

Procurement Strategy 2010-2012

Nottinghamshire County Council

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Nottinghamshire County Council PROCUREMENT STRATEGY 2010-12

COUNTY COUNCIL PRIORITIES

- To foster aspiration, independence and personal responsibility
- To promote the economic prosperity of Nottinghamshire and safeguard our environment
- To make Nottinghamshire a safer place to live
- To secure good quality, affordable services
- To be financially robust and sustainable

**KEY NUMBERS
2009/10**

£410m of bought-in goods, works and services

41% spent locally

9,600 suppliers

376,000 transactions

KEY AIMS FOR PROCUREMENT

- To support the delivery of the Council's strategic plan objectives
- To deliver substantial cost savings through better procurement
- To deliver a "one council" approach to the procurement of goods, works and services
- To improve our engagement with local suppliers
- To encourage innovation and a pragmatic approach to risk
- To encourage long-term thinking and commitment to a strategic approach to procurement issues

KEY STRANDS FOR PROCUREMENT DEVELOPMENT

- Governance and structure
- Professionalising our approach
- Partnering and collaboration
- Doing business electronically
- Engaging with the local market

TARGETS

- £1m savings in 10/11
- £4m savings in 11/12
- Electronic invoicing fully implemented by January 2011
- Single procurement centre operational by April 2011
- Local spend increased to 70% by 2014

1 Introduction

- 1.1 The purpose of this document is to set out the strategy for transforming procurement within the County Council.
- 1.2 As a public sector organisation we are faced with the challenge of meeting increasing demands for public services, with a decreasing budget. At the same time, procurement is recognised as a means of delivering a range of social, economic and environmental benefits and of complementing the strategic aims of the organisation. Effective procurement and purchasing arrangements are fundamental to delivering our aims and objectives within our resource envelope.
- 1.3 Procurement is ‘the process of acquiring goods, works and services’, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a service contract or the end of the useful life of an asset. It involves option appraisal and the critical “make or buy” decision.
- 1.4 The County Council bought £410m of goods, works and services in 2009/10, ranging from over £170m on Care to £1m on office supplies. Of our 10,000 suppliers, the Council spent less than £5,000 with 7,900 of them and more than £500,000 with 70 of them.
- 1.5 Over the next two years, we will transform our approach to procurement so that we:
 - a) Secure the effective procurement of goods, works and services that support the delivery of the Council’s strategic plan objectives
 - b) Deliver substantial cost savings through better procurement
 - c) Deliver a “one council” approach to procurement
 - d) Improve our engagement with local suppliers
 - e) Encourage innovation and a pragmatic approach to risk
 - f) Encourage longer term thinking and commitment to a strategic approach to procurement

2 Procurement Strategy Strands

- 2.1 The Council’s procurement strategy is based around five strands of work that are designed to meet the aims outlined above:
 - Strand 1 – Governance and structure
 - Strand 2 – Professionalising our approach
 - Strand 3 – Partnering and collaboration
 - Strand 4 – Doing business electronically
 - Strand 5 – Engaging with the local market

3 Strand 1 – Governance and structure

3.1 Objective

To improve visibility and control of expenditure through the adoption of a “One Council – One Business” approach to procurement.

3.2 Background

Procurement activity is currently undertaken in a devolved model, where individual service areas manage the procurement of the goods, works and services they require, with the Corporate Procurement Unit becoming involved by invitation only. Advice and support is also provided by Legal Services and officer guidance is available in the Contracts Manual.

The procurement of similar goods or services is not joined up across the organisation, leading to widespread inconsistency in approach and waste due to duplication of effort. Recent work has highlighted pockets of good practice across the organisation, but limited sharing of that good practice with other parts of the organisation.

