

Coventry City Council Solihull Metropolitan Borough Council & Warwickshire County Council

Procurement Strategy 20010-2015

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Contents

		Page
1	Introduction	3
2	Context of Procurement in Coventry, Solihull & Warwickshire	6
3	Procurement Vision	11
4	Principles Guiding Procurement	12
5	Scope and functions of the Corporate Procurement Service	18
6	Key Performance Indicators and targets	20
7	Key policies	22
8	Resources	25
	Appendix 1	26

1. Introduction

Procurement is an essential element of cost effective and efficient services. It impacts on Members, the Chief Executive, the Corporate Leadership Team, staff, the public, suppliers and partners.

A clear, comprehensive and effective procurement strategy is crucial to ensuring that good value services are provided throughout the Council whilst maintaining a philosophy of continuous improvement.

For the purpose of this strategy the procurement process has been defined as:

“The whole process of acquisition from third parties and in-house providers and covers goods services and works. The process spans the whole life cycle from initial concept and definition of business need to the effective management of markets, through to the end of the useful life of an asset or end of services contract. It involves options appraisals and the critical “make or buy” decision which may result in the provision of services in-house in appropriate circumstances”

From the definition it is clear that procurement embraces the whole of the supply chain and commissioning cycle from identifying need to contract management and monitoring i.e. the ‘procure to pay’ cycle is one process. Key to the success of this strategy is delivering the Council's procurement at a strategic level and optimising the advantages of a corporate approach to supply chain management. This means that in the future the Council will work with its partners to engage in supplier and market development and “packaging” or bundling” of contracts to ensure the most effective purchase is made. The only exclusions from the scope of this strategy is the recruitment of permanent staff and award of grants. For clarity, the use of consultants and temporary staff procured through agencies, are captured.

This strategy seeks to provide clear direction and a co-ordinated strategic approach that avoids duplication or increased bureaucracy, to deliver improvements to our procurement process over the next five years (2010 – 2015)

Procurement is a critical process for ensuring that the Council meets the needs of the community. The public do not distinguish between in-house services and those provided by contractors. Poor procurement can lead to a loss of confidence by the public in our ability to deliver excellent public services.

Good procurement is an essential prerequisite to delivering world class commissioning. Procurement's role should be to apply strong commercial rigour to all external expenditure. Government policy, for example, Commissioning Framework for Health & Well-being, 2007; Strong & Prosperous Communities, Local Government White Paper 2006; Joint Planning & Commissioning Framework for Children, Young People and Maternity Services, 2006 makes it clear that local partnerships and public sector organisations will be judged on the extent to which they apply a commissioning approach to deliver better outcomes for local people. Commissioning must be based on a robust understanding of needs, and the active involvement of all stakeholders, including local people who are service users.

Commissioning is becoming everyone's business. National programmes such as World Class Commissioning and the Commissioning Support Programme have been created by the Government to embed commissioning as the key mechanism for reshaping services to achieve improved quality of life. The Audit

Commission is auditing the progress that Local Authorities have made to act as commissioners and IDeA is taking forward the National Programme for Third Sector Commissioning which is based on 8 Commissioning Principles.

At a more local level schools and GPs are being asked to act as commissioners of local services and this role is reinforced by Government arrangements for distributing resources.

Public agencies are also being encouraged to delegate budgets to individuals so that they can secure the services they want for themselves.

All partner organisations are working within an increasingly difficult financial context which often requires more for less. Applying a commissioning approach focuses on needs and making the best use of the resources available. This can mean collaborating across a region like the West Midlands, or at a sub-regional level, to secure the right service quality and best value for customers

As a consequence in recent rounds of CAA (Comprehensive Area Assessment) commissioning and procurement practices are given considerable focus under the "use of resources" category.

The drafting of this strategy is in keeping with the National Procurement Strategy for Local Government and England (October 2003), and statutory guidance on Best Value, both of which specifically suggests that each Authority should have a "clear procurement strategy" at a corporate level.

The National Procurement Strategy (NPS) for Local Government 2004/5/6 outlined a number of milestones to be achieved, the foremost of which was the existence of a Corporate Procurement Strategy setting out "*the relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability*"

Whilst the NPS has not been revised, it has been supplemented and superseded by a number of more specific government initiatives in the procurement arena.

The NPS was further strengthened by the introduction of Regional Centres of Excellence in 2004, originally promoted as centre of procurement expertise and co-ordination they have subsequently taken on the role of driving the efficiency agenda in Local Government and locally is now known as the Improvement and Efficiency Partnership, West Midlands (IEWM).

The Gershon¹ **Efficiency Review** required councils to deliver efficiency gains of 2.5% for 2005/6 and procurement delivered a significant contribution. Subsequently the **Roots review** February 2009 and the **Operational Efficiency Programme** April 2009 have reiterated the importance of intelligent strategic procurement and the contribution that can be made by the profession to delivering more for less. Collaboration has always been an important part of good procurement and will play an increasing role as authorities struggle to deliver services with scarce resources.

The **Glover report** November 2008. recommends that improving SME participation in public procurement is best achieved by making the market work effectively to allow SMEs to compete effectively for contracts. This requires that opportunities should be transparent, the process as simple as possible, and that

¹ "Independent Review of Public Sector Efficiency" Sir Peter Gershon, CBE July 2004

a strategic approach to procurement encourages innovation and gives SMEs a fair deal when they are sub-contractors.

In June (2006), the **Sustainable Procurement** Taskforce produced a National Action Plan² defining sustainable procurement (social, economic and environmental). Its flexible framework recommends specific actions to be taken by Councils in order to reach five levels of attainment. Sustainable Procurement is also tested through the CAA use of resources category.

Procurement continues to be a contributor to the **E Government** drive. Through the work of the National eProcurement Projects (NePP) it promotes new technology as a means of achieving transactional efficiencies in order, tendering and invoice payment. Used in appropriate markets eAuctions can deliver significant savings.

Rethinking Construction in Local Government (Egan) and its successor **Construction Excellence** continue look at ways of using procurement of construction and major projects to improve communities.³ Building community benefit into all major procurement can provide added value for money.

