



**MERTHYR TYDFIL**

County Borough Council

Cyngor Bwrdeistref Sirol

**MERTHYR TUDFUL**



# Procurement Strategy 2016 - 2019

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## Foreword

This Procurement strategy has been set during a period of financial restraint with many challenges facing Local Government. Reduced public spending, an ageing population, rising public expectations and other social changes all increase the demand for services, with high expectations placed on what Procurement can deliver. In the context of severe reductions in Government funding, Merthyr Tydfil County Borough Council's procurement strategy is designed to help provide the best possible services and value for money.

There are strict guidelines and legal requirements set out by Europe, Westminster & Welsh Governments in the way the providers of goods, services and works to Merthyr Tydfil are chosen. This strategy addresses all elements of procurement policy and activity.

The procurement strategy is central to affirming Merthyr Tydfil County Borough Council as a progressive Local Authority which uses its allocation of resources to provide quality services in accordance to its principles of fairness, probity and transparency. It has a potential influence on the way our suppliers adhere to these principles and it is a tool in advancing them amongst the local community we serve and represent.

This strategy will be guided by the recently revised Wales Procurement Policy Statement which recognises that procurement can be a strategic tool in delivering greater economic and community benefits to the people of Merthyr Tydfil and beyond, whilst working within the difficult resource constraints that currently surround us.

Councillor Phil Williams

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# 1 Introduction - Putting the Strategy into Context

## 1.1 Introduction

The Council cannot deliver and meet all of the needs of the citizens of Merthyr Tydfil on its own. Amongst others it is dependent on third party suppliers to enable it to do so. The Council spends over £90 million with third parties for the provision of services, goods and capital projects. All departments of the Council are dependent on these inputs to support their activities and enable them to realise the outcomes that have been identified and meet the needs of the people of Merthyr Tydfil.

However it is not sufficient to merely obtain these resources, we must do so in the most optimal way, procuring the right resources whilst obtaining real value for money and realising wider economic, social and environmental benefits. To achieve this we need to approach the way we spend money in a more controlled and managed fashion. An ad-hoc approach is not acceptable and will not deliver the outcomes we need from our relations with suppliers to run an efficient economic and effective Council, hence the need for a Procurement Strategy

Support for and recognition that Procurement is a strategic activity that can positively contribute to the delivery of Council objectives and efficiencies will be critical to the delivery of this strategy. It will therefore require strong corporate leadership and commitment at all levels throughout the Council to help ensure that good Procurement practice is applied consistently throughout the organisation.

## 1.2 The Strategy

The purpose of the strategy is to set out the vision for delivering procurement activity throughout the Council and its associate organisations. It is intended to provide guidance to those officers procuring and commissioning services, goods and capital projects on behalf of the Council helping them to understand how procurement impacts on their role and objectives and what they can do to obtain real value through the procurements they are involved in and in conjunction with the third party organisations they deal with.

## 1.3 Aims of the Procurement Strategy

The aims of the procurement strategy are to;

- Determine the direction of travel and improvement of all procurement activity in the Council in support of front line services and the way we do it.
- Enhance the capability and capacity of procurement across the Council
- Establish procurement as a strategic activity within the Council
- Promote the Council's key procurement policy principles and the way they support

delivery of the corporate plan and service delivery

- Deliver value for money and realise all obtainable benefits through the application of effective procurement and management of third party suppliers.
- Establish good procurement as a vehicle of change.

