



ARUN DISTRICT COUNCIL

CORPORATE PROCUREMENT STRATEGY

AUGUST 2016 - JULY 2020

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Introduction and Background

Arun District Council's Vision 2016-20

The Council's Procurement Strategy is designed to give support to the delivery of the Council's Vision for the period 2016 - 2020. The Council's Priorities for 2016 – 2020, approved by full Council on 20th July 2016 continue to be linked to the following themes:

PRIORITY 1. **Your Council Services: Serving our communities well by delivering the best services we can afford.**

PRIORITY 2. **Your Future: Strengthening our economy through regeneration and better infrastructure.**

PRIORITY 3. **If you and your family need help: Supporting those people in our district who most need help**

Aims and Objectives of the Procurement Strategy

The re-launch of this four year strategy represents a good opportunity for the Council to meet the challenging times ahead. Public sector finance is under continual pressure to provide costs reduction and increase efficiency savings. Procurement has a vital role to play in assisting the Council meet the priority needs of the community within reduced resources.

The Council's aim is to promote effective procurement across the whole organisation using sustainable and modern procurement practices, encompassing compliance with existing rules and legislation and remaining flexible to new models of service delivery including frameworks and partnerships.

The Strategy sets out, for the benefit of Members, staff, key stakeholders, and companies wishing to do business with the Council how it proposes to carry out procurement within the authority.

The key messages are:-

1. To support the Council's priorities for 2016 – 2020
2. To strive to continually improve the Council's efficiency in delivering quality services whilst attempting to keep costs at manageable or reduced levels.
3. To encourage greater collaboration between other public, private, community and voluntary sector organisations and the Council.

Until the ramifications of the decision by the UK to leave the EU is widely known, the Council's procurement activity will continue to be undertaken within the confines of the European Union (EU) Public Procurement Directives.

The principal objective is to ensure the provision of the right mix of high quality cost effective services to meet the needs of the residents of the Arun District and provide the maximum value for money. The ultimate aim of this Strategy is to ensure that the Council secures

goods, services and works of the appropriate quality at the right price, in the right place and in a timely manner.

What is Procurement?

Procurement is the process of acquiring goods, works and services covering both acquisition from third parties and from other local authority 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 option appraisal and the critical “make or buy” decision which will determine whether the provision of services externally, from other local authorities or in-house is appropriate.

The Council will make its procurement decisions to further its corporate objectives on the basis of best value for money (the most economically advantageous offer). Best value is defined as “the optimum combination of whole life costs and benefits that meet the customer’s requirement”. Contracts will not be awarded only on the basis of lowest price. There will always be an assessment of quality, benefits and the costs that will be incurred by the Council throughout the life of the asset or contract period.

Procurement covers the acquisition of goods, works and services in various areas for which the table below sets out some examples.

Goods/Supplies	Works	Services
stationery, energy, furniture, personal protective equipment and clothing, machinery, transport, land, property, telecommunications, information technology	repairs and maintenance, civil engineering, construction, improvement, engineering	consultancy, marketing, design, advertising, staff, office services, servicing, arboriculture, grounds maintenance, street cleaning, refuse collection, recycling

Standing Orders Relating to Procurement and Contracts

The Council's Constitution Part 6 – Rules of Procedure (Other) contains the Council's Financial Procedure Rules – Financial Regulations, and Contract Procedure Rules – Standing Orders Relating to Contracts. The purpose of these rules are to provide best value, accountability, transparency, objectivity, propriety and fairness in all decisions relating to the procurement of contracts on behalf of the Council. These rules apply equally to works, goods, supplies and services to be provided to the Council via contracts or quotations. They also cover agreement/contracts for professional services and consultancy work. They will be kept under review to ensure the Council can explore all appropriate procurement options/solutions which are likely to encompass e-procurement.