This procurement strategy explains how Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council will deliver strategic procurement under the umbrella of their **Sustainable Community Strategies** and any commissioning frameworks that flow from those strategies. All three authorities are part of the **Total Place pilot** in the sub region with Warwickshire County Council with a view to delivering significant savings and efficiencies through partnership working and service delivery.

² 'Procuring the Future' - The Sustainable Procurement Task Force National Action Plan <http://www.sustainable-development.gov.uk/publications/procurement-action-plan/index.htm>

³ "Constructing Excellence -A strategy for the future" Prospectus 2004-06
<http://www.constructingexcellence.org.uk/>

2. Context of Procurement

2.1 In Coventry City Council

One of the key actions in the previous procurement strategy was to review procurement activity across the Council in all directorates. In January 2005, Robson Rhodes LLB was commissioned to undertake a review of the structure and governance arrangements of procurement within the Council. The results of the review were presented to Management Board and were the impetus for further exploration by iMPower Consulting Ltd in February 2006.

In July 2006 Management Board requested further clarification and investigation of the impact of the governance arrangements and organisational structures being proposed.

The previous Chief Executive undertook a Council wide review and proposed organisational changes that recognised the significant contribution procurement had to play in delivery of Council services.⁴ Within the restructure the creation of a new post of Head of Procurement was established in order to give the right focus and strategic approach to procurement in an organisation with the huge turnover of the City Council (trading with external organisations being over £300 million)

PWC carried out a further review of Procurement in 2008 and the following quote is from their findings. *"Although considerable progress has been made in applying a more professional approach to procurement the Council needs to give a higher level of priority to an area which has increased in importance and where a positive approach to procurement both as a single authority and with other councils can secure significant savings"*

The new Assistant Director Procurement, has revisited the review of procurement activity in the Council and its impact on procurement and her findings and future direction are reflected in this Procurement Strategy.

Up until January 2009, in outline Coventry had a largely decentralised model for conducting procurement with support from a small corporate team, Procurement Services (comprising 5 procurement professionals; 2 procurement assistants and 4 support staff). This is a so-called centre lead action network (CLAN) approach.

Procurement Services took management responsibility for the Accounts Payable team in April 2009 so that the procure to pay process could be seen as a single process with resultant efficiencies.

Procurement Services, which reports through the Assistant Director, Procurement in the Finance & Legal Services Directorate, currently has direct influence/responsibility for circa 20% of the Council's £300m spend against trading accounts. Prior to January 2009, Procurement services had the following key responsibilities:

- Formulating Coventry's Procurement Strategy and Toolkit
- Implementing e-procurement across the Council, including the Implementation of purchasing cards
- Providing advice and support on procurement projects, when invited by Directorates
- Establishment and management of a range of corporate contracts for goods and some services, for example, utilities, stationery and computer consumables

⁴ Chief Executives Report "CONTINUING THE COUNCIL'S PERFORMANCE IMPROVEMENT – PROPOSED ORGANISATIONAL CHANGES" Cabinet 6 February and by Full Council on 27 February.

The remainder of procurement activity was undertaken within Directorates some of which are grouped within specialist teams such as: construction and engineering: social care provision; contract management of maintenance and repair.

There are over 100 officers involved in significant procurement activity outside of Procurement Services that is by value, contract period and complexity, of strategic importance.

The 2006 **LEGI** (Local Area Growth Initiative) bid incorporated a procurement strand designed to use Council spend through procurement activity to support existing and developing local businesses.

Spikes Cavell completed an analysis of Coventry's spend in 2007/2008. This data has been used to analyse spend by value.

Table 1 – Analysis of Coventry Spend 2007/2008

Value £	Total value £	% of total value	No. of Suppliers	% of total no. of Suppliers
+507,090	201,185,050	62	100	1
50000 to 507,090	93,952,764	28	613	7
5000 to 49,999	25,276,759	8	1,559	16
0 to 4,999	5,690,559	2	3,336	76
Total(s)	326,105,131	100	9649	100

From Table 1 we can see that 8% of our supplier base accounts for 90% of the total spend and that 76% of the supplier base accounts for 2% of the total value of expenditure. This clearly demonstrates that the Pareto principle applies and that procurement should concentrate its scarce resources on 8% of our supplier base that represents the highest value of spend. The introduction of Purchase cards has dealt with the issue of increased transaction costs for low value orders so this should no longer be an issue for the authority.

2.2 In Solihull

The first Procurement strategy for Solihull was published in July 2004. The main purpose of that strategy was to meet the recommendations of the National Procurement Strategy, to raise procurement to a strategic level in the authority and to deliver significant savings. As a result of the strategy a Corporate Procurement Service was operational from May 2005 and since then the service has delivered £6.3 million cashable and £4.7million efficiency savings for the authority.

The Shaping Solihull programme describes how Solihull will become a commissioning council and reiterates that "everything we do is everyone's business". From the Council's Corporate Strategy Map, Procurement will help to deliver the following outcomes:

- Delivering Good value services
- Optimised delivery costs

- Commissioning responsive and reliable services

Performance against these outcomes is monitored through a balanced scorecard of key performance indicators which are regularly monitored by the Corporate Procurement Service.

The Corporate Procurement Service consists of 7 professional procurement staff, 2 support staff and the Corporate Procurement Manager.

Since May 2005 when the CPS was set up performance has improved on the following key indicators (09/10 values are extrapolated from 1st 3 quarters):

Table 2 – Key Performance indicators

KPI	06/07	07/08	08/09	09/10
Percentage of Spend via Corporate Contracts	38%	55%	71%	77%
Percentage of Strategic Suppliers covered by Contracts	n/a	n/a	61%	85%
Percentage of Spend with Strategic Suppliers covered by Contracts	n/a	n/a	87%	90%
Percentage of 'accessible' Spend Categorised for Strategic Analysis	71%	83%	98%	99%
Percentage of all Spend Categorised for Strategic Analysis	38%	65%	78%	82%
Number of Purchase Orders raised via iProcurement ('000s)	18.8	29.2	37.4	41.5
Percentage of Contracts/Projects with Category Intelligence Reports completed	8%	36%	61%	78%

Table 3 – Analysis of Solihull's 2008/2009 Procurement

Value £	Total value £	% of total value	No. of Suppliers	% of total no. of Suppliers
>250,000	72,086,373	61	82	1
50,000 to 249,999	22,367,562	19	219	3
5,000 to 49,999	18,474,959	16	1,171	17
0 to 4,999	5,464,601	5	5,371	78
Total(s)	118,393,495	100	6,843	100

From Table 3 we can see that 4% of our supplier base accounts for 80% of the total spend and that 78% of the supplier base accounts for 5% of the total value of expenditure. This clearly demonstrates that the Pareto principle applies and that procurement should concentrate its scarce resources on 4% of our supplier base that represents the highest value of spend. The introduction of purchase cards has dealt with the issue of increased transaction costs for low value orders so this should no longer be an issue for the authority.

