

## GUILDFORD BOROUGH COUNCIL

# PROCUREMENT POLICY AND STRATEGIC FRAMEWORK

*(Approved by the Executive on 8 April 2004)*

### **Summary**

Guildford Borough Council's Procurement Policy and Strategic Framework is set out in this statement. The policy supports the Council's Vision, Mission, Core Values and Key Strategic Priorities and outlines the intended approach to implementing the policy.

Procurement is a substantial activity. The Council spends tens of millions of pounds each year on works, goods and services. This is in addition to any developments involving major capital expenditure, which will vary from year to year. This policy brings together:

- business needs of services
- ethical and environmental requirements
- development of partnerships

all within the legal and corporate governance framework. It does this by establishing the policy themes for the implementation of the strategy.

### **1. Definition**

- 1.1 Procurement is the name given to the activity of obtaining works, goods or services for the Borough Council to help it to operate and provide or facilitate services for the community. The scale of the activity across the Borough is such that it has a major strategic influence as well as a direct effect on the extent and quality of services received by residents.
- 1.2 The draft national strategy for local government procurement defines procurement as:

“Procurement is the process of acquiring goods, works and services from third parties. The process spans the whole life cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It includes options appraisal and the critical “make or buy” decision.”

In the context of a procurement process, obtaining “best value for money” means choosing the bid that offers “the optimum combination of whole life costs and benefits to meet the customer’s requirement”. This is seldom the lowest price option and depends on local circumstances.”

### **2. Scope and Scale**

- 2.1 Procurement covers everything from ordering paper clips to major capital schemes and employing consultants. It is one of the objectives of this policy (see paragraph 4.4 below) and the strategy to ensure that the requirements enshrined therein are proportionate to the scale of task in hand and do not create a new layer of bureaucracy. Rather, it should facilitate the work of meeting strategic objectives, designing and managing and delivering services.
- 2.2 As stated above, this policy covers the procurement (i.e. purchase) of:

## PART 5 – PROCUREMENT POLICY AND STRATEGIC FRAMEWORK

- works;
- goods; and
- services.

2.3 In view of the wide and changing range of procurement, it is not practical to list every possible activity within the above headings. A few examples are given below under each heading:

Services	Goods	Works
Consultancy Agencies Staff Facilities Management Environmental ICT Utilities Advertising/Marketing Security	ICT Stationery Furniture Clothing Machinery Transport Equipment Land and Property	Construction Maintenance Repair Engineering Landscaping Arboriculture

### 3. Good Practice Advice

3.1 As the understanding of the significance of procurement has grown, so too has the extent of policy steer from central government and advice on good practice from a wide range of agencies, some central and some local.

3.2 This policy endeavours to take account of all these requests and advice while striving to ensure the unavoidable bureaucratic requirements help, rather than hinder, service development. This does not imply any diminution of the need to ensure that the highest standards of probity are observed.

3.3 The main advice considered is:

- The Byatt Report “Delivering Better Services for Citizens” (2001)
- The National Strategy for Local Government Procurement, ODPM/LGA 2003
- District Audit Overview of Guildford’s Procurement
- Green Procurement Policy (principle approved by Guildford Borough Council) (25 July 2002)
- The Egan Report “Rethinking Construction European Community Regulations
- Comprehensive Performance Assessment (CPA) and Best Value
- Fair Trade initiative
- IDeA Scoping of Procurement, draft best practice guidance (2003)
- Race Equality and Procurement in Local Government (2003)

