

Procurement & Commissioning Strategy

City of York Council 2012- 2014

Vision

To work together with partners and suppliers to develop imaginative commissioning and procurement solutions that deliver quality, value for money goods and services and deliver broader economic social and environmental outcomes.

Context

City of York Council (CYC) has historically spent approximately £120 million each year on goods and services that contribute to the delivery of services to the residents of York. The deficit reduction programme initiated by the Government has had a massive impact upon CYC. Reductions to core budgets and withdrawal of grants have necessitated savings of £21m this year. This is only the beginning. Further budget reductions will continue to affect us for the next three years. In 2012-2014 an additional £22m of savings are needed, a position made worse by the reduction in available capital budgets. It is therefore a necessity that we spend less, year on year, on goods and services.

These severe reductions in funding come at a time when the demand for Council services has never been greater. With an

ageing population and an increasing number of looked after children, social care spend is growing. The economic downturn is also creating pressure on vital income budgets. With funding cuts of this magnitude it is not possible to simply tighten our belts.

We will need to rethink the services we deliver; ensuring that they are both cost effective and that they address the needs of the residents of York at a time when every pound spent must deliver real value. Effective procurement has therefore never been as important. We need to spend money only on things that deliver real value to the people of York. Goods and services need to represent good value for money, to be of an appropriate quality and to represent the best deal available.

Procurement will help us to deliver our broader objectives and support our values. A commitment to sustainability, fairness and the development of our local economy will be built into our purchasing decisions. We will develop a mixed economy of delivery, with the Council commissioning services from those who are best placed to deliver them effectively, across all sectors, private sector or community and voluntary sector.

It is essential to balance cost and quality in the procurement of all goods and services. Clearly identifying needs, making the most of our buying power, using competition to drive down costs, shaping markets to deliver what we need and ensuring that we get what we pay for, are all important parts of excellent procurement. Economic considerations must be balanced with the

need for environmental and social outcomes. This must all be done within the bounds of European Union (EU) Procurement legislation within which we will explore the potential for encouraging local sourcing and the use of local labour. We can build in measurement of broader social outcomes or carbon reduction targets alongside more traditional measures of cost and quality.

Council Priorities

Commercial Procurement will support the delivery of the Council plan by:

- Focussing expenditure on our priorities and avoiding spend on things which are inessential or merely “nice to have”, whilst ensuring that all specifications are driven by customer requirements
- Protecting vulnerable people through sourcing appropriate levels of quality goods and services.
- Delivering excellent value for money
- Supporting the local economy
- Building strong communities by encouraging innovation, providing opportunities for local people to be engaged in designing and delivering services
- Collaborating with other public sector organisations to ensure maximum benefit for York
- Protecting our local environment by ensuring we source sustainable goods and services and build carbon reduction targets into our contracts

A New Approach

This strategy responds to the growing challenges faced by the Council. It represents a significant departure from the more traditional public sector procurement approaches, grounded in compliance.

The Council’s procurement and commissioning activity will be driven by 6 objectives

Commissioning & Procurement

The activities involved in identifying and defining the goods and services we need to buy, or indeed deliver ourselves, is the key starting point for subsequent procurement activity. Our commissioning and procurement activities will work in an integrated way, informed by our business intelligence, and will be actively shaped and designed by our service users and partners. Specialist commissioning skills will be augmented by specialist procurement skills to achieve the best results and outcomes for our residents.

Delivering Quality & Value for Money

Our procurement and commissioning activity will deliver value, both financial and social, ensuring that the maximum benefit is achieved throughout the life of the contract and that whole life costs and broader social benefits are delivered throughout the procurement process.

We will procure goods and services which meet the quality criteria to deliver our

desired outcomes. We will manage contracts and supplier relationships to ensure the benefits of contracts are delivered throughout the lifetime of the contract.

We will not operate approved supplier lists but may, where appropriate use framework agreements. Decisions will be taken on a case by case basis to ensure fairness and transparency to all potential providers.

Social, Economic & Environmental Benefits

In addition to considerations of cost and quality we will use commissioning and procurement to achieve social, economic and environmental outcomes. We will carefully manage the risks of each procurement, balancing compliance and control with the potential to innovate and achieve more significant savings and social outcomes.

We will work towards the adoption of an approach for addressing low pay, for example, a living wage in all services contracts. This is a journey and we will need to work with suppliers to develop their business models in order to comply with this ambition.

We will embed the principles of the Single Equalities Act in all tenders and contracts. We expect our suppliers to support our commitment to equalities, to be responsive to the needs of our communities, to ensure services are accessible to all groups and are appropriate to those with differing needs, to

commit to developing a diverse and inclusive workforce

We will ensure that opportunities to promote and encourage local economic growth are built into appropriate contracts whilst ensuring compliance with EU legislation. When contracting with national/international suppliers we will encourage them to engage York's local providers in the delivery of services e.g. through offering apprenticeships and sub-contracting with local SME's and the VCS .

We will ensure that (where relevant to the subject matter of the contract) sustainability criteria are built into our procurements e.g carbon reduction measures.

We will tailor our procurement approach so that we achieve the optimum mix of social economic and environmental benefits.

Developing our markets

We will work with existing and potential suppliers to ensure there is market capacity to deliver our requirements no matter what size of organisation we are procuring from. We will identify where market capacity may be weak and where new markets may need to be developed in order to deliver against our requirements. This approach aims to encourage new, innovative supplier and delivery models and restrict dependence on a small number of suppliers.

