



PROCUREMENT STRATEGY

2016 – 2019

Foreword

This procurement strategy sets out our vision and strategies demonstrating how we aim to use procurement to help Newport City Council deliver the “Vision for Newport “ by achieving value for money ,improving service delivery and providing our communities with extra benefits through our supply chains.

These are difficult times which require us to review the way our services are provided, to do so we need to introduce new and innovative methods of delivery and that means as well as internal improvements we need to be working closely with our suppliers, contractors and partners to achieve this.

Procurement has a major part to play in this process and I am confident that this strategy supports the Council’s priorities and will provide a focus for all staff to engage in the procurement activity in transforming and delivering their services.

This strategy is 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 Newport and beyond, whilst working within the difficult resource constraints that currently surrounds us.



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Chapter One - Introduction - Putting the Strategy into Context

1.1 Introduction

Procurement is commonly defined as;

“the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment”.

In adopting this Strategy, Newport City Council will seek to fulfil its duty in respect of undertaking compliant, effective and efficient procurement which supports the principles set out in the Welsh Procurement Policy Statement, the internal aims of the organisation as well as the needs of our City and its residents.

The Council cannot deliver and meet all of the needs of the citizens of Newport on its own. Amongst others it is dependent on third party suppliers to enable it to do so. The council spends approximately £150 million with third parties for the provision of services, goods and capital projects, and makes payments to over 4,000 suppliers each year. 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 Newport.

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 and effective council, hence the need for an up to date procurement strategy.

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 is to;

- Determine the direction of travel and improvement of all procurement activity in the council
- Establish procurement as a strategic activity within the council
- Promote the council’s key procurement policies 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.

Chapter Two - Compliance with National Legislation and Local Plans

The 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

Key legislation/regulation with regard to procurement include; the Public Contract Regulations 2015 (EU Procurement Directive 2014/24/EU) and legislation which determine our approach to delivering specific services e.g. Social Services and Well-being (Wales) Act 2014.

2.2 Welsh Government Procurement Policy Statement

This strategy has been developed in line with and adopts the principles of the June 2015 revision of the Wales Procurement Policy Statement attached at Appendix A of this strategy. Key areas of the policy are referred to throughout this document but the 10 principles of the policy 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 & Implementation
- 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, at this moment in time “Standing up for Newport” which sets out the top priorities of the Council. In order to deliver on these priorities, procurement activity will support these aims through examples such as;

- A Caring City – Ensuring that the commissioning and procurement strategy for Social Services promotes independence through outcome based assessments so that our elderly residents can live for longer independently within their own homes, and those with learning disabilities and mental health issues have their voices heard and their needs met.
- A Fairer City – Ensuring that our contract opportunities are openly advertised through Sell2Wales to ensure local businesses and SME’s are able to bid for local work. By working with our Community Development Team to ensure Community Benefits are included in appropriate contracts and we support training and recruitment through the Newport Work Based Learning Academy.

- A Learning and Working City – By working with Community Development to build into contracts the requirement to deliver Community Benefits through the engagement of the Work Based Learning Academy, we will use procurement to offer training and development opportunities to the unemployed to support academic development and access to employment opportunities.
- A Greener and Healthier City – By working with the Fleet department to ensure all new council vehicles meet the latest emission ratings to reduce air pollution within the City and working with the Waste Teams to appoint contractors to sort and recycle household waste to further improve our recycling rate and meet strict Government targets.
- A Safer City – Through positive engagement with Council service areas procurement will help deliver essential services in a safe and compliant manner. Telecare contracts ensure elderly residents can feel safer in their homes and can access emergency help when needed. Contracts for the replacement of old and unsafe street lighting ensure sturdy new columns are fitted around the city, equipped with the latest LED lighting technology, delivering energy savings and stretching budgets to further roll out safety improvements around the City.

In addition, delivery of the Council's Change and Efficiency programme and the recently approved 'Newport 2020' plan will also require procurement activity to deliver key aspects of these.

Effective procurement and management of third party resources will provide significant input into the achievement of all these corporate plan objectives and other plans; 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

Procurement will link to, support and be supported by other Council policies and plans including those imposed by external relationships such as the Welsh Purchasing Consortium and the National Procurement Service for Wales.

In particular procurement should inform and be informed by departmental annual service plans, and key procurement related activities coming out of these will be presented and reported on to the Procurement Gateway Board as they review and endorse work plans for each year.

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. Importantly, this will provide visibility of planned procurements to enable the right level of Category Management support, and define the optimal procurement route.

Chapter Three - 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 continuously 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 Senior Leadership Team acting as the Procurement Gateway Board, and delivered by officers across the council and which is endorsed and supported by the relevant Cabinet Member.

The strategic procurement function will work with Heads of Service and their departments; it will act as in an enabling, advisory and practical role to ensure an effective and consistent approach to commissioning and procuring across the council, providing mentoring to inexperienced or new officers engaged in procurement activity where appropriate.

3.2 Accountability and Reporting

The procurement function sits within the Finance Department and is accountable to the Head of Finance who will be supported by the Strategic Procurement Manager and their team. Political responsibility lies with the Cabinet Member for Human Resources and Assets.

Regular reporting of procurement activity will be made to the Senior Leadership Team acting with support from the Strategic Procurement Manager as the Councils Procurement Gateway Board, and to relevant committees and cabinet as appropriate. A series of key performance indicators based for example on cost savings, expenditure, and compliance will help facilitate informed decisions with regard to performance and improvement.