## PART 5 – PROCUREMENT POLICY AND STRATEGIC FRAMEWORK

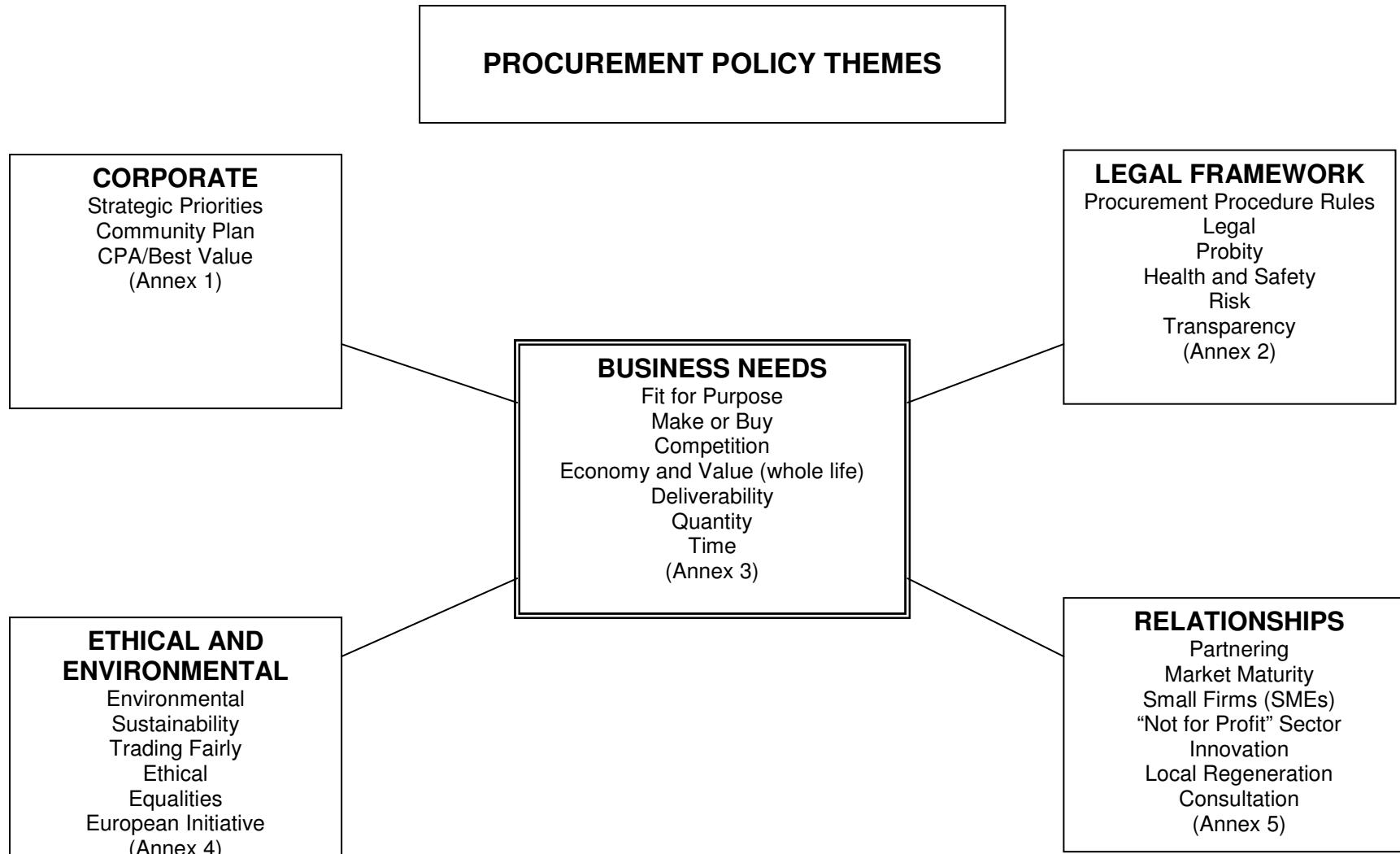
- Council Purchasing, Small Firms and the Third Sector “Smaller Supplier ... Better Value?” from the Office of Government Commerce (2003)
- Developing a Purchasing Strategy, IPF
- Guidance on Implementing Sustainable Procurement in Local Government (Consultation Draft)

