

Corporate Procurement Strategy January 2016 – December 2019

Version 0.8



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1. Executive summary

The City of Oxford has a vibrant and diverse community, one that is rich in culture and history. It is a global centre for education, health, bioscience, information education, publishing, the motoring industry, and tourism. Serving the local community and economy is at the heart of everything we do.

Historically, the Council spends circa £80m per annum on procuring goods, services and works; the budget for Capital fluctuates from year to year with approx. £38.9m being allocated for 2015/16. In a time of significant austerity measures there is even more focus on procurement to help the Council to deal with the severe challenges we face.

This strategy sets out how procurement will support the delivery of the Council's Corporate Plan 2015 – 2019 and its corporate priorities, as well as meet the Council's legislative obligations.

In addition, the strategy also takes into account recommendations of the Local Government Association in the National Procurement Strategy for Local Government in England 2014.

2. Introduction

The Council's ethos is to be commercial in all of its activities, and to only have processes and procedures which add value to the services we deliver and the economy we serve. This strategy seeks to adopt a pragmatic approach to procurement, one that is balanced and considers the value and risk associated with individual procurements. To support the delivery of the strategy amendments to the Contract Rules which operationalise procurement are proposed. The Contract Rules will be kept under review throughout the life of the strategy to ensure that the Council stays ahead of best practice, and that processes are capable of meeting the demands of the business.

Recognising the impact that procurement strategy, policy and practice has on outcomes, our vision for procurement is:

To support the delivery of innovative, cost-effective and quality services in the fulfilment of the Council's corporate priorities and business needs through a strategic and systematic approach to procurement.

For the purposes of this strategy we will use the following definition for procurement which is most commonly used in Local Government:

"Procurement is the process of acquiring goods, services and works. The process spans the whole cycle from the identification of needs, through to the end of a service or contract or the end of the useful life of an asset. It involves options appraisal and the critical "make or buy" decision which may result in the provision of services in-house in appropriate circumstances".

National Procurement Strategy for Local Government

Procurement is a strategic process that describes the activities and processes to acquire goods, services and works. Importantly, and distinct from "purchasing",

procurement includes the activities involved in establishing the fundamental requirements, sourcing activities such as market research and supplier evaluation, and the negotiation and management of contracts. It can also include the purchasing activities required to order and receive goods. Diagram 1 below shows the relationship of the key activities that influence/inform a procurement:



Diagram 1 – The procurement cycle

3. The procurement landscape

Public procurement operates in a highly regulated environment that is governed by legislation and policies set by the European Union, nationally through statute and case law, and locally by the Council’s Constitution (specifically Contract Rules and Finance Rules). In addition to legislation the Council is also required to fulfil other obligations placed upon it such as the Local Government Transparency Code 2015, and to implement initiatives introduced by the UK Government.

Procurement is underpinned by a set of principles including awarding contracts on the basis of best value, using multi-disciplined project teams etc. The effort expended on individual procurements is proportionate to the value and risk associated with the contract.

Responsibility for acquiring goods, services and works valued up to £100k is delegated to Service Areas under the strategic leadership of the corporate Procurement & Payments Team. The Constitution clearly defines the rules for procurement and the financial scheme of delegation for accepting quotes and tenders.

Procurement is represented at various internal boards and individual project or programme boards. In addition to officer boards, procurement is sponsored at a political level by an Executive Member.

The Council has significant in-house capacity for carrying out works as well as services. Carrying out work in-house does not constitute procurement but the Council recognises the vital importance of ensuring value for money in respect of all in-house activity. In acknowledgement of that, managerial arrangements are in place to periodically test the value for money of works undertaken by Direct Services.

Procurement principles

The principles for procurement are:

- all procurement activity supports the Council's corporate priorities, in particular to be an efficient and effective Council;
- procurements valued in excess of £100k have an approved procurement strategy prior to commencing procurement and delivers sustainability, local economic development and equality and diversity objectives;
- engage with relevant stakeholders and service users to ensure that needs analysis and the design of specifications reflects community requirements, and recognises the contribution of existing services;
- collaborate with other public bodies and partnering arrangements with suppliers to maximise efficiencies;
- all procurement is conducted in a professional manner with high standards of probity, transparency, openness, accountability and fairness;
- encourage a varied and competitive supply market; and
- support and enable the Council to be competitive and portrayed as the supplier of choice when bidding for commercial opportunities.

