

Procurement Strategy 2011-15

“Our ambition is to be the best city council in the UK”

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Foreword

This strategy outlines our aims for 2011-15 and shows how procurement will contribute towards achieving the priorities set down in the Council Business Plan. The current budgetary reductions for the council presents additional challenges for the authority and this document shows the contribution procurement will make in ensuring these challenges are successfully managed.

The council spent in excess of £700 million during 2009-10 on the procurement of its goods, works and services. It is our duty to ensure this money is spent in the most effective way and delivers value for money.

Procurement has driven the release of savings through efficient procurement in the authority for many years. In 2011-2012 the procurement savings target for Leeds City Council was set for £20m and we are on target to reach this figure. The coming year will see further targets being set for procurement savings.

The key vision for this procurement strategy is :

- Efficiency. Ensuring the council gets maximum value from every pound that is spent through best value and innovative procurement practice; a consistent approach and one council approach to commissioning; a clearly identified and practised savings strategy and the implementation of a category management approach to procurement.
- Governance. Ensuring the council has appropriate and proportionate controls, systems and standards to manage procurement risk and to comply with legal requirements.
- Improvement. Seeking new ways to develop and improve the council's procurement and commissioning activities, and exploring how those activities can deliver the council's wider ambitions.

Procurement has a significant role to play in ensuring the council continues to deliver high quality, cost-effective services to the residents of Leeds.

Procurement Strategy 2011 to 2015

1 Introduction

This procurement strategy is relevant to a period of financial restraint in local government. The focus is on efficiency savings through procurement and how we will achieve the savings required over the coming four year period. Equally important is the need to commission and deliver quality and value for money public services, by mixing provision from the council, the third and private sector, according to who is best placed to provide these for local people. We will use our spending power and influence to encourage other organisations to deliver wider outcomes and benefits across the city.¹

Context of the strategy

There are many challenges facing local government, arising from the changing needs of our citizens and communities as well as the central government’s reform agenda. We will have to be flexible and responsive in order to meet these challenges and deliver the improvements needed. Some of the key challenges and opportunities include:

- Delivering the toughest local government funding settlement in many years including a major cut in government grant. This is on top of a ‘funding gap’ arising from changes to the make up of the city like an ageing population, rising birth-rates and the overall growth of the city - all of which put more pressure on council services.
- A difficult economic climate with rising unemployment, high inflation, pressures on social housing and reforms to welfare systems. Many of these will lead to greater demands on service delivery as well as reductions in our income.
- New legislation, most notably the Decentralisation and Localism Bill, which proposes radical change in many areas. The Bill sets very clear expectations that some power and budgets will be passed down to local communities. As well as giving citizens greater choice in shaping local services and their community and so being less dependent.
- Radical changes for partner organisations that will have an impact on local government e.g. reforms in the health service.

Doing things the same way as they always have been done is not an option. We will need to transform ourselves, to become a different organisation. We will have to work differently, to deliver better and more focused services for less money. And we

¹ Leeds City Council Business Plan 2011-2015

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will need to work closely with partners across the city to find solutions to complex problems.²

Procurement is identified as an important tool to achieve efficiency gains and procurement and commissioning have been charged with facilitating reductions in spend. As all departments depend on external organisations to provide goods, works and services, it is important that we maintain a clear strategy for selecting, receiving and managing these resources. Even where services are currently provided in-house, a range of other goods, works and services are provided externally to support our services. In 2009-2010, we spent over £700 million on goods, works and services provided by other organisations.

Councils have a duty to provide ‘best value’. All local authorities must continuously improve the services that they provide, having regard to a combination of economy, efficiency and effectiveness. We must also consult service users and other people who have an interest in our services.

This strategy will co-ordinate directorate plans to deliver improvement in procurement practice as a corporate priority. The strategy makes clear reference to our Vision, Council Business Plan and City Priority Plan.

Our Values

The Values of Leeds City Council are:

- Working as a team for Leeds
- Being open, honest and trusted
- Working with communities
- Treating people fairly
- Spending money wisely

These are at the heart of our organisation, supporting our ambition to be ‘the best city council in the UK’. This means bringing together what is good in the public, private and voluntary sector into the ways we work. These values are central to the Procurement Strategy 2011-15 and each and every one of them runs through this document. In particular, we will put these values into action through the council’s contribution to the city-wide priorities and deliver on budget savings through procurement.

2 Procurement Policy

Best value and innovative procurement practice

Procurement is an important part of the way we deliver public services. Buying and managing external resources is essential to providing best value services that are economic, efficient and effective. This is equally true where services are provided in-house.

