

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 4 <sup>th</sup> November 2003	<b>MEETING NAME</b> Executive
<b>Report title:</b>		Procurement Strategy	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Chief Executive (Assistant Chief Executive - Performance and Strategy)	

### **RECOMMENDATION(S)**

1. The Executive are recommended to: adopt the Procurement Strategy appended to this report (Appendix B).

### **BACKGROUND INFORMATION**

2. The Council spends £1.2bn per annum. The Council is committed to ensuring that procurement achieves best value for money, improves the quality of the services provided, meets the needs of and brings social and economic benefits for local people and in turn supports the Council in achieving its strategic and corporate and CPA improvement plan priorities. The Procurement Strategy and delivery plan has been developed to provide a framework to enable this vision to be delivered. It will ensure that cross council the approach to all procurement activities is consistent. To do this will require a step change in how the Council goes about procuring its goods, services and works.
3. The Strategy and delivery plan ensures that procurement will reflect council policies on matters such as sustainability, design standards, equalities and economic development, particularly supporting small and medium-sized enterprises (SMEs) and black and ethnic minority enterprises (BMEs), in the Borough to gain work from public authorities and larger businesses based within Southwark.
4. To implement this Strategy will require leadership and a cultural shift in our procurement thinking and approach. To facilitate this capacity issues will and are being addressed both at a corporate and departmental level. There is a clear focus in the delivery plan on strengthening and developing the role and responsibilities of the central procurement team (a new Head of Procurement is in the process of being appointed). In addition clear actions are in place to ensure that procurement skills in departments (especially project and contract management) are developed, enhanced, updated as appropriate.
5. The Strategy also emphasises the changes to the procurement processes increasing efficiency and the use of innovation through e-procurement, better communications and enhanced management information. The latter is of importance in facilitating and informing the decision making process but also increasing the ability of the Council to monitor contracts, spend and supplier performance more effectively.

6. Key to ensuring that the plan is implemented is a robust performance management framework – the delivery plan has milestones to be reflected in department delivery plans. Outcome focused targets will be developed and delivered. Targets will be set for financial savings once further management information is available.
7. The delivery plan consolidates all actions that have arisen in response to recommendations on procurement and contract management related activity produced by external audit, other inspectorates, internal audit and the best value team. It also considers the key recommendations arising out of the ODPM's national procurement strategy for local government launched on 22 October 2003. A draft version of this Strategy was reviewed by the Council's external auditors.
8. This strategy is a three-year rolling strategy and will be updated as required and annually as part of the Council's business and budget planning processes.
9. A revised set of Contract Standing Orders will be presented to the January 2004 meeting of the Executive.
10. The Executive at its meeting on the 8<sup>th</sup> July 2003 requested that the report on the Procurement Strategy include information on:
  - the number of breaches of contract standing orders across the Council in the last 5 years,
  - the reasons for the breaches, and
  - what action has been taken following the breaches.
11. The Chief Finance Officer has carried out an analysis of the breaches reported (see paragraph 19). The Procurement Strategy and its delivery plan are putting in place a number of measures to improve the contract letting processes across the Council and should result in far fewer breaches of Contract Standing Orders in future. These include:
  - the corporate Contracts Register and production of departmental and corporate three-year forward procurement plans. These measures will ensure that departments are aware of all contracts due for renewal or extension.
  - a programme of procurement training is being rolled out along with "PRINCE2" project management training for staff. These measures should improve the skills base of staff involved in contract letting and management across the Council.
  - The development of a procurement centre to lead, support and monitor Council-wide procurement activity.

## **KEY ISSUES FOR CONSIDERATION**

### ***Policy implications***

12. This Strategy impacts on all the Council procures and how the Council goes about doing this. This Strategy supports all Council strategic and corporate priorities.

13. The development of a clear framework and capacity for procurement was a key action in the Council's CPA improvement plan. The District Audit and other agencies will be reviewing and reporting on progress made as part of the annual review of the implementation of the CPA improvement plan and annual audit.

***Effect of the proposed changes on those affected***

14. This Strategy sets the context in which all procurement will take place. Such a context has not previously existed, therefore, staff will be more clear about the purpose of their procurement activity and the values underpinning it.

***Resource implications***

15. Implementing the Strategy will require greater resourcing. The extent of the resource requirements are still being determined and their associated financial implications are being considered as part of the 2003/04 business and budget planning process. The Strategy will result in savings through a better, more efficient, and co-ordinated approach to procurement across the Council. Savings targets are in the process of being developed and will be incorporated into the delivery plan.

***Consultation***

16. Consultation with officers within the Council has taken place. The unions commented extensively on earlier versions of the Strategy.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

**Borough Solicitor and Secretary**

17. This report seeks the approval of the Executive to the proposed Procurement Strategy. The Council is obliged under the Local Government Act 1999 section 3 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness – to achieve best value. Consideration by the Executive of this report would form part of the fulfilment by the Executive of its role in leading the search for best value. The Council must comply with other obligations that affect the actions it can take, such as the requirements of the Council's Constitution, including Contract Standing Orders, central government regulation and guidance, and European requirements. The Strategy refers to these requirements and the new Contract Standing Orders and Guidance will be the way in which compliance with these is ensured.
18. The report also refers to breaches of Contract Standing Orders. A breach of Contract Standing Orders can, in some circumstances, amount to a breach of an individual's contract of employment. Further, it can lay the Council open to challenge because of breach of European and other regulations. The report and the Strategy address the steps being taken to deal with these problems.

**Chief Financial Officer**

19. There have been 80 instances of breaches or possible breaches of Council Contract Standing Orders spread across the Council's six departments over the

last five years. It should be noted that during this period the departmental structure has changed significantly with the creation of a new Environment and Leisure Department and a new Regeneration Department.

20. Examination of these various breaches identifies a range of types of breach and a range of reasons for these breaches. Taking the six departments one by one the following general points emerge:

- **Education and Culture**

In all cases reported, the contract cost has significantly exceeded the original estimate. In almost all of these cases, the reported reason concerns extra un-anticipated work being required over and above that originally planned for, often as a result of asbestos being discovered in the building being refurbished.

There have been detailed reviews of the management of the capital programme and as a result the Council is in the process of strengthening its skills base around project management and capital and contract monitoring. Part of this process will be a robust feasibility and risk assessment undertaken pre-specification, ensuring that issues such as unforeseen asbestos are identified at an early stage and project budgets are approved on a step basis and not approved formally until specifications have been finalised.

- **Social Services**

The majority of the cases reported related to instances where contracts had expired and were renewed without appropriate authority being obtained until some time after contract renewal. On the face of it these breaches were all avoidable given that the contract expiry date was known, and therefore, it should have been possible to plan to ensure appropriate authority to extend the contract was obtained in advance of the expiry date.

The revision of Contract Standing Orders, implementation and monitoring of the Council's contract register, better communications and increased awareness through the Strategic Procurement Forum are specific actions taken to address the above. In addition, procurement capacity within Social Services has been strengthened.

- **Housing**

Most of the cases reported by the Housing department concern instances where contracts were let without appropriate price testing having been undertaken. The obvious implication of this is that value for money may not have been obtained from the contracts let. Contract Standing Orders are in the process of being revised, as is the guidance to support them.

- **Strategic Services**

Only four breaches were reported by Strategic Services officers, far less than for other departments. There was no particular common theme apparent in these cases.

- **Environment and Leisure**

A relatively small number of breaches were reported. All breaches were the result of a lack of procurement expertise in the relevant business units and/or the need to bring equipment or suppliers in at short notice.

The Department have strengthened their procurement expertise through increased resources and skills development. This is also being addressed at a corporate level through a planned technical and update training and development programme and enhanced capacity at the centre to undertake departmental procurement when appropriate. Contract Standing Orders are also subject to revision.

- **Regeneration**

Four breaches were reported. These mainly concerned failure to obtain sufficient quotations and failure to obtain or extend Contract Standing Order exemptions.

## **REASONS FOR URGENCY**

21. The development of a procurement strategy is a key priority for the Council and is related to the revision of Contract Standing Orders. The timetable for the agreement of the new strategy by the Executive on the 4<sup>th</sup> November 2003 will allow the necessary work on the revision of Contract Standing Orders to be completed for submission to the Executive in January 2004. Standards Committee and Council Assembly will then consider these. The tight timetable aims to put the framework for the implementation of the new strategy and Contract Standing Orders in place by early next year. Delay in considering the report would put this timetable back by a month and impact on the Council's objectives of achieving best value and meeting local needs.

## **REASONS FOR LATENESS**

22. This report is late because the Office of the Deputy Prime Minister and the Local Government Association jointly launched the National Procurement Strategy for Local Government on 22nd October. Its contents had to be considered and reflected in the Council's Procurement Strategy.

## **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Published documents produced by the Government, Audit Commission and the I&DeA as detailed in Appendix III of the Strategy	19 Spa Road	Linda Campling, Head of Strategic and Departmental Procurement 020 7525 3435

APPENDIX A

Audit Trail

<b>Lead Officer</b>	<i>Assistant Chief Executive (Performance and Strategy)</i>	
<b>Report Author</b>	<i>Head of Strategic and Departmental Procurement</i>	
<b>Version</b>	<i>Final</i>	
<b>Dated</b>	31/10/03	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Borough Solicitor & Secretary	Yes	Yes
Chief Finance Officer	Yes	Yes
Director of Environment and Leisure	Yes	Yes
Acting Director of Education and Culture	Yes	Yes
Housing - Head of Policy	Yes	Yes
Social services - Head of Children's Services	Yes	Yes
Regeneration – Head of Peckham Partnership	Yes	Yes
<b>Executive Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Support Services</b>	31/10/2003	

**APPENDIX B**

**PROCUREMENT MATTERS**

**SOUTHWARK'S PROCUREMENT STRATEGY**

**2003-06**



**PROCUREMENT MATTERS**

**SOUTHWARK'S PROCUREMENT STRATEGY  
AND  
DELIVERY PLAN  
2003-06**

**Published November 2003**



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## **GLOSSARY**

Best value for money	The bid that offers the optimum combination of whole life costs and benefits to meet the customer's requirement
Best value	A process for reviewing a function to ensure that it is being delivered in the optimal manner
BME	Black and Minority Ethnic Businesses
BPR	Business Process Reengineering
BVPP	Best Value Performance Plan – Council's annual plan which reports on performance against national and local indicators, previous year's activities and plans for the next year.
BVR	Best Value Review – a process of fundamental performance review of a function or activity
Charitable organisation	An organisation with specific aims and management structure that has been registered by the Charity Commissioners
Commissioning	The word in use in the health and related sectors for procurement - this encompasses " <i>the whole process of acquisition of goods, services, and works, from the initial assessment of business need through to the end of the life of the asset or service</i> ". (Source: Byatt Review, Terms of Reference)
Constitution	Rules which govern the activities and management of the Council
CPA	Comprehensive Performance Assessment – an assessment by the Audit Commission of specific activities carried by the Council through which the Council is rated.
CSO	Contract Standing Order(s) – rules which govern the letting and management of contracts (part of the Constitution)
DLO	Direct Labour Organisation – a business unit of the Council which operates a trading account
DTI	Department of Trade and Industry
E-procurement	The use of an electronic system to acquire goods, works and services and payments from third parties
EU regulations	Generic name for European Union Directives governing procurement by local authorities and other defined bodies at specified financial thresholds. The Directives are brought into UK law by means of Regulations
Gateway	A process which examines a project at critical stages in its lifecycle to provide assurance that it can progress successfully to the next stage. The Southwark Gateway is explained in CSO and the Procurement Guidelines section of the Business Managers Handbook.