### 4. Policy Themes

- 4.1 At the core of the Council’s Procurement Strategy are policy themes, which will be used to guide the process. These are set out in four themes, which feed into the business and service requirements under the umbrella of the corporate and strategic priorities.
- 4.2 This is shown diagrammatically overleaf.
- 4.3 An explanation of each policy theme is provided at Annexes 1 to 5 of this policy.
- 4.4 The extent to which all of these policy themes are applied to an individual procurement exercise will be in accordance with EC and UK law from time to time applicable and proportionate; relative to the size and scale of the procurement (i.e. the level of risk and potential benefit). For example, the purchase of one-off small value items does not need to meet all the policy theme requirements, whilst long-term supply contracts (even if for a large volume of low value items) and higher value purchases would be expected to comply in full as far as practicable.
- 4.5 Operational guidance has been prepared for officers dealing with procurement. This provides advice to translate the policy hierarchy into day-to-day decision-making within the kind of proportionate approach shown in the diagram overleaf.
- 4.6 The intention will also be to provide a process to assist in the resolution of some of the tensions inherent in the various elements of the policy. Some practical examples of where tensions could arise are the purchase of windows (residents often prefer UPVC rather than the more sustainable timber option) and specialist schemes, such as the Inner Quadrant pedestrian tunnel at Ash Vale, where only two possible contractors were permitted by Railtrack.

### 5. Organisation

- 5.1 In line with the importance of procurement, one of the Council’s Lead Members has the lead role for procurement. He or she will provide the elected councillor strategic overview.
- 5.2 This appointment is matched at officer level by the similar designation of one of the Council’s directors or senior officers. He or she is supported by a corporate group on which all relevant professional disciplines of the Council are represented. That group has a brief to monitor implementation of the Policy and Strategic Framework and make recommendations arising from any review. It may also give advice and act as a reference point for other officers dealing with procurement issues.



## **PART 5 – PROCUREMENT POLICY AND STRATEGIC FRAMEWORK**

- 5.3 The corporate group also has the responsibility of preparing the Council's internal operational guide and the proposed procurement guide for suppliers (see below).
- 5.4 Implementation of the final approved policy will be supported within the Council's programme of training and awareness raising for officers and councillors.

### **6. Procurement Partnerships with Other Agencies**

- 6.1 The Council will join with other local authorities and agencies to carry out joint procurement where this option appears to offer the best way of meeting policy and service requirements. The Council already participates in a number of such arrangements, such as for the purchase of energy and doors and kitchens for Council homes.

### **7. Electronic Procurement**

- 7.1 As part of the Council's support for the national e-government programme, Guildford will develop with suppliers, electronic methods of ordering and paying for goods and services. This is set out in the Council's statement "Implementing Electronic Government (IEG) III 2003. It will lead to administrative efficiencies, as well as a reduction in the large amounts of paper currently used in these processes.

### **8. Procurement Guide for Suppliers and Contractors**

- 8.1 This Policy and Strategic Framework will be incorporated into a guide for prospective suppliers, contractors and partners. The guide will be a user-friendly document along the lines of "How to do Business with Guildford". It will have regular supplements to give an approximate guide to the Council's likely procurement and purchasing activity during a given period, probably three years. This will accord with the Council's own service planning process and assist prospective suppliers when making their own business planning decisions.

### **9. Conclusions**

- 9.1 Guildford's Procurement Policy and Strategic Framework will be kept under review. Changes will reflect the need for the Council to be able to adapt to the rapidly changing governance and business environment.

## CORPORATE REQUIREMENTS

### VISION, MISSION, CORE VALUES AND KEY STRATEGIC PRIORITIES OF THE COUNCIL

#### **Vision - for the Borough**

A Borough that seeks opportunity and choice for future generations, while retaining a pride in its local heritage,

#### **Mission – for the Council**

A forward looking, efficiently run Council, working in partnership with others and providing first class services that give the community value for money.