There are approximately 250 cost centre managers who are able to place orders against their own cash limited budgets. Procurement training has been included in the Financial Managers training attended by all budget holders. However, budget holders are likely to delegate the task of placing orders to clerical assistants.

Members have had significant involvement with major project procurement and the function has raised its profile through clarifying its strategic importance for both Members and Officers.

Solihull uses Oracle Financials (11.5.10), with Oracle iProcurement (iProc). iProc was rolled out to core council throughout 2007/08 and CPS now see all orders over £5k before they are transmitted with the Corporate Procurement Manager seeing all orders over £50k. Symology and Academy are used by Highways and Property Services and these systems are able to interface with the ledger.

2.3 In Warwickshire

Following an Audit Commission Best Value Review in 2001, Warwickshire's County Procurement Unit was established which commenced activity in April 2002. Initially the objectives of the Unit were to develop a corporate framework within which all procurement activity could be undertaken, raise the profile and strategic importance of procurement and to deliver savings. Since April 2002, the service has delivered on-going savings in excess of £8m.

Warwickshire's procurement Service was re-inspected in 2004 and the Audit Commission Inspectorate noted that: -

'there has been significant progress made in the last 18 months towards introducing effective and efficient corporate procurement' and that

'the council has demonstrated a high level of commitment and focus to achieve significant improvements in corporate procurement'

The Council's current Procurement Strategy was launched in September 2004 and has been the document that has shaped the development of strategic procurement within the County Council.

Although the Council continues to operate a devolved model of procurement, there has been a significant investment in a more centralised, strategic approach to procurement over the past 24 months and this approach is expected to continue. The establishment of the central 'Strategic Procurement Unit' team has grown from 4 to 7 posts in the past 12 months and the team now comprises 4 professionally trained procurement staff, a dedicated and specialist Sustainable Procurement Officer, the Strategic Procurement Manager and 1 member of support staff. In addition to the Strategic Procurement Unit, there are currently specialist procurement teams within Adult Health & Community Services and Children Young people and Families and a wider procurement community comprising approximately 80 members of staff.

Warwickshire County Council has been a member of the Eastern Shires Purchasing Organisation (ESPO) since 1991 and as a consequence a significant amount of the commodity procurement is undertaken on it's behalf by ESPO.

Spikes Cavell completed an analysis of Warwickshire's total third party spend covering the financial year 2008/2009. This data has been used to analyse spend by value.

Table 1 – Analysis of Warwickshire County Council’s 2008/2009 Procurement

Value £	Total value £	% of total value	No. of Suppliers	% of total no. of Suppliers
>500,000	199,207,855	59.7	114	1.2
50,000 to 499,999	93,366,155	28.0	625	6.5
5,000 to 49,999	34,280,179	10.3	1,979	20.5
0 to 4,999	7,018,027	2.1	6,941	71.9
Total(s)	333,872,216	100	9659	100

From Table 1 we can see that 7.7% of our supplier base accounts for 87.7% of the total spend and that 71.9% of the supplier base accounts for 2.1% of the total value of expenditure. This clearly demonstrates that the Pareto principle applies and that procurement should concentrate its scarce resources on the 7.7% of our supplier base that represents the highest value of spend. The introduction of new financial systems with full P2P capability in 2011 coupled with the potential to increase the use of the existing Procurement card scheme will allow the Council to deal with the issue of high transaction costs for low value orders.

2.4 In all three authorities

In January 2009 it was agreed that Coventry and Solihull Councils would run a twelve month pilot for a shared procurement service. The Corporate Procurement Manager of Solihull was seconded for half of her time into the vacant Assistant Director, Procurement role with an immediate saving of half a post for both authorities.

The shared service has the objective of raising procurement to a strategic level and gives the Procurement Service a mandate to work with “technical experts” in service Directorates as part of multifunctional teams. This will deliver savings and efficiencies through consideration of the whole category of spend, not just previous contracts that have been let. Improved category intelligence, including needs analysis and market development leads to better identification of suitable routes to market that will ultimately satisfy community needs.

An analysis of third party spend has been conducted and a joint savings plan is being agreed by all three authorities. Category leads have been identified to deliver the savings plan who will work on a category on behalf of all three authorities. This should show benefits of economies of scale, reduction in duplication of effort and the sharing of expertise and good practice between professional officers. Additional benefits of a shared service have been identified where services are delivered differently in each authority. This has provided the opportunity for benchmarking internal service provision against external providers.

3 Procurement Vision

To obtain the right means to meet the needs of the community

Specifically the challenges ahead are to:

- engage with all stakeholders in the community
- develop partners and partnership working to work with them to meet the needs of the community
- place social regeneration, economic and environmental issues at the heart of procurement
- involve members in the procurement strategy so that they provide leadership in embedding procurement excellence into the culture of the Council
- identify appropriate service delivery options
- make procurement happen at the right level with the right people
- make procurement a key management activity
- use technology and in particular e procurement to support organisational and behavioural change
- stimulate markets to be able to procure from a diverse and competitive range of suppliers including minority businesses, voluntary and community sector groups , small firms and social enterprises
- be customer focussed using internal consultation and involvement to support service objectives and improve performance
- make the corporate procure to pay processes systematic and flexible to achieve best value
- drive down procurement costs whilst obtaining value for money
- Comply with all legislation relating to procurement activity, e.g. Public Contract Regulations 2006 and subsequent amendments
- Comply with the requirements of the Freedom of Information Act in all activities and in particular commercial activities
- Work with the IEPWM and collaborative procurement groups, e.g. Central Buying Consortium & Eastern Shires Purchasing Organisation (ESPO), to benefit from good practice in other authorities with a view to increasing collaboration, whilst gaining efficiencies from economies of scale

4. Principles Guiding Procurement

The key principles underpinning this strategy and all the Council's procurement policies and guidance are encapsulated in the vision stated in section 3. At the beginning of the description of each of the principles there is an indication how they relate to Management Objectives in Coventry, Strategic Outcomes in Solihull and the Corporate Priorities and Cross Cutting themes in Warwickshire.

