



# Corporate Strategy for Commissioning and Procurement

2012 - 2015

# Contents

1	Introduction .....	3
	Introduction to Durham County Council .....	3
	Introduction to the Corporate Strategy for Commissioning and Procurement .....	3
2	Definitions .....	4
3	Influences .....	5
	External Influences .....	5
	Internal Influences.....	6
4	Principles of the strategy .....	7
	<b>Category Management</b> .....	8
	<b>Collaboration</b> .....	9
	<b>Community Engagement</b> .....	10
	<b>Local wealth creation</b> .....	11
	<b>Market analysis</b> .....	12
	<b>Single corporate way of working</b> .....	13
	<b>Standardised documents and processes</b> .....	14
	<b>Supplier engagement</b> .....	15
	<b>Sustainability</b> .....	16
	<b>Transparency and accountability</b> .....	17
	<b>Value for money</b> .....	18
	Appendix: Web Links .....	19
	Further Information .....	19

# 1 Introduction

## Introduction to Durham County Council

Durham County Council is a unitary local authority, created in April 2009 by the integration of the former county and district councils.

It is the largest of the twelve local authorities in the North East, and the sixth largest in the country.

The Council's high level priorities are set out in the Council Plan, which supports the county's Sustainable Community Strategy and outlines a vision to make County Durham the best place to live, work and bring up a family.



In line with this vision, Corporate Procurement has developed a *Corporate Strategy for Commissioning and Procurement*, supported by a *Sustainable Commissioning and Procurement Policy*. These aim to ensure that we carry out all commissioning and procurement activities collaboratively and in an economic, environmental and socially responsible manner on behalf of the council and its key stakeholders, whilst making sustainable purchasing decisions that promote the long-term interests of the communities we represent.

To find out more about Durham County Council please visit [www.durham.gov.uk](http://www.durham.gov.uk)

## Introduction to the Corporate Strategy for Commissioning and Procurement

This document sets out the Council's Corporate Strategy for Commissioning and Procurement for the Financial Years 2012 – 2015.

Its purpose is to provide officers, Members and the public with an understanding of the context of the Council's commissioning and procurement activity, and to set out the direction this will take over the coming period in light of the progress that has been made to date, the successes that have been achieved, and the work we still have to do.

The strategy has been written to take account of the Council's other strategic plans including the Council Plan and Medium Term Financial Plan. The strategy will be reviewed annually over this period to ensure that it continues to reflect the Council's priorities and the changing needs of the residents and businesses of County Durham.

## 2 Definitions

### **Procurement**

*Procurement* is the process of acquiring goods, works and services. 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.

### **Commissioning**

*Commissioning* is a whole service approach to the design, management, delivery and monitoring of a specialist service. It is an ongoing, cyclical process to secure the strategic development of services provided from public, private or voluntary organisations and involves planning, designing, and implementing a range of services that are required. It may be facilitated by procurement activity.

### **Sustainable commissioning and procurement**

*Sustainable commissioning and procurement* is a principle and process whereby organisations meet their needs for goods, works, services and utilities in a way that achieves value for money on a whole life basis, generating benefits not only to the organisation but also to society and the economy, while minimising damage to the environment.

### **Corporate Procurement**

Commissioning and Procurement within the Council is organised in a manner which places the corporate and strategic activity at the centre via *Corporate Procurement*, part of the Corporate Finance service areas, whilst at the same time allowing service-specific strategy and operational activity to be managed within the service areas where the expertise resides.

The principal aim of Corporate Procurement is:

*“to ensure that all procurement decisions made by the Council help to deliver the Council Plan objectives by demonstrating value for money and the effective use of resources, as well as ensuring that the procurement spend is used strategically to achieve sustainable community benefits and continuous improvement in service delivery”.*