## 2 Compliance with National Legislation and Local Plans

The success of this strategy will only be successful if it takes note of and complies with a wide range of legislation and other policies the most notable of which are

### 2.1 National Legislation

This strategy will demonstrate and ensure compliance with national legislation in particular with regard to procurement, the Public Contract Regulations 2015 (EU Procurement Directive 2014/24/EU) and legislation which determines our approach to delivering specific services e.g. Social Services and Well-being (Wales) Act 2014. In addition we will use other legislative requirements such as the Equalities Act to add value to our procurement activities as well as being compliant with them. A plethora of legislation impacts on the procurement across the Council and we will encourage departments to address this as part of their Contracting and Commissioning activities

### 2.2 Welsh Government Procurement Policy statement

This strategy has been developed in line with and adopts the principles of the recently revised Welsh Procurement Policy Statement (WPPS). Actual strategy direction is referred to throughout this document but the 10 principles cover the following areas of procurement;

- Strategic
- Professional Resources
- Economic, Social & Environmental impact
- Community Benefits
- Open, Accessible Competition
- Simplified, Standardised Processes
- Collaboration
- Supplier Engagement & Innovation
- Policy Development and Implementation (new)
- Measuring & Impact

We will endeavour to work and comply with emerging Welsh Government Policy as it reacts to changes in the external environment

### 2.3 Link to the Corporate Plan

The procurement strategy should be informed by and in return inform the Corporate Plan 2013-17 which sets out the top priorities of the Council and which procurement will provide the following inputs

1. Raising Standards of Attainment  
Ensure that commissioners are procuring the right providers to deliver children's services and that any associated risk is comprehensively managed throughout the process.
2. Employability  
Ensure that the Council's supply chain effectively manages and promotes the engagement of local employment in delivering Contracts and Services within the County Borough.
3. Economic Development  
Ensure that close links are embedded between procurement and economic development to drive forward opportunities for SMEs and the development of local supply chains
4. Active Lifestyles  
Ensure that procurement practices contribute to the overall well- being of the citizens of Merthyr Tydfil working within legislation such as the Well- being of Future Generations (Wales) Act
5. Promoting Independence  
To ensure that our delivery of capital and support resources helps disadvantaged residents fulfil independent lives and exploring opportunities within procurement legislation to achieve this
6. Sustainable Environment  
To support ongoing initiatives in waste management and to drive out waste in the delivery of Council services and to work with our supply chains in eliminating poor environmental practice and increase value.
7. Meeting the needs of Vulnerable Children  
To assist in the provision of providing effective prevention and early intervention services to support children before problems escalate.

Effective procurement and management of third party resources will provide significant input into the achievement of these objectives and compliance with the wider legislation within which the Council operates such as the Public Contract Regulations 2015

## **2.4 Relationship to other strategies, policies and plans**

The procurement strategy should also link to and support other strategies, policies and plans within the Council and those imposed by external relationships. In particular procurement should inform and be informed by departmental annual service plans.

This will enable procurement to be carried out through a systematic procurement plan



which will provide many advantages as we try to obtain resources throughout our numerous supply chains, for instance enabling the Council to get to market quicker in areas where we are competing for supplies with others.

Implementation of innovative and effective approaches to Procurement cannot happen without the commitment and support of our stakeholders at all levels throughout the Council and the support of collaborative partner organisations and suppliers.

## 3 Governance

### 3.1 Structure

We are actively working to put into place a structure that reflects the needs of the Council with regards to its procurement and commissioning activity which will reflect changing ways in which we work with all stakeholders, partners and suppliers in our supply chains.

We recognise the need to improve this activity across the Council and not just within the procurement function, consequently the drive for improvement within the procurement activity will be owned and led by the Council Cabinet and Senior Management and delivered by officers across the Council.

There are a number of overlaps with regards to the outcomes from both Procurement and Business Change as both are a corporate resource, therefore, closer links will need to be made between the two departments to ensure that procurement requirements are captured and managed effectively through the business change process.

The procurement function will support all Council Departments and their officers in their procurement and transactional activities; it will act in an advisory, enabling and practical role to ensure an effective and consistent approach across the Council.

### 3.2 Accountability and Reporting

The procurement function will sit within the finance department and will be accountable to Head of Finance the management lead who will be supported by the Procurement Manager and their team. Political responsibility will lie with the Port Folio member for Finance.

Regular reporting of procurement activity will be made to senior management teams and to relevant committees and cabinet as appropriate. A series of key performance indicators based for example on cost savings, expenditure, and compliance will be developed to help facilitate informed decisions with regard to performance and improvement. A quarterly report on cashable efficiencies will be designed and reported to Cabinet.