² Leeds City Council Business Plan 2011-15

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We have a well-established policy on procurement which sets out our position on competition, our commitment to partnership and our expectations of best value procurement. This policy is explained below and is key to this strategy. Appendices A and B form part of this strategy.

We are committed to maintaining high-quality standards and having an efficient procurement and monitoring procedure. This allows us to continue to provide best value. Using best-practice procurement techniques, we are committed to making sure that every pound we spend provides value for money, and that every pound we save is directed back into service priority areas

The Procurement Unit has developed a system to help services carrying out options appraisals to decide the most suitable method of procurement to deliver a specific service. Each service can use appendix A of the procurement strategy as part of any review. Appendix A is effectively a risk assessment that will help to decide the suitability of the service under review, or any aspect of the service, for delivery by providers other than the council.

Each review will need to carry out an options appraisal on how, if at all, the service will be provided in future. A number of options are available, and appendix A, read alongside the other findings of the review, will help to influence the appraisal of those options.

We believe that in-house services can provide a high-quality, flexible framework for developing and providing services, but acknowledge that there are other ways to deliver services. We expect in-house providers to find an appropriate balance between being best on quality, value for money, service and employment practices. We will support in-house providers where they offer value for money and work in the best interests of service users.

Partnerships

We acknowledge the importance of partnerships with the private and voluntary sectors, with other public organisations acting locally and with the Government itself to deliver best value.

Performance reviews should encourage open relationships with everyone involved or who may have something to offer — whether from within the council, or through partnership arrangements with the private and voluntary sectors. We will encourage new methods of procurement that will deliver services more efficiently, effectively and economically.

The Government’s Best Value ‘four Cs’ of challenge, consultation, comparison and competition are considered an important part of this procurement strategy.

Competition

The aim of our procurement policy is to improve performance by making use of competition.

- **Indirect competition** We will assess the competitiveness of different functions by measuring ourselves against other organisations, including other councils, private- and voluntary-sector providers. Services provided in-house will be

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supported and encouraged to achieve equivalent, or better, levels of performance.

- **Direct competition** We will consider current performance and suitability and decide whether another method of procurement is appropriate (see appendix A). We will award contracts to the provider offering the most economically advantageous balance of quality and cost.

Where direct competition is considered appropriate and the in-house provider is competing, we will give the in-house provider the opportunity to compete on equal terms with outside providers.

Services that are already the subject of direct competition will be continually reviewed against this policy, to make sure that the service is provided in the most appropriate way to deliver best value.

The chart attached at appendix B provides a summary of our use of competition.

3 Main procurement aims

The key aims for this procurement strategy are :

- **Efficiency.** Ensuring the council gets maximum value from every pound that is spent through best value and innovative procurement practice; a consistent approach and one council approach to commissioning; a clearly identified and practised savings strategy and the implementation of a category management approach to procurement.
- **Governance.** Ensuring the council has appropriate and proportionate controls, systems and standards to manage procurement risk and to comply with legal requirements.
- **Improvement.** Seeking new ways to develop and improve the council's procurement and commissioning activities, and exploring how those activities can deliver the council's wider strategic outcomes.

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Efficiency

We are faced with a tough local government funding settlement and a major cut in government grant at a time when demands on council services is increasing. Procurement and commissioning functions will deliver a proportion of the budget savings required to meet this challenge.

Best city council approach to commissioning

- We will develop a best city council approach to Commissioning to provide a single corporate framework for procurement and commissioning activity to ensure consistency and efficiency.

In 2008 we launched the ‘One Council Approach to Commissioning Framework’. The framework was developed to ensure efficiency savings; to reduce the risk of challenge through improved and standardised practices and to maximise value for money in contracts. The framework provided a more structured approach to procurement and commissioning, regardless of directorate or the type of contract, bringing together best practice and other useful resources from across the council to assist officers. The framework maintains its relevance today. This strategy does not replace the framework, but provides a focus specifically on procurement over the next four years.

The resources that sit behind the framework can be found on the Leeds City Council internet site. In addition, the Corporate Commissioning Group, which ensures the application of the framework, meets monthly to oversee the implementation of the framework. The Group also provides a steer on other aspects of procurement and commissioning.

Savings strategy

- We will deliver budget savings through procurement as set out in the Council Business Plan each year.