KPIs	Key Performance Indicator
LGA	Local Government Association
ODPM	Office of the Deputy Prime Minister
OGC	Office for Government Commerce
Partnering	A relationship with a contractor which is aimed at achieving mutual benefits and improvements in a contract as compared to the traditional adversarial approach
PFI	Private Finance Initiative – a method of obtaining funding credits from Government to carry out capital works
PI	Performance indicator – a defined target which show achievement in a function or service
PPP	Private Public Partnership – same as PFI (current Government term). May also be applied to non-PFI agreements between a local authority and a private sector partner, usually where the private sector partner makes some investment.
PRINCE2	Projects IN Controlled Environments – the second version of a project management methodology widely used in government.
Procurement	In Southwark, the process for achieving best value through the acquisition of the goods, services, and works needed to provide services to the Council, its community and its citizens both now and into the future. This encompasses the whole process of acquisition of goods, services, and works, from the initial assessment of business need, through option appraisal to the end of the life of the asset or service, both from third parties and from in-house providers
Purchasing	This includes buying very simple goods, or repetitive ordering and paying for goods or services e.g. from a call-off or framework contract and providing feed back to the contract's responsible officer on performance.
SME	Small and Medium Sized Enterprises – businesses with up to 500 staff.
Social enterprise	Social Enterprises are organisations that use trading activities to achieve their goals and financial self-sufficiency. They are businesses that combine the entrepreneurial skills of the private sector with a strong social mission
SOPO	Society of Procurement Officers
Third sector	Generic name for voluntary, charitable, and social enterprise organisations, forming the social or “third” sector of the economy. (The other sectors being the commercial sector and the public sector.)
Voluntary organisation	Any group of people who come together for a common purpose and have some agreed rules for how they operate together, e.g. in a governing document

Whole life costs

This is the calculation of the cost of the tender to the Council, it requires assessing the ongoing revenue/resource costs as well as initial capital investment and disposal costs

## **SECTION 1: EXECUTIVE SUMMARY**

***“The Council is committed to ensuring procurement achieves best value, improves the quality of services we provide, meets the needs of and brings social and economic benefits for local people and in turn supports the Council in achieving its strategic, corporate and CPA improvement plan priorities.”***

- 1 Southwark Council currently spends around £1.2 billion a year. By 2006 we aim to have developed world-class practices in procurement, contract management and supplier relationships. This means achieving a step change in the way we go about procuring goods, works, and services. Procurement will be professionalised, outcome focussed, corporate, informed, fair, planned, compliant, cost effective, and strategic.
- 2 We will achieve a culture change in our procurement practices. The Council will be recognised for best practice in procurement. Procurement managers will carry out options appraisals as a matter of course, will be market aware, will understand and adopt commercial contract management techniques providing savings and better value for money, thereby improving the cost effectiveness of the Council. We will continue to be open to new ways of working using innovation and partnering in order to achieve consistently high quality services that meet our citizens’ needs and with a range of partners from other sectors.
- 3 This Procurement Strategy will build on the good practices already being carried out throughout the Council, setting them in context. The Strategy will support the Council’s key policies and initiatives, for example, it will address the green agenda by ensuring there are sustainability provisions in our contracts; address equalities by ensuring appropriate checks are made on tenderers and equalities are addressed in service delivery; that staff are treated fairly during tendering processes, provide support for not-for-profit organisations, SMEs, BMEs, etc.; ensure design excellence is maintained, and improve the management and monitoring contracts for goods and services, particularly of capital projects.
- 4 A delivery plan is contained at section 3 and this details the actions required to make this Strategy happen, together with the accountabilities, and target completion dates. This performance management framework sets out the milestones and targets linked to savings, and quality improvements, e.g. design excellence.
- 5 Central to the implementation of this Strategy is strengthening of the current corporate procurement function and building procurement capacity across the organisation. A Head of Procurement will be appointed from November 2003 and will oversee the reorganisation and development.
- 6 This is a rolling strategy and will be updated as required and annually as part of the business and budget planning cycle.

## **SECTION 2: OUR VISION FOR PROCUREMENT**

### **2.1 Our vision**

- 7 By 2006 we will have developed world-class practices in procurement, contract management and supplier relationships. This means achieving a step change in the way we go about procuring goods, works, and services.

***“The Council is committed to ensuring procurement achieves best value, improves the quality of services we provide, meets the needs of and brings social and economic benefits for local people and in turn supports the Council in achieving its strategic, corporate and CPA improvement plan priorities.”***

- 8 The Council has a mixed economy of service provision. In addition to the commercial sector, a substantial number of services are provided by the not-for-profit and voluntary sector. The Council endorses the view that the highest standards of service provision are more likely to be achieved where there is a genuine competition, choice for service users and a mixed economy, rather than where any one supplier (in-house or otherwise) dominates the provision of services.

### **2.2 Core procurement aims**

- 9 Southwark’s 10 core procurement aims are:

<b>Core aim 1</b>	Support and facilitate achievement of framework of the Council's strategic and corporate priorities
<b>Core aim 2</b>	Procure what is most cost effective for the Council as a whole
<b>Core Aim 3</b>	Purchase goods, works and services that provide best value for money
<b>Core aim 4</b>	Base decisions on procurement are based upon comprehensive and robust supporting data, analysis of options and appropriate assessment of risks
<b>Core aim 5</b>	Treat suppliers fairly and transparently and improve opportunities to do business with the Council
<b>Core aim 6</b>	Take a planned and coordinated approach to procurement and

	effectively communicate the approach
<b>Core aim 7</b>	Comply with procurement legislation and best practice
<b>Core aim 8</b>	Minimise costs of buying activities where this is consistent with the achievement of best value for money
<b>Core aim 9</b>	Gather and use information on what we spend, who spends it and with whom it is spent and ensure that it is routinely available to inform decision-making.
<b>Core aim 10</b>	Work in partnership to achieve optimum results

## 2.3 Achieving the vision

10 To achieve the procurement vision and implement the core aims stated above a delivery plan is required the details of which are set out in Section 3. This will require resources. A possible structure to facilitate delivery is outlined in Appendix II.

11 The key initiatives and projects arising from the delivery plan can be summarised under 4 headings:

- Policy
- People
- Process
- Performance management

### 2.3.1 Policy - stimulating markets and achieving benefits

12 Contracts will reflect Council policies on matters such as sustainability, design standards, fair pay, and equalities. The Council will actively support the voluntary, not-for-profit, SME, and BME sectors to access opportunities to bid for Council contracts. A formal approach to the assessment of risks in undertaking any procurement will be adopted. As part of the roll-out of this plan, each department will produce a departmental procurement delivery programme.

#### *Sustainable procurement*

13 The Council is committed to improving the environment in Southwark through its Making Southwark Cleaner and Greener strategic priority. As a major local employer and deliverer of resources, the Council has a key part to play in achieving this priority. Sustainable procurement has a major role to play in the achievement of this objective. Guidance, standards, and training will be developed.

### *Equalities policies*

- 14 Our vision is to make equalities fundamental to the Council's role as an employer, a service provider and, more widely, inherent in our power to promote the well being of the local community. We will use procurement to promote equality of opportunity in line with the Council's Corporate Equalities Action Plan.
- 15 The Council is represented on a national group, sponsored by the Employers' Organisation, which is developing a scheme of appraisal for these areas of equal opportunities. The Council has been applying, since 1998, a scheme of appraisal of companies on their approach to race relations developed by a group of West Midlands Councils. The Commission for Racial Equality in July 2003 published guidance, "Race Relations and Local Government Procurement" which recognises this as good practice in giving effect to the Council's statutory responsibilities under Race Relations Act 1976 as amended.

### *Ensuring that staff are treated fairly by the procurement process*

- 16 Wherever possible the Council will let contracts in line with Cabinet Office Code of Practice on the transfer of employees following a procurement exercise under TUPE regulations. New advice is expected on pension bulk-transfer agreements. The Council will follow the guidance and implement any further amendments to the TUPE regulations.

### *Supporting small firms wishing to do business with the Council*

- 17 The Council will continue to support small and medium-sized enterprises (SME) and black and ethnic minority enterprises (BME) in the Borough to gain work from public authorities and larger businesses based in the Borough. We will ensure that the "Guide To Bidding For Council Contracts" which has been produced in conjunction with Business Links London is revised and kept up-to-date over time and published on the Council's website.
- 18 The Council will take a risk assessment based approach and make smaller contracts available to small and medium enterprises and black and minority ethnic companies by setting standards appropriate to the size of the business, whilst at the same time protecting the Council's interests. The Council recognises that using small businesses can provide better value for money. The commitment to make smaller contracts available will also ensure that competition is maintained.
- 19 The Council will support the National Procurement Forum initiative to work with the Small Business Service to develop a "concordat" for small and medium sized enterprises.



*Supporting not-for-profit sector and social enterprises to access opportunities to do business with the Council*

- 20 A new framework for working with the not-for-profit sector is being devised and implemented. Through this framework, the Council will support and encourage a thriving not-for-profit and social enterprise community within the Borough. Work is being carried out with Social Enterprise London and through the Social Economy Taskforce. HM Treasury are supporting a number of initial pathfinder projects and the Department for Trade and Industry is developing a procurement toolkit for social enterprises. The Council will adopt best practice recommendations arising from these Government activities.

*Ensuring design excellence in procurement*

- 21 The Council has a Design Excellence Strategy aimed at ensuring that all buildings constructed within the Borough are of the highest design standard. This Strategy will be promulgated through procurement activities and expanded to include excellence in the design of goods.

*Improving the Council's management of goods, works, and services procurement*

- 22 The Council's Risk Management Strategy applies to all procurement projects. CSOs require that risk be identified and actively managed during a procurement process. Contracts will be monitored to ensure that risk is being effectively addressed and lessons learned.
- 23 There is currently a significant amount of off-contract spend. This activity carries the risk that best value for money is failing to be obtained. This rogue purchasing will be reduced through information dissemination and monitoring compliance with CSO.
- 24 The completion of the central contracts register with data will allow the Council for the first time to analyse the contracts let by departments and establish where value for money can be achieved by letting larger contracts, either by the Strategic Procurement Unit or by a lead department, as appropriate. The creation of departmental rolling three-year procurement plans and the planned review of the coding structure will also facilitate analysis to establish opportunities for synergistic procurement.
- 25 One of the tasks of the new capital client team of the new Strategic Procurement Unit will be to analyse the results of the new requirement for departments to produce seven-year capital programmes to establish opportunities for synergistic and longer term partnering contracts.
- 26 The Council has a mixed economy of service provision, with many services being provided externally by commercial and third sector organisations. The contracts range from traditional contracts to service level agreements with the voluntary

sector and long term partnering contracts with both the commercial and not-for-profit sectors. The Council is committed to maintaining this mixed economy of service provision and contract options.

- 27 Where there are internal service providers, (i.e. Southwark Building Group, Southwark Building and Design services) they are subjected to competition by the client departments and this will continue.
- 28 The Council has pioneered the use of a partnering contract for repairs and maintenance contract in one of its sixteen neighbourhood housing areas. Both the leisure centres and residential care contracts are partnering relationships. The success of these contracts has been such that the Council intends to increase year-on-year the use of partnership and other innovative approaches to procurement.
- 29 The Council will explore the use of project management monitoring systems and, where appropriate, use its financial system to monitor procurement projects, such as capital works.

### **2.3.2 People – enabling a cultural shift, providing leadership and building capacity**

- 30 A new corporate procurement function will be created from January 2004 (see Appendix II for proposed organisation chart and role of Head of Procurement.) The unit will have responsibility to:
  - Lead the change agenda and cultural shift required to embed the vision in the organisation
  - Update procurement policy
  - Communicate the change agenda and best practice
  - Provide policy advice/guidance to staff across the Council who are involved in procurement in consultation with other key professions (Legal, Personnel)
  - Provide best practice and interpret legislative advice (advice on legislation to be provided by the Borough Solicitor and Secretary)
  - Provide procurement process advice and guidance particularly in relation to Best Value Reviews
  - Identify synergistic projects for joined up procurement opportunities (capital as well as revenue projects) from analysis of the contracts register, rolling three-year procurement plans and the financial coding structure.
  - Promote contract design excellence
  - Be aware of all procurement activities happening in the Council

- Facilitate, communicate and where appropriate provide information on relevant markets
- Deliver effective performance monitoring arrangements
- Develop procurement training including project management for officers in departments with procurement responsibilities
- Maintain the central contracts register infrastructure
- Investigate methods and establish processes to ascertain the costs of procurement
- Monitor procurement across the Council
- Intervene when procurement has failed
- Continue to procure and manage corporate contracts
- Continue to facilitate the pre-tender appraisal of health and safety, and equalities policies and procedures, and financial standing of tenderers
- Continue to make available the Approved List of Construction-related Contractors and Consultants

31 The unit will actively promote the use of existing centrally let contracts and seek to eliminate rogue purchasing by Departments and other Council agencies. It will also set up additional corporate contracts where these are appropriate and where savings can be achieved for the Council as a whole.

32 The unit will also lead on identifying gaps in procurement expertise and developing the procurement skills training programme to ensure that all staff with procurement responsibilities in Departments are appropriately trained and kept up-to-date with best practice, for example, finance officers will be trained in modelling whole life costs.

33 The role of Members in procurement is currently under discussion as part of the review of the Constitution and individual decision making by Executive Members. The results of the review will be incorporated into the procurement processes, e.g. the Gateway.

34 The organisational structure of procurement in departments is under review. The planned growth and activities of the corporate procurement function will require departmental managers to focus more clearly on their contracted activities, improving the reporting of the performance of the contracts.

### **2.3.3 Processes – Partnering, collaboration and doing business electronically**

35 This procurement strategy is integrated with the Council's planning processes and is a three-year rolling plan to be reviewed annually.

- 36 New user-friendly Contract Standing Orders and procurement guidance will be available by February 2004. Contract documentation and procurement processes will be standardised where possible to reduce the time and cost of procurement.
- 37 More information will be provided about Council contracts to allow the development of a wider market, the further development of a mixed economy of provision and more opportunities for SMEs, BMEs and the voluntary and social enterprise sector to do business with the Council.
- 38 Savings will be made through more joint purchasing, and additional corporate contracts. A contract for the provision of agency staff is already being prepared for tendering and this is expected to generate savings and standardise the terms and conditions for the appointment of agency staff across the Council. A schools brokerage service may also be developed to help schools procure more cost effectively.
- 39 The Council currently carries out many elements of an e-procurement system; purchase orders are raised, goods receipted, payment is authorised and many payments are made electronically. Further improvements to the Council's finance system which will support full e-procurement are currently planned. The appropriate front-end e-procurement software will be evaluated and implemented during 2004 and 2005. The use of purchasing cards, e-tendering and e-auctioning will also be investigated and implemented.
- 40 Project management will be improved by the use of the PRINCE2 approach throughout the Council. Initial training of relevant procurement staff will occur during 2003/4 and will be supported by ongoing training.