Driving the targets are the Welsh Procurement Policy Statement and recommendations from the KPMG procurement fitness checks that were carried out in December 2013. The fitness check identified that Merthyr's maturity in terms of procurement was 'working towards conformity'. Through this strategy the Council has the opportunity to improve our capability and achieve better results in future maturity assessments.

### 3.3 Communications and information

The procurement function will develop an appropriate communication plan to ensure all

stakeholders are informed and engaged with as necessary. A flow of good information around the procurement cycle is critical to effective procurement and the achievement of value for money.

The proposed development of category management will help to facilitate this but it needs to be underwritten by effective communication plans for both process and projects.

Communication plans will include appropriate information flows to elected members to help them make informed decisions about strategic and critical procurement activities, additional information can be found in the Procurement Guide on the Intranet.

It is proposed that the Procurement Department will take responsibility for the retention and control of Contracts to ensure transparency of the full procurement process.

Information will be provided to the marketplace in a clear and transparent fashion complying with FOI and Public Contract Regulations requirements and the WPPS strategies

Reports will be provided to Welsh Government via an annual return on procurement outcomes to demonstrate progress made.

### **3.4 Ethics**

In order to maintain the Council's reputation all procurement activity will be undertaken to the highest standards of probity and professionalism. Members and officers will be fair and ethical and will avoid conduct that may contradict this or suggest a conflict of interest.

The procurement team will comply with the CIPS (Chartered Institute of Procurement and Supply) code of ethics and promote this throughout the Council to all members of staff that have a responsibility to commit expenditure.

## 4 Processes

### 4.1 Purpose & Aim of Procurement Processes

The aim of an effective set of procurement processes is to deliver the right resources to the right place at the right time and to the right people whilst delivering value for money which the Council is required to demonstrate. To that end we will continue to develop our approach to Category Management amongst other procurement processes, at the same time maintaining a standard, open and transparent approach to the way we apply it. We will also adopt a wider approach to the way we procure adopting a whole life cost approach to the procuring of our resources and our aim to secure value for money

### 4.2 Category Management

We aim to develop a Category Management approach which takes a more holistic approach to procurement, blending in with the commissioning activity in terms of decisions being made on a wider breadth of information. It is a structured process to realise and maximise value across an organisations different categories of Influencable third part expenditure, taking account of

- Business needs
- Market Knowledge and Mechanisms
- Understanding spend and demand within the category area
- The need to drive value and innovative solutions

By the use of category management we will make more informed procurement decisions involving the input of all stakeholders.

### 4.3 Strategic Sourcing

A sharper approach to strategic sourcing will further ensure we make the right choices when making our procurement decisions in terms of satisfying business needs from our markets via the proactive and planned analysis of them and the suppliers therein. Developing a sourcing strategy for major procurements will deliver far better outcomes than the normal reactive approach to sourcing. The procurement function will work closely with departments to develop this approach

### 4.4 Market Management

In line with a sourcing strategy we need to determine how best we will continue to work within the markets in which we operate and to comply with the principles of the WPPS that address markets, namely those of open accessible competition, simplified standards and

processes, supplier engagement /innovation and collaboration. We need to better understand the mechanisms that impact on markets and subsequently on our ability to deliver value for money services. We also need to consider the relationships we develop within each of the markets we operate.

#### **4.5 Spend Management**

Critical to the implementation of this procurement strategy will be our ability to know and understand what we really spend and why we spend in the way we do. The procurement function will support departments in understanding this information and the actions required in response to the data gathered e.g. opportunities for collaboration and aggregation, internally and externally, cost savings, cashable efficiencies and changes in the approach to markets. Procurement will help determine the most effective efficient and economical way of achieving this including consideration of in-house provision and use of existing internal and collaborative arrangements.