To achieve the savings targets there have been several strands of work set up. A presumption that the council’s contract prices could be reduced by 10% was made and showed that the general target of £10m would be achieved. However, this was a significant assumption based on the history of efficiency savings already made during the “Gershon” efficiency years (2004-2007) and the comprehensive spending review of 2007 (to cover 2008/9-2010/11). In effect, the council had been making year on year reductions in contract prices of about 3-4% since 2004 so a presumption of 10% in one year would be a challenge.

The key areas of work being developed to reach this target include the following:

Post contract negotiation meetings - Initially, the council wrote to over 1000 suppliers to inform them that we would be arranging meetings to discuss existing contracts and to see how they could help the council achieve the necessary reductions. Most contractors have been supportive of the council’s objectives and are working with the council to agree savings.

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Review of the placement of orders with suppliers. Substantial developments of the council's financial management system, FMS (Leeds), are being carried out to assist the orderers in making the correct purchase and informing the procurement unit where there is a need for additional contracts. The revised system will provide better procurement management information for the unit to determine category and contract strategies that will benefit the council.

A review of the council's orderers and authorisers has taken place and numbers have been reduced to a minimum. 'Ordering hubs' are being established where the orderers place orders on behalf of the directorates. This allows for more focused training and development of expertise and knowledge of the appropriate contracts. Additionally, the ordering experts will become accustomed to challenging the need for some orders and assist the council in its demand management.

All contracts are being reviewed with the intention of standardising the council's requirements where it is possible to do so. This has been completed in areas like paper, stationery, travel and furniture and will be expanded out in as many areas as possible. The council will look to specify and purchase "industry standard" items rather than "custom made" for the council. "Off the shelf" purchases are often more competitive, less costly to make and result in a reduced price to the council.

E-Auctions, collaboration and innovative procurement practice - a systematic review of procurement is underway to ensure best use of e-auctions, of collaborative opportunities and other innovative procurement practice.

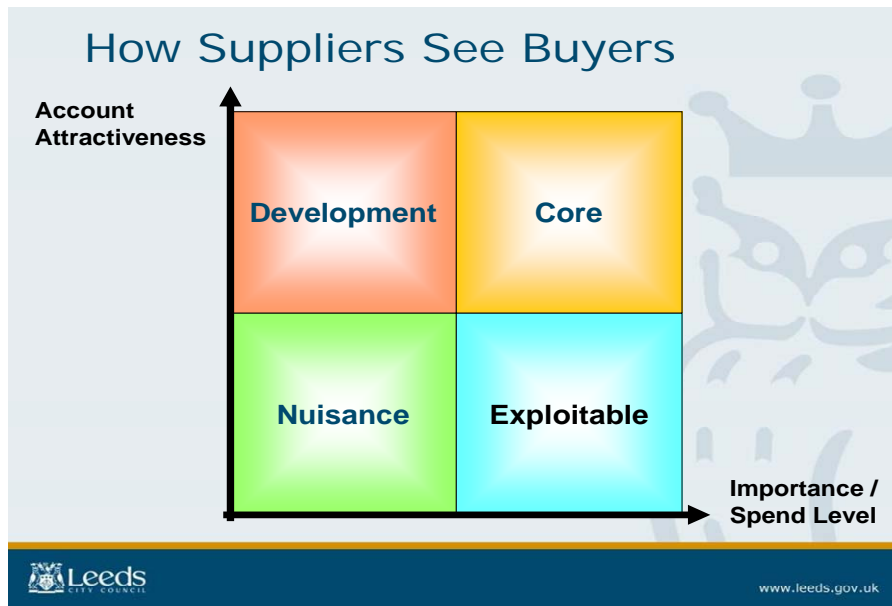
Category Management Approach

- We will adopt the Category Management approach to procurement activities which will include: proactive category management strategies; analysis of supply and demand; management of off-contract expenditure; effective relationship management internally and externally; monitoring of legislative changes; category-based market intelligence; effective contract management; and overall performance management of outcomes.

The category management approach to commissioning provides a holistic approach to the procurement and commissioning of categorised spend which focuses on the interrelated needs of buyers and suppliers. It is an approach which we have been working towards in Leeds City Council for a number of years, and is detailed in the 'OCATC'.

The approach is informed through portfolio analysis and the chart below indicates how the needs of buyers and suppliers relate.

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The goal of category management is to ensure that all supply arrangements are planned, executed, managed and reviewed in the wider organisational context (including savings driven and socially responsible).

If you were to take a diagonal line from the right hand top to left hand bottom, those categories or supplies and services that fall into the bottom section would be centralised and corporate. Those in the top section were more specialised and are best decentralised to departments.