The corporate procurement and payments team

Led by the Strategic Procurement & Payments Manager, the role of the corporate Procurement & Payments Team is to:

- design the strategic framework for procurement across the Council including setting and implementing relevant policies, processes and procedures which supports the delegated (self-commissioning) model;
- support the delivery of the Council's Corporate Plan and the business objectives of its Services Areas;
- provide an overview and plan of procurement across the Council including identifying/realising savings;
- lead on the procurement of high risk and high value contracts;
- support growth in the local economy and facilitate opportunities for local and small businesses;
- help the Council to achieve value for money for every £1 spent, securing high quality of service and supply;
- provide accurate and timely advice to officers of the Council on procurement matters including implementing an environment which enables officers to self-commission;
- identify opportunities for collaboration both within the Council and with relevant external bodies;
- ensure that the Council procures in an ethical manner and that individual procurements are compliant to the legislative framework which governs public procurement including the UK Public Contract Regulations, and the Council's own Constitution; and
- manage the procure to pay systems including the payment systems and processes.

Procurement champions

In 2014 the Council launched a corporate programme to create a network of procurement champions to create capacity within the corporate team, and to enable the organisation to expedite procurement in order to be an efficient and effective Council. The programme seeks to instil commercial skills across the organisation, as

well as improve the performance of suppliers by the effective management of contracts.

Unlike other officers, procurement champions are authorised to conduct procurements valued up to £150k (subject to the approval of a procurement strategy for projects valued more than £100k).

How procurement supports the delivery of the corporate priorities

Procurement by its very nature is well placed to support the delivery of the Council's corporate priorities. Examples of how we achieve this is given below:

A vibrant and sustainable economy

The Council has an ethos of promoting opportunities for local businesses, either directly with the Council or indirectly through contracts that it holds with prime contractors.

The Council's Contract Rules provides a clear requirement which directly supports this priority:

- competitive quotes and tenders above a certain value and above must be sought via the procurement portal;
- at least one local supplier must be sought in all instances unless the opportunity is advertised via an open process;
- procurements valued in excess of £100k have an approved procurement strategy including a sustainable impact assessment.

Strong and active communities

Procurement is a mechanism for delivering and realising tangible benefits for the economy and local communities. Over 50% of the Council's spend is local to Oxfordshire with approx. 27% of this being paid to SME's (Small and Medium Enterprises). The Council is also proud to be an accredited member of the Living Wage Foundation. Specifically we:

- include a requirement for contractors to pay their staff at least the Oxford Living Wage where the contract is delivered from within Oxfordshire. This requirement extends to any sub-contractors; and
- consider what community benefits can be derived through social value, and where relevant building provisions for such in our contracts.

An efficient and effective Council

Procurement is about securing the delivery of a range of goods, services or works which represent value for money. To support this priority the corporate team have developed a suite of policies and procedures which commissioning officers and contract managers must follow. Training is also delivered to officers to enable them to procure goods, services and works expeditiously and to create capacity within the corporate team.

Please refer to Appendix 1 – strategic objectives for procurement for a complete list of objectives which have been agreed with the business to support the delivery of the Council's corporate priorities.

4. Contract management

Contract management is a key aspect of the procurement cycle as shown in the diagram 1 in section 2 above. For the purposes of this strategy, the following definition for contract management is adopted:

“a management process that ensures the contract yields the outcomes and benefits envisaged and that any market advantage secured during the tendering phase of the procurement process are realised and improved further through proactive performance management during the term of the contract”.

The Council has over 200 contracts with external organisations in operation at any one time. Approximately 60% of the third party spend is under contract. The corporate team maintains a register of contracts valued £10k ¹ and above.

As set out in the Council’s Contract Management Framework, contract management results in more effective performance management of the supplier and contract to yield better outcomes. The benefits are:

- to ensure that service expectations are met or exceeded;
- to secure further savings through further cost reductions, efficiency or process improvement, better demand management or an improvement in service delivery;
- to secure other non-cashable benefits such as improved quality, sustainability, and local economic and health outcomes; and
- monitor and reduce supply chain, supplier or contract risk and the costs associated with the materialisation of a risk event.