#### **4.6 Contract and Risk Management**

Councils have often been accused of letting and forgetting when it comes to Contract management and yet is probably the most crucial stage of the procurement cycle, it's the point at which goods services or works are actually delivered. To that end we will endeavour to implement an effective and efficient approach to Contract management ensuring compliance, effective supplier relationships and performance management. We will also introduce a positive proactive approach to risk management and continuous improvement minimising disruption to Council services whilst embracing positive change and improvements to service delivery.

#### **4.7 Whole Life Costing (WLC)**

The recent changes in the Public Contract regulations and the revised WPPS highlight the need and reasons for adopting a whole life costing approach to procurement making us ask the question what is the real cost of this resource rather than what is the cheapest price we can buy it for. The emphasis on MEAT (most economically advantageous tender) within the revised EU procurement directive requires the Council to address WLC and the lifespan of procurement arrangements The Council will continue to build these principles into its procurement projects.

## 5 Collaborative Sourcing

### 5.1 Purpose & Aim

Collaboration in procurement is one of the cornerstones of the WPPS and a key tool to enable the Council to achieve greater value for money, not only in terms of bringing together key areas of expenditure but also in sharing procurement resources, experience, knowledge and training and development activities.

### 5.2 Collaborative Bodies

The Council has signed up and agreed to comply with the Welsh National Procurement Service (NPS). We will support its activities by providing information as required and participating in focus groups where appropriate and within the resources we have available

We continue to be an active member of the Welsh Purchasing Consortium (WPC) and its successor body and will continue to support its work in developing joint Contracts and framework agreements and its contribution to the NPS.

Other Central Procurement Bodies and Consortium exist across the UK notably Crown Commercial Services and PRO5 which embraces the main consortia within England such as the Eastern Shires Purchasing Organisation (ESPO). The Council will continue to look at the opportunities for improved procurement solutions through these bodies as provided for under the EU directives.

We will also continue to look at regional collaboration with other public bodies e.g. County Borough Supplies and partners within the public sector. In addition, In House collaboration continues to be addressed to ensure we are bringing together areas of common expenditure across the Council and gaining the advantage of aggregation and economies of scale

### 5.3 Process and Compliance

The Council will adopt a common approach to collaboration across the Council by

- Analysing and aggregating spend
- Standardising documentation and specifications to conform with other bodies
- Actively participating in joint working and knowledge sharing activities with the NPS and other collaborative bodies
- Consider opportunities for further collaboration
- Monitor and report on all collaborative activities quarterly to Council and in the annual report to Welsh Government

The procurement function will actively work with other departments in ensuring compliance

where the Council has agreed to participate in collaborative arrangements to ensure we obtain the benefits of such activities.

## 6 E Procurement and Technology

### 6.1 e-Procurement and Technology Strategy

We will comply with the WPPS in trying to make use of available e-procurement tools and new technology to make access to our Contracts by the business community easier.

Our current aim internally is to utilise new and existing e procurement and other technology to improve and streamline current processes to create an effective procurement practice across the Council

We will also ensure compliance with the requirements of the Public Contract Regulations 2015 which amongst other things will require fully electronic procurement systems by 2018

### 6.2 Current practice

We currently make use of;

- ProcServ requisitioning and ordering system which enables closer control and monitoring of what we spend
- Sell 2 Wales and SQuID
- Welsh Purchasing Card
- E invoicing
- Bravo Solutions e tendering platform and spend management.
- D and B Portfolio Management

Although reasonable progress has been achieved in the adoption and use of these tools there is still room for further improvement. We will endeavour to increase take up of these tools by encouraging use of existing facilities and quicker take up of new and improved tools that can assist the Council's efficiency and progress in this area of work.

### 6.3 Adoption of new tools

The Council will endeavour to make wider use of existing tools such as e auctions and the recently revised arrangements for all electronic Dynamic Purchasing Systems. We will explore the use of other e procurement tools such as Contract management (e-Vendor Relationship Management) and payment tools and work closely with Value Wales EPS to ensure we are in a position to adopt new tools under development and any other new innovations as and when they become available.