The summarised requirements as approved by full Council on 15th May 2013 are shown in the table below:

Estimated total value	Method
Less than £10,000	Value for money demonstrated <i>Min 2 quotations one of which should be a local supplier where possible</i>
£10,000 - £50,000	Min 3 written quotations to be received
£50,000 - EU threshold	Min 4 formal tenders by advert to be obtained
Above EU Threshold	Formal EU competition

Public Procurement Regulations

All local authorities and public sector bodies are subject to European Union (EU) Public Procurement Directives that govern how they may purchase goods, services and works over a specified value. These directives are included in UK law as The Public Contracts Regulations 2015.

The Treaty of Rome is the framework of principles that underpin the Public Procurement Directives. The Treaty's and the Directive's aims are to open up competition and ensure transparency, fairness and equal treatment for all bidders.

The Regulations require that where an estimated value of a contract exceeds certain thresholds a tender notice must be placed in the supplement to the Official Journal of the European Union (OJEU) to give all suppliers in the EU an opportunity to tender.

Procurement Vision

The key challenges ahead for procurement:

The key delivery aims will help to address the following challenges:

- (a) Make procurement happen at the right level in the organisation with the right people involved in the decision making process.
- (b) Use technology and in particular e-procurement to support organisational and behavioural change
- (c) Make procurement a key management activity
- (d) Comply with all legislation relating to procurement activity
- (e) Develop partners and partnership working
- (f) Stimulate markets to be able to procure from a diverse and competitive range of suppliers including minority businesses, voluntary and community sector groups and Small, Medium Enterprises.
- (g) Develop contracts database covering recurrent procurement activity
- (h) Enhance existing guidance and support offered to officers on procurement process / contract management
- (i) Provide strategic procurement advice to major projects
- (j) Provide procurement training for members, officers and suppliers

Delivery

Training and Development

Fundamental to achieving the strategic objectives set by the Council and contained within this Strategy will be the continued development of the Council's procurement capacity. This will be done by investing in training and development of our own staff and encouraging our partners/contractors/suppliers to do likewise.

Some key areas that could form part of the core skills needed by the Council in the future in so far as procurement is concerned include:-

Standing Orders relating to contracts and EU Procurement Directives, Project Management, Contract Management, Risk Management, Performance Management, Negotiating Skills, Marketing Skills as well as more fundamental introduction to contracts, tendering and assessment skills.

The Council's Performance Development Review Process (PDR) could be used to carry out an appraisal of those staff involved in some way with procurement and identify the training needs of individual staff and teams.

Accountability

Members, Officers and on occasion stakeholders will be responsible and held accountable for the decisions they make on procurement matters. In some instances there is great emphasis under the Council's Constitution placed on the decisions taken by an individual, be it Member or Officer. It is therefore important that when taking any decisions, the relevant Member or Officer understands their specific responsibility and accountability and is satisfied that the decision is clearly documented and taken on an objective and consistent basis to ensure the correct result for the Council.

PRIORITY 1. Your Council Services: Serving our communities well by delivering the best services we can afford

Value for Money and Whole Life Costing

Value for Money or Best Value is about an appropriate balance between price and quality to meet the customer's requirement. Historically many contracts have been awarded on initial price alone. Whole life costing considers not just the initial cost of the contract or service but all of the cost that will arise during the whole life of the project. This will include commissioning, running costs, maintenance, equipment replacement costs during the life of the project, decommissioning and removal or demolition. By including whole life costing it will assist the Council to identify the most economically advantageous proposal. The Council does not intend to move away from lowest price in its entirety as it is still appropriate where there are many suppliers offering similar or identical products. However, for the majority of projects whole life costing should be part of the evaluation/options appraisal process.

Transparency

Any decisions taken about procurement need to be open and justifiable and taken on clear and relevant award criteria. The logic behind the criteria and the decision taken needs to be explicit so that all concerned can see what has been done and why. In taking procurement decisions the Council will ensure all relevant documentation is recorded and kept, to ensure it can comply with relevant issues contained within the requirements of the Freedom of Information Act.

