

# Oxford City Council Procurement Strategy

2004-2007

<b>Foreword</b>	<b>2</b>
<b>What Is Procurement?</b>	<b>3</b>
<b>Chapter 1 - Providing Leadership</b>	<b>4</b>
<b>Chapter 2 - Partnering And Collaboration</b>	<b>11</b>
<b>Chapter 3 – Stimulating Markets And Achieving Community Benefits</b>	<b>19</b>
<b>Chapter 4 – Green Procurement</b>	<b>22</b>
<b>Chapter 5 – Doing Business Electronically</b>	<b>26</b>
<b>Action Plan</b>	<b>31</b>
<b>Annex A - Business Risk Checklist</b>	<b>35</b>
<b>Annex B - Performance Indicators</b>	<b>36</b>
<b>Annex C - Best Value Review Process</b>	<b>39</b>
<b>Annex D - Best Value Reviews</b>	<b>41</b>
<b>Appendix I - Further Information Sources</b>	<b>42</b>
<b>Appendix II - Glossary</b>	<b>43</b>
<b>Appendix III - Sustainable Design And Specification Principles</b>	<b>44</b>

## Foreword

### **Oxford City Council Procurement Strategy 2004 - 2007**

Oxford City Council believes that democratic local government can and should make a positive difference to people's lives.

One of the ways that we contribute to the life of the city is by providing a wide range of services for approximately 142,000 residents, 83,000 people who work in Oxford, and 5 million people who visit the city every year.

Efficient and effective procurement of goods and services is a key means of delivering our vision for Oxford. It is at the heart of our commitment to maintain financial stability and improve our services. It is also at the heart of our desire to work with others to develop and deliver shared goals for the city.

This strategy sets out our plans for improving procurement over the next three years. It sets out how we aim to:

- build on the procurement expertise which already exists within the Council
- work more effectively with strategic partners
- make full use of the new technologies available to us.

Implementing the strategy will enable us to improve the quality of the services that we provide for the people of Oxford and also achieve significant cost efficiencies.

Procurement and economic development are integrally linked and we are keen to include local businesses and not-for-profit organisations in our improvement plans. We are already taking action to explain to local businesses how our tendering process works, and how they can maximise their appeal both to us and to other businesses in Oxford. The strategy that we have developed ensures that these groups will also benefit as a result of the changes that we are planning.

Oxford City Council's strategy is organised around five themes:

- providing leadership and building capacity
- partnering and collaboration
- stimulating markets and achieving community benefits
- green procurement
- doing business electronically.

This strategy sets out how Oxford City Council aims to provide leadership and build procurement capacity - within the Council and the community that it serves.

Councillor Bill Baker  
Deputy Leader  
Oxford City Council.

## **What is procurement?**

Procurement refers to the process of acquiring goods, works and services. It includes acquisition from third parties and also from in-house providers.

Procurement is not a pompous word for buying; buying is just one part of the procurement process. The process spans the whole cycle from identification of needs, through to the end of a service contract, to the end of the useful life of an asset. It involves options appraisal and the critical “make or buy” decision - whether to provide services in-house or to procure services in other ways.

In the context of a procurement process, obtaining “best value for money” means choosing the bid that offers “the optimum combination of whole life costs and benefits to meet the customer’s requirement”. This does not refer to the lowest initial price option. It involves assessing:

- initial capital investment
- ongoing revenue/resource costs
- social, environmental and other strategic objectives. These are defined at the earliest stages of the procurement cycle.

The criterion of best value for money is used at the award stage to select the bid that best meets all of these requirements.

From the National Procurement Strategy.

# Chapter 1 - Providing Leadership

## Leadership – the national framework

**Key Objective:** To set out the national procurement policy framework.

Central Government has established a framework within which local government procurement should operate.

The Local Government Act 1999 requires local authorities continuously to improve the efficiency, effectiveness, and responsiveness of their services. Crucially, the Act requires that they:

- re-evaluate how they procure their services
- investigate a range of alternative service delivery options as part of the improvement process.