#### **2.3.4 Performance management**

- 41 Knowing where we are is a key part of improving our procurement processes. To do this we need to build upon our existing procurement monitoring arrangements and measure progress against this strategy and delivery plan, year-on-year improvement and how we are doing compared with other councils and other organisations. It is likely that procurement performance will be explicitly taken into account in the revision of any CPA capacity assessments. This is of particular importance to Southwark where capacity issues were identified. In addition, District Audit will be looking to ensure that the issues raised in audit reports are addressed.
- 42 The Council is currently reviewing its corporate performance indicators. Indicators for procurement cross council will be considered as part of this. For services and to some extent supplies, the Council will develop indicators at local

level, which reflect this strategy, such as procurement compliance, quality of the outcome, cost, timeliness of delivery, satisfaction with the service, etc. At a national level, there are some PIs in relation to construction projects, which the Council is preparing to monitor. On an annual basis, we will carry out a health check on the progress of this strategy against the national strategy.

- 43 Capital programme management will be improved by monitoring cross council activity through the corporate procurement function via the construction performance indicators, and regular reporting of whether capital projects are on time, within budget and whether the outcome meets and continues to meet the need identified.
- 44 Performance management of the procurement process will be improved by consistent use of the Gateway process, a programme of internal and external audits of contracts and procurement processes, and a requirement to include key performance indicators in all contracts.
- 45 The cost of letting and managing construction contracts is established through the fees paid. The recent letting of the interim Education Management contract, piloted the monitoring of the cost of this service procurement exercise. This good practice will be rolled out across the Council commencing with significant procurement projects.
- 46 Information available to officers and members on procurement will be routinely available, via the maintenance of an up-to-date register of contracts, an annual report on procurement, the development of a procurement intranet website, and better analysis of procurement spend and the costs of procurement.
- 47 CPA and Audit recommendations on procurement will be implemented promptly and progress monitored as part of the wider system of performance management.
- 48 A communications strategy will be developed to embed the changes that need to happen across the organisation. This will ensure that we meet both internal and external needs, encourage a joined-up approach, ensure that management information is widely communicated and understood. We will carry out activities such as:
  - updates through the learning @ Southwark days,
  - member development programme,
  - keeping the intranet site up-to-date and relevant,
  - creating a procurement internet web page,
  - provide news through e-bulletins, and

- disseminate news and agree actions through Procurement Forums, etc.

## 2.4 The timetable for change

End date	Task
November 2003	Procurement Strategy published Head of Procurement appointed
December 2003	New corporate procurement function's structure agreed Contracts Register populated with data
January 2004	Recruitment process for remaining positions in Strategic Procurement Unit start. Procurement Strategy launched at Forward @ Southwark event Procurement intranet site formally launched at Forward @ Southwark event Procurement Away Day held
February 2004	New Contract Standing Orders agreed Training on new CSO and Procurement Guidelines starts Procurement News and e-bulletins start on intranet site
March 2004	3 year procurement corporate learning and development plan published (for members and officers) First report to CRB on progress on CPA and audit recommendations Review of SAP coding structure to allow accurate information on procurement spend completed Corporate client Unit for Capital Programme recruited
April 2004	Include procurement competencies and targets in individual performance plans of all officers with procurement responsibilities (including grants staff) Skills audit approach identified and audit commenced Start use of log for corporate procurement advice given Start use of revised coding to provide better analysis of procurement spend Gateway reviews consistently applied from April 2004 CPA and audit recommendations reviewed and progress checked by the Contracts Review Board on a quarterly basis from April 2004 Contracts Review Board minutes published

May 2004	Capital programme management monitoring systems set up Monthly SAP reports on spend commence
June 2004	Opportunities for corporate contracts identified E-procurement (end-to-end) Business Case and implementation plan produced Procurement Forums strengthened (Strategic and Capital) Sustainable Procurement Guidance published for goods and services Procurement processes mapped Energy and utility related contracts reviewed E-procurement Business Case and Implementation plan produced First off-corporate contract spend report produced and responsible business unit managers challenged
July 2004	First quarterly procurement monitoring report produced for CRB Technical procurement training programme developed Sustainable procurement awareness training starts
September 2004	New procurement unit fully staffed Consider innovative options available following second CPA result Launch Internet procurement web page Business Process Review of procurement completed Report on procurement support to schools completed
October 2004	Design Strategy reviewed Departmental strategic procurement delivery plans produced Procurement Strategy revised Procurement mapping exercise complete Update "Guide for Doing Business with Council" Agree approach to market intelligence First annual report on procurement performance to members Standard documents published on website Staff Survey indicates knowledge of vision and values
November 2004	Publish 3 year Forward Procurement Plan on internet (maintain quarterly)
December 2004	Sustainable Procurement Guidance published for works contracts

	<p>contracts</p> <p>Existing procurement staff will have received PRINCE2 training and programme for PRINCE2 update training produced</p>
January 2005	<p>System established for the routine monitoring the costs of significant procurement exercises.</p> <p>Review standard documents on intranet site</p>
March 2005	<p>All staff with procurement responsibilities have attended a basic procurement skills training course</p> <p>Report on use of purchasing cards issued</p>
July 2005	<p>First accurate report of procurement spend available.</p>
October 2005	<p>Report on e-auctioning produced</p> <p>Plan for synergistic procurement activities implemented</p>
December 2005	<p>Start purchasing cards pilot scheme</p>
June 2006	<p>Evaluate success of purchasing cards pilot</p>



## 2.5 Procurement strategy delivery plan

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
<b>Policy</b>				
1. Implement this Strategy	Departments will produce departmental procurement delivery programmes (and Divisions, where appropriate)	March 2004	Assistant Chief Executive (Performance and Strategy), Chief Officers and Departmental procurement leads	All plans in place by target date Actions in plans commenced Positive CPA outcome Positive DA comments
2. Promote and implement sustainable procurement	<p>Produce Southwark specific guidance to “green” procurement for goods, works, and services</p> <p>Include sustainability provisions as contracts are let</p> <p>Carry out awareness training as part of roll-out of procurement strategy and training and development programme</p> <p>Review all energy and utility related contracts (including billing processes)</p>	<p>Goods and services sustainability guidance issued by June 2004</p> <p>Construction/design sustainability guidance issued by Dec 2004</p> <p>Sustainable procurement Awareness training commenced July 2004</p>	Head of Procurement with Chief Finance Officer	<p>All contracts include sustainability provisions by 2006</p> <p>Standards of sustainability improve in Southwark contracts</p> <p>BVPI180 fully reflects the Council’s energy usage</p> <p>Electronic processing of utilities invoices</p> <p>Five percent reduction in energy consumption year on year</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
		Review completed by June 2004		year All energy meters on correct tariff and contract.
3. Promotion and implementation of high standards of design	Review the Council's design excellence strategy annually  Carry out promotional activities	By October each year  Annually, and at events as appropriate	Head of Procurement in consultation other officers with responsibilities for design standards	Standards of design in works, and goods improve
4. Fair Treatment of staff	Produce clear guidance on staff consultation, TUPE procedures and monitoring on implementation	General rules and guidance to be included in Procurement Guidelines to be implemented by February 2004  Specific guidance to be produced by Corporate Human Resources	Head of Human Resources and Head of Procurement	Two-tier guidance produced by Jan 2004.  Further guidance produced within 6 months of legislative changes
5. Supporting small and medium sized enterprises and black and ethnic minority firms to do business with	Ensure contract strategies make contracts available to SMEs and BMEs  Continue to Work with Business Links and through other proactive market sounding exercises as to how the Council can enable SMEs and BMEs to	June 2004  Ongoing in accordance with annual strategy	Head of Procurement working with Director of Regeneration	5 per cent year-on-year increase in the number of contracts let to SME & BMEs  Website launched by September 2004  Website success measured by number of hits

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
<p>the Council and develop market</p>	<p>bid for larger contracts</p> <p>Continue with business forums each year</p> <p>Continue to represent the Council at “Selling to Government/public sector” events</p> <p>Create an internet website for publication of procurement information including the “Selling to the Council” guide, Forward Procurement Plan and other useful information to businesses</p> <p>Update “Guide for Doing Business with the Council” annually</p> <p>Ensure evaluation criteria are SME friendly, understood and used</p> <p>Adopt SME/BME “Concordat” when published by Government and LGA</p> <p>Provide open and honest feedback to unsuccessful bidders to be provided</p>	<p>Create internet page by September 2004 and update monthly</p> <p>Each year, dates agreed as part of annual strategy</p> <p>Adopt “Concordat” within 6 months of publication</p>		<p>number of hits</p> <p>Feedback from business community is positive</p> <p>Forward plan is published annually and is used by potential suppliers/ providers</p> <p>Number of SMEs appointed increases and a more mixed economy of provision develops</p> <p>Year-on-year improvement in quality of bids</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
	within 48 days of contract award as a matter of routine			
6. Supporting not-for-profit sector and social enterprises to access opportunities to do business with the Council	<p>Implement the Southwark Compact</p> <p>Embed procurement with the Third Sector in business processes of Council</p> <p>Adopt best practice when published by Government</p> <p>Develop targets to measure take-up increased access</p>	<p>April 2004</p> <p>Review annually</p> <p>Adopt best practice within six months of publication</p>	Head of Procurement and Head of Social Inclusion	Increased opportunities for not-for-profit sector and social enterprises to do business with the Council
7. Ensuring the procurement function supports the implementation of the Council's equalities policies	<p>Equalities impact assessments carried out for all existing service and works contracts</p> <p>Equalities impact assessments carried out on the specification during the procurement process</p> <p>Produce guidance on monitoring of contracts to ensure corporate equalities action plan is implemented</p> <p>Continue to pre-qualify prospective tenderers to the appropriate West Midlands Forum standard</p>	<p>Rules and guidance to be included in CSO and Procurement Guidelines to be implemented February 2004</p>	Head of Procurement working with the Head of Social Inclusion	100% of surveys of clients by service managers indicate no adverse effect
8. Increased risk management in	Produce and provide guidance on risk management	Rules and guidance to be included in CSO and Procurement	Head of Procurement working with the Chief Financial Officer and	Guidance in CSOs/ Procurement Guidelines is actively used by those with

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
in procurement	Develop and provide risk awareness training as part of the rollout of the procurement strategy and a procurement specific learning and development programme in procurement	and Procurement Guidelines to be implemented February 2004  First procurement risk awareness training session (as part of wider training and development programme) by October 2004	Financial Officer and Borough Solicitor and Secretary	actively used by those with procurement responsibilities and found to be user-friendly  Risks are routinely identified and managed effectively as part of the procurement process
<b>People</b>				
9. Develop political leadership of procurement	Confirmation of “procurement champion”  Building and maintaining member development through broader member development programme  Evaluating and developing the procurement role of Overview and Secretary	All members to receive some form of training by March 2005  Training updates on quarterly basis – commence March 2004  Training and	Assistant Chief Executives, Head of Procurement and Borough Solicitor and Secretary	Members have a better understanding of the importance of procurement and are able to carry out their roles more effectively

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
	Scrutiny	development programme agreed March 2004 (linked into Forward@Southwark)		
10. Increasing the corporate capacity to support council – wide procurement	<p>Establish a centre of excellence in procurement and project management lead by a professional head</p> <p>Recruit to the new Procurement Centre (see Appendix II)</p>	<p>Structure agreed January 2003.</p> <p>Job descriptions developed by February 2003</p> <p>Head of Procurement appointed November 2003 (start January 2004)</p> <p>Rest of team appointed by July 2004</p> <p>Team to be self-financing from 2005/06</p>	Assistant Chief Executive (Performance and Strategy) with Head of Procurement	<p>Action points in this procurement strategy delivery plan attributable to new team are implemented as stated</p> <p>Full recruitment of team</p> <p>Raised profile of procurement evidenced by surveys</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
11. Develop procurement champions	<p>Strengthen the Council's existing Strategic Procurement Forums (including those for capital projects) Identify Procurement Champions network cross-council</p> <p>Develop measurement framework to assess effectiveness</p>	<p>March 2004</p> <p>Initial Meeting January 2004</p>	Head of Procurement	<p>Knowledge of procurement in the Council is visibly increased (audit reports)</p> <p>Full attendance at Strategic Procurement Forums which are viewed as key procurement activities</p>
12. Improve and develop the skills and competences of all staff undertaking procurement	<p>All relevant staff involved in procurement to attend procurement/project management skills training course by 2005</p> <p>Build upon existing skills / needs analysis audit to identify further and ongoing skills gaps, e.g. project management, finance modelling of whole life costs. Produce and implement a corporate training and development plan to address these including the ongoing need for technical updates as legislation / policy requires</p> <p>Ensure procurement competences and targets included in individual performance plans of procurement and grants staff</p>	<p>Skills audit and analysis approach developed by February 2004</p> <p>100% of staff without formal qualifications involved in procurement will have attended basic skills course by March 2005</p> <p>Corporate procurement training and development plan (basic and specialist) course programmes for three years developed by March 2004</p> <p>Technical programme developed July 2004</p>	Head of Procurement working with Chief Officers and Head of Human Resources	<p>All existing and new staff with procurement responsibilities are identified and skills mapped from April 2004</p> <p>All relevant staff attend courses in accordance with programme and skills are kept up-to-date</p> <p>Feedback to Strategic Procurement Forum on activities, innovations, etc. of centres and organisations</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
	<p>Link to a regional centre of excellence in procurement and project management</p> <p>Continue to engage with other authorities and organisations (for example the LGA, IDeA, SOPO, etc. to share best practice, receive advice, support training and development programmes, review model documentation, etc.</p>	<p>Performance management planning process includes procurement competences (where relevant) from April 2004</p> <p>Link when Centre of Excellence designated</p> <p>Ongoing networking activities</p>		
13. Corporate advice more readily available	<p>Build up the advisory function/bank of experts</p> <p>Develop measurement framework to assess effectiveness</p> <p>Early involvement of the Corporate Procurement in Best Value and other strategic review processes</p>	<p>Recruitment of Head of Procurement by January 2004. Others recruited by September 2004</p> <p>A log is retained to show advice given from April 2004</p>	<p>Head of Procurement with Head of Corporate Strategy</p> <p>Best Value Manager</p>	<p>By March 2006 noticeable improvement in the quality of procurement processes</p> <p>All major/significant procurements supported or managed by the procurement centre</p> <p>Log demonstrates that advice is being sought regularly and routinely by officers involved in procurement</p>



Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
14. Embedding procurement vision and values throughout the Council	<p>Establish effective communications forum around procurement issues linked to the council –wide change agenda and to the training and development programmes</p> <p>Embed vision into day-to-day procurement activities – produce market aware procurers</p>	<p>Forward @Southwark Learning Day – January 2004</p> <p>Procurement Strategy Launch – January 2004</p> <p>Procurement Away Day January 2004</p> <p>Procurement news on e-bulletins and web – February 2004</p> <p>Technical update and training and development programme established – March 2004</p> <p>Staff Survey in October 2004</p>	Assistant Chief Executive (Performance and Strategy)	Survey of procurement staff indicates good knowledge of vision and values
15. Improving management information	Interrogate SAP and utilise management reporting tools to provide information on what we spend, with whom we spend it and who spends it	Review of coding structure completed March 2004	Head of Procurement with Chief Financial Officer	Monthly management information reports produced

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
		Implement use of codes to allow information to be collected April 2004  Monthly reporting and analysis May 2004		
<b>Processes</b>				
16. Integrate procurement strategy into planning process	Annual review and update of procurement strategy, Contract Standing Orders and guidance alongside Community Plan and BVPP  Prepare and publish a rolling three year rolling forward procurement plan, updated quarterly	2004/05 business planning process – November 2004  Annually	Assistant Chief Executive (Performance and Strategy) with Head of Procurement	Better quality, more competitive bids  More interest in tendering for Council contracts  Savings in procurement costs and costs of purchases  Procurement meets strategic priorities
17. Review and revise procurement procedures	Complete revision and agree new CSOs and Procurement Guidelines	New CSO and Procurement Guidelines agreed by February 2004	Head of Procurement	All staff trained in new procedures by April 2004  Staff use CSO and Procurement Guidelines regularly and routinely
18. Review and	Complete mapping of all procurement	Mapping complete by	Assistant Chief	Monitoring Reports presented

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
redesign procurement process	<p>processes</p> <p>Develop market intelligence approach and identify areas where competition is limited, and stimulate the market</p> <p>Redesign processes to minimise the number of steps, cycle time and costs (linked to BPR currently being undertaken)</p> <p>Establish mechanisms to record the cost of a procurement exercise</p>	<p>June 2004</p> <p>BPR September 2004</p>	<p>Executives</p> <p>Head of Procurement</p> <p>Chief Financial Officer</p>	<p>to Strategic Procurement Forum/CRB on quarterly basis.</p> <p>Procurement officers routinely keep up-to-date records of the cost of procurement.</p> <p>Information is used for decision making and comparison purposes</p>
19. Up-to-date contract information	<p>Complete Council's contracts register – update on a real time basis</p>	<p>Up-to-date contracts register – December 2003</p>	<p>Assistant Chief Executive (Performance and Strategy)</p>	<p>Accurate management information produced</p> <p>External recognition the Contracts Register is up-to-date</p>
20. Increase use of collaborating and other innovative contracting techniques	<p>Increase the proportion of procurement delivered through partnering, etc. approaches</p> <p>Improve advice available to officers to support the decision on the most appropriate procurement approach</p>	<p>Rules and guidance to be included in CSO and Procurement Guidelines February 2004</p>	<p>Head of Procurement</p>	<p>10% year-on-year increase in the number of partnering contracts as appropriate</p> <p>Fewer projects overrun in terms of time and cost</p> <p>Contracts meet needs more</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
				effectively
21. Seek best providers of services and develop a mixed economy of provision (internal/external and not-for-profit sector)	<p>All procurement decisions based on appropriate level of assessment of need and where appropriate option appraisal.</p> <p>Ensure make/buy decisions are considered part of Council planning process and before expiry of existing contracts</p>	Rules and guidance to be included in CSO and Procurement Guidelines February 2004	Head of Procurement	Better informed procurement decisions
22. Harness economies of scale through corporate contracts, joint purchasing	<p>Map existing procurement</p> <p>Enforce use of corporate contracts</p> <p>Use SAP to identify off-contract spend, report analysis and challenge appropriate business unit managers and to identify further opportunities for making savings via corporate/framework contracts or joint purchasing</p> <p>Let corporate and or framework contracts</p> <p>Capital Client Unit to identify synergistic projects across departmental capital programmes and facilitate longer term partnership contracts</p>	<p>April 2004</p> <p>April 2004</p> <p>June 2004</p> <p>December 2004 and ongoing</p> <p>Within 3 months of</p>	Head of Procurement with Chief Financial Officer	<p>Savings in activities taken on to corporate contracts or purchased jointly of at least 10 per cent</p> <p>Increased knowledge and use of corporate contracts</p> <p>Reduced off-contract spend</p> <p>Increased use of partnering and long-term contracts in capital programme</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
	partnership contracts	production of departmental seven year capital programmes		
23. Procurement support to schools	Investigate and where appropriate set up brokerage service for schools	Report produced by September 2004 If agreed, implement by August 2005	Head of Procurement and Director of Education and Culture	Decision reached
24. Standard of contract documentation	<p>There is some existing standard documentation. These and additional documents, where appropriate, will be published on the procurement intranet site</p> <p>All new standard documents placed on the website</p> <p>Ensure training and update sessions and through the Strategic Procurement Forum standards are communicated and embedded</p>	<p>Documents put on website within one month of becoming available</p> <p>Updated annually</p>	Head of Procurement (working with Legal Services)	<p>More consistent, better quality, and more comprehensive documentation produced</p> <p>Timesavings in procurement and reduced costs of managing procurements</p>
25. Set standards for tenderer and pre-tender/quote appraisal and for tender evaluation	<p>Ensure sufficient staff are trained to implement the appraisal standards and to evaluate tenderers to standard</p> <p>Ensure all procurement staff are aware of the best value standard for evaluation</p>	<p>Standards included in CSO and Procurement Guidelines agreed by February 2004</p> <p>Key staff in each department trained by</p>	Head of Procurement	Shorter evaluation turnaround times

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
	<p>evaluation</p> <p>Ensure CSO and Procurement Guidelines include factors to be included in evaluation and approach (e.g. whole life and quality basis) to tender evaluation</p>	<p>March 2005</p> <p>4 trained SPU staff by December 2004 to do pre-tender appraisals</p>		
26. Improve project management	<p>Ensure all staff with procurement project management responsibilities (revenue and capital) receive PRINCE2 training, where appropriate, PRINCE2 Foundation will be the standard for all procurement staff and PRINCE2 Practitioner will be the standard for those leading complex procurement projects</p> <p>Link project methodology to performance management framework and budget monitoring arrangements where appropriate, through SAP</p> <p>Ensure rules and guidance and legal/financial / technical/personnel support (internal and external) included in CSO, Procurement Guidelines and procurement website</p>	<p>Existing procurement staff will receive PRINCE2 training by December 2004</p> <p>Ongoing training programme for new staff and updates</p>	Head of Procurement with Head of Human Resources	All staff trained as appropriate. Projects are on time and to budget. Variations are fully justified and reported centrally

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
27. Implement e-procurement	<p>Build on existing e-procurement process to implement end-to-end e-procurement using current financial system</p> <p>Develop e-procurement strategy – seeking appropriate support from the assistance that is available nationally through the e-procurement national project and UK online for business</p> <p>Build business case for e-procurement</p> <p>Build relations with suppliers around the e-agenda pre and post implementation</p> <p>Implement e-tendering as resources and EU public procurement legislation allow</p> <p>Investigate e-auctioning</p> <p>Investigate, and if appropriate, implement Purchasing Cards</p> <p>Continue NePP change management work</p>	<p>Produce e-procurement Business Case and Implementation plan by June 2004</p> <p>Produce feasibility report on e-tendering within six months of legislative changes</p> <p>Report on e-auctioning by October 2005</p> <p>Report on purchasing cards by March 2005, implement pilot scheme by December 2005</p>	Head of Procurement	<p>Cost of purchasing cycle reduce, e.g. reduction in invoice numbers</p> <p>Costs of procurement reduce</p> <p>More/better competition</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
28. Continuous improvement in all contracts	<p>Ensure clear instructions that all contracts longer than one year duration build continuous improvement into the specification</p> <p>Highlight in training on new CSO</p>	Guidance included in Procurement Guidelines to be implemented February 2004	Head of Procurement	New contracts issued from February 2004 include performance measures and targets for continuous improvement throughout contract period
29. Improve the responsiveness of service contracts to users	<p>Service managers made aware that market knowledge is part of contract management activity</p> <p>Produce guidance on establishing user needs as part of business case</p> <p>Use an output/outcome based approach</p>	Guidance in the Procurement Guidelines issued by February 2004	Head of Procurement	Contracts meet users needs better
<b>Performance Management</b>				
30. Improved management of Capital Programme	<p>Set up corporate client unit for the Capital Programme</p> <p>Set up appropriate management systems</p>	<p>Unit recruited by March 2004</p> <p>by May 2004</p>	Head of Procurement	<p>Unit fully functional by May 2004</p> <p>Capital programme reports produced quarterly Reports demonstrate that programme</p>



Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
				is on time and to budget and if not actions being taken to rectify situation
<p>31. Improving the performance management of the procurement process</p> <p>32. Train staff to evaluate Gateway stages</p>	<p>Monitor progress of implementation of this delivery plan (against milestones)</p> <p>Annually appraise the progress of this strategy and delivery plan via a health check against the national strategy and associated guidance</p> <p>Establish, implement and monitor key performance indicators (KPIs) for procurement cross-council (will form part of the Council’s revision to existing performance management framework)</p> <p>Report monthly KPIs strategy implementation, operational buying of goods and non complex services and major projects, partnerships etc.</p> <p>Survey and audit departmental procurement processes (link into the internal audit plan)</p> <p>Develop KPIs for all contracts and monitor progress.</p> <p>Investigate whether at a regional and national level there is a “procurement</p>	<p>Gateway reviews implemented and consistently in all departments from April 2004</p> <p>Monitoring reports on key contracts produced quarterly from July 2004</p>	<p>Head of Procurement with Chief Officers</p>	<p>Chief Officers hold departmental Contract review meetings and provide minutes to Head of Procurement</p> <p>By March 2006 noticeable improvement in the quality of procurement processes</p> <p>Programme of reviews and internal/external audit coverage produced with the annual procurement plan</p> <p>Annual DA report recognises improved procurement activities</p>

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
	family” that we can compare ourselves against			
33. Improving information available to officers and Members on procurement	<p>Provide an annual report on procurement performance to Members</p> <p>Map existing procurement activity. Keep up-to-date by requirement for OJEU Notices to be submitted via Procurement Unit</p> <p>Identify costs of procurement</p> <p>Ensure the Council’s Contracts Register is up-to-date by registering a contract within two months of award</p> <p>Improve the Council’s financial coding structure to enable better analysis of spend</p> <p>Formally launch the Procurement intranet website in January 2004</p>	<p>Quarterly and annual reports will commence by October 2004</p> <p>Launch website January 2004</p> <p>Publish minutes of Contract Review Board from April 2004</p> <p>Re-coding complete by March 2004</p>	Head of Procurement (with Chief Financial Officer)	<p>Quarterly reports produced on time in accordance with schedule</p> <p>Website updated on a weekly basis</p> <p>Annual analysis of Contracts Register shows procurement activity and of coding structure shows spend profile</p>
34. Implementing CPA and Audit recommendati	Corporate centre and departments implement recommendations and Strategic Procurement Unit monitors	CPA and audit recommendations reviewed and	Assistant Chief Executive (Performance and	Audit recommendations implemented consistently within 6 months of

Objective	What actions will we take?	By when – milestones?	Who will be responsible for ensuring action completed?	What are the success measures for this objective?
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ons on procurement	implementation	progress checked by the Contracts Review Board on a quarterly basis from March 2004	Strategy)	recommendation
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## **PROCUREMENT STRATEGY 2003 – 06**

### **APPENDICES**

- Appendix I Procurement in context**
- Appendix II Expanding the role of the Strategic Procurement Unit**
- Appendix III Main initiatives, policies and strategies currently affecting procurement**

## Appendix I Procurement strategy in context

### Policy Framework

- 1 Everything we do needs to be seen in the context of Southwark's overarching priorities. An effective procurement strategy must help us achieve our vision and overall strategic and corporate priorities. Southwark's vision, developed with the Local Strategic Partnership, is to make Southwark a better place to live, learn, to work and to have fun. This has been translated into five key strategic priorities in the Community Strategy:
    - Tackling poverty,
    - Making Southwark cleaner and greener,
    - Cutting crime and fear of crime,
    - Raising standards in our schools, and
    - Improving the health of the Borough.
  
