

# **Richmond & Wandsworth Borough Council**

## **Shared Procurement Service Strategy**

**2016 – 2019**

### **Objective of the procurement strategy**

*To support the Councils in delivering their strategic objectives and to ensure that, in the procurement of goods, works and services, the Councils obtain the very best value, namely, the required quality at the best price they can achieve.*

**Effective date: 1<sup>st</sup> October 2016**

## **Introduction**

The Central Procurement Team (CPT) operates as a shared procurement Service to both Richmond and Wandsworth Borough Councils.

Procurement across both Councils has changed significantly in recent years with the introduction of dedicated centralised procurement teams, the e-enabling of procurement and the introduction of category based procurement. Procurement will continue to play a significant role in supporting the delivery of both corporate objectives and improving the quality of services to members of the public. Savings achieved through improved procurement help support the delivery of front line and priority services.

The CPT provide procurement consultancy, transactional procurement services and quality assurance function to all Council directorates.

The primary purpose of the CPT is to:

1. To support the delivery of the Councils corporate objectives through the effective procurement of goods, works and services.
2. To identify and deliver cashable and non-cashable savings through effective procurement and the detailed analysis of the Councils spend profile.
3. To provide a consistently high quality and effective source of best practice procurement advice, guidance and project management to commissioners within the Councils including issuing instructions to the Councils legal advisors
4. To be a trusted advisor to the Councils on all procurement matters.
5. To help drive supplier and service innovation during the commissioning cycle and beyond.
6. To provide insights into internal and external market trends to include benchmarking, market intelligence and spend analytics to support decision makers and commissioners.
7. Ensure the procurement process is conducted in an open, transparent and fair manner which mitigates the potential for fraud and favouritism towards any supplier.
8. To significantly contribute to the ongoing process of supplier relationship, contract and performance management in order to drive out cost and increase performance standards.
9. To support commissioners with contract management, negotiations, resolution of performance issues with existing suppliers, and the completion of some standard contracts.

This procurement strategy should be read in conjunction with the Procurement Regulations, Officer Guide to Procurement, the Scheme of Delegation, Financial Regulations and a range of Council specific policies.

The shared procurement services across Richmond and Wandsworth is new and will evolve over time, this is likely to necessitate changes and updates to this Procurement Strategy, the Procurement Regulations, the Officer Guide to Procurement and potentially, the overall structure of the shared procurement service.

It is important to note that each Council will have its own priorities, internal governance and local demand and drivers for services which must be respected and accommodated.

## SECTION ONE – CORPORATE OBJECTIVES

### Objective of the Procurement Strategy

The core objective of this new procurement strategy is to support each Council in delivering its Corporate Objectives.

Richmond Corporate Objectives 2016-19	Wandsworth Corporate Objectives 2015/16
<p><b>People</b></p> <ul style="list-style-type: none"> <li>• Protecting the most vulnerable</li> <li>• A healthy Borough</li> <li>• The best schools in London</li> </ul> <p><b>Place</b></p> <ul style="list-style-type: none"> <li>• A green borough</li> <li>• Supporting local business and art</li> <li>• A safe borough</li> </ul> <p><b>Resources</b></p> <ul style="list-style-type: none"> <li>• A low tax borough</li> <li>• An accountable and open council</li> </ul> <p><b>How we work</b></p> <ul style="list-style-type: none"> <li>• Involving our community</li> <li>• Community leadership</li> <li>• Fairness to all</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver high quality, value for money services;</li> <li>• Improve opportunities for children and young people with an emphasis on early intervention and preventative work;</li> <li>• Make Wandsworth an attractive, safe, sustainable and healthy place;</li> <li>• Promote health and wellbeing for adults with personalised and preventative care and support for adults in need – including those in housing need, and;</li> <li>• Build a prosperous, vibrant and cohesive community.</li> </ul>