#### **Core Values of the Council**

- The Council will provide timely, reliable and targeted public services that are judged by their quality, their cost effectiveness and relevance to the community's needs.
- The Council will focus on providing what the community needs and this will be established through dialogue and consultation, delivered in close partnership with other organisations.
- The Council will be an excellent employer encouraging a 'can do' culture that finds solutions, takes decisions and learns from the best practice of others.
- The Council's work will be publicly accountable and presented with openness and transparency.
- The Council's decisions will be guided throughout by compassion for those people in need.

#### **Key Strategic Priorities**

**Excellence and Value for Money** - Providing efficient, cost-effective and relevant quality public services.

**Sustainable Local Environment** - Preserving and enhancing a sustainable environment, both rural and urban, within Guildford Borough.

**Safe and Vibrant Community** - Ensuring our diverse community can live in safety and with dignity.

**Dynamic Economy** - Encouraging a vibrant business and knowledge based local economy.

## LEGAL FRAMEWORK

It is fundamental to the formation of any contract on behalf of the Council that it complies with the law. In addition, it is essential that there is compliance with the Council's own rules governing contracts. These are known as the Procurement Procedure Rules and are contained within the Council's Constitution. There must also be authority from the Council to enter into the contract, given either specifically by the Executive or pursuant to powers delegated to officers.

### The Law

The Council owes its existence to statute law and, therefore, it can only enter into contracts which are permitted by statute. That said, the Local Government Act 2000 has given power to local authorities to do anything (subject to certain limits) which will promote the economic, social or environmental well-being of their area.

### Procurement Procedure Rules

These rules are a framework within which all procurement must take place. They are designed to ensure fairness and transparency in the procurement process. In addition, they provide a measure of protection to officers and councillors from any suggestion of impropriety in the letting of contracts.

The rules contain, for example, the required procedures for inviting and opening tenders, arrangements for signing or sealing contracts and details of clauses which must be inserted in all contracts to which the Council is a party.

Occasionally, it is necessary to let contracts outside this procedural framework. The rules themselves contain certain exemptions, but in the absence of a suitable exemption, the Executive has the power to waive Procurement Procedure Rules.

Procurement Procedure Rules are supported by a guide to procurement and interface with the Financial Procedure Rules, for example, in relation to payment arrangements.

### Lists of Suppliers

The Council's Procurement Policy and the associated guidance describes how shortlists of potential suppliers will be maintained on a discrete basis as and when required to meet service objectives and the requirements of the policy.

### Council Authority to Contract

A contract is a binding agreement enforceable through the courts. It is, therefore, vital that the Council has given its authority to the formation of the contract. It is worth noting at this point that contracts can be formed orally and, therefore, officers can commit the Council to a contract without any written documentation, although this is clearly not desirable and may be contrary to the Procedure Rules (see above). The issuing of a purchasing order for goods or supplies will lead to the formation of a contract.

The Council may, through the Executive, give its authority specifically to a particular contract. Alternatively, authority may be delegated to the appropriate officer.

The delegated powers, which are also to be found in the Constitution, set out the extent of delegated authority to officers.

### Probity

It is vital that all councillors and officers involved in the letting of contracts on behalf of the Council act with the utmost propriety. There must be no hint of bias in the award of any

contract. Accordingly, under the Members' Code of Conduct, councillors must register all their financial and other interests (e.g. interests in land, local businesses and membership of organisations operating locally). Senior officers similarly register their interests under a voluntary arrangement. A copy of the Members' Code of Conduct is also contained in the Council's Constitution.

### **Health and Safety**

In addition to ensuring that the Council has the legal power to enter into any contract, it is also necessary to ensure that there is compliance with legislation relevant to the subject matter of the contract. Compliance with health and safety legislation is a common requirement. Other types of legislation might include food safety, data protection and equal opportunities.

### **Risk**

All actions carry a degree of risk. It is incumbent upon any officer involved in committing the Council to a contract that he or she evaluates and manages that risk in accordance with the Council's Risk Strategy. He or she must consider all relevant guidance available when evaluating the risk and deciding what measures should be implemented to manage the risk.

### **Transparency**

As already identified, it is vital that there is transparency in the process for inviting tenders and awarding contracts. This is a fundamental tenet of the European Community directives governing procurement and is in line with the modernising agenda for local government.