In order to ensure that the Council focuses management attention on the most critical relationships, suppliers and contracts are segmented into one of four categories based on the risk status and value of the contract or spend with a supplier as shown in diagram 2 below:

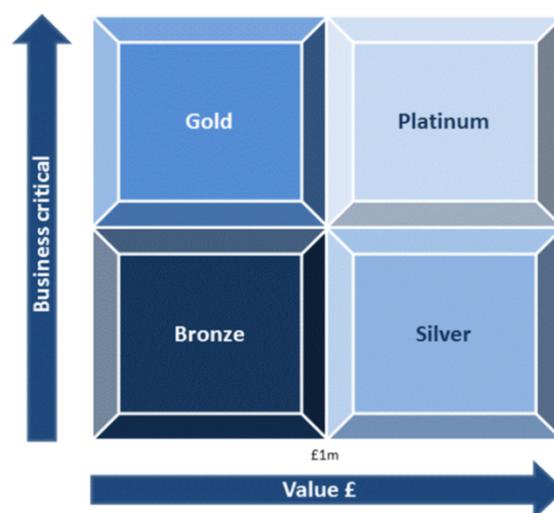


Diagram 2 Supplier and Contract Segmentation

¹ To meet new the new requirements under the Local Government Transparency Code 2015 this will decrease to £5k by December 2015.

The supplier and contract segmentation model shown above is used by a number of local authorities. This model enables the Council to share data with other authorities for the purposes of comparison and collaboration in a common manner.

Suppliers and contracts designated Platinum and a number of Gold contracts are subjected to monthly financial checks as to their credit risk profile, as well as monitoring press stories publicised on the web about their organisation. The purpose of such proactive monitoring is to ensure that the Council is kept informed of changes to a supplier which may require action to be taken as well as ensuring that the Council is seen as an informed client. This activity is undertaken by the corporate team. Any areas of concern such as a suppliers credit risk profile deteriorating is highlighted to the relevant contract manager for information and/or action.

5. Ethical and sustainable procurement

Procurement has a vital role in promoting both ethical and sustainable procurement, and in furthering sustainable development through the procurement of goods, services and works, as procurement decisions can have significant socio-economic and environmental implications, both locally and globally, now and for future generations.

The Council has been procuring goods, services and works in an ethical and sustainable manner for many years. The Council's approach is now formalised under the Appendix 2 - Ethical and Sustainable Procurement Statement.

For procurements valued £100k and above strategies are designed to ensure that contracts represent value for money on the basis of whole life costs, that they generate benefits for the local economy, and have a positive impact on the environment. Where relevant, procurements include social value or sustainability criteria as well as commitments for the supplier to pay the Oxford Living Wage, the creation of local apprenticeship or employment, training opportunities etc.

6. Electronic procurement

The Council recognises the importance of electronic procurement (e-procurement) in delivering lower transaction costs for both itself and suppliers, improving visibility of contract opportunities to the supply market, making the procurement activity visible internally and providing a clear audit trail.

Procurements valued £5k² or more are required to be conducted using the corporate procurement portal. Support is given to local small businesses on how to use the portal at events such as Meet the Buyer or where the Council hosts supplier days for particular procurements.

For the majority of purchases the Council requires an official order to be raised in the relevant ordering system when commissioning goods, services and works. Orders are required for accounting purposes in terms of authorising the transaction, to give a financial commitment, and to confirm to the supplier what has been ordered. Orders

² It is proposed to go to Council in December 2015 to increase the threshold for mandatory use of the procurement portal from £5k to £10k.

also enable invoices to be processed efficiently where a goods receipt note has been completed.

Requisitions created in the Agresso procure to pay (P2P) system are raised against defined products which classifies what is being procured, and whether it is against a contract or not. Requisitions raised against non-contract products are subject to procurement approval where the value of the order is £5k³ or more.

The corporate team use management information to monitor spend including identifying opportunities to reduce non-contract spend, improve the performance of P2P and the authorisation of payments to suppliers, and to reduce transaction costs.

Purchasing cards are used for low value purchases where relevant, although the majority of spend is commissioned via procure to pay.