Furthermore the Council will expect all of its suppliers to comply with the principles of the Data Protection Act and similarly the Freedom of Information Act.

Fairness

In all procurement decisions, those involved need to ensure total consistency and fairness of application in arriving at a decision. The Council's Standing Orders relating to contracts set out how decisions on contracts should be taken.

Tender evaluation

Returned tenders are evaluated against pre-determined criteria usually by a panel of officers. Evaluation will focus on how the Tenderer proposes to deliver the service/supplies

including quality and cost (price). Wherever possible, whole life costing will be applied. The balance between quality and cost will depend on the particular requirement.

If the tender has been obtained through the open procedure the quality evaluation will include the financial and technical capacity of the company including a financial assessment, health and safety, customer references etc. If the tender has been invited through the restricted procedure these aspects will be considered at the pre-qualification stage.

Contract management

The Council has to monitor its performance to ensure Best Value and our Suppliers and Contractors will be expected to provide the Service in accordance with the requirements set out in the contract documentation.

The Council is continually striving to improve its own performance and expects its suppliers to do the same. The Council will closely scrutinise any supplier that fails to perform to the levels required.

Suppliers and Contractors will be asked to comment on any adverse performance that is reported and should be aware that any instances of poor performance could be addressed by remedies set out in the contract including, where applicable, liquidated damages or early termination of the Contract. Examples of adverse performance would include areas such as:

- (a) Poor health and safety practices;
- (b) Poor quality of goods or service;
- (c) Poor adherence to work programme;
- (d) Breaches of legislation which put Council services at risk.

PRIORITY 2. Your Future: Strengthening our economy through regeneration and better infrastructure.

Small businesses

Arun District Council recognises the important contribution that small businesses can make to the delivery of public services and the vital role these businesses play in the local and national economy. We aim to encourage a mixed range of suppliers in order to help develop and stimulate a varied and competitive marketplace.

The Council has a duty to ensure all procurement is open and transparent. This means that the process for the selection and award of contracts has to be fair and seen to be so. The Council must show that the winning tender was chosen in a fair and proper manner and have the evidence to support this. Ultimately, it can be challenged that a contract was awarded unfairly under the Remedies Directive.

The Council must abide by European rules on procurement. These require, for purchases exceeding set limits that tendering is open to anyone within the European Union, subject to

their ability to deliver such services. We cannot limit competition to British or Sussex companies.

The Council will seek to ensure that contracts are packaged, where appropriate, to allow small and medium enterprises to compete, subject to them delivering best value. Where we believe a larger contract will deliver best value we will ask the larger suppliers how they integrate small and medium local businesses into their supply chains.

Sustainable Procurement

Arun District Council is committed to protecting the local environment, addressing the environmental impact of our activities and ensuring a better quality of life for everyone. We encourage key suppliers to demonstrate an awareness of sustainability issues and to promote practices that are consistent with their policies.

The Council's procurement activities will support its aims of protecting the environment. The principles of waste reduction, recycling and the use of environmentally acceptable materials shall be considered throughout the process. The Council will also ensure that procurement activities comply with sustainable development principles and promote practices that will contribute to wellbeing of future generations in Arun.

Specifically the Council will:

- (a) Educate, train and encourage internal purchasers to review their procurement spend with a goal of reduced usage and adopting more environmentally friendly alternative products;
- (b) Consider the costs and benefits of environmentally preferable good/services as alternatives;
- (c) Investigate the impact of the Council's expenditure on goods and services to identify potential environmental impacts;
- (d) Ensure that where appropriate suppliers' environmental credentials are as far as legally practicable considered in the supplier evaluation process and that environmental and sustainability criteria are used in the award of contracts;
- (e) Encourage and persuade suppliers to adopt environmentally friendly processes, supply environmentally friendly goods/services, monitor and take measures to reduce the carbon footprint of their operations;
- (f) Specify that the minimum packaging should be used appropriate to protect the goods in transit and that packaging should ideally be reusable and returnable or as a minimum be recyclable;
- (g) Address barriers to entry in order that Small and Medium Sized Enterprises (SMEs), local suppliers and the third sector are encouraged to bid for the Council's business.