In order to take the category management approach to the next level in Leeds City Council there are a number of areas of action underway. These will ensure adequate spend visibility in order to inform the developing parameters of category groupings; assignment of category management responsibilities; development of a category planning and implementation approach and setting of targets and performance management within this. A pilot within Children’s Services is underway during 2011 and the outcome of this pilot will inform development from 2012 across the authority.

Electronic systems

The current electronic contract management system is due to expire in December 2011. We are committed to maintaining an electronic system for our supplier and contract management and replacing this system during 2011.

Governance

We work to comply with legal requirements through the review of our Contract Procedure Rules and keeping up to date with legislative changes. We have ensured that the ‘Delivering Successful Change’ project management methodology links closely with procurement processes and in particular the Gateway Review process. We provide a corporate offer on procurement training and a ‘master class’ program and we provide guidance on the procurement process including evaluation guidance and contract management. We will continue with these offers and include additional areas such as tender document and contract management quality checks.

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We will ensure we have effective risk management processes in place. New legislation will provide additional challenges and most notably the Decentralisation and Localism Bill and the Community Right to Challenge, which may demand radical change in many areas. The key challenges in this area over the coming few years will be keeping up to date with legislative changes and introducing new systems to deal with these.

Improvement

We recognise that our activities have an effect on the society in which we work, and that developments in society affect our ability to work successfully. We are committed to achieving environmental, social and economic aims that tackle these effects.

We have worked towards the introduction of a standard approach to social responsibility within procurement and brought into the procurement process key tools for these considerations. These tools are the ‘socially responsible procurement toolkit’ and the ‘procurement equality assurance’ questionnaire.

The socially responsible procurement toolkit provides procurers with the tools to address issues ranging from environmental to social including apprenticeships and youth training as well as addressing the needs of the third sector and small business. The approach Leeds City Council has taken towards equality and diversity within procurement has been identified as ‘innovative’ in the 2011 Peer Assessment of LCC when Leeds CC was credited as ‘Excellent’ in the Equality Framework.

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Action Planning

The following section provides information regarding the key aims of this strategy. We will monitor our progress in delivering this strategy and provide a review of the strategy, particularly of the targets, in two years.

Performance Measure	Baseline	Target 2011-12	Target 2012-13
Efficiency			
Delivery of budget savings through procurement	N/A	£20 million	TBC
Development of the One Council Approach to Commissioning	The Corporate Commissioning Group meets monthly to ensure consistency and leadership on the OCATC	Successful development and implementation of the CCG workplan 2011-12	Successful development and implementation of the CCG workplan 2012-13
Adoption of the Category Management approach	The OCATC has provided a framework for the category management approach. 4 category managers are in post. A pilot approach is underway in Childrens Services	To review the Childrens Services pilot and put into practice the learning from this pilot.	To roll out and embed the approach.
Implementation of the savings strategy	The 4 key elements of the strategy are in place and underway.	<ul style="list-style-type: none"> • deliver year 2 targets of the post contract negotiation • reduce off-contract spend and set up new contracts • roll out the ordering hubs • roll out of standardisation 	TBC

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Performance Measure	Baseline	Target 2011-12	Target 2012-13
Replacement of the electronic supply and contract management system.	The replacement system is on track for contract by Dec 2011	Implement a smooth transition to the new system.	TBC
Governance			
Effective risk management of major contracts	The risk management process is in place	Risks encountered have been identified at an early stage.	None
Procurements are undertaken legally, consistently and within the CPRs	CPRs are reviewed annually; training, masterclasses and guidance is provided.	Procurement refresher training is provided and attended by all procurement officers.	TBC
		A random check of tender documents and contract management processes is made.	A random check of tender docs and contract management processes is made.
		5 master class sessions and 12 procurement training sessions are provided.	5 master class sessions and 12 procurement training sessions are provided.
		Contract management guidance documents are promoted and training given.	Contract management guidance documents are promoted and training given.
	The potential impacts of forthcoming legislation is under discussion at CCG.	Processes to implement new legislation is in place.	The impacts of new legislation is reviewed.
Improvement			
	SRP toolkit and equality assurance tools are available	Additional training is provided on the equality assurance process; guidance is distributed through the CCG on ‘due regard’.	
		Guidance is provided on	TBC

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Performance Measure	Baseline	Target 2011-12	Target 2012-13
		encouraging small and medium sized enterprises, third sector organisations and supported business to tender to opportunities.	
		Guidance is provided including training opportunities in contracts.	
	The ‘Compact compliance’ actions are completed and working with Third Sector Organisations is a key work stream of Corporate Commissioning Group	The ‘Compact compliance’ actions are completed and Third Sector work stream of the Corporate Commissioning Group is completed.	Issues raised by Third Sector Organisations are actioned through Corporate Commissioning Group.