3.3 Future direction

Over the next twelve months, we will:

- Implement a single Procurement Centre to serve the whole organisation
- Implement a clear governance and policy framework to ensure a consistent approach to procurement and purchasing

3.4 Single procurement centre

A phased approach to implementing a single procurement centre for the County Council will enable the identification, development and support of professional procurement officers that are currently dispersed across the organisation. Clear lines of responsibility will be established and suitable roles and functions appropriately resourced, with the correctly skilled people.

3.5 Governance and policy

Our approach to purchasing and procurement will be supported by mandated policy and procedures, resourced with the right tools and people and effectively policed to ensure adherence through education and the application of appropriate disciplinary measures.

Existing policy and procedures, as set out in various parts of the Financial Regulations and the Contracts Manual will be reviewed and rationalised into a single Procurement and Purchasing Handbook, which all employees will be required to follow.

The governance framework will include the establishment of a new Procurement Board that will oversee all procurement activity and have appropriate, senior representation from each department.

4 Strand 2 – Professionalising our approach

4.1 Objective

To maximise the effectiveness and efficiency of our procurement activity by developing professional procurement capability to manage procurement strategically and develop “best practice” methodologies.

4.2 Background

Over the last three years, there have been a number of successful strategic procurement projects that have collectively contributed ongoing savings of approximately £3 million per year.

However, these savings have been secured with limited change in the fundamental way that procurement is managed across the organisation. Other public sector bodies across the country have achieved significant savings through making these fundamental changes.

4.3 Future direction

Over the next eighteen months, we will:

- Develop category management strategies for each substantial category of expenditure
- Strengthen our approach to supplier management
- Strengthen our approach to contract management
- Implement a programme of training and communication to embed the new ways of operating

4.4 Category management

Category management delivers financial benefits by joining up the purchasing of each department into a council-wide approach to achieve economies of scale. Category management also ensures that professional expertise is in place to aid decision making in every purchase the Council makes. Category management will enable the development of targeted strategies that are relevant to each category of spend.

4.5 Supplier management

We will undertake an exercise to reduce the Council’s current supplier base to an operational minimum. This will reduce transactional costs and help to ensure that purchasing is carried out through approved suppliers. We will also instigate more proactive management of the performance of suppliers.

4.6 Contract management

We will review all of our contracts, ensuring that effective arrangements are in place to secure value for money. This will include more standardisation of terms and conditions of trade, for example payment terms and methods, and a more robust approach to annual price

increases. We will also develop a Council-wide contract register to enable more effective planning of procurement exercises, as well as reducing off-contract spend.

4.7 Training and Communication

The proposed changes in our approach to procurement and purchasing are significant and their effective adoption across the Council will require a comprehensive programme of training and communication to ensure that all employees understand the new policies and procedures.

Training will be mandatory for anyone involved in the process and the ability to enter into contracts or place orders will be dependent upon having completed the relevant training. We will also establish a programme of professional training to support the development of category management.

5 Strand 3 – Partnering and collaboration

5.1 Objective

To improve service standards and secure efficiencies through successful and sustained partnerships with public, private, community and voluntary sectors, and to obtain improvements in value for money through the development of collaborative relationships.

5.2 Background

Within the social care environment, we have a good record of working in partnership with the health, voluntary and independent sectors, through which over £100m of services are purchased annually.

We are a member of the Nottinghamshire Procurement Forum, which consists of the County, City and district councils. The main objective of the forum is to secure efficiencies through economies of scale. The County Council also has a good record of collaboration at a high level with central procurement bodies ESPO and OGC. At a local level we are a lead member of EMPA (East Midland Property Alliance), through which we have let a range of construction framework contracts.

Building on the work that has already been done, we need to develop more effective relationships with other public bodies, both within the County and in the wider region, to maximise the efficiencies that can be gained through collaborative procurement.

5.3 Future direction

Over the next two years, we will:

- Make best use of existing arrangements to collaborate with other public bodies
- Identify new opportunities to undertake collaborative procurement

5.4 Use of existing arrangements

We will maintain our involvement with organisations such as the Nottinghamshire Procurement Forum, EMPA, the NHS and ESPO, in order to actively seek out opportunities to both instigate and participate in collaborative procurements.