### 6.4 Improvements in Technology



E procurement does not have a monopoly on technological improvements. There are many other advances through technology being made in most of the markets from which we obtain the Council's requirements e.g. production processes, communication methods and innovative supply solutions.

We will ensure that our procurement activities attempt to capture these improvements to include in our tender specifications and to provide for continuous technological improvements throughout the lifespan of our Contract and Commissioning arrangements.

## 7 Community Benefits, Environment and Equality

### 7.1 Purpose & Aim

In line with the WPPS, the Council will continue to support the government's Community Benefits and Economic, Social and Environmental Impact policies, the importance of which has been reiterated in the Minister for Finance and Government Business most recent statement. We will apply a community benefits approach to all procurement and use the CB measurement tool to all Contracts over £1 million and selected procurements below this figure. We will also look for opportunities afforded through the Well-being of Future Generations (Wales) Act 2015

We will incorporate community benefits as core requirements where they can be demonstrated to be related to the subject matter of the Contract particularly in the areas of economic development , employment and training, education, environmental and social issues.

### 7.2 Working within the local economy

Strengthening the local economy is fundamental to Council policy and can be supported considerably by following a procurement strategy that develops a strong link to the local supply base, creating better access to our Contracts and procurement opportunities for local SMEs and other organisations such as social enterprises and sheltered workshops.

In addition to creating employment through developing local supply sources we will also create training and employment opportunities through the wider supply base.

By establishing a clear process and pro-active approach to Community Benefits within the procurement process, this will not only deliver social and economic benefits but also commercial gain to the Council, the Community & the local supply chain.

### 7.3 Procurement and the environment

The use of Procurement to support environmental improvement is well established and supported by this Council It is also a major part of European and National policy and one of the main principles of the WPPS. We will be proactive in managing our suppliers and the wider supply chains in looking for positive methods of achieving environmental benefits. We will apply the Sustainability Risk Assessment tool to all procurements over £25000 and use WLC where appropriate to demonstrate the benefits of such an approach.

### 7.4 Equalities Duty

There is a mandatory requirement on the Council to meets it duty under the Equalities Act

2010 and to require its suppliers to do so too. However, a better reason for doing so is that it actually helps deliver the policy objective of the Council. Through applying it to procurement activity it delivers greater value for money and higher quality services for instance by ensuring delivery to the right protected groups and creating greater supplier diversity. Through our procurement strategy we will endeavour to deliver both compliance and value.

## 8 People

### 8.1 Purpose & Aim

We aim to continue the development of staff across the Council in terms of acquiring better Procurement knowledge, general commercial skills and awareness of the relevant rules and regulations. It is vital with so many officers now involved in some form of procurement activity that improvements are made in this area.

### 8.2 Capability and capacity

With the growth of procurement, commissioning and other commercial activities across the Council, we need to raise both the capability of our staff and the capacity we have to deal with this activity. The procurement team can provide guidance, develop processes and develop a standardised approach to procurement. However much procurement activity e.g. Contract management will be carried out by departments some who have considerable experience but some operating in very immature markets which are often the most difficult to manage e.g. social care. We will need to find ways of building the necessary capability and capacity to deliver Procurement requirements.

### 8.3 Training & Development Support

We are tasked by Welsh Government policy to ensure we develop adequate skills and resources to deliver procurement effectively.

We will be guided by the Human Resources training needs analysis and make use of the Competency Framework currently being developed by Value Wales and develop a training plan from this information.

Opportunities will be given to officers willing to attend short specialist courses provided under the Value Wales Contract arrangements for training. We will also consider running awareness courses for non-procurement staff through the Introduction to Procurement short course or the set of modular courses for selected officers.

Support will be given to officers wishing to achieve Chartered institute of Procurement and Supply qualifications or other relevant qualifications. We will access any funding that is available through Value Wales to support this.

We will investigate other methods of developing skills, for example, by the use of internal webinars or other electronic means of on line training.