PRIORITY 3. If you and your family need help: Supporting those people in our district who most need help

Equality and Diversity

Arun District Council is committed to equality and diversity. Suppliers providing services to, or on behalf of Arun District Council must carry out their duties in accordance with legislation governing race, gender reassignment, disability, sex, sexual orientation, age, religion/belief and pregnancy/maternity. Failure to comply with the equality duty could make the authority, and in some cases, individuals, liable to legal action and prevent suppliers from being allowed to tender for Arun District Council services and works.

It is important to ensure that procurement and equality are appropriately integrated to ensure compliance with our statutory obligations and to promote our vision of valuing diversity throughout our partnership and contractual working. This is to ensure that:

- (a) The Council's vision for equality and diversity is reflected in service design, delivery and review;
- (b) Equality is reflected appropriately in the process and procedures associated with tendering and procurement generally;
- (c) Community needs are reflected in service design, delivery and review; and
- (d) Contractors fulfil their own equal opportunity obligations as employers and service providers in respect of equality areas when carrying out work for the Council.

The Council's standard terms and conditions include an equality clause. Where an invitation to tender is issued it will include standard equality and diversity questions that must be answered. The Council's approach is to strongly encourage potential suppliers to demonstrate a commitment to equalities. We recognise that a small firm may not have written equality policies, and other companies who may have formal policies may not refer to it in recruitment processes. This will not automatically exclude them from selection. The Council's equality and diversity questions are designed to show the supplier's commitment to equality and diversity.

Collaboration

The Council has been involved in partnership working for a number of years with a range of partners such as Local Strategic Partnership, Safer Arun Partnership, Registered Social Landlords, WSCC, other District & Borough Councils, Town & Parish Councils and the Environment Agency. The Council will continue to work with and develop a range of service partners that best meet the needs of the Council and its residents.

We are actively collaborating with other District Councils to combine our purchasing power and procure goods, services or works jointly. Major benefits we have realised are economies of scale, accelerated learning and reduced sourcing activity. Increased use of Public Sector frameworks, both nationally and locally, is still positively encouraged.

Health and Safety

Arun District Council is committed to ensuring the health, safety and welfare of its employees and that of all others affected by its undertakings. Contracts to supply goods or services will only be awarded to contractors who can satisfy the Council requirements in terms of resources required and their health and safety competence. Suppliers will be expected to demonstrate:

- (a) A commitment to the health and safety of its employees, client and others;
- (b) Up to date health and safety policies and procedures;
- (c) Adequate risk assessment procedures;
- (d) An adequate system of monitoring and reporting accidents, incidents and ill health;
- (e) Access to competent health and safety advice;
- (f) Contracts are monitored to ensure compliance with contract standards and health and safety requirements.

Risk Management

Risk management should not be seen as the avoidance of all risk. Good risk management is taking advantage of what innovation has to offer, having given due consideration to what can go wrong and putting in place established solutions to deal with it.

In order to ensure that the procurement process delivers best value in the widest sense, it is appropriate to adopt an approach based on risk management principles. In this way, contracts involving a high level of risk (whether that risk is in terms of impact on customers, finance, time, the environment, safety or service delivery) should involve a more detailed process whereas low risk projects would not generally justify a resource intensive procurement procedure.

Generally, “high-risk” projects will also be “high-value”. However, where “high-value” contracts involve a low risk (in terms of time or safety factors), they would normally still be subjected to a more detailed process, given the expenditure which will be incurred.

All high-risk procurement projects should have their own risk register, which is regularly reviewed, in line with the Council's project management procedures.