Value for Money in the Commissioning cycle

Coventry – Continue to improve the efficiency and effectiveness of services

Solihull – Delivering Good Value Services

Warwickshire – Efficient and Effective Support Services and Customer Focus

For all three authorities the principle of delivering value for money is at the heart of their objectives. Therefore this must be a key principle for the procurement service. Procurement is not about the cheapest or the best, but what is right for the authority's citizens. Achieving best value through effective commissioning and procurement is about taking account of local need through consultation and determining the right mix of cost/quality required to deliver services effectively and efficiently. Efficient contracting, including market development, means that each tendering opportunity attracts sufficient market interest to establish a competitive number of bids. A wide analysis of the options available will lead to an innovative approach to market. This will help achieve the aim of continually improving the economy, efficiency and effectiveness of services.

Strategic Procurement

Coventry – Continue to improve the efficiency and effectiveness of services

Solihull – Aligning resources to our priorities

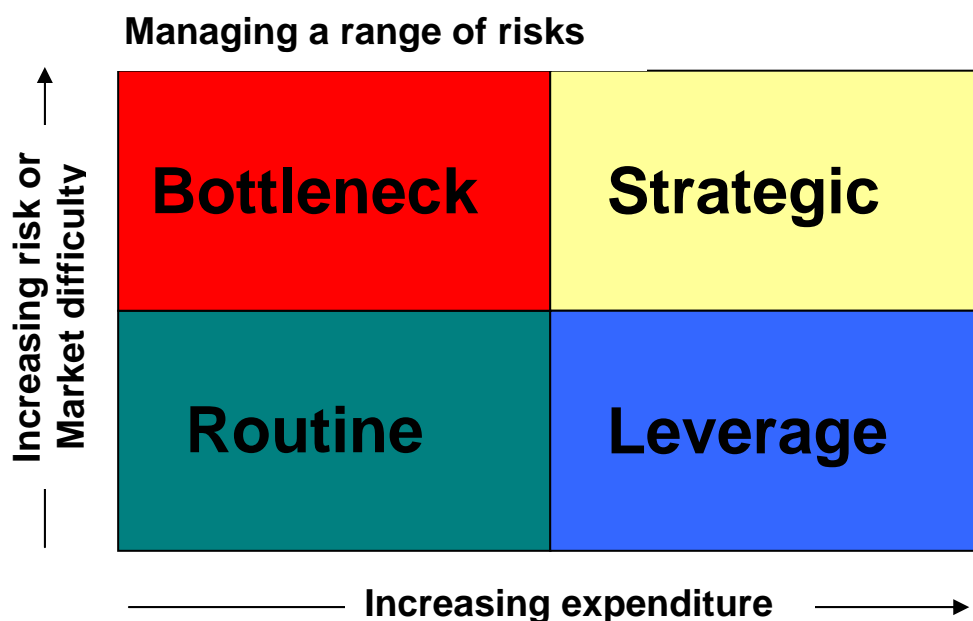
Warwickshire – Efficient and Effective Support Services

Each Authority will consider its spending strategically. This means looking across service boundaries to identify synergies and opportunities for improving economy, efficiency and effectiveness. Contracts will be packaged or bundled in the most appropriate way which meets user's requirements whilst realising benefits on existing expenditure.

Figure 1 below shows how procurement categories should be mapped against a risk/expenditure matrix and the differentiation of procurement activity that should take place dependant on where the market category lies on the spend/risk matrix and its criticality to the Council.

Strategic procurement takes place where there is high risk and a high value of spend for the authority. In this area it is important to be concentrating on building excellent working relationships with contractors/providers with a view to driving down costs for both organisations without attempting to reduce profit margins. The relationships are based on trust, openness and honesty with both organisations owning the desired outcomes. Typically this is the area where PFI or PPP arrangements will be negotiated but partnerships can take many forms. Essentially a partnership is where two or more organisations work together to achieve shared objectives. Procurement needs to take a strategic view to overcome all opposing opportunities to realise the potential rewards and benefits.

Figure 1: Managing the procurement spend



Bottleneck is where there is relatively low spend but high risk or high market difficulty i.e. there are only one or two key players in the market or it is very difficult to change supplier. The emphasis in this box should be to secure supply for the Authority with price being relatively unimportant e.g. rock salt in a national shortage.

Leverage is where there is reasonable spend in a particular category but low risk and low market difficulty. This is the buyers' paradise where there should be regular switching between suppliers to obtain leverage in the market.

Routine purchases are those where there is low risk and relatively low expenditure. The strategy for this box should be to minimise effort. Contracts should be 3 or 4 years long, negotiated effectively and then left to run themselves until renewal. This box is ideal for using consortia contracts, framework agreements, purchasing cards and e-procurement

Category Management

Coventry – Continue to improve the quality of our services

Solihull – To be a commissioning council by planning, engaging, securing and managing.

Warwickshire - Efficient and Effective Support Services

Procurement will organise its work on the basis of category management. This is where a whole category of spend will be considered e.g. “adult social care” or “Highways”. A detailed analysis of spend in this area across the authorities will be carried out, to identify the following:

- the services currently being provided
- contracts that are already in existence
- the types of market those services are delivered through
- any needs analysis that is available
- market conditions
- gaps in provision
- demand that is not being met etc.

Across the three authorities there will be different spend patterns with some services being outsourced and others still provided by the in house workforce. This information will be used to assess the most cost effective way of delivering efficient services of the right quality to our customers.

All of the above activities will be carried out in consultation with the “technical experts” within that category, with procurement bringing their commercial expertise to work as part of a multi functional team to agree the best packaging of contracts and route to market after due consideration of the above.

