

North Tyneside Council Report to Cabinet Date: 11 March 2013

ITEM 7(k)
Title: Procurement
Strategy 2013 - 2017

Portfolio(s): Finance

Cabinet Member(s): Councillor Judith
Wallace

Report from Directorate: Finance and Resources

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Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to recommend that Cabinet endorse a new Procurement Strategy for 2013-17, which sets out a clear direction for procurement throughout the Authority over the next four years, and which has been prepared following extensive engagement with a range of interested stakeholders. This follows on from the previous Procurement Strategy (2008-2012), reflecting the changing commercial environment in which the Authority now operates.

1.2 Recommendation(s):

It is recommended that Cabinet endorses the Procurement Strategy for 2013-2017, attached as **Appendix A** to this report.

1.3 Forward Plan:

Twenty eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 24 October 2012.

1.4 Council Plan and Policy Framework

This report relates to the Budget 2012/13 and the Council Strategic Plan for 2012/15 (specifically, item 19 of the Council Strategic Plan for 2012/15 regarding introduction of a local procurement policy to reduce the Council's carbon footprint and create / support local employment).

1.5 Information:

1.5.1 Background

On 11 June 2012, Cabinet approved a proposed set of commercial and procurement principles for consultation with interested stakeholders. On 8 October 2012 and 10 December 2012, Cabinet received further update reports concerning the work being undertaken in relation to the Authority's approach to supporting local procurement and reducing the carbon footprint, whilst creating and supporting local employment.

Cabinet endorsed the work being undertaken, and agreed that a new Procurement Strategy for the Authority should be brought before Cabinet in March 2013. The new Strategy would recognise the impact of local procurement in the Authority's operations, incorporate legislative changes, and codify the range of measures already introduced by the Authority during 2012/13 to support local business, as reported to Cabinet in October 2012. This Procurement Strategy would also identify any new initiatives necessary to progress or reflect the aspirations identified through a programme of engagement with key stakeholders, once this engagement was concluded.

Comprehensive engagement with a wide range of stakeholders has now taken place (discussed further in section 1.5.2), the outcomes of which have confirmed the proposed procurement principles and have been used to prepare a new Procurement Strategy for 2013-2017. The Procurement Strategy has been prepared jointly with the Authority's new strategic partner for business services, Balfour Beatty.

1.5.2 Procurement Strategy for 2013-2017

Context – Change, Efficiency and Improvement

In the 21st century, most public sector organisations buy their goods and services as much or more often than they provide them. For that reason, a strong clear approach to procurement is important for the people we serve. In a period of financial austerity and rising expectations for service delivery it is critical North Tyneside Council uses its purchasing power to secure best value for our customers and the taxpayer. In a difficult economic time it is also important the Authority understands the local impact of its purchasing power and the benefit our supply chain can bring to North Tyneside.

The Commercial Capacity and Procurement workstream of the Change, Efficiency and Improvement (CEI) programme was established to drive out efficiencies from the £154m that the Authority spends on purchasing goods and services each year. As part of this workstream, the Authority has engaged with a wide range of stakeholders regarding our commercial and procurement approach; and the draft set of commercial principles and procurement principles agreed by Cabinet for further consultation in June 2012. Outcomes from this engagement have helped to inform the development of the new Procurement Strategy for the Council, setting out a clear approach for procurement for 2013-17.

Engagement with Stakeholders

As part of understanding the needs and aspirations of those who seek to do business with the Authority, engagement on a range of commercial and procurement issues has taken place with the following groups:

- Membership and Directors of the North Tyneside Business Forum
- The North East Chamber of Commerce (NECC)
- The Federation of Small Businesses
- Chambers of Trade via the Council's Town Centre Task Group
- Representatives of the voluntary and community sector
- The Authority's Procurement Service
- The Authority's wider procurement community, that is those officers and managers of the Authority who have an involvement at some stage in the procurement process, but who themselves do not directly manage procurement activity.

As part of the process of engagement, the opportunity was taken to explain what has been undertaken as part of the overall CEI Programme, and the Commercial Capacity and Procurement workstream of this. The draft procurement principles were shared for consideration, and comment on these was invited. Stakeholders gave their views on what works well, and their suggestions on where improvements could be made in the Authority's approach to procurement. Consultation took place in a number of ways:

North Tyneside Business Forum

North Tyneside Business Forum has been consulted directly on its views on what should be included in any Procurement Strategy prepared by the Authority. The Forum were appraised of the Authority's CEI programme, work performed as part of the Commercial Capacity and Procurement workstream, and invited to comment on the proposed procurement principles and their views on how the Authority can best support local business.