### **Application of the Framework**

Compliance with the legal framework described briefly above is fundamental to the Council's governance and to all procurement carried out on behalf of the Council. Before committing the Council to any contract, councillors and officers will therefore:

- ensure that the Council has the legal power to enter into the contract;
- comply with Procurement Procedure Rules and related requirements of the Constitution in inviting and evaluating tenders and the eventual letting of the contract;
- ensure that the Council has given authority, either specific or delegated, to the formation of the contract;
- ensure that the contract complies with all relevant legislation, including EC procurement legislation;
- evaluate and manage all risks which may be associated with the performance of the contract;
- ensure that there is transparency and fairness throughout the procurement process.

Procurement of major capital projects (having a value of £100,000 or more) will be managed in accordance with PRINCE2.

## BUSINESS NEEDS

The purpose of any procurement activity must be to maintain and improve service quality and value for money over the lifetime of the contract.

For Guildford, these basic requirements are covered in the definitions below.

### **Fit for Purpose**

The goods or services ordered are of the appropriate quality to achieve the outcomes required.

### **Quantity**

The quantity of goods or the standard of services ordered should be capable of achieving the outcomes desired without producing over-supply or excessive levels of performance.

### **“Make or Buy” and Competition**

The Council has a successful record of providing a “mixed economy” of in-house service providers along with external suppliers. The decision as to which option is chosen has become known as the “make or buy” decision and will be continued and developed into the new strategy. It will support competition in those services where an effective market is either already in place or is reasonably capable of being developed and in relation to those services which have not demonstrated to the satisfaction of the Council that they are already competitive. Examples of competitiveness would include:

- Sound benchmarking evidence, including market-testing.
- Strong evidence of very robust ‘challenge’ exercise, which has achieved measurable change and improvement in the cost/quality of a service.
- Showing clear high performance in relation to both quality and price.
- Clear-cut evidence from extensive public consultation exercises that the existing service provides very high customer satisfaction.
- Consistent upper quartile performance in relation to national performance indicators.
- Successful and recent competitive tendering in whole or in part of the service or other comparable services by other local authorities or agencies.

Obviously, the overall ‘case’ for a service could often include a combination of the above factors. The final decision will rest with the Council in assessing service reviews.

### **Economy and Value**

The goods or services procured represent value for money over the whole life of that item. This requires consideration of the purchase price, the cost of acquisition, the cost of operation and the cost of disposal.

### **Deliverability**

The supplier is capable of delivering the goods or services ordered to or at the desired location.

### **Time**

The supplier is capable of delivering the goods or services ordered within the timescale required by the Council.

## ETHICAL AND ENVIRONMENTAL REQUIREMENTS

### **Environmental Sustainability**

In pursuit of its objectives for environmental sustainability, the Council recognises the critical need to act as a role model by carrying out its purchasing activities in an environmentally responsible manner. The Council will strive to procure products and services which cause minimal damage to the environment. Subject to:

- compliance with EC directives specifically relating to discrimination, freedom of movement of staff, goods and services; and
- all restrictions imposed by UK legislation

the Council will:

1. Encourage and persuade suppliers to investigate and introduce environmentally friendly processes and products and will educate suppliers concerning the Council's environmental strategy.
2. Ensure that suppliers' environmental credentials are considered in the supplier appraisal process.
3. Ensure that, where appropriate, environmental criteria are used in the award of contracts, including the use of products from sustainable and renewable sources.
4. Specify, wherever possible and reasonably practicable, the use of environmentally friendly materials and products.
5. Ensure that consideration is given to inclusion, within all specifications, of a facility for potential suppliers to submit prices for environmentally friendly alternatives.
6. Ensure that appropriate consideration is given to the costs and benefits of environmentally friendly alternatives.

All environmental considerations and conditions will relate directly to the subject matter of each product.