The Council's payment strategy is to pay undisputed invoices within 30 days of receipt and 10 days for SME's.

³ It is proposed to increase the threshold to £10k from January 2016.

7. Appendix 1 - strategic objectives for procurement

This section sets out the strategic objectives for procurement against each of the Council's priorities over a three year plan. Consultation on the objectives has been undertaken. Progress on the delivery of the objectives will be made to senior management on a six monthly basis.

In supporting this priority will undertake the set the following strategic objectives for procurement:

Corporate priority	Strategic objective	Aim	2015/16	2016/17	2017/18
A vibrant and sustainable economy	Managing and development suppliers	Create a supplier base which meets the anticipated needs.	<ul style="list-style-type: none"> Improve knowledge of supply markets in relation to works. Approved list in place for works and waste. 	<ul style="list-style-type: none"> Review and reduce off-contract spend. Implement a category management review for key areas of spend. Implement feedback/mystery shopper with suppliers who have applied for contracts. 	<ul style="list-style-type: none"> Shape and influence collaborative procurement networks. Embed a category management approach across all spend areas.
		Stakeholder involvement (if appropriate) at all stages of the procurement cycle.	<ul style="list-style-type: none"> Annual work programme agreed with HoS. Annual savings target achieved. 	<ul style="list-style-type: none"> Annual work programme agreed with HoS. Annual savings target achieved. Implement procurement satisfaction surveys across the Council. 	<ul style="list-style-type: none"> Annual work programme agreed with HoS. Annual savings target achieved.
		Ensure that supply	<ul style="list-style-type: none"> Procurement 	<ul style="list-style-type: none"> Review published 	<ul style="list-style-type: none"> Host Meet the Buyer

		chains conform to the Council's ethos, policies and goals.	documentation reviewed and updated to reflect policies and corporate objectives. <ul style="list-style-type: none"> • Host Meet the Buyer event. 	material (Selling to the Council) on the website. <ul style="list-style-type: none"> • Host Meet the Buyer event. 	event.
Strong and active communities	Payment of Oxford Living Wage	All (relevant) suppliers adhere to the Council's policy not just at contract award but throughout the duration of the contract	<ul style="list-style-type: none"> • Add additional flexi-field to Agresso contract module to flag those contractors which have this obligation to aid reporting. 	<ul style="list-style-type: none"> • Build in measures into the Contract Management Framework to monitor adherence to ensure that contractors are fulfilling their obligations. • Encourage key suppliers who are not Living Wage accredited to become accredited. 	<ul style="list-style-type: none"> • Host event with the Living Wage Foundation.
	Social value	Increase social value to the local economy through service contracts which are let.	<ul style="list-style-type: none"> • Improve the consideration of social value into all procurements valued in excess of £100k by developing library of examples and guidance for inclusion in the Procurement Toolkit. 	<ul style="list-style-type: none"> • Develop and launch training for commissioning officers to raise awareness. • Include social value in contract performance reporting to monitor the delivery and realisation where commitments are 	

				given.	
Cleaner greener Oxford	Sustainable and ethical procurement	All officers have a clear understanding of sustainable and ethical and procurement.	<ul style="list-style-type: none"> • Embed sustainable impact assessments for all procurements valued in excess of £100k. • Ethical procurement statement agreed and launched. 	<ul style="list-style-type: none"> • Develop and launch training programme for commissioning officers. • Develop and implement minimum standards which support sustainable procurement as part of the revision to the Sustainability Strategy. 	<ul style="list-style-type: none"> • Review and update ethical procurement statement.
An efficient and effective Council	Service delivery	Identify new ways of delivering the procurement service.	<ul style="list-style-type: none"> • Completion of Cohorts 3 and 4 for the Authorised Practitioners programme. • Launch the Procurement Toolkit. • Review eSourcing solutions on the market for future provision. • Contract Rules revised and implemented. 	<ul style="list-style-type: none"> • Launch of Cohorts 5 and 6 for the Authorised Practitioners programme. • Review and update the Procurement Toolkit. • Improve commissioning and embed good practice within Service Areas by Procurement Specialists spending approx. 50% of their time working within assigned Service Area. • Review/revise 	<ul style="list-style-type: none"> • Review training and launch new programme. • Review and update the Procurement Toolkit. • Rotate Procurement Specialists to work with other Service Areas. • Review/revise Contract Rules.

