

# Introduction

- 1 Procurement has been defined in its widest sense as:

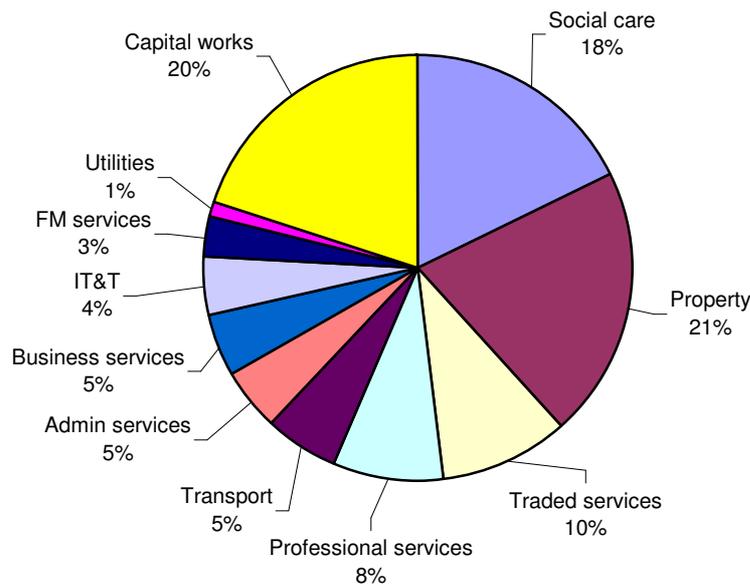
*“The process of acquiring goods, works or services, covering both acquisition from third parties and from in-house providers. The process spans the whole cycle, from identification of needs through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical ‘make or buy’ decision, which may result in the provision of services external to the Council in appropriate circumstances”*

**The National Procurement Strategy (ODPM 2004)**

- 2 This definition encompasses both the more traditional concepts of purchasing along with wider strategic management issues about how procurement can be used to inform the shape and nature of the organisation as a whole and the delivery of Council services to best meet the needs of users and our local communities in the future. Effective procurement should therefore play a crucial role in helping the organisation provide high quality, cost effective public services.
- 3 There are a number of important reasons as to why this strategy has been prepared. The key drivers include:
  - a) the need to comply with the provisions of the Local Government Act 2000 and extant statutory Best Value guidance;
  - b) the requirements of the National Procurement Strategy published in 2004 in response to the recommendations of the Byatt report for improving public sector procurement;
  - c) the continuing national focus on public sector procurement further to the Gershon report in 2005 and more latterly by initiatives such as the Local Government Sustainable Procurement Action Plan (May 2007);
  - d) the contribution procurement can make to the effective provision of services and the ‘value added’ gains that can accrue both in terms of improvements in quality and the optimisation of costs;
  - e) the need for the Council to shift its understanding of procurement away from a fairly traditional transactional and gate-keeping view of its role and purpose and mainstream it within the strategic management and planning considerations of the organisation;
  - f) effective procurement arrangements are major considerations within the VFM assessment for the Use of Resources judgement further to the Comprehensive Performance Assessment (CPA);
  - g) the need to move away from short-term approaches which place lowest initial cost ahead of whole-life performance at the expense of optimising sustainable solutions for the future.

- 4 The Council is a major purchaser within the region, spending approximately £120m per annum with external suppliers. This represents about one third of the Council's gross annual budget. Exhibit 1 below shows the type and relative values of Council spend by main category with external suppliers.

### Exhibit 1 Spend analysis



*The spend analysis shown in Exhibit 1 is based on an independent interrogation of the Council's financial management systems for historic spend in 2003/04 excluding paybill costs, taxes and duties, schools and HRA expenditure.*

- 5 A clear understanding of how procurement can be used to get the best value for the money the Council spends on behalf of tax payers is crucial therefore. In addition, the level of aggregate Council spend on any given category of goods or services can also constitute significant economic power within the market place that may be used to the wider benefit of the community and to help achieve wider policy ambitions and priorities of the Council.
- 6 Done well, and in the context of a robust overall policy and strategy framework, procurement can help the Council achieve its wider objectives, make more efficient use of scarce resources, drive improvement and mitigate risk.