  - 2 To be able to play its role in delivering these objectives the Council recognises that while having made significant progress in recent years, as an organisation, it has to be better than it currently is. Therefore, it has identified five areas where significant improvement is being sought and has set up an improvement programme, Forward @ Southwark to achieve the improvements needed:
    - Driving down debt
    - Performance management
    - Customer focus
    - Equalities
    - Making the Council a greener organisation.
  
  - 3 It is in this context that this strategy should be read; as part of the Council's overall strategic framework, to help Southwark achieve its priorities, and to ensure we provide best value for local people through the way we provide goods, works, and services. It is a rolling plan and will be updated each year as part of the annual business and budget planning process and approved by the Executive.
  
  - 4 This strategy is aimed at all Members, Senior Officers, and managers in the Council involved in procurement and the delivery of services. Externally this Strategy is aimed at our external partners; the voluntary, not-for-profit and other partner agencies and suppliers.
- 1.1 External Drivers**
- 5 There are many other factors that we need to consider in developing the procurement strategy including:
    - market conditions,
    - national and European procurement policy and initiatives about procurement,

- the existing legal framework governing the way we go about procuring goods, works, and services, and
- the National Procurement Strategy for Local Government.

6 Clearly, the Council can only exercise discretion in relation to the first point; it has no discretion in relation to the national and European policy initiatives or the legal framework for procurement.

7 Appendix III describes in detail the main initiatives, policies, and strategies currently affecting procurement. It includes national as well as local initiatives, best practice and related national initiatives such as developing a National Strategy for Procurement, increasing skills by developing a national training programme, researching and providing guidance into best practice in partnering.

### 1.2 Definition and scope of procurement

8 The Council defines procurement as:

***“ the process for achieving best value through the acquisition of the goods, services and works needed to provide services to the Council, its community and its citizens both now and into the future.”***

9 This definition includes:

- Provision of supplies, services, and works used for internal support as well as those for delivering front-line services.
- All types of procurement from purchasing stationery to capital construction and maintenance programmes.
- Goods, services, and works acquired internally from an in-house provider team as well as those acquired from external providers.
- The whole range of decisions from initial assessment of need, through appropriate appraisal of options (including taking into consideration whether services will be procured internally or externally), to contract award, and post project appraisal.

10 Procurement affects everything that we do, from paperclips to playgrounds, from bin bags to recycling plants, from buying school textbooks to building the schools to put them in. Procurement impacts on the whole range of services, and getting it right is key to our corporate capacity to secure continuous improvement in service delivery.

### 1.3 Operational framework for procurement

11 This strategy should be read in conjunction with documents that detail the operational requirements for procurement in and across the Council:

- Contract Standing Orders (CSOs) - set out the Council's rules for procurement to ensure probity, openness and accountability and reflect legal requirements,
- Business Managers Handbook – sets out, among other things, the financial regulations, and the procurement guidelines. The Guidelines set out guidance on how to implement CSOs and the Gateway (decision-making) process. This sets out specific advice on procurement processes, including the make or buy decision, procurement options for a service, EU procurement procedures, contract strategy, risk analysis, options appraisal, evaluation, pricing models, and much more. (Update is scheduled for completion in January 2004).
- Relevant departmental guidance - schemes of delegation and specific departmental procedures.

12 A Procurement website will be formally launched on the Council's intranet site in January 2004 where the above documents, other useful information and model documents can be easily accessed.

13 Two types of general training on procurement were commenced in December 2001 – a one day overview course for managers and six day course split into three modules for staff responsible for carrying out a procurement project. Further specific training and development is required. The technical procurement training and updating courses will explain and embed understanding and will update officers and members on the requirements of implementation of the above now and on a rolling basis.

#### 1.4 Scale of procurement in Southwark

14 Southwark spent approximately £1.2 billion in 2002/03. The majority of expenditure is made by individual departments. A small proportion (£3.5m in 2002/03) is spent on contracts let and managed by the central procurement function; for cabs, computers, fax machines, furniture, mobile phones, paper, printing and stationery. There are also a significant number of contracts let by departments that have a corporate, cross-council impact.

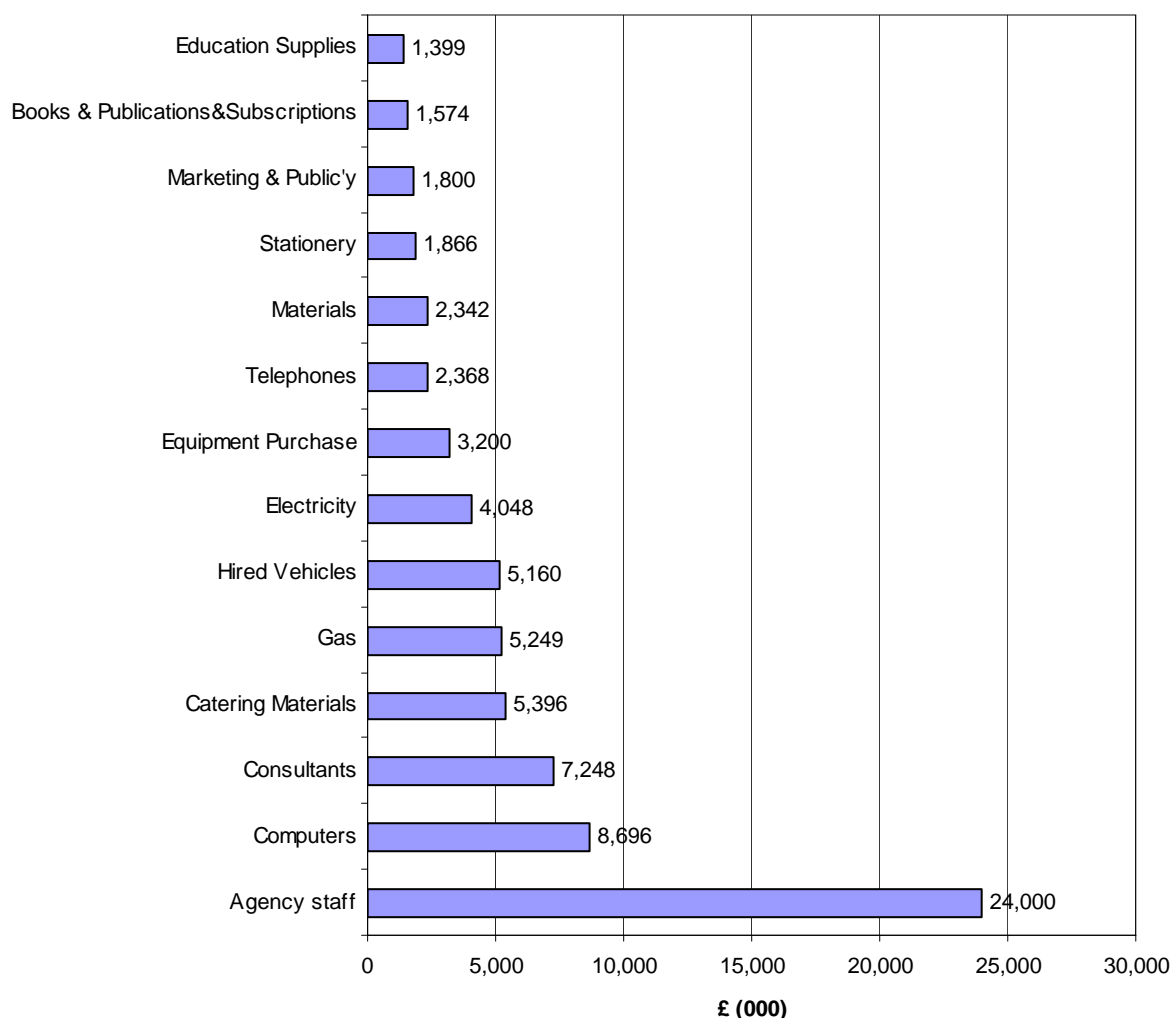
15 It should be noted that, in general, the Council does not maintain stores. Purchase orders are placed and goods delivered as and when required. The Southwark Building Group (a trading ) has recently decided to run down its store. The stock in the store is managed using the stock management module of the Council's financial system. The Social Services department has a store for supplying clients with appliances.

16 Graphs 1 and 2 overleaf show some analyses of the high spend areas. Graph 1 shows some high spend areas by code from the Council's financial system. Graph 2 shows the 2002/03 spend on some corporate contracts and indicates the managing business unit.

17 When comparing the two graphs it becomes apparent that significant amount of spend is outside of corporate contracts. For example, Graph 1 demonstrates that the highest spend is on temporary staff hired through Agency contracts. (Note that agency staff are involved in major aspects of service delivery; cleansing staff, social workers, etc.) When compared to Graph 2, which shows the spend on the current corporate contract, it can be seen that nearly twice as much again is spent with other providers of agency staff. A

second example is demonstrated by the figure in Graph 1 for spend on the computer subjective code, which includes the purchase of PCs, servers, laptops, maintenance and support costs. Graph 2 shows that about a million pounds is spent with the PC and laptop corporate contract provider. (It should be noted that a new contract for agency staff is presently being prepared for tendering, and that spend on cabs, shown in Graph 2, includes some costs of Home-to-School transport, which is part of the same contract.)

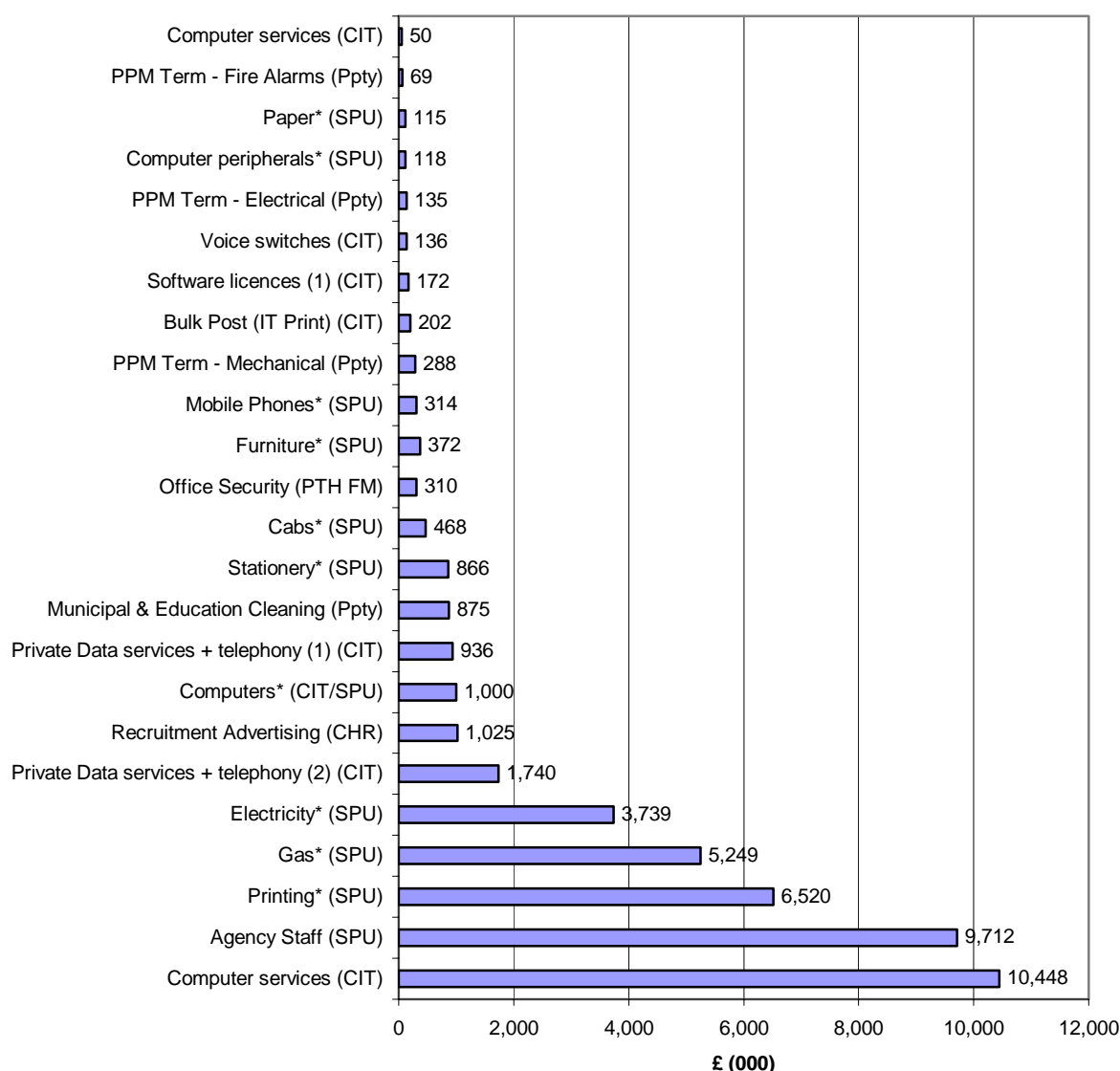
**Graph 1: Examples of high spend areas 02/03<sup>1</sup>**