### How will procurement support delivery of these Corporate Objectives?

1. Ensure proposed procurement activity is aligned to Member priorities and corporate objectives, wherever appropriate, pursuing market-testing in order to achieve best value through a process of fair and open competition.
2. Through open, transparent and fair competition which treats all bidders equally and undertake effective, timely and appropriate procurement processes with a view to minimising both Council and bidder procurement life cycle costs and ensure contract management and monitoring processes are measurable and effective;
3. By seeking to manage demand for goods, works and services. Implementing category management techniques to bring contracts similar in nature together into a single procurement exercise and seeking opportunities to collaborate and/or develop shared services with other public bodies which maintain or improve quality but at a lower overall price;
4. Support commissioners and service users in the development of appropriate specifications which include any qualitative aspects required by commissioners / service users. Early and on-going engagement with markets to identify new opportunities for innovation and to consider lifetime sustainability costs at the outset including environmental impact and any carbon reduction commitments;

5. Engage with young people through the provision of work based work experience opportunities and encourage bidders to make provision for apprenticeships through Social Value clauses;
6. Where possible, to engage with stakeholders including children and young people during the development of service specifications and where feasible, to involve stakeholders / service users in the evaluation of bidders proposals;
7. Ensure all contracts include provision for safeguarding all vulnerable adults and young people;
8. Support timely and on-going engagement with the local voluntary sector including detailed feedback, training and capacity building;
9. Ensure local businesses are aware of contracting opportunities with the Councils through engagement with the local Chamber of Commerce.

## **SECTION TWO – PROCUREMENT STRATEGIC OBJECTIVES**

### **1. People – Staff Training and Development**

We will ensure we have the skills, capability and capacity for the shared procurement service to deliver the expectations of the Councils. From the outset the CPT shall undertake and keep under review a training needs analysis which will inform a business case for on-going procurement related training to both the CPT and officers within the Councils who routinely engage in procurement and /or contract management activity.

The CPT will consult with Directors and undertake similar training needs analysis for officers engaged in commissioning and/or contractor monitoring /management and to put in place an appropriate range of training.

### **2. Processes – e-enabling Procurement and Making Use of Technology**

We will seek to utilise new and existing forms of technology to streamline the end to end procurement process and disposals where it can be clearly demonstrated that this will deliver cashable and / or transactional cost savings to the Council. This includes:

1. Advertising all opportunities via the Council's own web pages and Contracts Finder portal and minimizing the number of contract notices placed in trade media;
2. Transactional procurement processed via an on-line procurement portal to streamline the procurement cycle for both the Councils and bidders;
3. Supplement reviews of bidders annual audited financial accounts via credit reference agencies to ascertain a bidders most recent financial status and viability to deliver goods, works or services;
4. Procurement project management and progress reporting systems to facilitate consistent and open reporting;
5. On-line market place for the disposal of surplus goods;
6. Purchase to Pay software to deliver control and visibility over spend, and;
7. Spend analytics software to highlight off contract spend and opportunities for consolidation of lower value goods, works and services.

### **3. Procedures**

The Councils current codes of practice relating to procurement and associated contract standing orders have been amalgamated into the shared procurement services Procurement Regulations, Officer Guide to Procurement and this Procurement Strategy. A process of review and renew will apply to all three core documents as the shared procurement service develops and streamline existing processes and procedures.

#### **4. Savings and Efficiencies**

A number of strategies shall be employed to identify and deliver both cashable and efficiency savings:

1. Aim to maximise savings when re-procuring goods, works or services;
2. Seek price reductions from incumbent suppliers in return for extension or direct award of contracts;
3. Seek price reductions from incumbent suppliers through an analysis of the existing specifications and associated working practices;
4. Reduce and standardise specifications wherever possible;
5. Align with service/commissioners on where risk should lay so as to prevent increased submission costs in tenders.
6. Analyse and aggregate spend through category management model;
7. Demand management and oversight of spend via purchase to pay systems;
8. Spend analytics to identify off contract spend and aggregation opportunities;

#### **5. Cross Council Category Management**

Both Councils have already adopted a Category Management procurement structure. Most Councils align their procurement teams with internal directorates and this works well and would work well within the Shared Procurement Service, however, external markets do not necessarily align in this way and greater value can be achieved by procuring goods, works and services in an aggregated or joined up manner in line with standard market categories rather than internal category structures. Therefore, the Category based structure shall be maintained.

#### **6. Spend Analysis**

The Councils shall deploy spend analytics software to review historic procurement spend data. This activity will be central to producing a procurement and category management strategy for each category team. Spend analysis will inform commissioning and procurement strategies and realise both cashable and efficiency savings.