3.3 Communications and Information

The procurement function will developed an appropriate communications 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 continued development of category management will help to facilitate this but it needs to be underwritten by effective communication plans for both process and projects. The Council's new Procurement Gateway Processes now maps the communication and engagement requirements to ensure an enhanced level of scrutiny.

Forward procurement plans will include appropriate information flows to the Gateway Board as needed to help them make informed decisions about strategic and critical procurement activities.

Information will be provided to the marketplace in a clear and transparent fashion complying with FOI (Freedom of Information) and Public Contract Regulations requirements.

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. We will comply with the code of ethics of the CIPS (Chartered Institute of Procurement and Supply) and the requirements under the Welsh Language Standards Regulation 2015.

Chapter Four – Processes and Category Management

4.1 Purpose & Aim of Procurement Processes

The aim of an effective set of strategic 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. Strategic Procurement will continue to develop our approach to Category Management amongst other procurement processes, in line with our Gateway Process; 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

Strategic Procurement has adopted a Category Management approach aligned to our Service Directorates.

Category management 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 influenceable 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
- The evolving and changing way services are delivered to the public

A key area and benefit of category management is the challenge it provides within the organisation to critically review how and what it does as this provides a 'rich source' of potential to deliver our outcomes at lower cost. By the use of category management more informed procurement decisions involving the input of all stakeholders can be made.

4.3 Strategic Sourcing

Developing from the category management process, 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. This will deliver far better outcomes than the normal reactive approach to sourcing. The procurement function and category managers will work closely with departments to develop this approach.

4.4 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 work with departments to understand this information and the actions required in response to the data gathered e.g. opportunities for collaboration and aggregation internally and externally, cost savings and changes in the approach to market.

4.5 Contract and Risk Management

Councils have often been accused of letting and forgetting when it comes to contract management and yet it 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 relationship 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.

4.6 Whole Life Costing (WLC)

The recent changes in the Public Contract regulations and the revised WPPS 'Wales Procurement Policy Statement' 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. To this end the council will continue to build these principles into its procurement projects.

Principle 3 Of the Wales Procurement Policy Statement emphasises the importance of WLC with regard to the Economic, Social and Environmental impact of procurement and its contribution to achieving greater value for money.

Chapter Five – Collaborative Sourcing

5.1 Purpose & Aim

Collaboration in procurement is one of the cornerstones of the WPPS (Wales Procurement Policy Statement) 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 & 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 customer groups where appropriate and within the resources we have available.

We will actively work with any successor association or group, of the Welsh Purchasing Consortium (WPC), established to collaborate across local government, and will continue to support work in developing joint contracts and framework agreements that sit outside of the scope of 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 councils 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

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.

Chapter Six - E Procurement and Technology

6.1 eProcurement and Technology Strategy

We will work to modernise approaches and comply with the WPPS (Wales Procurement Policy Statement) in making use of appropriate and available eProcurement tools and new technology to make access to our contracts by the business community easier, and for further electronic engagement with our suppliers in terms of eTrading and e-Invoicing.

Our current aim internally is to utilise new and existing eProcurement 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;

- Oracle I Proc requisitioning and ordering system which enables closer control and monitoring of what we spend
- Proserve xchangewales eTrading hub
- Sell 2 Wales and SQuID
- 160 Welsh Purchasing Card
- E invoicing with 6 suppliers
- Bravo Solutions e tendering platform

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 with regard for example to contract management 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.

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 try to ensure that our procurement activities capture these improvements to include in our tender specifications and to provide for continuous technological improvements throughout the lifespan of our contracts and commissioning arrangements.

Chapter Seven – Community Benefits and the Well-being of Future Generations (Wales) Act 2015

7.1 Purpose & Aim

In line with the WPPS (Wales Procurement Policy Statement) the Council will continue to support the Governments Community Benefits (CB) and Economic, Social and Environmental Impact policies the importance of which has been reiterated in the Welsh Government's Minister for Finance and Government Business most recent statement. We will apply a community benefits approach to all relevant 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.

Through tighter engagement with our Community Development team, we will work to ensure that in line with Welsh Government guidance on Delivering Maximum Value for the Welsh Pound 2014, we maximise our use of procurement to deliver Community Benefits. In particular, suppliers will be directed to liaise and work with our Work Based Learning Academy to maximise local training and staffing opportunities.

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.

In order to maximise the influence the Council's Procurement can have on the local economy, we will;

- Actively promote the opportunities tendered through organisations such as Business Wales.
- Encourage interest in contracts through the use of supplier days.
- Include social clauses, where appropriate in Council tenders to assist in the delivery of community benefits.
- Advertise low value contract requirements through the National Procurement Website to increase the visibility of contract opportunities to local suppliers.
- Realise the impact and benefits using the Community Benefit measurement tool.

7.3 Procurement and the Environment.

The use of Procurement to support environmental improvement is well established and will be supported by this council. It is also a major part of European and National policy and one of the main principles of the Wales Procurement Policy Statement.

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 £25,000 and use whole life costing where appropriate to demonstrate the benefits of such an approach.

7.4 Equalities Duty

There is a mandatory requirement on the Council to meet its duty under the Equalities Act 2010 & the Welsh Language Standards Regulation 2015 and to require its suppliers to do so too. However, a better reason for doing so is that it actually helps deliver the "fairer city" 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.

Chapter Eight – 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 will 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 markets developing to be sustainable which are often difficult to manage e.g. some areas of social care . We will need to find ways of building the necessary capability and capacity.

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 carry out a skill and capability analysis using the Competency Framework in line with guidance from Welsh Government and from the output, develop a procurement training strategy.

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 maybe by the use of internal webinars or other electronic means of on line training.