### **Strategic Procurement Network**

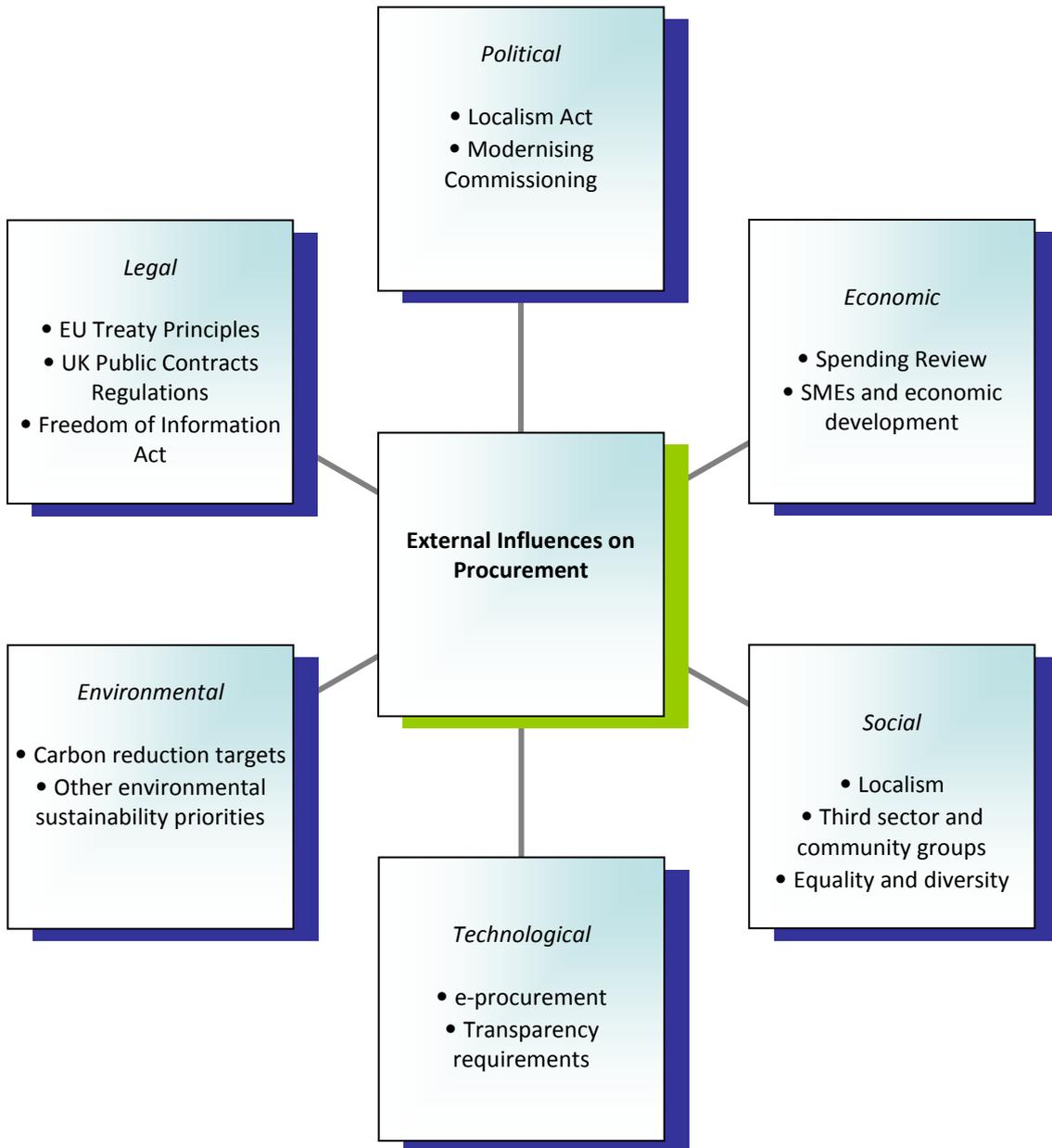
Whilst recognising the individual requirements of services in undertaking commissioning and procurement activity, it is important that the Council has consistent policy, strategy and practice, as well as clearly defined roles and responsibilities for commissioning and procurement decision making.

*The Strategic Procurement Network (SPN)* provides governance for commissioning and procurement activity across the authority and is the forum in which policy, strategy and practice are agreed and approved, to ensure a single corporate way of working and accountability for all commissioning and procurement decision making.