5.5 Development of new arrangements

The Health White Paper presents opportunities for even closer working with health and we will work with colleagues in adult social care to ensure that we maximise these opportunities. We will also undertake a programme of work to investigate opportunities for closer collaboration with the City Council and other county councils in the region on procurement matters.

6 Strand 4 – Doing business electronically

6.1 Objective

To deliver improvements in the procure-to-pay process, by making the best use of technology to reduce cycle time and transaction costs and improve access to corporate contracts and agreements.

6.2 Background

Nottinghamshire County Council implemented the IDeA Marketplace as a stand alone solution for purchasing some years ago. Until the use of this system was mandated as the Council's preferred method of ordering in July 2010, take-up was somewhat limited.

Since July 2010, use of the system has increased dramatically. This has been aided by a widespread training programme and the implementation of a "no purchase order, no payment" policy. The system has provided greater visibility of spend and enabled us to enforce the use of corporate contracts and challenge purchasing decisions in line with the spending controls that were implemented in August 2010. However, there are still too many "confirmation" orders being placed after a spending commitment has been made.

The electronic invoicing module of the system was implemented in October 2010. It is anticipated that this will significantly improve the Council's performance in paying its invoices on time.

The system will be replaced in October 2011 by the new Business Management System.

6.3 Future direction

Over the next twelve months, we will:

- Tighten controls on the ordering of goods, works and services
- Complete the roll-out of electronic invoicing

- Transition the ordering and payment process to the new Business Management System

6.4 Controls on ordering

Work will continue on identifying and removing suppliers that fall outside existing corporate contracts. In the short term, there will be a focus on working with individual employees to reduce the use of confirmation orders. This will extend to the use of the Council's disciplinary process, where necessary. In the longer term, we will review authorisation levels, in line with the new management structure.

6.5 Roll-out of electronic invoicing

Final testing is being undertaken on the electronic invoicing module of Marketplace and it is anticipated that the module will be fully operational by the end of the year.

6.6 Transition to Business Management System (BMS)

The early implementation of electronic ordering and invoicing processes has been undertaken with a future transition to an integrated BMS in mind. The purchase to payment team will continue to work closely with the BMS team to undertake this transition.

7 Strand 5 – Engaging with the local market

7.1 Objective

To develop and support a competitive local marketplace, which supports the Council's strategic objectives and delivers value for money and improved service quality.

7.2 Background

One of the Council's strategic priorities is to promote the economic prosperity of Nottinghamshire. To ensure consistency with this priority, the Council will seek to buy locally where this is consistent with value for money considerations and legal requirements.

An independent study has established that for every £1 we spend with a local supplier, £1.97 is re-circulated within the local economy. The most recently available figures show that 41% of the County Council's external spend is with local suppliers, which compares favourably with most other county councils.

Locally, business representatives are demanding more transparency of our existing and forthcoming contract opportunities, particularly by increasing the number of contract opportunities advertised online through e-portals, and seeking support in developing their capacity to respond to public sector contract opportunities when they arise.

The Council's tendering procedures are generally regarded as cumbersome and overly-bureaucratic. Whilst there is a need to

maintain an appropriate level of accountability for public funds, there is scope for a reduction in “red tape”, where this unnecessarily inhibits fair competition between suppliers, or where it mitigates against the proportional management of risk.

7.3 Future direction

Over the next two years, we will:

- Improve visibility of our contracting activities
- Review our tender documents and processes to reduce unnecessary bureaucracy
- Review the use of “community benefit” clauses in larger contracts
- Maintain our engagement with local business organisations

7.4 Visibility of contracting activities

Improvements in the governance of procurement will enable us to ensure that all contracting opportunities over an agreed value (currently £10,000) are advertised through the Source Nottinghamshire website. The use of supplier briefing events in advance of significant tendering exercises will also be increased.