The Act also requires that local authorities should embed sustainability principles into their procurement processes. This means buying goods and services that deliver value for money and meet the needs of the local community - not just now, but over the long term. Best value procurement is sustainable procurement.

The Local Government Act 2000 specifically points to partnership arrangements - with the private sector, the voluntary sector, or other local authorities - as a means of procuring best value.

According to the 2000 Act, the job of democratically elected local authorities is to provide community leadership. This involves:

- improving the well-being of their areas by working in partnership with other stakeholders
- developing new skills to: analyse supply markets; identify what such markets can provide; select the best suppliers; and manage new forms of relationship with them
- ensuring that there is real variety in the way services are delivered and genuine plurality amongst service providers
- looking beyond direct service provision to wider strategic issues about procuring services.

Procurement guidance issued since the 2000 Act has reinforced the importance of partnership.

- The National Procurement Strategy for Local Government restates key best value principles.
- The Gershon Efficiency Review - and the Chancellor's 2004 spending review in which its findings are embedded – argues that local authorities can make significant savings by working in partnership to procure more efficiently. Gershon is so focused on possible efficiency savings that he appears to overlook the requirement to improve local well-being.

## Translating national legislation

**Key Objective:** To develop a local procurement policy framework.

The Council's Vision statement and the city's Community Strategy (CS) translate the national legislative framework into policies that work for Oxford and provide a framework for the Council's procurement activities.

The City Council and its partners are committed to pursuing social progress, equity, and diversity in order to build a city that all our people can be proud of.

Social progress means sustained economic development, a skilled and employable workforce, and recognition of the value of economic diversity. "Local businesses, social enterprises, and the voluntary sector add specific value to the Oxford area and contribute to social cohesion" (CS, p.14). We want to "develop a thriving economy providing jobs, housing, and services for local people while at the same time preserving the diversity that makes Oxford uniquely attractive".

The Council aims to contribute creatively to the economic life of the city and to help develop sustainable local businesses and communities. The way we "purchase goods and services has a

major impact on the environment, society, and the economy” (CS, p.14) and we are committed to “promoting the purchasing of local goods and services to achieve maximum community benefit and seek to protect the environment” (CS, p.14).

## Organisational Structures

**Key Objective:** To put in place organisational structures and processes to turn procurement policy into practice.

### Regional structures

Central Government has established nine Regional Centres of Procurement Excellence. Their task is to help local authorities improve procurement and to help build local capacity.

Oxford City Council will be working in partnership with the South East Centre, located at Kent County Council. We aim to improve our capacity to:

- manage requirements: analysing requirements and designing implementation paths
- manage supply: shaping the marketplace; managing contracts; and developing procurement
- manage programmes: tracking benefits and performance; developing better communication; matching and clustering organisations by collaboration and partnering.

### Sub-regional structures

Oxford City Council has worked with other stakeholders to establish the Strategic Procurement Partnership for Oxfordshire (SPPO). Membership consists of the City Council and other local authorities in Oxfordshire, Oxford University, Thames Valley Police, and the Oxford Council of Voluntary Action. We hope to expand membership of the group to include other public bodies within Oxfordshire. SPPO members work together in a flexible way that allows members to opt in and out of projects as best meets the needs of their organisations.

SPPO aims to support the delivery of National Procurement Strategy and Regional Centre of Procurement Excellence objectives. Other key SPPO aims are set out in Chapter 2.

### Oxford City Council structures

Oxford City Council has drawn on the expertise of the IDeA for guidance in developing effective structures for managing procurement. The health check carried out by the IDeA in June 2004 raised a number of “issues to consider” including:

- forming a new procurement board
- mapping procurement processes, in particular the “process to pay” procedure
- updating contract procedure rules to take into account whole life costs
- creating a centre of expertise for procurement.

This strategy recommends taking action to address these and other issues.

The following structures and processes need to be in place if we are to take full advantage of the opportunities offered by the procurement agenda:

- appropriate management structures
- project management arrangements
- risk management and other corporate governance arrangements
- best value review arrangements
- regularly monitored performance indicators.