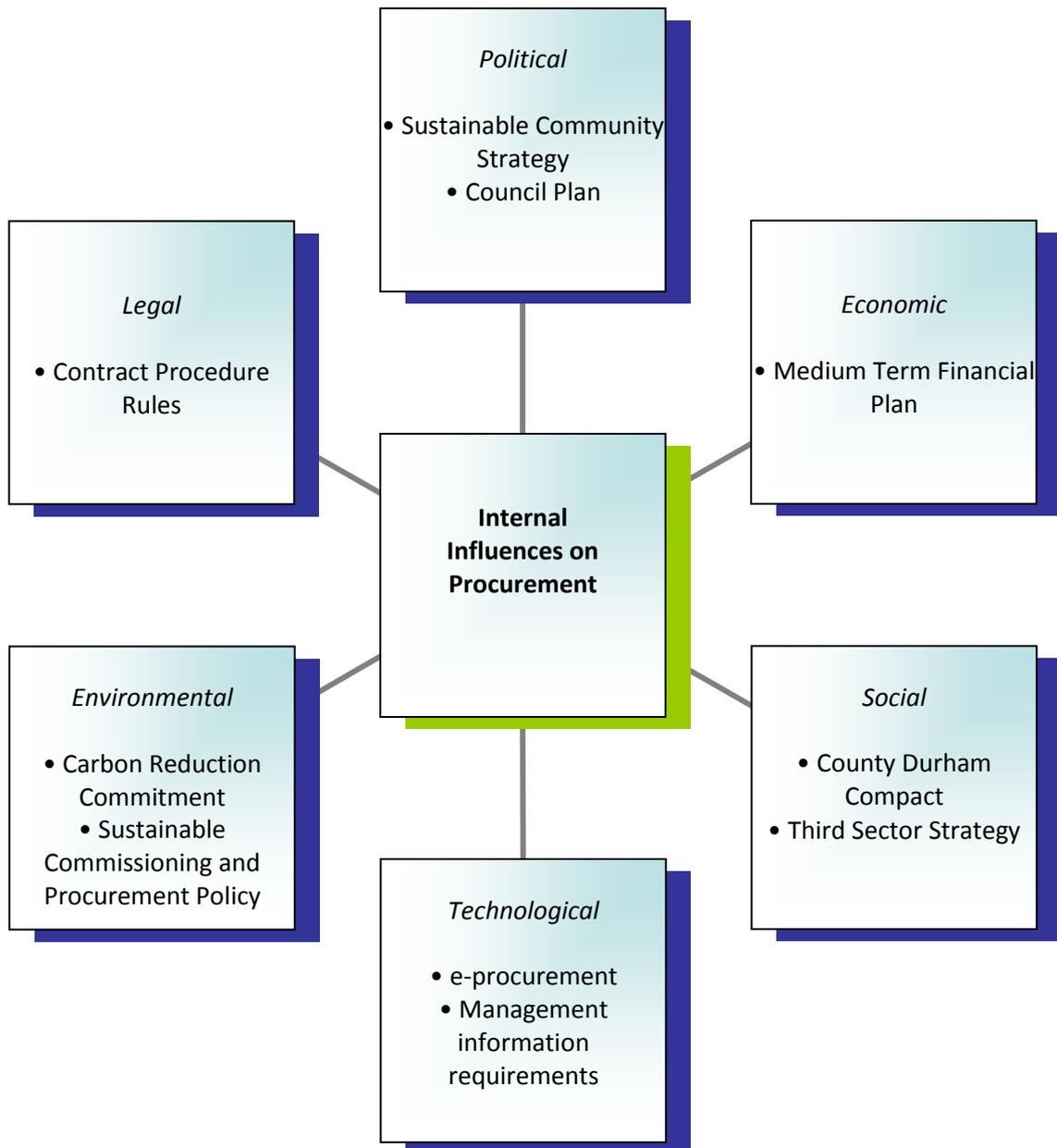
### 3 Influences

There have been a number of significant changes, both within and external to the Council, that have influenced the development of this strategy. These are briefly outlined in this section.

#### External Influences



## Internal Influences



## 4 Principles of the strategy

There are eleven principles that make up this strategy. These are:

1. Category Management
2. Collaboration
3. Community Engagement
4. Local wealth creation
5. Market analysis
6. Single corporate way of working
7. Standardised documents and processes
8. Supplier engagement
9. Sustainability
10. Transparency and accountability
11. Value for money

This section of the strategy provides details of each of these principles, including the definition and rationale, our current progress and the further actions we will take to progress and improve in these areas.

The principles have been developed in support of the Council Plan's priority themes, to ensure strategic alignment of procurement activity with what the Council aims to achieve for local people over the next three years. The themes, outcomes or objectives that are supported by each principle have been shown.

## Category Management

### Principle and rationale

In order to improve efficiency and value for money, we have developed and are implementing a category management approach to planning and managing our third party spend.