Major Projects

Coventry – Deliver the Council’s Medium term Financial Strategy to meet corporate objectives and balance the budget

Solihull – Aligning resources to our priorities

Warwickshire - Efficient and Effective Support Services

The Corporate Procurement service will oversee and direct the procurement support, advice and consultancy provided for major service procurements and partnership arrangements including Private Finance Initiatives (PFI) and Private Public Partnership (PPP) to ensure appropriate project support.

Partnerships

Coventry – Continue to improve the quality of our services

Solihull – To be a commissioning council by planning, engaging, securing and managing

Warwickshire – Shared Services and Partnerships.

A partnership approach to service delivery is the Council’s preferred procurement strategy for major projects as has already been demonstrated through previous PFI /PPP and commissioning activity. The approach focuses on joint problem solving with partners, the pooling of resources and the sharing and management of risk. A Partnership approach will be taken in all major construction related projects in line with the recommendations of the government guidance “Rethinking Construction”. An additional benefit of using this approach for major construction projects is that this reduces the opportunity for contractors to engage in collusive activities such as cover pricing.

Care Procurement

Coventry – Continue to improve the quality of our services

Solihull – To be a commissioning council by planning, engaging, securing and managing.

Warwickshire - Maximising Independence for Older People and Adults with Disabilities

Care procurement will be delivered in line with the many strategies and policies impacting in this area. It will be procurement’s responsibility to provide the commercial skills to complement the care professionals knowledge and expertise which will result in improved service delivery and control of third party expenditure.

Supplier rationalisation

Coventry – Continue to improve the efficiency and effectiveness of services
Solihull – Aligning resources to our priorities
Warwickshire - Efficient and Effective Support Services

Supplier rationalisation will allow procurement power to be refocused with the resultant benefits of increased leverage, potential for reduction in numbers of transactions and better value for money being achieved. It will help develop better relationships with our suppliers and give a more professional image to the markets in which we operate.

E–procurement

Coventry – Continue to improve the efficiency and effectiveness of services
Solihull – Aligning resources to our priorities
Warwickshire - Efficient and Effective Support Services

E-procurement is the use of electronic systems to procure goods, works and services improving the efficiency of the process and increasing opportunities for price reductions. Solutions include:

- complete “end to end” procurement systems that are integrated with financial back office systems (including e-tendering and e-auctions)
- web based systems that enable ordering from approved catalogues over the internet
- procurement cards for ordering and payment
- payment through BACS and CHAPS

As stated in the vision, technology will be used to support organisational and behavioural change. Experience to date has helped procurement have a clear understanding of the benefits and drawbacks of e-procurement. Procurement will use e-procurement as a tool to reduce transaction costs and to increase market leverage in the “leverage and routine” boxes of the risk management model described in Figure 1 above. Suppliers should be encouraged to embrace e-procurement in order for the both parties to achieve continuous improvement in service and costs.

Members

Coventry – Ensure Councillors are well trained and well supported
Solihull – Ensure Dynamic and Engaged Manager and Member Leadership
Warwickshire - Organisational Development

Members must take a strategic role in securing Best Value through procurement. This should include involvement in and the monitoring of outcomes from strategic procurement exercises and holding the whole procurement function to account through the Cabinet portfolio holder for Resources. Ultimately there should be a clear political responsibility for procurement supported by appropriate training.

Collaboration

Coventry – Continue to improve the efficiency and effectiveness of services
Solihull – Aligning resources to our priorities

Warwickshire - Shared Services & Partnerships

Procurement will continue to examine opportunities for collaboration. The shared service demonstrates collaboration, Coventry are members of the Central Buying Consortium (CBC) and both councils use Eastern Shires Purchasing Organisation (ESPO) for their schools procurement. Warwickshire County Council are members of the Eastern Shires Purchasing Organisation (ESPO). All of the Council's will seek to maximise the benefits of using local authority buying consortia and any other beneficial frameworks and contracts available to them.

Procurement will participate fully in the national and regional procurement agenda, sharing good practice and collaborating with other local authorities and public sector bodies where appropriate.

Engagement with the Community

Coventry – Continue to improve the quality of our services

Solihull – To be a commissioning council by planning, engaging, securing and managing

Warwickshire - Pursuing a Sustainable Environment and Economy

The Sustainable Community Strategy provides the framework for Procurement to engage with the community. The service will encourage diversity and competition through engagement with all potential suppliers but in particular SMEs and voluntary and community sector as active partners in the community. Procurement will continue to participate in the Compact and Compact plus, to ensure that these principles will be built into procurement processes and contract documentation.

Wise use of Procurement Power

Coventry – Continue to improve the quality of our services

Solihull – To be a commissioning council by planning, engaging, securing and managing

Warwickshire - Pursuing a Sustainable Environment and Economy

All three authorities are significant spenders in their own localities. It is important that where possible money is spent wisely not just to benefit the local community but also to support the local economy.

In Coventry the LEGI (Local Economic Growth Initiative) project has delivered Supply2Cov, This initiative has delivered an increase in local expenditure and delivered sustainability improvements. In Solihull the Business Charter for Social Responsibility describes the way in which social responsibility can be deployed through procurement and monitors contractors/providers response and performance against these responsibilities. The areas covered by the charter are:

- Safeguarding
- Corporate parenting
- Employment
- Equality and diversity
- Health and safety
- Managing Risk
- Sub contracting to other business organisations or to third sector organisations
- Sustainability

Warwickshire has a dedicated member of staff within the Strategic Procurement Team whose sole responsibility is to drive Sustainable Procurement within the Council. The Council has a 5 year strategy for Environmental procurement, has achieved Level 3 of the Equalities Standards and uses the Flexible Framework as its tool to measure improvements in sustainable procurement.

Engagement with schools

Coventry - Deliver the Council's Medium term Financial Strategy to meet corporate objectives and balance the budget
Solihull – Aligning resources to our priorities
Warwickshire - Raising levels of Educational Attainment

Procurement will work with the Schools Procurement Partners (SPP) appointed by the DCSF to provide appropriate procurement support to schools. Solihull has provided match funding to increase the SPP's role to full time to provide a dedicated procurement resource for schools. This resource is now being shared by Coventry, and close relationships have been built with Warwickshire's SPP.