<sup>1</sup> **Graph 1:** Source - Data extracted from Council's SAP financial system (General Ledger revenue codes) for year ended 31 March 2003 and shown as currently coded. It is acknowledged that there are limitations in the data available (see later section) for example, some codes are very general (e.g. materials) and miscoding may result in a less than wholly accurate picture



**Graph 2: Analysis of spend on some corporate contracts 02/03<sup>2</sup>**



Key - Managing Business Unit

SPU = Strategic Procurement Unit

CIT = Corporate IT

CHR = Corporate Human Resources

Ppty = Property Division

PTH FM = Peckham Town Hall Facilities Management

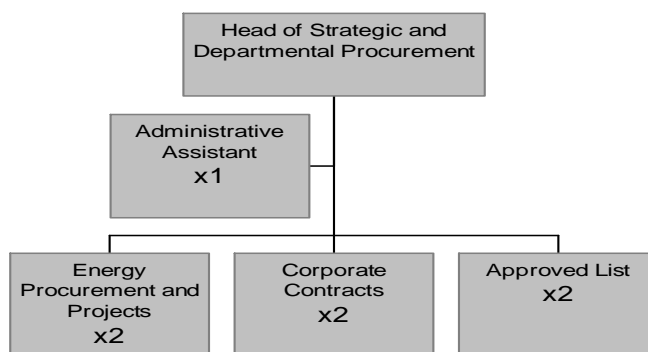
**1.6 Current organisation**

18 In response to some of the criticisms about resourcing and leadership at the corporate centre, a lead member has been identified for procurement and since 1 July 2003 the Assistant Chief Executive (Performance and Strategy) has responsibility for procurement at senior level. The day-to-day running of the corporate procurement function is currently the responsibility of the Head of Strategic and Departmental Procurement reporting via the Assistant Chief Executive (Performance and Strategy).

<sup>2</sup> **Graph 2:** Source - Two sources - SAP and contractors. (Cut off level set at £50,000)  
*Asterisked contracts are let and managed by the Strategic Procurement Unit.*

19 As at October 2003, the structure of the Strategic Procurement Unit is set out below.

**Figure 1: Current Strategic Procurement Unit**



20 The organisation and delivery of the majority of procurement including the capital programme is decentralised, responsibilities for management and delivery rest with individual departments and with officers within the departments as described in the table at paragraph 31. A flavour of the complex nature of the procurement function within the Council is illustrated in Figure 2. Listed for each department are the type of staff, below Chief Officer level, who spend a proportion of their job performing some form of procurement activity, e.g. letting contracts to consultants, procuring major services, facilities management, responsive repairs and maintenance, planned maintenance, individual care packages, etc.

**Figure 2: Decentralised procurement responsibilities**

EDUCATION & CULTURE	ENVIRONMENT & LEISURE	HOUSING	REGENERATION	SOCIAL SERVICES	STRATEGIC SERVICES
<ul style="list-style-type: none"> <li>• All Divisional Managers</li> <li>• All Business Unit Managers</li> <li>• Library Managers</li> <li>• Museum Managers</li> <li>• Curator</li> <li>• Art Gallery Managers</li> <li>• All Head Teachers</li> </ul>	<ul style="list-style-type: none"> <li>• All Divisional Managers</li> <li>• All Business Unit Managers</li> <li>• Departmental Procurement Manager</li> <li>• Highways &amp; Structural Engineers</li> <li>• Contracts Managers (e.g. Parking, "trees", parks)</li> <li>• SBG Bldg Surveyors</li> <li>• All SBDS Group Managers, QS, Bldg surveyors.</li> </ul>	<ul style="list-style-type: none"> <li>• Central Commissioning Team</li> <li>• Special Technical Team</li> <li>• Neighbourhood Contract Managers and Assistants</li> <li>• All Divisional Managers</li> <li>• All Business Unit Managers</li> </ul>	<ul style="list-style-type: none"> <li>• All Divisional Managers</li> <li>• All Business Unit Managers</li> <li>• Facilities Management Staff</li> <li>• Partnership Managers (Elephant Links, Peckham)</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning Teams               <ul style="list-style-type: none"> <li>• Adults</li> <li>• Childrens</li> <li>• Mental Health</li> </ul> </li> <li>• Departmental Service Staff</li> <li>• All Divisional Managers</li> <li>• All Business Unit Managers</li> <li>• All Social Workers</li> <li>• Occupational Therapists</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement Unit</li> <li>• All Divisional Managers</li> <li>• Some Business Unit Managers</li> <li>• All Contract Managers (i.e. Revenue &amp; Benefits, Hay Agency, ITNet, etc.)</li> </ul>

- 21 As Figure 2 illustrates, the procurement function in departments is widely dispersed. Two departments have functional procurement teams, Housing and Social Services. The Council is in the process of reducing the number of business units and centralising support functions within departments, forming departmental units for finance, human resources, etc. The provision of a centralised departmental procurement function, where appropriate, is being considered as part of this process. At present, the dispersed departmental officers seek advice from their procurement units or from the Strategic Procurement Unit or for larger contracts, use external procurement advice.
- 22 The organisation of procurement at a strategic level in the Council is under review, but at the time of writing the current roles and responsibilities of members and officers with respect to procurement are:

Member/Officer	Role/responsibility
<b>Executive Members*</b>	<ul style="list-style-type: none"> <li>• Owning the procurement strategy and ensuring it is aligned with corporate objectives</li> <li>• Satisfying themselves that procurement processes are operating effectively</li> <li>• Make key procurement decisions (which includes agreeing the business case including the option appraisal for strategically important projects, as well as awarding key contracts)</li> <li>• Review the performance of key suppliers</li> </ul> <p>* Procurement is a specific part of the portfolio of the Executive Member for Resources.</p>
<b>Overview and Scrutiny Committee Members</b>	<ul style="list-style-type: none"> <li>• Scrutinising the effective management and delivery of the Council's procurement strategy</li> <li>• Questioning effectively the progress of major projects</li> <li>• Ensuring that lessons are learnt from major projects and partnerships</li> <li>• Reviewing the performance of key suppliers</li> </ul>
<b>Contracts Review Board</b>	<ul style="list-style-type: none"> <li>• considering procurement reports at each stage of the Gateway process for significant contracts</li> <li>• receiving quarterly monitoring reports relating to the above contracts;</li> <li>• receiving the annual review of the Commissioning Strategy;</li> <li>• overseeing the publication of and review the Council's 3-year Procurement Plan;</li> <li>• considering reports seeking waivers to any part of Contract Standing Orders;</li> <li>• managing and interpret the Procurement Guidelines; and</li> <li>• ensuring that the Procurement Guidelines are reviewed not less than biennially, overseeing their review and agreeing</li> </ul>

	<p>any updates or revisions to the Guidelines, subject to their agreement by the Borough Solicitor and Secretary and the Chief Financial Officer;</p> <ul style="list-style-type: none"> <li>ensuring that the Contract Standing Orders are reviewed at least biennially</li> </ul>
<b>Assistant Chief Executive (Performance and Strategy)</b>	<ul style="list-style-type: none"> <li>Overall responsibility for procurement team actions and budget</li> <li>Championing consistent corporate procurement</li> <li>Driving through efficiency in Council procurement</li> </ul>
<b>Chief Officers</b>	<ul style="list-style-type: none"> <li>Championing high standards of procurement across their areas of responsibility</li> <li>Leading on major departmental procurements</li> <li>Embedding Council's procurement values and procedures in their departments</li> <li>Monitoring Compliance with Council's values and procedures</li> <li>Monitoring delivery of their department's capital programme</li> </ul> <p><b>MONITORING PERFORMANCE OF KEY CONTRACTS LET BY THEIR OFFICERS</b></p>
<b>Strategic Procurement Unit</b>	<ul style="list-style-type: none"> <li>Developing, updating and ensuring the delivery of the corporate procurement strategy</li> <li>Revising Contract Standing Orders in consultation with the Legal Department</li> <li>Co-ordinating and publishing the three year rolling corporate procurement plan</li> <li>Organising, facilitating and monitoring procurement training</li> <li>Setting and maintaining standards for procurement activities and appraising tenderers</li> <li>Providing advice to service managers</li> <li>Project managing key procurement projects</li> <li>Maintaining approved lists, ensuring probity in their use</li> <li>Procuring corporate contracts for goods and services required by more than one department,</li> <li>Leading on corporate procurement initiatives (e.g. equal opportunities, use of voluntary sector, use of SME / BME, e-procurement, etc.),</li> <li>Monitoring procurement activities cross Council</li> </ul>
<b>Departments/ Agencies/ Schools</b>	<ul style="list-style-type: none"> <li>Implementing the corporate rules, regulations and standards at local level</li> <li>Ensuring that qualified staff carry out procurement activities</li> <li>Providing three year rolling departmental procurement</li> </ul>

	<p>plans</p> <ul style="list-style-type: none"> <li>• Letting departmental specific contracts within approved budget limits</li> <li>• Ensuring the contracts register and other corporate registers are kept up-to-date</li> <li>• Monitoring, reporting and taking action on contract performance to ensure planned outcomes are achieved</li> <li>• Providing timely and accurate monitoring information to the Chief Officer and corporate procurement function</li> </ul>
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23 The Council is in the process of implementing a decision-making system; a Gateway system, which examines a procurement project at critical stages in its lifecycle to provide assurance that it can progress successfully to the next stage. The relevant Chief Officer takes significant contracts at four stages in the procurement process, after consideration by the departmental contract review system, to the Contracts Review Board. The Contracts Review Board is made up of the Chief Officer Team sitting with the Chief Finance Officer, the Borough Solicitor and Secretary and, when appropriate, the Head of Human Resources (or their deputies). Departmental Chief Officer have either set up or are in the process of setting up their departmental contract review process.

24 In addition, a Strategic Procurement Forum consisting of officers from each department and special interest areas (e.g. voluntary sector) meets to, amongst other things:

- Advise on the development of the procurement framework for the Council,
- Advise on the development of policy and practice on procurement in the Council, in particular the links between procurement and Best Value,
- Consider the outcome of reviews into aspects of the procurement process,
- Share information and experiences to improve the procurement process in the Council.

**1.7 Recent achievements**

25 The Council has recognised that improvements had to be made in the way it procures. A review in 1999 by PA Consulting and an internal review in 2001 identified the key issues:

- A traditional CCT approach to tendering at the expense of creating more flexible supplier relationships, yielding better value.
- A devolved structure, few integrated systems, a large supplier base and varying spending controls, hindering consistency and the sharing of good practice.
- Limited information on contracts and contractors.
- External and internal management information on spend limited or highly devolved.
- Contract Standing Orders needed to be amended to allow a more diverse approach to procurement and reduce complexity.
- The Legal contracts section were not always involved in procurements.

26 Since then, significant progress has, and continues, to be made. The main recommendations from the reviews and the actions taken are set out below.

**Figure 3: Progress since the 1999 Report on Procurement**

Recommendation	Action taken since
<p>The creation of a central procurement support team of 15-20 people, which would be responsible for developing and leading the implementation of a corporate procurement strategy, establishing a consistent procurement framework and processes, managing contracts which have corporate wide implication/client role, providing proactive procurement support across the Council, encouraging and enabling the sharing of best practice models, leading and facilitating a procurement information management framework, and performance monitoring and follow-up of procurement activity.</p>	<p>The establishment of a new central procurement section (April 2001). This team has seven FTE staff and is:</p> <ul style="list-style-type: none"> <li>• leading on Council-wide contracts for taxis, computers, fax machines, furniture, mobile phones, paper, printing and stationery</li> <li>• providing a limited approved list function;</li> <li>• the client for the Procurement Training and Development Programme (provided through CLD);</li> <li>• providing limited support to departmental procurement staff;</li> <li>• implementing process improvements across the Council,</li> <li>• creating a corporate contracts register; and</li> <li>• developing the corporate procurement strategy.</li> </ul>
<p>Creation of a “one port of call” contact for procurement within each department.</p>	<p>A central representative responsible for co-ordinating procedures has been appointed in each department.</p>
<p>Creation of a procurement forum, bringing together department and central representatives.</p>	<p>A Strategic Procurement Forum has been set up. The members include lead officers from departments with responsibilities for procurement.</p>
<p>Review all organisational procedures and systems including revised Contract Standing Orders.</p>	<p>Contract Standing Orders are in the process of being revised and will be submitted for approval later in the year.</p>
<p>Develop a training and development programme to enhance competences of Council staff involved in commissioning.</p>	<p>A set of competences has been identified and training developed. 31 staff have been trained to date.</p>
<p>Creation a data bank of information about contracting which would then be used to inform future activity.</p>	<p>Software to support a contracts register has been developed and is shortly to be implemented; departments are preparing to input the data.</p>
<p>Improve supplier relationships and contract management.</p>	<p>Forums have been held with the Business Community.</p>

27 The Council has a mixed economy of service provision. We are increasingly working in partnership and developing innovative approaches to procurement. This will continue with future procurements. Some recent and current projects are listed below.