There is a regional approach to category management, developed and co-ordinated by the North East Procurement Organisation (NEPO).

Improving efficiency  
and value for money

### Current progress

The Council's third party spend profile has been segmented and categorised in line with the regional approach.

Strategic Procurement Officers have been appointed within Corporate Procurement, tasked with the development of sourcing strategies for particular areas of spend. To date, work has been done on professional services, construction and waste.

### Further actions

There are a number of key actions that will support the further development and implementation of the Council's category management strategy. These are:

- The appointment of lead officers for all master categories of spend.
- The alignment of procurement planning and contract monitoring activities, including the operation of the Procurement Work Programme and Contracts Register, to a category management model consistent with the regional approach (based on Proclass spend classification).
- The alignment of Corporate Procurement's operating structure to a category management model.
- The alignment of our category strategies to the 'hub and spoke' model of category prioritisation and study developed by the region via NEPO.

## Collaboration

### Principle and rationale

Collaboration is a key activity by which we can achieve value for money from procurement, particularly by benefiting from associated economies of scale.

A new shared service agreement for NEPO came into effect in 2011, fulfilling many of the more strategic functions previously delivered by the North East Improvement and Efficiency Partnership. The new organisation represents both an established purchasing consortium managing around £180m of contracts and a strategic partnership that will lead on much of the collaborative procurement activity for the North East region on behalf of its twelve member authorities and eight associate members.

As the public sector faces financial challenges and seeks to improve efficiency and value for money, there is an increasing opportunity to achieve significant savings through collaboration.

Improving efficiency  
and value for money

Engaging effectively  
with our communities  
and partners

### Current progress

We are already collaborating widely where there is a business case to do so and benefits can be realised that support the Council's priorities and the needs of local people. Durham County Council is one of the twelve full member authorities of NEPO. During 2011-12, Durham served as Vice Chair of the Joint Committee; it will serve as Chair for 2012-13.

### Further actions

There are further opportunities to benefit from collaborative procurement activities in the future, particularly in light of the financial efficiencies the Council is required to make. We will make strategic use of opportunities for collaboration with partners regionally and nationally. Opportunities for collaboration across the North East will be very much driven by the regional category management strategy. To make the most of collaborative procurement opportunities, we will ensure:

- The alignment of our category strategies to the 'hub and spoke' model of category prioritisation and study developed by the region via NEPO.
- That we continue to build effective strategic partnerships with relevant organisations, including NEPO and other members of the Pro 5 Group (a national network of local government buying consortia) to attain value for money from key markets and save time and money by accessing pre-negotiated, compliant procurement arrangements.

## Community Engagement

### Principle and rationale

The Council wishes to ensure that procurement supports policy and that the needs of local people are considered in major procurement decisions.

By engaging with Elected Members to ensure that the priorities of our communities are given consideration in all major decisions, such as the development of policy and strategy, we hope to realise benefits that represent excellent value – not only for money, but also for people and place.

Engaging effectively  
with our communities  
and partners

In addition, the Government has expressed an intention that local authorities will deliver fewer services directly in the future, operating a more mixed economy of direct and contracted service provision. It is anticipated that more services will be provided by the Third sector, social enterprises and community groups. Legislation has been introduced to support this agenda, including the Localism Act, which has implications for the Council's procurement activity and the way in which it will need to engage with its communities and partners.

### Current progress

The Council has appointed an Elected Member champion for procurement.

In 2010, Cabinet approved the unitary authority's first Corporate Strategy for Commissioning and Procurement and its Sustainable Commissioning and Procurement Policy. These documents will be reviewed annually to ensure they always reflect the Council's current strategic direction and support the priorities of local people.

We have delivered training to Members on key procurement issues, including EU Treaty Principles and other relevant legislation, the procurement process and sustainable procurement.

### Further actions

We will ensure that we engage with our communities and partners on procurement issues by:

- Continuing to develop our procurement documents and processes to ensure that they are open, transparent and provide equality and accessibility of opportunity or organisations of all sectors and types.
- Maintaining and developing close working links between Corporate Procurement, the Assistant Chief Executive's Office and Regeneration & Economic Development service grouping to ensure that suppliers in County Durham and the North East are aware of opportunities and equipped to competitively bid.
- Keeping Members informed of key developments in procurement policy and strategy.

## Local wealth creation

### Principle and rationale

The Council's *Altogether Wealthier* priority theme sets out its objectives for creating a vibrant economy and putting regeneration and economic development at the heart of all its plans.