Probity

Coventry – Continue to improve the efficiency and effectiveness of services
Solihull- To be a commissioning council by planning, engaging, securing and managing
Warwickshire - Efficient & Effective Support Services

The Council must have the highest standards of probity in dealing with public money. Officers involved in procurement will act as guardians of these standards in line with the Authority's Code of Ethics. External suppliers and service providers will be required to operate to the same level of ethics as the officers they are dealing with. Adopting improved procurement processes and techniques will improve the council's ability to ensure probity.

Good practice

Coventry – Continue to improve the efficiency and effectiveness of services
Solihull – Aligning resources to our priorities
Warwickshire - Efficient & Effective Support Services

There is no intention through this strategy to reinvent the wheel. It is crucial that we build on current strengths through improving communication and sharing good practice across the three organisations.

Adopting best practice as it develops and participation in national and regional forums and appropriate professional bodies will help us benchmark our processes against the latest innovations and thinking, leading to improved efficiency. The objective here is not simply comparison but improvement.

5. Scope and functions of the Procurement Service

The authority's organisational structure for procurement should:-

- recognise the strategic leadership role of Members by giving the responsibility for procurement to the Cabinet Member for Resources
- raise the profile of the function to a strategic level through the Procurement Board (Coventry)
- ensure that procurement is represented at Director level on the Corporate Leadership Team through the Director of Finance and Legal Services, Coventry and the Director for Commissioning, Solihull and the Strategic Director of Resources in Warwickshire
- engage with the sub region, region and national procurement bodies to ensure partnership working and collaboration
- use needs assessments and other data provided by the Solihull and Coventry and Warwickshire Observatories and other strategic commissioning activity to inform the procurement/commissioning process
- facilitate the development of appropriate multifunction teams to work on each major procurement so that the right people with the right qualifications and experience participate in each procurement exercise;
- ensure good communication and the sharing of good practice;
- be cost effective and able to demonstrate how it adds value to the organisation
- have appropriate specialist skills and capacity to meet the business needs of the organisation, now and in the future.
- move from adversarial contracts to partnership working where this hasn't already happened
- allow customers to use the minimum amount of effort to get the goods and services they want
- provide professional procurement help when required
- provide a corporate procure to pay process
- negotiate effective procurement agreements as part of a multifunctional team to ensure good value services are delivered
- include a business development facility to ensure the structure and framework in which procurement operates remains leading edge

The service structure will contain Procurement and Business Development activity and will be responsible for carrying out the following functions:

- Manage the work programme of and administer the Procurement Board (Coventry)
- use procurement power effectively to deliver social considerations through contracting where possible
- establish and maintain a robust framework in which procurement is undertaken (e.g. Rules for Contracts, contract standing orders, procurement policies and procedures).
- Implement national and local policy in relation to procurement
- supplier development – reducing exposure to risk in key markets through supporting new entrants to the market place and increasing the capability of the current supply base through continuous improvement.
- contract negotiation/clarification – leading negotiations/clarifications on new agreements and on changes to current agreements
- contract drafting – formulating contracts including terms and conditions and managing contract information in consultation with legal services

- contract award – ensuring that contracts are let in line with empowerment levels and legal processes
- strategic supplier relationship management – managing key performance issues, continuous improvement initiatives and close management of high risk suppliers
- offering support and training for the organisation on contract management
- Market management & development – monitoring market trends and identifying strategies to deliver benefit in markets and develop difficult markets.
- Provide support for the effective management of stocks and spares

The elements of activity related to procurement that will be delivered through service or technical experts will be:

- definition and communication of service needs
- day to day operational contract management
- drafting of technical contract specifications
- definition of service and quality levels
- feedback on supplier performance
- raising orders against contracts
- providing client approval for sign off of procurement plans
- supporting procurement in contract negotiations to ensure that agreements accurately reflect service needs.

6. Key Performance Indicators and targets

6.1 Key Performance Indicators

A balanced score card approach to key performance indicators has been adopted in Solihull, in development in Coventry and are included at Appendix 1. These performance indicators will be used as the basis to draw up a balanced scorecard of key performance indicators for all three authorities. Performance against these indicators is monitored monthly at the Procurement Team meetings and remedial action taken if necessary. It should be noted that some of these measures can only be achieved at the expense of a conflicting measure. For instance, increased use of SME (Small and Medium Enterprises) will result in an increased supplier base and related administrative costs. This will be in direct conflict with any measure to reduce the number of suppliers used to maximise procurement power.

You will see from the appendix that these indicators cover sustainability issues (stimulating markets and community benefit), partnering and collaboration and electronic procurement as well as direct performance of the service.

6.2 National Procurement strategy targets

The National procurement strategy contained targets for procurement in all Local Authorities. These targets are in line with procurement's vision and have formed the backbone of the balanced scorecard of performance indicators procurement use to demonstrate how they are delivering their authority's objectives.

6.3 Annual procurement plans

Procurement will negotiate procurement category plans annually with Service areas. These will detail the categories procurement will be working on in respective service areas and the resource contribution required from the service. As priorities change it will be possible to renegotiate these plans in line with business need. As such the planning process will be a two way mechanism used for managing demand on the procurement service and for testing performance against agreed targets.

6.4 Risk Management

Procurement will maintain a risk register in line with the Authority's guidance on risk management. Red risks will be considered monthly at the Procurement Management Team and mitigating action taken as appropriate. Where it is not within Procurement's gift to manage these risks they will be escalated to the appropriate level.

6.5 The next 5 years

The table below describes at a high level, the activities that will be undertaken in the next 5 years of operation for the procurement service.