Spend classification will be key when analysing spend and it will be necessary from the outset to establish the appropriate coding structure to facilitate this, be it ProClass, CPV or UNSPSC codings.

#### **7. Collaboration and Shared Services**

The Councils shall collaborate whenever possible on all procurement exercises for goods, works and services unless a business case has been made that the goods, works or services are specific to either Richmond or Wandsworth and collaboration is not the best solution. Any decisions not to collaborate must be agreed by the Head of Procurement in consultation with the Procurement Board. The shared procurement service shall maintain a register of all contracts indicating where collaboration is and is not planned

The Councils shall actively seek to involve other public bodies as may be appropriate when procuring goods, works or services to take advantage of potential savings achieved through increased volumes and/or reduced client-side costs.

The Councils shall actively take part in collaborative procurement exercises undertaken by buying consortia such as Crown Commercial Services, ESPO, YPO or such other contracting authority where it can be demonstrated the Councils will benefit from these arrangements.

## **8. Contract and Supplier Relationship Management**

Contract and relationship management involves the continual review and management of contractual terms and conditions including any performance targets. Effective contract management seeks to ensure:

1. Officers engaged in performance and/or contract management are appropriately trained and supported.
2. Agreed strategic priorities and objectives are agreed at the outset and delivered as expected;
3. Non-compliance, defaults and variations are identified and addressed as they emerge and appropriate action plans adopted to manage poor or inconsistency performance;
4. Issues and concerns are escalated if resolution is proving problematic;
5. Risks and costs are appropriately identified and managed;
6. Reviews are undertaken both during the lifetime of the contract and prior to natural termination for lessons learnt (Tollgate 4) to aid continuous improvement both during the contract lifecycle and any subsequent re commissioning of the goods, works or services.

## **9. Commissioning and Market Testing**

Commissioners and the CPT shall work together to review and carefully consider how a service (including services directly provided by the Councils) may be delivered, who could do it and the most cost-effective manner. The primary objective being to improved outcomes for residents and service users. This requires both commissioners and officers within the CPT to develop skills, activities and practices which:

1. Lead to a greater and more in-depth understanding of residents and service users needs;
2. Use evidence based tools to identify what works and what does not;
3. Increased collaboration with other organisations and existing partners;
4. Understanding the true cost and value of the services provided;
5. Adopting a more “commercial” focused outlook on services, and;
6. Managing performance and relationships with existing contractors through clearly defined contract management processes and procedures.

For further guidance, consult the Commissioning Model Handbook.

## **10. Leadership and Governance**

To achieve consistency and compliance with the Procurement Strategy and the Procurement Regulation, the Councils shall adopt a shared procurement board made up of key corporate advisers and chaired by the Chief Executive. (See procurement board terms of reference for further details.)

The Councils shall adopt a tollgates review process to assess key procurement project outputs and outcomes during the procurement cycle.

A record of all contracts with a lifetime value at or above £1,500 shall be maintained by the CPT on the contracts register and will be used to inform the annual procurement work plan.

An annual procurement work plan shall be developed each year which shall include all planned procurement activity, regardless of value and the Procurement Board shall monitor the delivery of the procurement work plan.

## **11. SME's / Voluntary Sector**

The stimulation of the local economy and voluntary sector is an important objective for the Councils. The Councils will encourage local organisations and/or voluntary groups to bid for appropriate contracts either on their own or in collaboration with others. All contract notices will be placed on the Councils external web pages and the local chamber of commerce notified. No selection criteria for the short listing of potential contractors will discriminate in any way against local providers, and where there is evidence that local markets, contractors or voluntary organisations require capacity building, the Council will consider how best to achieve this.

## **12. Equality**

The Councils core tender documentation, including pre-qualification questionnaires and terms and conditions, shall include specific reference to equality issues. Potential contractors shall be required to answer a set of equality questions within their response to the Council. Commissioners shall undertake Equality Impact Assessments as necessary with the findings of the assessment being considered within the proposed commissioning and associated procurement strategy.

## **13. Social Value**

The Council shall ensure compliance with the Public Services (Social Value) Act 2012 and consider from the outset how what is proposed to be procured might improve the economic, social and environmental wellbeing of the relevant area, and, how in conducting the process of procurement, the Councils might act with a view to securing such improvement.