While the Council is making good progress in these areas, there is still much work to be done.

### Management structures

The Council has appointed high-level procurement champions. The Deputy Leader of the Council has portfolio responsibility for procurement and the Strategic Director of Finance and Corporate Services supports the Deputy leader within the officer structure. However, there is no clear procurement management structure to support the Deputy Leader and the Finance Director.

Over the last couple of years, the Facilities Management Business Unit has performed some of the functions that would usually be carried out by a corporate procurement unit. Facilities Management has set up, managed, and monitored key generic spending contracts. It has managed the development of the procurement strategy, and has already implemented some of the requirements of the strategy. It is leading the Council's engagement with external organisations. However, Facilities Management does not have the resources to enable it to fulfil a wider procurement function.

There is loose corporate control over other aspects of procurement, which are within the remit of the various business units. Individual business units have developed high levels of procurement expertise within their specific fields but there are no formal mechanisms for sharing good practice.

### **Project management**

The Council does not currently work to a standardised corporate project management methodology. The absence of an agreed methodology, and a corporate pool of relevant expertise, has in the past severely impeded our capacity to deliver projects on time and within budget. The Office of the Deputy Prime Minister (ODPM) has approved PRINCE 2 as a flexible methodology that can be adapted to meet the needs of almost any project and is particularly robust in managing risk. The Council is now managing all IEG procurement projects according to PRINCE 2 principles, and has provided PRINCE 2 training to some officers. However, it has not yet adopted PRINCE 2 – or another appropriate methodology - as the corporate standard.

### **Corporate governance and risk management**

The Council is currently reviewing its corporate governance arrangements, including risk management. A draft risk management strategy has been written, and training has been delivered to Council managers. However, the principles of risk management have yet to be fully integrated into day-to-day procurement practice. See Annex A for a business risk checklist.

### **Best value**

The Council has focused in recent years on running a small number of reviews in high profile areas e.g. housing repairs, environmental health, legal services, and information technology. However, the Council does not currently have an agreed long-term review programme. Nor does it have dedicated best value management arrangements or resources in place. We aim to rectify this and are currently assessing the sequence in which the Council's functions should be reviewed. Chapter 2 sets out in detail our plans to improve in this area.