Table 4 – Year 1-5 activities for procurement

Year	Activity	Benefit
1	Support for managers on how to interact with the service and clarity on what contribution will be required from their service.	Removal of duplication of effort; “service and technical” experts able to concentrate on their day job.
Annually	Procurement plans agreed with each service	Ability to plan to meet customer’s needs and allocate resources effectively
Annually	Map the authority’s spend against the expenditure/risk matrix, to ensure that appropriate procurement action is taken	Maximise impact of scarce resources
1-2	The current register of contracts to be updated to cover recurrent procurement activity.	Ability for the authorities to plan procurement activity strategically, with the resultant benefits of better packaging, market engagement and market leverage.
1-2	Enhance existing guidance and support offered to officers on contract management	Reduce current cost of contract management with improved service delivery
1-2	Review implementation of e-procurement tools to ensure that the procure to pay process is efficient and delivers value for money	Reduced transaction costs, control of maverick spend and potential for savings on goods and services
1-3	Deliver against agreed joint savings plan	Provides an essential element of the wider savings plan for the Councils.
1-5	Innovative re-writing of existing policies and procedures, together with the introduction of new policies and procedures as appropriate.	A leading edge framework for procurement activity that will reduce cost whilst adding value through increased commercial opportunity
1-5	Provide strategic procurement advice to major projects.	Protect the Authority’s interests and reduce risk, building on lessons learnt in the past in collaboration with financial, legal and technical colleagues.
1-5	Actively engage with the collaboration agenda, sub regionally and regionally.	Take advantage of emerging opportunities through collaboration.
1-5	Promote this strategy to local partners through the Strategic Partnership	Encourage wider understanding of the potential for social and community benefits through procurement.
1-5	Monitor performance against the agreed basket of performance indicators for the service and take corrective action where necessary. Basket of indicators to be reviewed annually in line with changing corporate priorities	Procurement performance is aligned to corporate priorities
1-5	Provide procurement training for officers	Risk reduced and efficiency achieved

7. Key Policies

Procurement policies and procedures and guidance

All procurement policies will be driven by the Sustainable Community Strategy, Procurement policies and guidance are essential in order to provide an agreed framework for procurement activity in the Council. They need to ensure probity, the adoption of good practice and ultimately ensure excellent procurement.

The policies and guidance must be up to date, understood, accessible, relevant, consistent, agreed and owned. Policy development will be the responsibility of the Assistant Director Procurement, Coventry, the Corporate Procurement Manager, Solihull and the Strategic Procurement Manager, Warwickshire. The post holder will own all procurement processes and be responsible for keeping them up to date in line with changes to law and guidance from government

Coventry's current procurement policies and procedures are:-

- Operational Plan
- Small Business Friendly Concordat
- Selling to the Council "How we buy"
- Purchasing Manual
- Procurement – Links to the Council's objectives
- Undertaking Best Value & Service Reviews
- The Procurement Strategy and Summary Social Services & Housing
- Code of Practice on Procurement and Contracting 2008
- Equalities in Procurement
- Equality Impact assessment
- Procurement Policy
- Savings methodology

N.B. some of these policies will need to be reviewed in the light of the revised strategy

Coventry's wider policies and strategy that dictate the framework in which Procurement operates are:

- Sustainable Community Strategy
- Corporate Plan
- Children and Young People's Plan
- Joint Strategic Needs Assessment
- Commissioning Social Care for Older People (2008)
- Adult Mental Health and Well Being, a strategy for Coventry (2008-2011)
- Multi- Agency Carers Strategy for Coventry 2006-2009 (2008 refresh)
- Coventry Learning Disability strategy (2007-2010)
- Annual Community Safety Strategic Assessment
- Children and Young People's User Involvement Strategy
- Safeguarding Children and Vulnerable Adults
- LAA improvement targets
- Transformation Programme
- Coventry Compact
- ICT strategy
- Health & Safety
- Consultation Strategy
- Climate Change (Carbon emissions)

- Equality and Diversity Scheme Action Plan
- Asset Management Strategy
- Data Protection
- Freedom of Information
- Anti Fraud strategy
- Whistle blowing procedure
- Code of Ethics
- Total Place pilot
- Carbon Management Programme

Coventry's wider procedures that require procurement input are:

- Financial regulations
- Project Management Toolkit
- iProcurement and its impact on the Procure to pay process
- interfaces with ORACLE Financials
- purchase card usage
- appointment of consultants
- ICT procurement

Solihull's current procurement policies and procedures are:-

- Rules for Contracts
- The Compliant Procurement Process
- Small Business Friendly Concordat
- Business Charter for Social Responsibility
- Corporate Procurement Service Strategy map
- Business Plan
- Shared service strategy
- "How to sell to the Council" guide
- Contract database
- Equality Impact assessment
- Sustainable Procurement Flexible Framework Audit and Action Plan
- Savings methodology

Solihull's wider policies and strategy that dictate the framework in which Procurement operates are:

- Sustainable Community Strategy
- Common Commissioning Framework
- Children and Young People's Plan
- Joint Strategic Needs Assessment for Health and Social Care
- LAA improvement targets
- Shaping Solihull Programme
- Compact Plus
- IT strategy
- Digital Inclusion strategy
- Solihull Equality and Diversity Scheme Action Plan 2007-2010
- Asset Management Strategy
- Personal Data Protection & Information Security
- Freedom of Information
- Anti Fraud strategy
- Whistle blowing procedure
- Code of Ethics
- Safeguarding Children and Vulnerable Adults

- Total Place Pilot

Solihull's wider procedures that require procurement input are:

- Financial regulations
- SORP8 Project Management
- iProcurement and its impact on the Procure to pay process
- interfaces with ORACLE Financials
- purchase card usage
- appointment of consultants
- ICT procurement

Warwickshire's current procurement policies and procedures are:-

- The Council's Constitution
- Corporate Procurement Policy
- Contract Standing Orders (incl Minor contract Regulations and the corporate Scheme of Delegation)
- Contract Standing Orders for Schools (incl Minor contract Regulations and the corporate Scheme of Delegation)
- Financial Standing Orders (FSO)
- Procurement Code of Practice
- Contracts Management System
- Strategic Procurement Service Plan
- E procurement Strategy
- Environmental Procurement Policy & 5 Year Strategy
- Shared Service Strategy

Warwickshire's wider policies and strategy that dictate the framework in which Procurement operates are:

- Small Business Friendly Concordat
- Selling to the Council "How we buy"
- Equalities in Procurement
- Fair Trade Policy
- Genetically Modified (GM) Foods Policy
- Freedom of Information
- Public Interest Reporting Code
- The Warwickshire 'Compact'
- Joint Strategic Needs Assessment for Health and Social Care
- Warwickshire Children's Trust
- LAA targets
- WCC Corporate & Resources Directorate Plan
- Consultation & Community Engagement Strategy
- Total Place Pilot
- Asset Management Plan

Warwickshire's wider procedures that require procurement input are:

- Agresso - Procure to Pay process
- Purchase Card Scheme
- 'Roles & Responsibilities' – employee conduct
- Equality & Diversity action Plan
- Carbon Reduction Commitment

8. Resources

Currently Procurement is funded in all three authorities through a combination of base budget and rebates generated from corporate contracts. This is a situation that needs to be kept under review as this can lead to a situation where the service is funded through income over which it has no control and in some cases should be actively trying to reduce. An example of this is the spend on Agency staff where higher levels of expenditure by the authority on Agency staff will generate more rebate. However, logic dictates that it is more cost effective for the authority to reduce its overall expenditure on Agency staff as permanent staff cost less overall. If a corporate decision were taken to employ no agency staff in the future then there would be a budget shortfall which would need to be met from any resultant savings from this decision.