				<p>Contract Rules.</p> <ul style="list-style-type: none"> • Implement balanced scorecard to measure the performance of procurement. 	
		<p>Improve the management of contracts and supplier performance.</p>	<ul style="list-style-type: none"> • All new contracts have the “exclusion clause”. • Review, update and implement the Contract Management Framework. • Implement contract performance reporting for platinum supplier contracts. • Contracts register influences work programme. 	<ul style="list-style-type: none"> • Implement contract performance reporting for gold, platinum and bronze supplier contracts. • Contracts register influences work programme. • Aim to achieve contract savings between 1-3% for range of contracts. 	<ul style="list-style-type: none"> • Aim to achieve contract savings between 1-3% for range of contracts.
		<p>Improve the use of Procure to Pay throughout the organisation</p>	<ul style="list-style-type: none"> • Agresso P2P upgrade completed. • Requisitioners and Approvers reviewed and are re-trained as to correct process and use of the system. • Monitoring reports generated and are discussed with 	<ul style="list-style-type: none"> • P2P reports to influence the annual work programme with savings of at least 1% identified for particular categories of spend. • Reduce the cost of processing invoices by working with suppliers to increase 	<ul style="list-style-type: none"> • P2P reports influence the annual work programme with savings of at least 1% identified for particular categories of spend.

			Service Areas via Management Accountants and at Heads of Service meetings.	the number of invoices received electronically or via a consolidated invoice.	
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8. Appendix 2 – Ethical Procurement Statement

Introduction

This statement sets out Oxford City Council's approach on ethical procurement.

Ethical procurement is often referred to as responsible procurement and typically refers to the following procurement processes:

- respect fundamental international standards against criminal conduct (i.e. bribery, corruption and fraud) and human rights abuse (i.e. slavery in modern times), and respond immediately to such matters where they are identified; and
- result in progressive improvements to the lives of people who contribute to supply chains and are impacted by decisions made by supply chains.

This statement is based on the following principles and includes information as to how they will be implemented:

- safe working conditions;
- promotion of good health;
- employment is freely chosen;
- non-excessive working hours;
- employees are paid at least a minimum living wage;
- training is provided;
- diversity, equality and good workforce practices are encouraged;
- elimination of child labour; and
- elimination of inhuman treatment.

In implementing this statement the Council will work with other organisations engaged in collaborative procurement to:

- highlight the priorities that the UK Government and other contracting authorities are pursuing at home and abroad;
- continue to provide tendering opportunities that are suitable for Small and Medium Enterprises (SMEs), Ethnic Minority Businesses (EMBs), civil society organisations and supported factories both directly and indirectly through first tier supplier;
- promote skills training, apprenticeship opportunities and graduate programmes amongst our suppliers to help tackle youth and graduate unemployment; and
- support the use of fairly traded goods where this is within the legal framework governing public procurement.

This statement applies to procurement and contract management processes and will be monitored by the Procurement & Payments Team.

Ethical issues and principles

Ethical issues can be considered where they are relevant to the subject matter of the contract and consistent with both the Council's corporate priorities and UK procurement policy.

The following principles sets out the minimum requirement expected from suppliers and their supply chains.

Safe working conditions

- Suppliers will operate appropriate health and safety policies and procedures. Responsibility for monitoring and ensuring compliance with these policies and procedures will rest with a senior manager. Responsibility also extends to ensuring that employees have received the necessary training and that they have the necessary health and safety equipment.
- Suppliers will provide comfortable and hygienic working conditions with necessary provisions (such as clean drinking water, washroom facilities etc). Such provisions also extend where accommodation/housing is provided.

Employment is freely chosen

- Employees have the freedom to choose to work and not be forced, bonded or subjected to non-voluntary prison labour.
- Employees have the right to join an independent trade union or other workers association and to carry out reasonable representative functions in the workplace.
- Facilitate alternative means of democratic representation where laws restrict freedom of association and collection bargaining.