North East Chamber of Commerce, Federation of Small Businesses, and Chambers of Trade

Listening to feedback from the Business Forum on their suggestions for engagement with the wider business community, a letter was issued through the memberships of the Federation of Small Businesses, the Chambers of Trade and the North Tyneside Committee of the North East Chamber of Commerce (NECC). This set out what the Authority is already doing to support local business, and the proposed procurement principles, asking for comment or suggestions on these and any other ways in which the Authority can support the local economy. The responses received have been useful, and supported the planned direction of the Procurement Strategy; a detailed response from NECC recognised the many positive steps that have been taken by the Authority to improve public procurement for suppliers in the area, and went on to suggest a number of areas in which further support to local business could be explored (set out below). Specific views (for example, relating to 'buying local' initiatives and the role of the North East Procurement Organisation - NEPO) have been incorporated into the Strategy.

Voluntary and Community Sector

In addition, representatives from the voluntary and community sector have participated in workshops, reviewing and commenting on the draft procurement principles. Feedback received at these workshops has been used to further develop our understanding on local procurement aspirations, reflected in the new Strategy.

Procurement Service and Procurement Community

Workshops have been held involving the Authority's procurement team and officers from throughout the Authority's services who use our procurement processes. The procurement principles were considered and challenged from the point of view of each intended audience.

The Procurement Strategy reflects the outcome of this engagement where appropriate.

Key Outcomes from Engagement

Listening to the key stakeholders as part of the engagement set out above, they have outlined some clear aspirations for working with the Authority, reflected and confirmed in the procurement principles. For the business community, these are:

- That North Tyneside Council is “open for business”
- That suppliers have the chance to understand the Authority’s business
- That the Authority has accessible people, processes and opportunities
- The Authority makes helpful use of technology to undertake the procurement process
- That the Authority makes use of a common language
- That they can tell the Authority just once about relevant procedural matters
- That the Authority promotes enduring business relationships.

There were some specific issues raised by the NECC, in that they considered:

- The Authority should view procurement at a strategic level
- Public procurement must be more responsive to the capabilities of the regional supply market, and consider initiatives to promote doing business between the public and private sectors, such as the ‘Buy North East’ campaign
- Public procurement generally must reduce the complexity of the bidding process, and help suppliers improve their bidding skills to win a greater number of larger contracts
- Public procurement should look beyond the purchase price in order to obtain economic, social and environmental benefits
- North Tyneside Council’s use of NEPO is considered by NECC to be beneficial, supporting economic growth in the North East
- Closer harmonisation of procurement documentation, standards and procedures would be welcomed.

Voluntary and community sector representatives recognised that much progress had been made in recent years in their interaction with the Authority. They felt that the Authority was a lot better at listening, had simplified the procurement process, and had provided training to support the bidding process. However to be even better, they would like to see:

- Clearer accountability through external service providers
- Greater transparency of the evaluation of bids
- More sector-sensitive evaluation of bids, more proportionate and relevant to the community and voluntary sector (not just the private sector)
- Further simplification of the procurement process, where possible
- Evaluation of bids to include scoring on local added value
- Stronger community and voluntary sector collaboration
- Encouragement of local sub-contracting and using partnerships
- The community and voluntary sector treated as a local business by the Authority.

Officer feedback also supported the procurement principles. It was commented that we need to know what the customer wants, and be able to explain clearly to suppliers why the Authority does what it does; be able to write a clear requirement; seeing a clear connection to the local economy and to commercial issues; the importance of having standard processes, documentation and language; supporting collaboration where this adds value for both organisations involved; and identifying and sharing risk.

A New Procurement Strategy for 2013-17

The purpose of the Procurement Strategy is to communicate clearly to all stakeholders and customers, including elected members, chief officers, operational managers, procurement practitioners, partners, voluntary and community groups, and business, the Authority's vision for the way forward in the commissioning and procurement of services, supplies and works.

Feedback from engagement demonstrated that the draft commercial and procurement principles agreed by Cabinet in June 2012 reflected the aspirations and concerns of key stakeholders, and gave greater context to what business, the voluntary and community sector, and officers see as important. The draft principles were therefore confirmed, and have been included in the new Procurement Strategy for 2013-2017.