The Council's plans for regeneration include delivering a step change in the local economy within a time of financial constraints and significant policy shifts nationally. Accepting the financial challenges the Council faces, there is potential to contribute to the development of a vibrant and successful local economy through procurement activity.

Altogether Wealthier

### Current progress

Despite the inability of the Council to specify or discriminate in favour of local suppliers – there are a number of ways in which the Council has contributed to the success of the local economy while ensuring a fair and competitive process. These have included:

- The development of Quick Quotes, an electronic system which ensures that local suppliers are given an opportunity to quote for work between £5,000 and £50,000 in value, in support of the Council's *Buy Local, Buy Durham* initiative.
- The creation of a Procurement Action Group (PAG) to lead on supplier engagement.
- The development of technical questions and evaluation criteria on creating positive economic and social outcomes, for inclusion in tender documents for relevant contracts.

### Further actions

Building on the work that has been done to date, we will:

- Support the outcomes and objectives that make up the Council's *Altogether Wealthier* priority theme, where these are complementary to UK Public Contract Regulations, EU Treaty Principles and healthy competition.
- Support the objectives of the Council's Targeted Recruitment and Training (TRT) Charter, by including relevant technical questions and evaluation criteria in tender documents.
- Ensure that local suppliers are given the opportunity to competitively quote for work through the extended use of Quick Quotes and the *Buy Local, Buy Durham* initiative.
- Work with organisations such as County Durham Development Company, Third Sector Strategy Working Group, North East Social Enterprise Partnership, and local businesses and enterprise agencies through the Council's Supplier Engagement PAG to ensure that suppliers in County Durham and the North East are aware of opportunities and equipped to competitively bid.

## Market analysis

### Principle and rationale

As public sector efficiencies require local authorities to look to obtain 'more for less' from the supply base, against a backdrop of increasing and varied risks including security and sustainability of supply and price volatility, it is more important than ever before that modern procurement functions operate strategically. The Council will also need to have the best possible understanding of the capabilities, limitations, opportunities and risks of its key markets and suppliers.

An effective approach to improvement and value for money that embraces innovation

Public, private and third sector organisations will all similarly be 'feeling the squeeze' of Government reductions. For value for money to be obtained, buyers and suppliers will need to work together to find new and innovative ways of doing business that reduce costs without compromising quality or scope.

### Current progress

Corporate Procurement has led on a number of initiatives that have:

- (i) Increased our existing understanding of the markets for specific goods and services,
- (ii) Enhanced the ability of the organisation to perform detailed market analysis in the future. These include:
  - Market engagement events for specific procurements.
  - Research into the security of supply of specific materials that form part of our supply chain.
  - The development of a procurement risk assessment process, aligned to the standard corporate approach to risk management.
  - Developing a Soft Market Testing Protocol that will provide commissioners and procurers with guidance and tools for assessing the reaction of the market to a proposed requirement and procurement approach, whilst exploring the potential capacity of the market to deliver the requirement.

### Further actions

We will:

- Continue to develop our knowledge of specific markets and apply this to procurements.
- Continue to make use of the Soft Market Testing Protocol to ensure we understand the capacity of capability of the markets.
- Undertake risk assessments, based on the agreed corporate approach, for relevant procurement exercises to mitigate risks and maximise benefits.
- Develop further our application of risk management, including the integration of risk assessment initiatives into the strategic sourcing process.

## Single corporate way of working

### Principle and rationale

The *Altogether Better Council* priority theme includes an outcome of building a more streamlined corporate infrastructure through, among other objectives, developing systems and processes that perform and are fit for purpose.

Procurement at the Council operates a model in which policy, strategy, systems and processes are developed centrally, within Corporate Procurement, but commissioning and procurement activity takes place across the authority, both in the corporate centre and in the majority of service areas. This model necessitates systems and processes that support a single way of working for procurements, while fulfilling the needs of service areas and the customers or service users they provide for.

The requirement to publish data on all transactions of £500 or more has provided a further driver for ensuring that our systems and processes are joined-up and provide the right management information for effective and transparent reporting.