Through the use of open innovation forums we will explore the innovative ideas of potential suppliers to solve our problems.

Collaboration

We will collaborate with public sector partners in the city, in the region and nationally to share best practice and seek out opportunities to jointly commission and procure goods and services to maximise financial benefit and avoid duplication. Strategic collaboration will enable all partners to identify joint outcomes and approach the market for innovative solutions which will deliver long term wide ranging benefits.

CYC will explore new models of service delivery and will work with communities and suppliers to establish new and innovative procurement approaches

We will encourage a diverse range of suppliers to work with us, including consortiums and social enterprises of all kinds in order to deliver social value and allow opportunity for suppliers without an existing relationship with us to have the same opportunity as incumbents. It will encourage innovative ideas and delivery models.

Effective Planning

We will embed the Procurement Activity Planning (PAP) alongside budget and service planning. These detailed forward plans of procurement activity across CYC will set timescales and resources and will be

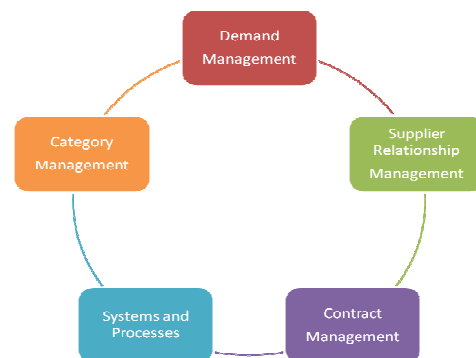
monitored by each Departmental Management Team. This will enable us to combine our own spending power, collaborate with others and engage the market and our communities to explore innovative solutions.

A list of existing contracts and details of the Procurement Activity Plan will be published on the Council website to allow suppliers time to prepare, innovate and collaborate. We will provide objective feedback to all bidders so they can learn from the process.

We will align major procurement activity with the Council's business planning systems.

The Commercial Approach

All of these principles will be delivered by adopting the following commercial procurement approach.



Demand management

We will only buy what we really need and make sure that the level of quality we specify is good enough to do the job over time but not better than we need. We will

eliminate unnecessary spend, remove waste and reduce the overall amount of money being spent on goods and services. We will apply the key principles of Demand Management which are:

Eliminate – is the requirement really needed or can the consumption be stopped?

Replace – can we use lower cost or more effective alternatives?

Reduce – can we use less of a product or service?

Category Management

By grouping together products and services according to their function (e.g. travel, construction etc) across the whole Council (or in collaboration with other organisations) we can manage the overall spend and maximise our buying power and achieve economies of scale.

This does not mean that we just let a small number of huge contracts but that we ensure tenders are structured in a way that provides a level playing field for all potential bidders irrespective of size.

Supplier Relationship Management

We will build strong, long term, positive relationships with our suppliers across all sectors, not just when actively procuring goods and services but also when

considering alternative delivery models e.g. social enterprises.

We will establish strategic relationships with suppliers to ensure that both parties are delivering against the commitments within the contract and also build upon mutual experience and knowledge to embed continuous improvement practices throughout the contracted period and beyond. Effective engagement with suppliers will also inform future specifications to ensure we are approaching the market with requirements that meet our needs and are commercially attractive to the market, and therefore generate value for money contracts that can be successfully delivered.

Our procurement and commissioning activity will be driven and informed by engagement with customers and our partner organisations.

Key components of supplier relationship management are:

- Understanding of individual supplier capabilities and capacity and ensure that suppliers deliver to their full potential
- Overall performance management of suppliers
- Building strong, durable relationships with key suppliers

- Managing continuous improvement in activity and capability
- Working to develop the market where there are gaps in supply for current or known future markets.

Contract Management

By managing contracts from the point of award until expiry, we will be able to ensure we get what we pay for and that suppliers perform well and consistently over time especially as contracts evolve to match the changing needs of our services. This will ensure contracts continue to deliver over the lifetime of the agreement.

Making it easy to do business with us

Implementation of a new supplier and contract management system in 2012 will enable suppliers to update their information and load copies of relevant certificates and policies (e.g. insurance and health and safety) to help simplify the tender process and remove multiple requests for the same information each time we are tendering. This will reduce the time required to tender for all suppliers but especially SMEs and VCS providers.

By providing potential suppliers with accurate information about our requirements we will simplify and coordinate procedures for doing business with the Council. We will work

collaboratively to agree effective contract monitoring arrangements.

We commit to making all procurement activity fair and transparent and encourage a diverse range of providers to bid for work irrespective of size and regardless of value.

All CYC staff involved in commissioning and procurement will be trained to ensure that we have a consistent approach to all our procurement activity.

A suite of standardised documents and contracts will be developed for use across the Council to ensure consistency and to make the procurement process more accessible to suppliers.

Deliverables

We will :-

- have a rolling 12 months Procurement Activity Plan
- Reduce our overall spend on goods and services
- Reduce our uncontracted spend
- Implement a new Supplier and Contract Management System
- Build a skilled professional procurement and commissioning network – internal and external
- Active collaborative procurement with partners
- Increase the proportion of CYC spend with local businesses
- Contract with a wide range of organisations from different sectors

- Performance manage and realise the benefits of all contracts