### **Performance indicators**

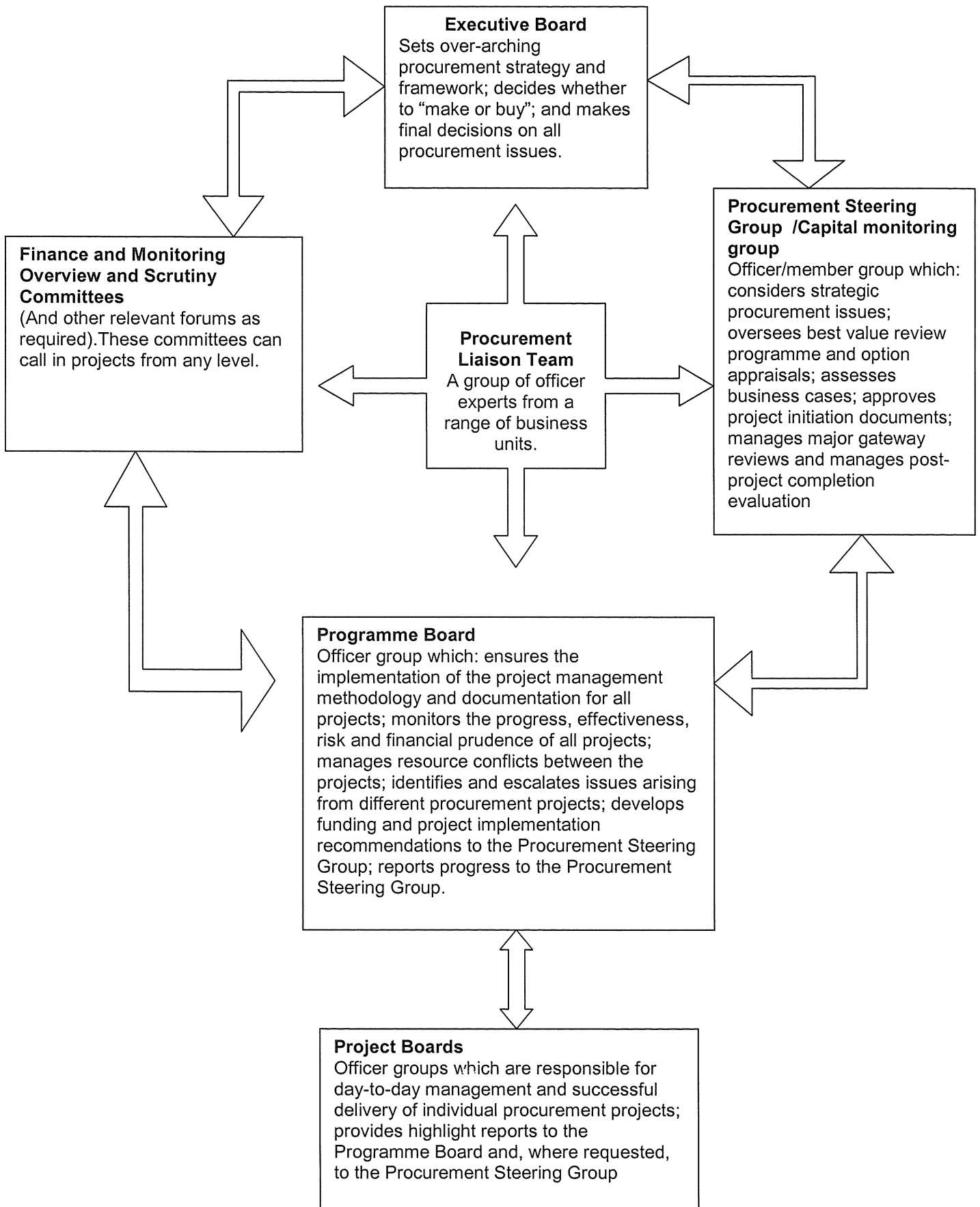
The Council has developed a set of performance indicators for procurement, based on the indicators developed by the Audit Commission and the IDeA. Annex B sets out a list of relevant performance indicators. The Council has not yet formally adopted these.

### **Next steps**

The Gershon Review has significantly increased the importance of local authority procurement and this will be reflected in the next round of CPA inspections. Oxford City Council aims to achieve excellence in procurement. In order to do this, we need to formalise the management arrangements that relate to the procurement function.

### **Recommendation 1**

That Oxford City Council sets up a decision-making structure, with proper project management principles, to manage best value and strategic procurement projects. See diagram below:



## **Recommendation 2**

That Oxford City Council formally adopts PRINCE 2, - or another appropriate methodology - as the corporate standard.

## **Recommendation 3**

That Oxford City Council notes the key role of risk management in the procurement process and agrees that the risk management function should be represented on the Procurement Steering Group.

Key procurement risk management functions include:

- assisting in the identification, analysis and management of strategic procurement risks
- assisting in the identification, analysis, and management of operational risks in specific procurement projects
- bringing papers on risks, action plans, and monitoring reports for procurement projects to the Procurement Steering Group and other Council forums as required
- developing and managing a corporate risk register, including procurement risk, which will be supported by business unit registers as necessary
- ensuring that staff on the various procurement project boards are aware of their responsibilities for risk management
- assisting Business Managers to manage procurement risk within their business units.

## **Recommendation 4**

That Oxford City Council puts the resources in place to enable the procurement team within Facilities Management to co-ordinate management of corporate procurement functions. These include:

### Policy

- providing advice on legislation and other policies that impact on procurement
- updating the Council's Procurement Strategy in light of economic conditions, new legislation, internal re-organisation, and commercial and technical innovations
- developing new procurement approaches for procuring goods and services, e.g. partnerships, best value, benchmarking, electronic purchasing, purchasing cards etc.