Non-excessive working hours

- Suppliers comply with national and international laws or industry standards on employee working hours, whichever affords the greater protection. Employees should not be expected to work more than 48 hours a week on a regular basis and on average receive one day off at least every seven days.
- Overtime should be voluntary and not demanded on a regular basis and where required it should be reimbursed at an appropriate rate and not exceed 12 hours in any week.
- Suppliers should provide clear, easily understood disciplinary, grievance and appeal procedures; these must be lawful and appropriate. Suppliers must ensure that they do not deprive the employees of their legal or contractual rights.

Employees are paid at least the minimum living wage

- Suppliers delivering contracts within Oxfordshire are expected to pay employees at least the Oxford minimum living wage; outside of Oxfordshire expectation is that suppliers will adhere to any minimum or living wage requirements set out by the UK Government.
- Suppliers should provide their employees with easy to read contracts of employment.
- The payment of wages or salary should be in monetary form and not in kind (e.g. goods, vouchers). Any deductions must not be made unless in accordance with relevant law or agreed with the employee, and without duress.

Training is provided

- Suppliers are expected to invest in their employees by providing training opportunities which seeks to raise skills required for their role.

Non discrimination

- Suppliers are not to practice any discrimination in the hiring, compensation, training, promotion, termination or retirement either directly or indirectly.

Disputes procedure

- Suppliers should have clear and accessible processes for managing and resolving disputes with employees.

Elimination of child labour

- Suppliers are expected to support the elimination of child labour both directly and indirectly through its supply chains.
- Suppliers shall provide for any children found to be performing child labour to attend and remain in quality education until no longer a child.
- Suppliers shall ensure that no children or young persons are employed at night or in hazardous conditions as defined by the International Labour Organisation.

Elimination of inhumane treatment

- Suppliers must prohibit physical abuse or coercion, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation.

Grounds for exclusion

The UK Public Contracts Regulations 2015 provides clear guidance to public sector bodies to exclude suppliers from being able to secure public sector contracts for up to 3 years where there has been significant or poor performance against a public contract.

Service providers

The Council reserves the right exclude a service provider where deemed ineligible to tender for, or be awarded a public contract under Regulation 57 of the UK Public Contracts Regulations 2015.

Rejection of a service provider is permissible when the organisation:

- is in a state of bankruptcy insolvency compulsory winding up, administration, receivership, composition with creditors or any analogous state, or subject to relevant proceedings;
- has been convicted of a criminal offence related to business or professional conduct;
- has committed an act of grave misconduct in the course of business;
- has not fulfilled obligations relating to payment of social security contributions;
- has not fulfilled obligations relating to payment of taxes;
- is guilty of serious misrepresentation in supplying information required by the Authority under the Regulations;

- is not in possession of a licence or not a member of the appropriate organisation where the law of that State requires it; or
- is not registered on the professional or trade register of the relevant State in which established.

In deciding whether to exclude a service provider the Council will consider the seriousness of the misconduct, whether it was related to the subject matter of the contract, when it was committed and the action taken or being taken to prevent its recurrence. This discretion will not apply to convictions for offences where there is a mandatory requirement on public sector contracting authorities to exclude candidates in accordance with Regulation 57 of the Public Contracts Regulations 2015.

Economic operators

Part 1 of Regulation 57 covers the criteria for the rejection of economic operators where the contracting authority has actual knowledge that it or its directors or representatives have been convicted of certain offences. For example: conspiracy from participating in a criminal organisation, corrupt practices, bribery, theft, fraudulent trading and defrauding the European Communities, the Revenue and the Customs.

Regulation 57 makes provision for an exception to the mandatory exclusion of an economic operator.

Technical specifications and standards

Where relevant to the contract, the Council will use technical specifications and standards to integrate ethical considerations into procurement, such as standards for IT systems to ensure that they are accessible to people with disabilities and interoperable with software and hardware intended for disabled users.

The specification must be relevant to the requirement and must not discriminate against other products or providers from other member states, nor must it restrict competition. Unnecessary use of these principles may place an undue burden on small businesses and other organisations, which might have a disproportionate impact on their ability to compete and therefore be unlawful. In all cases, contracting authorities must be prepared to consider equivalent standards from suppliers from other countries (with different national standards) that meet the underlying requirement. The onus is on the supplier to prove that the solution being offered meets the requirements.