Making the decision on where to buy services

Condition	Suitability for alternative procurement arrangements						Notes and comments about suitability
	Least suitable			→	Most suitable		
	1	2	3	4	5	6	
1 Strategic importance Is the service strategically important? Is it a service that provides a core business for the authority, is sensitive or does policy work? * Example - the service (or part of it) is free or can be freed of legal, policy or practical limits on contracting.							
2 Degree of risk What level of risk (financial, business or political) is involved in exposing the service to competition? * Example - the risk is relatively low to everyone involved, including the public, the council, the Government and the contractor - taking account of past risks during and beyond the term of the contract.							
3 Effect on other services What will the effect be (negative and positive) on other services or issues? * Example - the service can be exposed to competition without significant disruption to other council services, functions or strategies.							
4 Core values Would direct competition have a negative effect on our main values? * Example - exposing the service to competition would not have a negative effect on our main values.							
5 Public-service aims Are the public-service aims important to this service and to those people who receive it? * Example - commitment to our public-service aims has little or no effect on the way we provide our services.							

Condition	Suitability for alternative procurement arrangements						Notes and comments about suitability
	Least suitable			Most suitable			
	1	2	3	4	5	6	
<p>6 Replacement contractors Will the council be locked into a limited number of service providers? Can failing contractors be penalised or replaced without significant interruption to services?</p> <p>* Example - contractors who fail to deliver services to specific standards can be easily penalised or replaced, or dependence on a limited number of suppliers can be avoided by repackaging.</p>							
<p>7 Civil and emergency planning considerations Do significant parts of the service affect civil and emergency planning?</p> <p>* Example - the service does not have a significant effect on civil and emergency planning.</p>							
<p>8 National issues Do significant parts of the service affect important national issues such as environmental issues?</p> <p>* Example - the service does not significantly affect important national issues.</p>							
<p>9 Competition and market maturity Does the market have enough contractors to guarantee true competition?</p> <p>* Example - the market is well established with many skilled competitors.</p>							
<p>10 Testing the market Can the work be packaged in a different way since the last market test to appeal to existing or new markets?</p> <p>* Example - the work can be packaged in a different way.</p>							
<p>11 Future of the activity Are significant service developments likely, for example, changes in law and mergers?</p> <p>* Example - the service continues to be justified, and it is very unlikely that it will be reviewed or be affected by changes in law.</p>							

Condition	Suitability for alternative procurement arrangements						Notes and comments about suitability
	Least suitable			Most suitable			
	1	2	3	4	5	6	
12 Investment opportunities Are there high investment needs in terms of machinery, equipment and information technology? Will competition attract inward investment, for example, regional offices? * Examples - high levels of investment are needed, and competition will encourage inward investment.							
13 Specifying services Is the service difficult to define or quantify? * Example - the service can be specified easily in advance.							
14 Ability to measure performance How easy is it to measure performance? * Example - it is easy to measure the performance of services.							
15 Current performance level Is the current performance good? * Example - performance is consistently poor.							
16 Period for performance improvements Has an improvement plan been agreed with the current provider? * Example - performance has failed to improve despite an appropriate timescale for improvement.							
17 Level of service needed Will competition result in us being able to meet changing workloads more efficiently? * Example - competition will mean that we can meet changes in demand.							
18 Ability to manage contracts Will it be difficult to manage contracts? * Example - the contract and competitive process will be relatively easy to manage with limited scope for contractual claims.							

Condition	Suitability for alternative procurement arrangements						Notes and comments about suitability
	Least suitable			Most suitable			
	1	2	3	4	5	6	
19 Effect on essential skills and knowledge Will contracting the service have a negative effect on our ability to maintain information and keep staff?							
* Example - we will be able to keep the skills and knowledge essential for the department to meet its responsibilities.							
20 Direct control of services How important is it to directly control services?							
* Example - the service can be controlled through contract management and does not need controlling directly.							
21 Costs and benefits Is the cost of procurement and post-contract client service disproportionately high? Are the benefits likely to be higher than the costs?							
* Example - overall, the benefits will outweigh the cost.							

Appendix B

The aim of the review procedure is to achieve best value in terms of cost, quality and performance of our services. As a result, services will have to do the following.