Given the views relating to supporting the local supply chain and local procurement generally, Annex 1 of the Procurement Strategy details the actions that the Authority has undertaken to support local procurement, and also identifies specific actions that are being developed to inform and encourage local procurement in the future.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

To endorse the new Procurement Strategy for 2013-2017.

Option 2

Not to endorse the new Procurement Strategy for 2013-2017.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

It is recommended that Cabinet endorses the new Procurement Strategy so that the Authority continues to develop an excellent approach to procurement that makes sense to customers, elected members, officers, partners, and business. An approach that makes a distinct difference to our customers, supports local procurement, and demonstrates value for money for the tax payer.

If Cabinet decides not to endorse the Procurement Strategy, then the Authority will not have a clear vision and direction for procurement for the next four years.

1.8 Appendices:

The Procurement Strategy for 2013-2017 is attached as **Appendix A** to this report.

1.9 Contact officers:

Paul Hanson, Strategic Director of Community Services, Tel: (0191) 643 7000

Allison Mitchell, Senior Manager Audit, Risk and Procurement, Tel: (0191) 643 5720

Andrew Lowe, Principal Procurement and Commissioning Officer, Tel (0191) 643 5651

Graeme Sephton, Strategic Procurement Manager, Tel (0191) 643 4311

Anthony Gollings, Financial Business Manager, Tel: (0191) 643 8071

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) [Report to Cabinet, Council Strategic Plan and 2012/13 Budget – Implementation Plan, 28 March 2012 \(Minute CAB 181/03/12\)](#)
- (2) [Report to Cabinet, North Tyneside Council’s Proposed Trading Activity, 11 June 2012](#)
- (3) [Report to Cabinet 8 October 2012 - Introducing a Local Procurement Policy \(Minute CAB109/10/12\)](#)
- (4) [Report to Cabinet 10 December 2012 – Update on Local Procurement \(Minute CAB148/12/12\)](#)
- (5) [Procurement Strategy 2008-2012](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no direct financial implications arising from this report. The Procurement Strategy proposes actions to be actively pursued where they are seen to achieve value for money, with the objective of supporting the CEI Programme.

2.2 Legal

In adopting and implementing the Procurement Strategy, the Authority must ensure it secures compliance with all relevant legal and procedural requirements to which it is subject, in particular under the EU Treaty Principles and Public Contract Regulations, when procuring goods or services for the Authority.

2.3 Consultation/community engagement

2.3.1 Internal consultation on this report has been undertaken with the Cabinet Member for Finance, the Strategic Director of Finance and Resources, and the Strategic Director of Community Services (who has led the Commercial Capacity and Procurement workstream of the Change, Efficiency and Improvement Programme). The report reflects the engagement which has been undertaken with the Authority’s officers, both within the Procurement Service, and the Authority’s wider procurement community (that is, those officers of the Authority who are involved at various stages of the procurement process, but who themselves do not directly manage procurement activity).

2.3.2 External consultation on a range of matters relating to procurement, including the commercial and procurement principles and supporting local procurement, has been undertaken with the business community (including members and Directors of the North Tyneside Business Forum, the North East Chamber of Commerce – NECC, the Federation of Small Businesses, and the Chambers of Trade, via the Council's Town Centre Task Group). Similar engagement has also been undertaken with representatives of the voluntary and community sector in specific workshops to discuss commercial and procurement activity. This consultation, and the key outcomes, were detailed in the previous Cabinet report of 10 December 2012 and are also set out in the main body of this report. The Procurement Strategy 2013-17 has been prepared jointly with the Authority's strategic partner for business services, Balfour Beatty.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

There are no equality and diversity implications directly arising from this report.

2.6 Risk management

Following a risk assessment there are currently no risks attached to this report. If any risks do arise in the future they will be discussed with the Risk Management Team and added to the relevant risk registers.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

It is important to make a distinction on carbon impact. The Authority's carbon impact is the consequence of the Authority's operations; the services it delivers to the people of the Borough. The Borough's carbon impact is a consequence of life and business in North Tyneside. Some procurement activity reduces the carbon impact of the Authority's operations, while some procurement activity reduces the carbon impact of the life and business carried out in the Borough. Local procurement will reduce the Borough's carbon impact through a reduction in road miles. However there is no mechanism for measuring this against the Authority's Carbon footprint or the national carbon footprint.

PART 3 - SIGN OFF

- Chief Executive X
- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager Policy and Partnership X