# Background

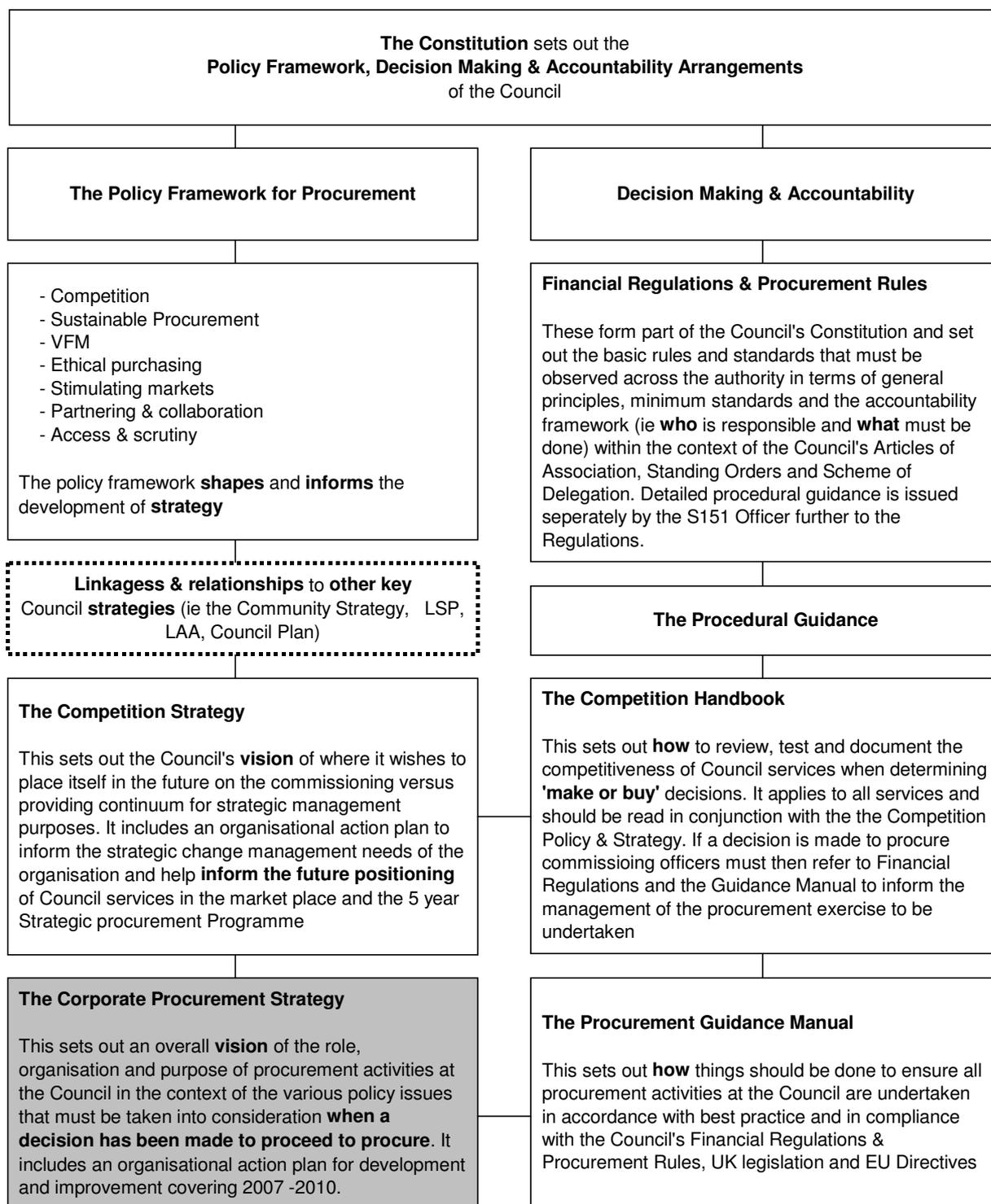
- 7 Procurement has suffered in past years at the Council from under-investment, poor management information, and a lack of suitably expert and knowledgeable resources available to support the procurement needs and aspirations of the organisation. Management attention has tended to focus on reactive, service based purchasing activities whilst pressures to demonstrate value for money, achieve economic savings, and ensure compliance with proper practice, government inspection, policy and legislative requirements have made heavy demands on the small central team established in 2004 to provide procurement support and advice across the Council.
- 8 Whilst working from a low starting point, much work has been done since then to address a challenging development agenda and significant changes and improvements have been made, including:
  - a) the publication of fully comprehensive Procurement Rules further to the new Financial Regulations adopted as part of the new Constitution in May 2006 and the development of an accompanying Procurement Guidance Manual for practitioners;
  - b) the development of a fully populated corporate Contracts Register and the adoption of a new automated Supplier Contract Management System;
  - c) a review of all addressable spend under existing contract and the development of a series of corporate contracts and framework agreements for generic supplies and services, resulting in financial savings, reduced non-compliance and better post-award contract management arrangements;
  - d) the development of standard procurement documentation covering each stage in the procurement process, along with standard contract terms and conditions available via the Resources Procurement Intranet site;
  - e) the identification of procurement savings in excess of £800k across the organisation over the last 3 years;
  - f) the creation of an expert central advisory and support service;
  - g) the development of a five year Strategic Procurement Programme further to an overall Efficiency Programme for the Council.
- 9 However, much remains to be done if we are to become truly 'excellent' in the future and this strategy is fundamental to putting procurement on the path to excellence over the next 3 years.