Funding for service specific technological developments, e.g. Oracle iProcurement and e-procurement have not been included in service budgets or ICT developmental budgets and would therefore need to be funded from resultant efficiencies, or bids raised for funding from capital budgets.

A joint savings plan has been agreed for all three authorities with the targets included in Table 3. It must be noted that the savings figures are for gross expenditure and therefore will not contain significant cashable elements that can be redirected to spend on corporate priorities. Where there are cashable savings they will be collected in line with the agreed Savings Methodology. Delivery against the savings plan will be monitored by the Procurement Board in Coventry and the Aligning Resources to our Priorities Board (ARTOP) in Solihull.

Table 5

Year	Saving £000's Coventry	Saving £000's Solihull	Saving £000's Warwickshire
2010/2011	1,160	656	792
2011/2012	551	252	1797
2012/2013	1,099	37	0
Total	2,810	944	2,588

Appendix 1

Outcome	Lag Measure	2006/07 Outturn Estimate [baseline]	2007/08 Target & Outturn	2008/09 Target & Outturn	2009/10 Target & Outturn	Where we are now	Lead Measure	2006/07 Outturn [baseline]	2007/08 Target & Outturn	2008/09 Target & Outturn	2009/10 Target & Outturn	2009/10 Quarterly Targets & Outturns for your Lead Measures				Owner
												Qtr1	Qtr2	Qtr3	Qtr4	
Customer Perspective: To achieve the Council vision, what will our customers look for?																
None																
Financial Perspective: To finance the Council vision, what must we do?																
Reduced operating costs through well procured goods & services	Lag1 - Cashable savings (annualised)	TARGETS						Lead1 - Annualised planned savings TARGETS								
		OUTTURNS						OUTTURNS								
	Lag 2 - Cashable & non collectable savings	TARGETS						Lead2 - Increase average invoice value TARGETS								
		OUTTURNS						OUTTURNS								
	Lag3 - Efficiencies (Annualised)	TARGETS						Lead3 - Increase no. orders raised through Oracle TARGETS								
		OUTTURNS						OUTTURNS								

Lag4 - No. of Categories where savings/ efficiencies have been made.	TARGETS					Lead4 - % spend on corporate procurement agreements TARGETS								
	OUTTURNS					OUTTURNS								
Lead5 - Supplier Base Optimisation. (a) Total no. of All Suppliers Paid TARGETS														
OUTTURNS														
Lead5 - Supplier Base Optimisation. (b) - Total no. of Active i-Proc Suppliers at Period end. TARGETS														
OUTTURNS														
Lead5 - Supplier Base Optimisation. (c) - Total no. of Permanent i-Proc Suppliers at period end. TARGETS														
OUTTURNS														

								Lead5 - Supplier Base Optimisation. (d) - % of Active i-Proc Suppliers that are Permanent. TARGETS									
								OUTTURNS									
								Lead6 - Reduce no. of invoices TARGETS									
								OUTTURNS									
Process Perspective: To satisfy our customers, what business processes must we excel at?																	
Procure Services	Lag5 - % contracts let on time (cummulative)	TARGETS						Lead7 - No. of Contracts let on time per Plan TARGETS									
		OUTTURNS						OUTTURNS									
Ensure contract performs to contract design	Lag6 - Net stakeholder satisfaction levels	TARGETS						Lead8 - % undisputed invoices paid in 30 days TARGETS									
		OUTTURNS						OUTTURNS									

	Lag7 - % contracts with monitoring meetings	TARGETS						Lead9 - % of appropriate contracts (by value) with KPIs set and monitored TARGETS											
		OUTTURNS							OUTTURNS										
	Lag8 - % contracts ended early	TARGETS																	
		OUTTURNS																	
Develop Suppliers ability to provide our services	Lag9 - (a) % strategic suppliers covered by contracts (b) % spend covered.	TARGETS																	
		OUTTURNS																	
	Lag10 - Net supplier satisfaction levels	TARGETS																	
		OUTTURNS																	

Upstream & downstream market analysis	Lag11 - % contracts with completed Category Intelligence Reports	TARGETS						Lead10 - % supplier expenditure Categorised by i-procurement category.										
		OUTTURNS						(a) - All transaction report TARGETS										
								OUTTURNS										
								(b) - Exclusions applied report TARGETS										
							OUTTURNS											
Professional supply chain help	Lag12 - Quarterly Review of Compliant Procurement Process																	
Learn and grow: To achieve our service vision, how must we learn and grow?																		
Procure to Pay process	Lag13 - Policy & governance owned by CMT							Lead11 - % of "off contract" spend TARGET										
								OUTTURN										

Lag14 - % National Procurement Strategy delivered	TARGETS						Lead12 - % of NPS we are working on TARGET								
	OUTTURNS						OUTTURN								
Lag15 - Oracle Release 12 project complete	TARGETS						Lead13 - % spend going through iproc / P. card's TARGET								
	OUTTURNS						OUTTURN								
Lag16 - Annual work programme agreed	TARGETS						Lead14 - Cost base reduction tracker in operation TARGET								
	OUTTURNS						OUTTURN								
Lag17 - Compliance with SORP 8 – project management	TARGETS														
	OUTTURNS														

Supply chain professionals	Lag18 - % of procurement professionals studying for or holding CIPS	TARGETS						Lead15 - % training undertaken against the training plan TARGET								
		OUTTURNS						OUTTURN								
Active engagement of Corporate Procurement in commissioning services								Lead16 - No of times advice given to commissioners								
Capture market intelligence	Lag19 - No. of categories corporate procurement services has category experts for							Lead17 - No. of new categories added to the Plan								