### Partnerships

- Joint commissioning with the Primary Care Trust
- Long-term partnering contracts
  - leisure services contract (with a not-for-profit organisation)
  - residential care services (with a not-for-profit organisation)
  - home care services (with several voluntary and not-for-profit organisations)
  - long term repairs and maintenance partnership contract (a pioneering contract for a local authority);
- Strategic Management for Education contract;
- Customer Service Centre PPP
- The integrated health and social care programme funded through NHS LIFT
- Waste PFI/PPP
- New school and refurbishment contracts under the Government's Building Schools for the Future Programme

### Initiatives

- Housing department brokerage project to encourage the use of local labour/small construction firms by larger contractors
- Regeneration project based on Peckham and Bermondsey to map businesses and match to Council needs
- Work with Business Skills for London to assist BMEs and SMEs to gain contracts
- Produced a draft "Selling to the Council" guide
- The Strategic Procurement Unit represents the Council at "Selling to Government" seminars
- Building on good departmental practice, producing a procurement framework for the voluntary sector

## **1.8 Problems and issues**

28 Despite these achievements some problems and issues remain:

- Procurement was identified as an area for improvement arising from the Council's Comprehensive Performance Assessment (CPA)
  - skills gaps and lack of resources in procurement and contract management,
  - slow progress in adopting a procurement strategy,
  - improving the capacity of the corporate centre to provide direction, co-ordination and consistent application of corporate standards Council-wide,
  - strengthening the corporate focus on procurement and contract management.
- *problems in capital project management, including major overspends identified in the Best Value Review of the management and the delivery of the capital programme (July 2003) and comments from an Audit Commission report on a*

*school new-build project including:*

- *availability of information at a corporate level on what is bought, how much is spent and by whom*
- *the profile of procurement, and*
- *training and development in project/procurement staff.*
- *implementing Gateway process for significant contracts.*
- *progressing e-procurement.*
- *limited scope and resourcing of the central procurement function.*
- *off-contract purchasing – some buyers continue to buy outside the corporate contracts.*

29 *Adopting a more corporate approach there may also be scope to generate savings by:*

- *more extensive use of centrally let and managed contracts, and*
- *better support for schools procurement,*

30 *The costs of procurement activity are not routinely monitored and a system will be developed to do this.*

31 *While it is not possible at this stage to identify the scale of savings that may be generated, it is anticipated that any corporate procurement function would be self-financing in future and this is a delivery plan action.*



### **Appendix II EXPANDING THE ROLE OF THE PROCUREMENT UNIT**

#### **Overview**

To achieve the step change in procurement we need to increase the capacity of the Procurement Unit to:

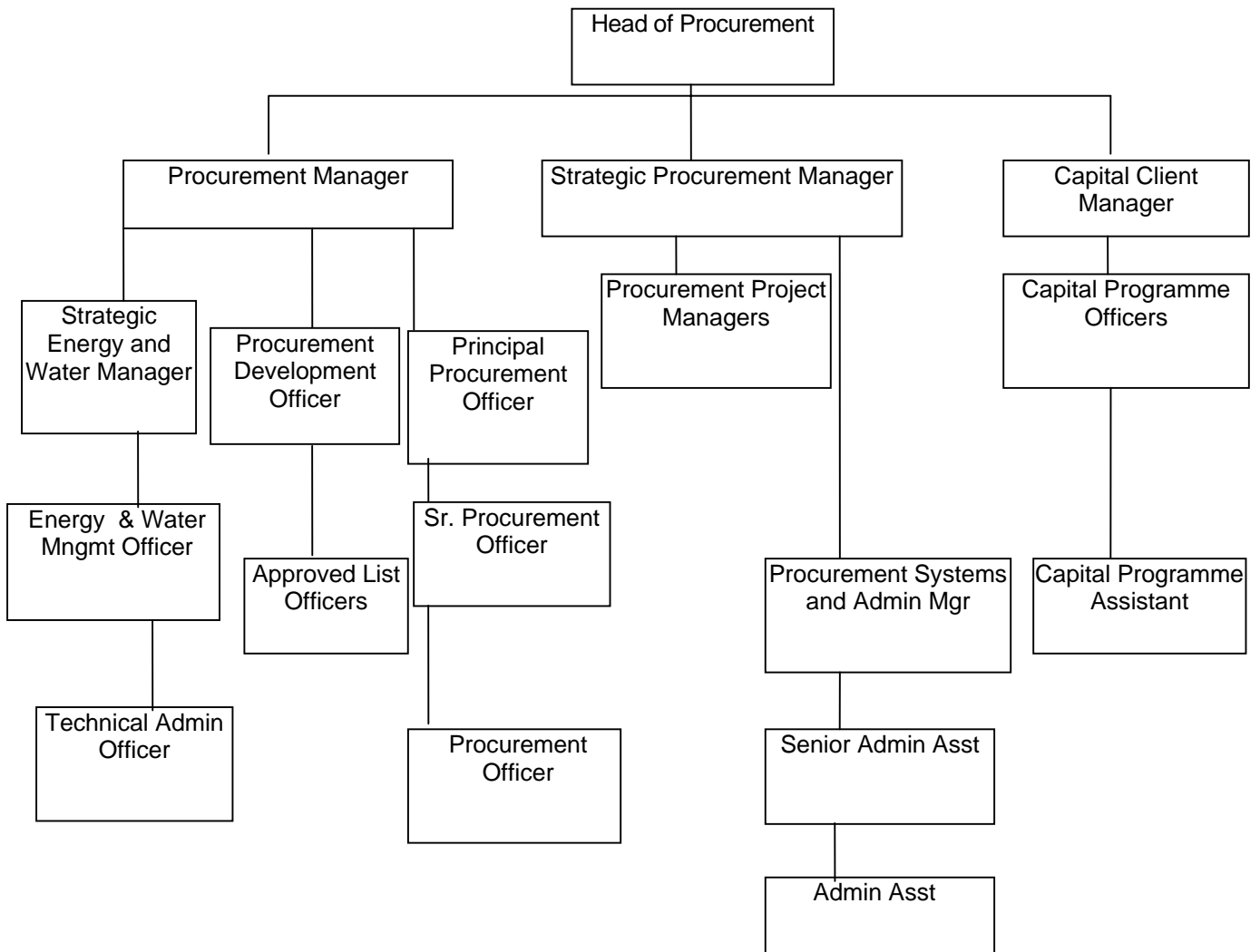
- Provide policy advice/guidance
- Provide best practice and interpret legislative advice (advice on legislation to be provided by the Borough Solicitor and Secretary)
- Provide procurement process advice and guidance particularly in relation to Best Value Reviews
- Identify synergistic projects for joined up procurement opportunities (capital as well as revenue projects)
- Promote contract design excellence
- Deliver effective performance monitoring arrangements
- Develop procurement training including project management
- Maintain the central contracts register infrastructure
- Establish processes to ascertain the costs of procurement
- monitor procurement across the Council
- intervene when procurement has failed

#### **Roles and Responsibilities**

The role of the Head of Procurement is set out below. An organisation chart for the expanded unit is also shown.

- Develop and implement a Council-wide procurement strategy and framework, which drives the organisation's ability to purchase intelligently and effectively. Procurement strategy must support the Council's policies.
- Manage a source of professional procurement advice and expertise to internal managers and joint partners.
- Maintain a positive working relationship with external private market and voluntary sectors to ensure that the Council is best informed about procurement options.
- Directly manage major service contracts securing optimum price and performance.
- Co-ordination, monitoring and management of capital contracts and some projects.
- Ensure the development and maintenance of systems of control and monitoring to ensure the accountability, probity and compliance with relevant legislation in the Council's procurement activities.

**Figure 4: Proposed Organisation of Strategic Procurement Unit**



**Appendix III MAIN INITIATIVES, POLICIES, AND STRATEGIES CURRENTLY AFFECTING  
PROCUREMENT**

**Sustainability**

2. The Council has agreed a corporate priority of making the Council a Greener Organisation. A key part of delivering this priority will be supporting increased sustainable practices in the procurement of goods, provision of services and in the delivery and product of works contracts. This includes the evaluation of the cost of the procurement by considering the whole life cost.
3. The European Commission has produced guidance on how environmental issues can be provided for in public procurement. The Government (DEFRA & OGC) are expected to produce more useful guidance before autumn this year.
4. In addition, through EU legislative requirements and Best Value Performance Indicators, the energy used by the Council in carrying out its operations is required to reduce.

**Capital finance**

5. The Local Government Bill now before Parliament will introduce a new prudential regime for local government capital finance, together with a power linked to performance to trade, through local authority companies.

**Diversity and equality**

6. The Council has since 1998 been applying a scheme of appraisal of companies on their approach to race relations developed by a group of West Midlands Councils. The Commission for Racial Equality has recently published guidance, "Race Relations and Local Government Procurement" which recognises this as good practice in giving effect to the Council's statutory responsibilities under Race Relations Act 1976 as amended.
7. While the statutory basis is currently not the same as in race relations, new EU legislation regarding age, gender, sexual orientation, religion and disability will come into force over the next three years. The Council is represented on a national group sponsored by the Employers' Organisation, which is developing a scheme of appraisal for these areas of equal opportunities.

**Small firms**

8. The Council in conjunction with the Southwark Alliance has developed a strategy to support small and medium-sized enterprises (SME) and black and ethnic minority enterprises (BME) in the Borough to gain work from public authorities and larger businesses based in the Borough. A guide to bidding for Council contracts has been produced and a seminar has been held in conjunction with Business Links London explaining how to approach bidding for public sector work.
9. The Government through the DTI, in conjunction with OGC, has published guidance on the role of small firms in public procurement. "*Smaller Supplier...Better Value?*"

describes the added value and innovation that small firms can bring and offers advice on how procurement processes can be shaped in a way that is consistent with obtaining value for money and compliance with EU procurement law.

10. In May 2003 the Better Regulation Taskforce published a report with the Small Business Council entitled *Government: Supporter or Customer?* It made several recommendations, a number of which were addressed to the Government and to the Local Government Association. These include developing a common pre-qualification system for local government. Southwark will investigate ways in which it can contribute to this national agenda.

### **Not-for-profit sector and social enterprises**

11. A Best Value Review of the roles of the voluntary sector in Southwark has shown that there is an opportunity for increasing the number of contracts let to this sector of the market. A Commissioning Framework for the Voluntary Sector is being developed
12. Work is also being carried out with Social Enterprise London to assist it to understand the requirements of local authorities and advise social enterprises accordingly. Southwark is represented on the Social Economy Taskforce whose aim is to increase the use of the third sector.
13. HM Treasury carried out a Cross-Cutting Review of the Role of the Voluntary and Community Sector in the Delivery of Public Services in 2002. A variety of pathfinder projects are now being undertaken. The DTI has published its Social Enterprise Strategy and is developing a public procurement toolkit specifically for social enterprises.
14. Responsibilities for children in local authorities may be reorganised following the implementation of the ideas expressed in the Government green paper on children; "Every Child Matters". The impact on procurement will need to be assessed.

### **Partnering**

15. Partnering looks at achieving different relationships with suppliers and more focussed outcomes than tradition contractor-client relationships. The partnering ethos – can be applied to any form of business relationship that emphasises the role of the relationship in achieving outcomes. This is particularly evidenced in Southwark with the partnership between the Primary Care Trust and the Social Services Department and in the partnership with United House and the Housing Department to re-develop the Alfred Salter Neighbourhood.
16. Partnering ethos describes the behaviours and techniques aimed at promoting effective communication between partners to achieve openness and trust, better mutual understanding, earlier identification of problem areas, and increased value for money in procurement projects. This is particularly relevant to works contracts, where the national agenda for '*Rethinking Construction*' has a major influence on the way construction projects are procured and managed

17. Partnering is our preferred option for strategic contracts. The Council already has many partnering contracts. Alternative partnering options will be considered when determining the best approach to the “make or buy” decision following Best Value Reviews.

### Trading

18. Local authorities have specific legal powers to trade, e.g. markets, commercial waste collection, leisure, and crematoria. In addition, other powers have allowed authorities to provide services to other public bodies under the Local Authorities (Goods and Services) Act 1970.
19. Councils that achieve a CPA assessment of good, fair, or better will have greater powers to trade and charge. The successful implementation of the Council’s CPA improvement plan will enable it to take advantage of the powers on offer.

### Fair pay

20. The Council has agreed to consider an anti-poverty strategy to address the corporate strategy “Reducing Poverty” which provides for the Council and its contractors to pay a wage sufficient for the employee to reach minimum living standards in their area of work.

### Workforce issues

21. The Council needs to be mindful when letting contracts of the Cabinet Office Code of Practice on the transfer of employees following a procurement exercise under TUPE regulations. The ODPM has recently published (in Circular 03/03) guidance on the handling of workforce matters in procurement, including TUPE and pensions, and a code of practice relating to new starters that must be incorporated into all Council contracts for services. More guidance is expected on pension bulk transfer agreements.

