review of Corporate Procurement Strategy 2004-2006 – The current Strategy was successfully concluded in March 2007, and a "Procurement Challenge" (Health check) of the status and performance versus National Procurement Strategy milestones occurred on January 5th 2007 facilitated by I&DeA.
- 3.2 The Procurement Challenge was supported by Members, Executive Director, Directors and key Officers with a procurement involvement, and provided stakeholders with an important

contribution into the development of the new Strategy, and I&DeA feedback report made recommendations that are included.

- 3.3 The Member Champion for Procurement also supported the e-procurement health check with I&DeA in August 2006 and the recommendations from this external assessment have also been included in the new Strategy.
- 3.4 The Officers who represent each Directorate in the Procurement Strategy Network contributed to a SWOT (Strengths, Weaknesses, Opportunities and Threats summary) for their Directorate and a summary of this has been included in the new Strategy.
- 3.5 In consideration of the collaborative procurement arrangement with Chester-Le-Street, a review meeting also occurred with their Director of Resources to ensure that any important ideas and contributions were included for the mutual benefit of both Councils.
- 3.6 A draft of the new Strategy was issued to Procurement Officers within the Durham Procurement Partnership as well as Peter Schofield of the North East Centre of Excellence in order that external professional procurement input could be provided.
- 3.7 The new Strategy has also been reviewed in the Procurement Strategy Network and Procurement Strategy Group meetings and a draft was circulated to all DDC Divisional Heads and Directors for comment and feedback.
- 3.8 The new Strategy has also been reviewed at the Executive Leader / Deputy Leader Scrutiny Panel on Wednesday 25th July 2007.
- 3.9 Corporate Procurement Strategy for 2007-2010 – In addition to building upon the good progress to date and recommendations from the above internal and external and reviews it has been important to consider the overall public sector environment and some issues that will have an impact on the future strategy.
- 3.10 There are several influences on the public sector procurement environment and a summary of the various factors that were considered in the development of the new Strategy is shown in the diagram below.



3.11 There have also been some recent publications and other recently advised important issues that have been taken into consideration such as:

- § National Procurement Strategy 2 years on
- § Sustainable Procurement Task Force National Action Plan
- § Transformational Government
- § CSR-07 – Comprehensive Spending Review
- § Local Government White Paper

3.12 It is was proposed and agreed at Executive that the basic structure of the future strategy should be similar to the existing Strategy but that it would include additional information and the main additional items included following consultation are:

- § The corporate context – highlighting the Corporate Plan aims
- § The Local Government procurement landscape – highlighting the drivers for change
- § A strategic procurement assessment (via a SWOT analysis)
- § Updated Policies
- § The procurement structure highlighting a centre-led procurement direction
- § A procurement spend analysis (including local spend information)
- § An expanded Procurement Framework as an Appendix (including a Member's guide to questions)

3.13 The new Strategy has now been developed taking into account the above considerations and an Action Plan is also included.

3.14 Options: There are three main options open to Members:

(A) Agree to approve the Corporate Procurement Strategy and Action Plan 2007-2010

The main benefits of this option are that it enables the Council to build upon the good progress made within the previous Strategy and ensure that the Council's strategic procurement approach can be improved and continue to contribute to the corporate

objectives set out in the Corporate Plan as well as specifically pursue our corporate aim of organisational excellence.

In consideration of the current situation of Local Government Review this option will require a regular review of each of the Action Plan items to ensure that they continue to remain as relevant priorities for the Council in the coming months.

(B) Reject the need for a Corporate Procurement Strategy and Action Plan 2007-2010

This option will result in the Council's strategic procurement capability remaining at the current level and that the Council will not be able to benefit from further improvements in a strategic procurement approach.

(C) Suggest amendments and further study to the Corporate Procurement Strategy and Action Plan 2007-2010

This option would allow any Member queries to be addressed but would delay the delivery of any further improvements in our strategic procurement approach.

4. CONCLUSIONS & RECOMMENDATIONS

- 4.1 The Corporate Procurement Strategy and Action Plan 2004-6 was successfully concluded but following a detailed assessment including both internal and external stakeholders there are opportunities to improve our strategic procurement capability furthermore.
- 4.2 The Corporate Procurement Strategy 2007-2010 will therefore be an important strategy to ensure that strategic procurement management continues to contribute to the corporate objectives set out in the Corporate Plan and Community Strategy.
- 4.3 It is recommended that Members select Option A above as set out in 3.14 and approve the new Corporate Procurement Strategy 2007-2010, and that a regular review of the Action Plan items occurs to ensure that they continue to remain as relevant priorities in consideration of Local Government Review.

Background documents

Appendix 1 - Corporate Procurement Strategy 2007-2010

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