### **European Initiative**

The Council is proposing to participate in a Europe-wide initiative by "pioneer" local authorities to develop the sustainable dimension of procurement. If approved by the European Commission, this is expected to run from 2004 to 2007. Guildford's suppliers may be invited to participate in this initiative.

### **Ethical**

Ethical purchasing is part of the Procurement Strategy. Guildford Borough Council would wish to encourage suppliers and contractors who trade fairly and who are not knowingly involved with unethical practices, such as:

- poor health and safety conditions;
- abuse of natural resources and irresponsible environmental management; and
- companies who are known to have been prosecuted by the Environment Agency for recent environmental offences.

Commitment and Assessment:

To ensure purchasing is in line with the ethical and fair trading principles, Guildford Borough Council will ask all prospective suppliers and manufacturers to provide evidence of existing or proposed policies and processes which support the principles outlined above.

**Equality**

Equality can be difficult to establish and measure in procurement - an example of this is that using local suppliers may mean goods are transported smaller distances thus causing less environmental damage, but using local suppliers in isolation does not allow for equality nor equal opportunities. The cost to the environment must be balanced with issues of equality and competitiveness.

Equality also applies to the policies of companies and suppliers.

Commitment and Assessment:

- Ask companies to provide details of their equal opportunities policy.
- The tendering process will be equal and transparent and companies will be chosen on the basis of a number of factors, as set out in the Procurement Policy and the relevant specification or contract brief.

## RELATIONSHIPS

### **Partnership**

The Council fully acknowledges the importance of partnerships with the private and voluntary sectors, together with other public bodies acting at national, regional and local levels.

The Council will foster open and constructive dialogue with all involved or who may have something to offer towards service delivery to the community. Through this approach, new procurement methods to deliver services more efficiently, effectively and economically will be developed and encouraged.

Objectives include:

- Promote co-operative and collaborative procurement arrangements
- Effectively manage the Council's supply chains
- Develop long-term and sustainable relationships
- Encouragement to small to medium enterprises (SMEs)

### **Competition (see also Annex 3: Business Needs)**

The Council will harness competition as one of the means to improve performance. This will be achieved directly and indirectly. The latter will include sharing information about market-testing with other local authorities and agencies. Through this mechanism, the Council will seek to manage the cost of the tendering process, which it recognises falls on both suppliers and the Council. The Council's policy towards competition is described in Annex 3 (Business Needs).

### **Small Firms (SMEs)**

The Council will, wherever possible, provide opportunities for local small and medium sized enterprises, which are an important part of its supply chain. The Council will have due regard to the contributions they can make to the Council's Mission, Core Values and Key Strategic Priorities when making procurement decisions.

### **"Not for Profit" Sector**

The Council will consider organisations and suppliers which fall into the "not for profit" sector as potential suppliers, along with other firms and bodies. They will be expected to comply with the requirements of the procurement policy in the same way as other firms.

### **Innovation**

The Council embraces innovation and looks to its contractors and suppliers to share this vision. Examples of innovation sought include:

- Greater use of shared risk/shared gain contracts to encourage contractors or suppliers to propose alternative delivery solutions to meet the Council's needs.
- Increased use of recycled materials where raw materials have been traditionally used.
- Use of energy saving measures in products or construction.

### **Market Maturity**

Where a suitable market does not exist or is under-developed, the Council will use its purchasing abilities to support the development of new markets and suppliers.

Whilst not possessing a relevant accreditation will not exclude firms from being selected for procurement, the Council would expect larger firms who have the resources to actively seek accreditation in their respective fields, and would encourage firms to do this. Firms who are able but unwilling to do so are less likely to be selected for procurement where the accreditation would be relevant to the contract. The Council believes the gaining of these accreditations benefits both parties.

**Consultation**

Consultation is integral to the Council's Values and takes place with the community, stakeholders and partners on a number of levels:

- for individual services
- for broad service groupings (e.g. leisure, housing)
- at strategic level (consultation on strategy development and review)

Procurement will feature within these consultation processes, as well as a strategy in its own right.