## SECTION THREE – Procurement integration work and key performance indicators

### Integration work plan activity

Activity	Outcome/output	Accountable	Priority and status	Due date
Review and update to contract standing orders, procurement code of practice, officer guide to procurement and shared procurement strategy	Range of consolidated rules and best practice guidance aimed at procurement staff and commissioners	<ul style="list-style-type: none"> <li>• HoP + engage with:</li> <li>• Directors</li> <li>• Procurement Board</li> <li>• Members</li> <li>• Key stakeholders</li> </ul>	High activity complete	1 <sup>st</sup> Oct 2016
Review and update terms of reference for the Procurement Board	To ensure terms of reference are concise and reflective of the ambitions on both Councils.	<ul style="list-style-type: none"> <li>• HoP + engage with:</li> <li>• Directors</li> <li>• Procurement Board</li> <li>• Members</li> <li>• Key stakeholders</li> </ul>	High activity complete	1 <sup>st</sup> Oct 2016
Review and update internal web pages on the LOOP	To ensure information is correct and reflective of the shared staffing arrangements.	<ul style="list-style-type: none"> <li>• HoP</li> <li>• CPT</li> </ul>	High Underway	1 <sup>st</sup> Oct 2016
Review and update external web pages	To ensure information is correct and reflective of the shared staffing arrangements.	<ul style="list-style-type: none"> <li>• HoP</li> <li>• CPT</li> </ul>	High	1 <sup>st</sup> Nov 2016
Review core template tender and quotation documents	To ensure consistency of approach. To streamline and reduce the cost of legal input on a case by case basis.	<ul style="list-style-type: none"> <li>• HoP</li> <li>• SLLP</li> </ul>	High	1 <sup>st</sup> Feb 2017
Undertake spend analytics	To ensure clear picture of procurement spend. To identify off contract spend. To identify low value tail end spend	<ul style="list-style-type: none"> <li>• HoP</li> <li>• CPT</li> <li>• AP team</li> </ul>	High	1 <sup>st</sup> Apr 2017
Category plans	Detailed spend profile against each category and associated sourcing plans.	<ul style="list-style-type: none"> <li>• HoP</li> <li>• Category Teams</li> <li>• Stakeholders</li> </ul>	High	1 <sup>st</sup> Apr 2017

**Key Performance Indicators**

<b>Activity</b>	<b>Measure</b>	<b>Target 16/17</b>	<b>Target 17/18</b>	<b>Target 18/19</b>
<b>People</b>	Percentage of the CPT holding a CIPS qualification	30%	35%	40%
<b>People</b>	Percentage of CPT having attended internal / external procurement or commissioning based training event	70%	80%	90%
<b>People</b>	Absence / Sickness rate	TBD	TBD	TBD
<b>People</b>	Complaints	0%	0%	0%
<b>Analytics</b>	% of spend under management	75%	85%	95%
<b>Analytics</b>	Category action plans and analysis complete for each category.	100%	100%	100%
<b>Analytics</b>	% of contracts recorded on the contracts register having been sourced via the procurement portal	100%	100%	100%
<b>Lead Times</b>	Annual procurement report delivered by 1 <sup>st</sup> February each year	Y/N	Y/N	Y/N
<b>Lead Times</b>	Procurement Board papers dispatched no later than 48 hours before meeting	90%	90%	90%
<b>Lead Times</b>	Procurement exercises delivered against agreed timetable.	80%	85%	90%
<b>Lead Times</b>	% of contracts extended / directly awarded due to late start of the procurement process.	5%	5%	5%
<b>Savings</b>	Achieve target of 5 - 10% or more when re-procuring goods, works or services	25%	30%	35%
<b>Legal</b>	Contract award notices submitted to EU within regulatory time limit of 30 days	100%	100%	100%
<b>Legal</b>	Successful challenges due to procurement based errors in EU procurement cycle	0%	0%	0%
<b>Contracts</b>	Critical contracts identified and appropriate business continuity and review program in place.	100%	100%	100%

<b>Responses</b>	All letters / e-mails from suppliers responded to within 5 working days	80%	85%	90%
<b>Responses</b>	FOI responses within statutory timescales	90%	90%	90%