### Day-to-day management

- managing all corporate contracts
- working with business units to identify opportunities for co-ordination and co-operation
- co-ordinating initiatives aimed at improving purchasing power and lowering prices
- buying in external procurement expertise (from SPPO or commercial sources) where necessary.

### Advice

- advising business units on the preparation of specifications, criteria, tender selection and evaluation
- developing and delivering a procurement training programme
- developing and producing clear, user-friendly guidance and information on procurement rules and best practice
- maintaining an intranet/web site for purchasing information and news.

### Monitoring

- developing corporate systems and performance indicators to monitor the supply of goods, services and works to the Council
- ensuring that agreed procurement processes are adhered to
- analysing trends and expenditure to identify areas for improved co-ordination of purchasing
- producing an annual report on procurement activity, expenditure and savings for corporate contracts.

### Liaison

- representing the Council on external procurement-related bodies – e.g. Regional Centre of Procurement Excellence, Strategic Procurement Partnership for Oxfordshire (SPPO), Society of Procurement Officers in Local Government (SOPO), Central Buying Consortium (CBC), Improvement and Development Agency (IDeA) and Thames Valley Marketplace.



- liaising and managing relationships with other local authority purchasing bodies and external consortia to explore potential benefits of co-ordinated procurement and market intelligence.

#### **Recommendation 5**

That Oxford City Council identifies and develops expert teams within the Council who have knowledge of specific procurement practices (e.g. construction) and that all major procurement projects should be carried out by, or with advice from, the expert teams.

#### **Recommendation 6**

That Oxford City Council establishes a cross-departmental Procurement Liaison Team (PLT) – including representatives from Facilities Management and the expert teams - to exchange best practice and co-ordinate procurement activity. In addition, the Council should consider whether the Procurement Steering Group and the Capital Monitoring Group should be merged.

#### **Recommendation 7**

That Oxford City Council agrees and resources the implementation of a best value review programme.

#### **Recommendation 8**

That Oxford City Council maps current procurement processes, in particular “process to pay” procedures.

#### **Recommendation 9**

That Oxford City Council updates its contract procedure rules to take into account whole life costs.

#### **Recommendation 10**

That Oxford City Council agrees the performance indicators set out in Annex B and that these should be regularly monitored using Corvu.

#### **Recommendation 11**

The Oxford City Council prepares a list of contracts to be advertised the following year and puts this information on the intranet.

### **Training**

**Key Objective:** To build capacity through training.

Oxford City Council will invest in procurement training so that we can maximise our own performance and also take advantage of the opportunities offered by the Regional Centre of Procurement Excellence and SPPO.

#### **Recommendation 12**

That Oxford City Council completes an audit of procurement skills currently available within the Council. This will enable the Council to assess where training is required and where other skills need to be bought in. Areas assessed should include:

- expected roles and responsibilities of the contract manager, users and suppliers
- different types of contract and contract law relevant to different service areas
- knowledge of the gateway review process
- options for achieving continuous improvement within a contract
- options for achieving community benefits within a contract
- risk management and contingency planning in relation to contracts
- define business needs and able to develop a contracting strategy
- supply conditions and developments in relevant markets
- options for alternative pricing mechanisms
- future demand and succession planning
- project management skills.

**Recommendation 13**

That Oxford City Council resources and procures training which is necessary in order to enhance procurement capacity within the Council.

**Recommendation 14**

That Oxford City Council build sufficient skills in PRINCE 2, or another appropriate project management methodology, to ensure that all projects are delivered on time and to budget.

**Recommendation 15**

That Oxford City Council develops the procurement intranet pages to offer advice on risk management, standing orders, financial regulations, procurement code of practice and other aspects of procurement knowledge. These will link to the project management site (currently under construction), which will include advice, downloadable risk logs and risk checklists.

**Recommendation 16**

That Oxford City Council puts arrangements in place to ensure that staff are aware of, and consulted about, employment issues relating to procurement and contracts.