### E-Government

22. E-Commerce is a key part of the Government’s E-Government agenda. E-procurement, e-tendering, and e-auctioning have enormous potential to improve the performance of Councils’ procurement functions and to save them money. Money saved can be ploughed back into services. E-procurement is the process of using an electronic system to acquire goods, works, and services from third parties. These systems include:
- complete procurement systems integrated with financial back office systems
  - stand alone modules to seek tenders or quotations
  - logging onto marketplaces to browse approved catalogues
  - using procurement cards
  - Web based systems such as e-auctions.

Southwark already has in place in its current financial system many of the parts that make an e-procurement system

### Existing legislative framework relating to procurement

23. It should be noted that there are a number of legislative constraints on local authorities procurement powers such as EU public procurement directives, competition laws and UK regulations. Standing Orders and the Procurement Code of Practice will comply with the requirements of these and will be updated to reflect changes to legislation as they occur.

### Local Government Act 1999

The Local Government Act 1999 introduced the concept of Best Value. A key means of achieving best value is through effective contract procurement and management. This is one area identified by the Government through Comprehensive Performance Assessments where few authorities are achieving the standards envisaged by the legislation. The Government has produced an analysis of the CPA judgements (available at the Audit Commission website), which can be used to inform local authorities of best practice.

The Government's Circular 10/99 sets out guidance for local authorities stemming from Best Value legislation (the Local Government Act 1998). Circular 10/99 advises an Council to produce a corporate procurement strategy and an evaluation policy. It further advises that an Council's procurement strategy should set out how it will:

- assess the competitiveness of its services
- evaluate different service delivery methods appropriate to the market segment (e.g. make routine procurement as self-service as possible, use partnering to procure strategically important services such as ICT)
- research markets and stimulate markets where there is an immature or no market
- in relation to a Best Value review, select the best value option for future service delivery, exploring the full range of practical alternatives when considering the "make or buy" decision.

### Delivering Better Services for Citizens – the Local Government Procurement Taskforce Report (the Byatt Report)

The Byatt Report on Procurement in Local Government in England recommended that Councils should have a clear policy, which sets out how procurement is managed across an Council. Generally, procurement should have a higher profile and be better staffed.

Other key Byatt Report recommendations include

- Elected members should take a strategic role in securing quality outcomes and that there should be clear political responsibility for procurement with appropriate training.
- Modernising contract standing orders
- Rationalising the procurement process by implementing common processes and documents.
- Forward Plans for Procurement activities
- Better project management
- Implementing gateway review processes
- A risk management strategy for each procurement project

- Tender evaluation criteria which include quality and whole life costs
- Identify all staff involved in procurement, identify the skills needed, set out a strategy to meet the needs including the training, recruitment and retention of trained staff
- Promoting local economic development through procurement whilst not giving an unfair advantage

### **National Procurement Forum – procurement competencies**

The Byatt report identified significant deficiencies the skills and competencies of local authorities to manage the procurement process. In response to the Byatt review, the National Procurement Forum has commissioned work to identify Procurement competences and develop a national procurement skills training programme.

### **Rethinking Construction**

*Rethinking Construction* is a new approach to construction procurement, which is intended to address the traditional failings of construction industry contracts. The recommendations of the Construction Taskforce Report of 1998 (the Egan Report) propose a collaborative and partnership approach to replace the confrontational approach in construction contracts. Its targets for improvement are reduced capital costs, reduced construction time, better predictability, fewer defects, fewer accidents, increased productivity, increased turnover and profits. A national set of Construction Performance Indicators has been developed.

### **Towards a National Strategy for Local Government Procurement (the Joint Response of the Office of the Deputy Prime Minister (ODPM) / Local Government Association (LGA))**

In July 2002 the Government and the LGA published a joint report *Towards a National Strategy for Local Government Procurement* in response to the Government Taskforce Report *Delivering Better Services for Citizens (the Byatt Report)*. The joint report supports all the recommendations of the Byatt Report, including that procurement expertise must be integral to Council's delivery of Best Value. Key recommendations supported include:

- Councils should review their current procurement structures and processes and set out a clear policy on how procurement is to be managed
- Councils should develop and publish a rolling register of current contracts and a schedule of contracts planned to be awarded over the next three years
- Council's should improve information provided to suppliers and publish a "how to do business with the Council" guide.
- Unitary and County Councils are expected to establish a corporate procurement function to stand alongside finance, performance management, legal, and human resources.
- Councils to give priority in training programmes to developing procurement skills.
- Elected members should take a strategic role in securing quality outcomes. This will involve scrutinising procurement processes and monitoring outcomes of procurement.

### **IDeA best practice**

According to the joint guidance produced by the Society of Procurement Officers (SOPO), the Chartered Institute of Purchasing and Supply (CIPS) and the IDeA, a procurement strategy should:

- Identify procurement as a means of delivering an Council's community strategy and performance plan
- Show how an Council goes about obtaining best value from its procurement spend with appropriate sourcing strategies for supplies, works and services
- Demonstrate how the selection of sourcing strategies reflects value and risk
- Make provision for stakeholder involvement

To implement change local authorities should review contract standing orders and consider including:

- Best value as an award criterion
- Incorporation of European procurement rules
- Use of the negotiated public procurement procedure with appropriate internal controls
- Electronic procurement
- Green procurement
- Collaborative procurement
- Contract management

### **Audit Commission Knowledge Series – Competitive Procurement**

According to the Audit Commission document "*Competitive Procurement*" published in March 2002:

- 70% of authorities have difficulties with competitive procurement
- 80% of procurement strategies are incomplete
- There is a strong link between positive attitudes towards competitive procurement and service improvement

The report also identified the common areas auditors and inspectors cite as the main reasons for ineffective procurement. These are challenges that must be overcome if authorities are to meet the duty of best value:

- Legal complexity
- Risk Aversion
- Perceived supply market weakness
- Lack of client side capacity
- Narrow approach
- Organisational culture

The Audit Commission's national review of Councils' procurement functions indicates that:

- Procurement is an area where Councils are still failing to deliver in line with statutory guidance
- Procurement expertise is integral to local authorities' pursuit of best value
- Procurement should be a key way of delivering a Council's objectives and priorities and bringing about service improvement



- Councils need to gain good market knowledge and be aware of the commercial requirements of suppliers
- Local authorities need to ensure they hold information on innovative ways of designing contracts, arranging tenders and managing and monitoring delivery
- Contracts should attempt to be ‘future proof’ and allow for changing circumstances.

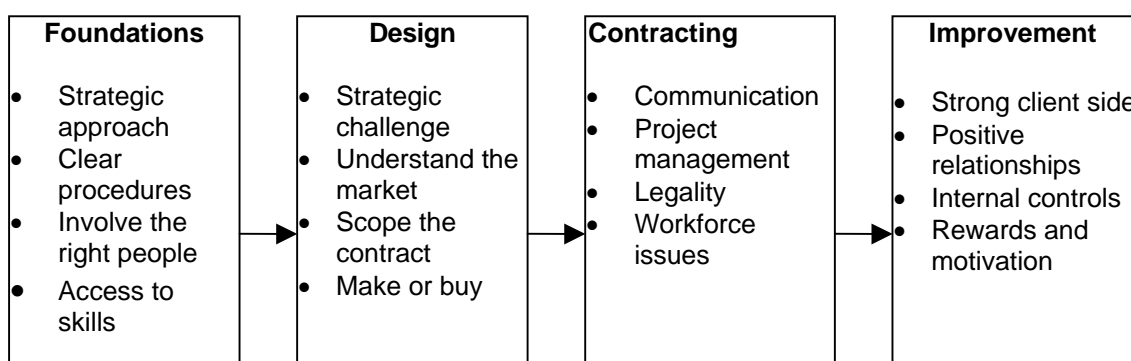
The Audit Commission’s view is that whilst some progress has been made by Councils in producing procurement strategies, BVPP audits and inspections suggest that few authorities have adopted a strategic approach to procurement as prescribed by the statutory guidance. The Audit Commission’s view is that a strategic approach is one that:

- Positions procurement at the centre of Councils’ efforts to deliver
- Assigns procurement responsibilities appropriately, according to the strategic importance of the goods or services being procured
- Provides guidelines that are clear, but with the flexibility to be applied to a broad range of circumstances
- Is comprehensive – covers all goods and services, not just those subject to re-negotiation

Local authorities that have focused on good procurement practice have expected considerable benefits to flow from procurement. The four most commonly cited are:

- An increase in investment
- Cost reduction
- A change in organisational culture
- A clearer focus on service objectives

The Audit Commission’s report suggests good practice, and breaks the procurement process into four stages as shown below.



In addition, the Audit Commission identified, during the CPA review, the procurement-related features of high performing Councils:

**Procurement Strategy**

- Not all have a corporate procurement strategy in place, but, where they do, they are more likely than others to make effective use of it

**Procurement skills**

- Most likely to be developing internal procurement skills through training, working parties, etc., and seeking outside consultancy support.

**Market consultation and analysis**

- Full market analysis using a mix of techniques and two-way dialogue with potential suppliers

**Option appraisal**

- Robust and comprehensive – over 70 percent resulted in outsourcing

**Improvement plans**

- Strong project management and build in incentives for improvement

## Other Documents

24. In addition the following documents have a key role in influencing the future of local authority procurement.
1. *ODPM Circular 03/2003 on Best Value and Performance Improvement*. At Annex C, the circular describes good procurement practice to be followed by local authorities consistent with Best Value and EU procurement law. This incorporates guidance on the handling of workforce matters, diversity, and equalities issues in procurement, including a requirement for a code of practice on workforce matters to be incorporated in all Council contracts for services. The code of practice is at Annex D to the circular.
  2. *Modern Procurement Practice in Local Government*. Building on the good practice principles established in Circular 03/2003, this IDeA guidance is a comprehensive desk reference for procurement professionals working in local government. Short guides for members, senior managers and Council staff describing the modern, strategic approach to procurement, supplement it. There are associated procurement packs (model documents) for simple, short-term services contracts and for supplies to complement those published by 4Ps (see below).
  3. *Skills Frameworks for Local Government Procurement*, developed jointly by EO, IDeA, and 4Ps, describes the knowledge and skills that procurement professionals and project teams (including members and senior managers) need to apply good practice. The skills frameworks are intended to help local authorities audit skills and assess training needs.
  4. *Rethinking Service Delivery* is the title of a series of guidance documents produced by the ODPM Strategic Partnering Taskforce. These provide comprehensive guidance to project teams charged with the creation of strategic partnerships for the delivery of public services. The series includes good practice guidance on options appraisal and business case development, partnership procurement, and the successful management

of strategic partnerships. A short guide to strategic partnering for decision-makers accompanies the guidance, advice notes on a wide range of topics, and a procurement pack is under development.

5. *PFI Procurement Packs* containing authoritative procurement guidance and model documents to support the creation of partnerships in a wide range of Council services have been published by the 4Ps. The packs currently cover schools, street lighting, leisure, waste management, and social care. There is additional guidance on key topics such as pricing mechanisms and output specifications. 4Ps are also charged with the introduction of gateway reviews in local government and for this purpose have published *Gateway Review Workbooks*.
6. The *Rethinking Construction Toolkit*, *Procurement through Partnering* and *Top Ten Tips for a Successful Procurement Process* feature prominently in the construction procurement guidance published by the Local Government Taskforce and Housing Forum. The broad principles of OGC's *Achieving Excellence in Construction* guidance would also apply in local government.
7. The National E-Procurement Project guidance on e-procurement in local government is being developed as the projects proceed. This complements the OGC's guidance *e-Procurement - Cutting through the Hype*.
8. *Workforce Issues in Local Government Procurement* (Employers Organisation) supplements the workforce matters guidance in ODPM Circular 03/2003 with frequently asked questions and a model contract clause. The Strategic Partnering Taskforce has published *Employment Matters in Partnerships* to address the complex employment issues encountered in strategic partnerships
9. *Race Relations in Local Government Procurement* is CRE guidance on the implementation of the amended Race Relations Act 1996. It complements the guidance in Circular 03/2003 with a step-by-step guide to what can be done at each stage of the procurement cycle. While the statutory basis is not the same, the general principles would apply to all diversity and equalities issues.
10. In *Sustainability in Local Government Procurement*, IDeA provides similar step-by-step guidance on how sustainability issues can be built into account in the procurement cycle. It describes a risk-based approach to developing a sustainable procurement strategy.
11. *Achieving Excellence Through Health and Safety* is OGC construction procurement guidance describing how clients can ensure that health, safety and welfare is given the highest priority while achieving value for money and a beneficial impact on contract performance. The broad principles are applicable in local government.
12. In *Smaller Supplier...Better Value?* the DTI and OGC outline the benefits of dealing with small firms, some of the challenges they face and what public authorities can do to help.

13. The DTI has published its *Social Enterprise Strategy* and is developing a public procurement toolkit specifically for social enterprises
  
14. HM Treasury carried out a *Cross-Cutting Review of the Role of the Voluntary and Community Sector in the Delivery of Public Services* in 2002. A variety of pathfinder projects are now being undertaken
  
15. The LGA and the OPDM jointly issued on 22<sup>nd</sup> October 2003 a [National Strategy for Local Government Procurement](#). The National Strategy has been developed in response to the recommendations made by Sir Ian Byatt in his report 'Delivering Better Services for Citizens' (2001) (see above) and sets out various actions and targets to improve local government procurement over the period 2003- 06.