7.5 Review of tender processes

We will review and standardise tender and contract documents, with a view to ensuring that the demands we place on potential suppliers are proportionate to the risk that exists. We will also seek to make use of our electronic systems to allow suppliers to lodge and update basic information and key documents (eg health and safety policy) on-line.

7.6 Use of “community benefit” clauses

Our Procurement and Purchasing Handbook will incorporate sustainable procurement policies and guidance, which will require procurers to actively engage with the local supplier base where capacity exists to meet our requirements. For larger value contracts, potential suppliers will be challenged to identify how they might be able to contribute towards the aims and objectives of the County Council through the delivery of a contract.

7.7 Engagement with local businesses

We will continue to support “meet the buyer” and other supplier education events, through our involvement with the Chamber of Commerce and the Federation of Small Businesses.

Procurement Transformation Action Plan

Theme	Key actions	Timescale
<i>Strand 1 – Governance and structure</i>		
Single Procurement Centre	Review departmental resource levels	Dec 2010
	Publish structure for consultation	Jan 2010
	Commence enabling process	Feb 2011
Governance and policy	Implement urgent changes to Financial Regulations	Dec 2010
	Establish Procurement Board	Jan 2011
	Publish draft Procurement and Purchasing Handbook for consultation	Jun 2011
<i>Strand 2 – Professionalising our approach</i>		
Category management	Undertake spend analysis	Completed
	Consult key stakeholders on draft category strategies	Dec 2010
	Confirm detailed category plans for 2011/12	Mar 2011
Supplier management	Review existing supplier base and remove unauthorised/duplicate suppliers	Dec 2010
	Develop supplier management plans with key stakeholders (phase I)	Apr 2011
	Develop supplier management plans with key stakeholders (phase II)	Dec 2011
Contract management	Commence population of contracts database	Dec 2010
	Complete population of contracts database	Mar 2011
	Complete initial review of standard terms and conditions	Jun 2011
Training and communication	Complete training on ordering/invoicing procedures	Dec 2010
	Develop broader procurement training programme	Mar 2011
	Complete implementation of procurement training programme	Mar 2012
<i>Strand 3 – Partnering and collaboration</i>		
Use of existing arrangements	Undertake audit to assess benefits of existing arrangements	Mar 2011
	Issue guidance on existing arrangements that are to continue	May 2011
Development of new arrangements	Develop structured plan for exploring opportunities for greater collaboration with City, Health and other counties	Mar 2011
	Commence implementation	Apr 2011
<i>Strand 4 – Doing business electronically</i>		
Controls on ordering	Implement urgent changes to Financial Regulations	Dec 2010
	Confirm escalation procedures/disciplinary arrangements	Dec 2010
	Monitor and report impact of spending controls	Monthly
Roll-out of electronic invoicing	Complete systems testing	Dec 2011
	Commence implementation of communications and training plan	Dec 2011
	Switch to Optical Character Recognition (OCR) processing	Jan 2011

Theme	Key actions	Timescale
Transition to Business Management System	Confirm arrangements for managing delivery of Business Management System	Nov 2010
	Confirm Business Management System blueprint	Jan 2011
	Implement Business Management System	Oct 2011
<i>Strand 5 – Engaging with the local market</i>		
Visibility of contracting opportunities	Ensure all tenders >£10,000 in value are published on Sourcenotts website	Dec 2010
	Develop arrangements for supplier briefing on major tendering exercises	Mar 2011
Review of tender processes	Agree detailed scope and action with Legal Services	Dec 2010
	Complete implementation of revised documentation and processes	Mar 2012
Use of “community benefit” clauses	Develop guidance for procurers	Mar 2011
	Review impact on delivery of Council’s objectives	Dec 2012
Engagement with local businesses	Develop programme of events in conjunction with Economic Development team	Mar 2011
	Strengthen arrangements for ongoing dialogue and consultation with business community	Mar 2011