## Scope & purpose of this strategy

- 10 This strategy sets out an overall vision of the role, organisation and purpose of procurement activities at the Council in the context of the various policies that must be taken into consideration **once a decision has been made to proceed to procure**. It includes a medium term action plan for development and improvement up to the organisation's move to one-site operations at Hungate in 2010. It is ambitious and challenging, and will require cultural change, enhanced leadership and contract management capabilities across the organisation and step-change service improvement through business process re-engineering and the use of new technologies. Deploying the strategy in practice will require the organisation to better understand the market place and demonstrate a willingness to work effectively and innovatively with suppliers and partners to deliver desirable and sustainable service outcomes to the wider benefit of the community.
- 11 The scope of this document does not extend to how the organisation may choose to use strategic procurement activities as a lever for change and service transformation. It **does not** in itself, therefore, set out a vision of where the organisation should place itself on the 'commissioning versus providing' continuum for overall strategic management purposes and the future provision of Council services. Those matters are discussed in a separate Competition Strategy (encompassing the five year Strategic Procurement & Commissioning Programme) and an accompanying Competition Handbook that details how practitioners should review, test and document the competitiveness of Council services and alternative market options when determining 'make or buy' decisions.
- 12 Instead, this document takes a high level view of procurement across the organisation, focusing on setting out:
- an overall vision of the role, purpose, objectives and organisation of procurement as a key management activity at the Council, based on a thorough knowledge and understanding of where we are now, key drivers and dependencies and our procurement aspirations for the future;
  - the principles and policy framework for procurement and the professional and legislative standards that must be complied with when a decision has been taken to procure from third parties;
  - a medium term action plan providing a road map for development and improvement to achieve the vision and objectives set out in this strategy.

- 13 This strategy does not provide guidance as to how to conduct a procurement exercise per se. Detailed advice on how to carry out individual procurements is provided in the Procurement Guidance Manual for practitioners, which should in turn be read in conjunction with the Council's Financial Regulations and Procurement Rules. Exhibit 2 overleaf shows the relationships between the different elements of the policy and decision making framework for procurement and the place of this strategy in that context.
- 14 The purpose of this strategy is to:
- contribute to the development of a clear and consistent policy and decision making framework for strategic procurement and purchasing activities across the organisation;
  - support the service needs and ambitions of the Council and help to deliver the Council's wider policy objectives and priorities;
  - articulate best practice and management standards within a coherent framework of related procurement policy 'platforms';
  - meet the expectations of our key stakeholders, including staff, customers, partner organisations, external inspectorates, suppliers and the wider business community;
  - help change the way in which the Council thinks about procurement, away from the traditional perception of procurement as a one-off, transactional or regulatory gate-keeping function, to one more focused on achieving thoughtful, effective and innovative procurement solutions that best meet the needs of the organisation and the community.

## Exhibit 2 The policy & decision making framework



**Note** The shaded box shows the position of this strategy in relation to other key component parts of the overall policy, strategy and decision making framework for procurement at the City of York Council