Building a more streamlined corporate infrastructure

Corporate systems/processes that perform and are fit for purpose

### Current progress

There have been historical issues with the Council's procure-to-payment (P2P) processes, stemming in part from the complex nature of integrating the legacy financial management systems from the former County and District Councils with Oracle, the single corporate finance system for the new Durham County Council. Nonetheless, good progress has been made in improving the effectiveness and efficiency of our procurement processes, including the purchasing system. In addition to this, awareness of officer obligations has increased through the provision of extensive training on the Contract Procedure Rules – the part of the Council's Constitution that outlines the way in which procurements must be conducted.

### Further actions

We will:

- Annually review this Corporate Strategy for Commissioning and Procurement to ensure a current and consistent strategic direction for procurement activity across the authority.
- Continue to deliver training and support to all officers engaged in procurement activity.
- Provide governance for procurement across the Council through the SPN, using this forum as a two-way channel of information for procurement policy and business needs.
- Undertake a P2P Review project to develop and enhance our systems in order to improve compliance and operational effectiveness.

## Standardised documents and processes

### Principle and rationale

In order to ensure a single way of working across the organisation for procurement activity, we have developed and are embedding standardised documents and processes.

The changing landscape for procurement has also provided an opportunity to review our documents to ensure that they facilitate bids from organisations of all size, sector and type while safeguarding healthy competition in the procurement process. Our standardised approach will therefore improve equality and accessibility of opportunity for all suppliers, including SMEs and Third Sector organisations.

Corporate systems/processes that perform and are fit for purpose

### Current progress

As part of a harmonisation project undertaken in 2010-11, Corporate Procurement has reviewed all of its procurement documents and processes. We have redesigned many of these to better support the changing political, socio-economic and legal landscape and to open up opportunities to all size and type of supplier. Changes have included:

- A simpler financial assessment, making it easier for smaller organisations to bid.
- Clearer instructions on how to bid in partnership or consortium, and evaluation processes that support this.
- Enhanced technical questions that focus not only on price and technical competence, but the wider benefits that bidding organisations could deliver.
- Evaluation criteria that set out exactly how bidders' responses will be scored.

The new approach has been extremely positively received by the business community. At a procurement workshop for local SMEs facilitated by County Durham Development Company, 100% of attendees said that they now have a good or excellent understanding of our procurement process.

### Further actions

Having developed standardised documents and processes, we will:

- Work to embed these across the authority to ensure consistency in ways of working.
- Run a series of supplier engagement workshops to help potential bidders understand our new documents and processes.

## Supplier engagement

### Principle and rationale

The Council is committed to engaging with its current and prospective supply base in an open, transparent and fair way. By creating equality and accessibility of opportunity for all size, sector and type of supplier, the Council aims to promote a healthy, competitive market across sectors in order to deliver value for money for local people.

There have been historical barriers, perceived and actual, to doing business with the public sector for some sizes and types of organisations; SMEs and smaller Third Sector organisations have, in particular, commented that they sometimes find public procurement processes onerous or difficult to understand. Supported by appropriate developments in its policies, documents and processes, Corporate Procurement is committed to breaking down barriers which make (or are perceived to make) doing business with the Council difficult.

One of the key ways in which we intend to do this is through supplier engagement – both proactive and responsive.

Improving efficiency  
and value for money

A top location for  
business

### Current progress

Durham County Council has been working hard to engage with suppliers to understand mutual needs and capabilities. We have done this through:

- The creation of a Procurement Action Group (PAG) to lead on supplier engagement.
- Working closely, through this group, with colleagues in Regeneration and Economic Development to understand the needs and views of local businesses.
- Working with organisations such as County Durham Development Company, Third Sector Strategy Working Group, North East Social Enterprise Partnership.
- Market engagement events for specific procurements.
- Supplier engagement workshops to help potential bidders understand our new documents and processes, which have to date achieved a 99% positive feedback rating.

### Further actions

Building on the above work, we will:

- Develop a Supplier Engagement Strategy.
- Continue to run market engagement events for specific procurements, particularly those for the provision of new and/or innovative services.

## Sustainability

### Principle and rationale

The Council adopted a Sustainable Commissioning and Procurement Policy in 2010, which outlines how we will ensure that goods, works and services are procured in a sustainable way; that is, one which *“meets the needs of the present without compromising the ability of future generations to meet their own needs”* (Our Common Future, 1987 – United Nations report).

Sustainable procurement can contribute to a number of the objectives and outcomes set out in the Council Plan. The Council recognises three themes to sustainability – society, economy and environment – and seeks to consider what benefits can be achieved across these themes through commissioning and procurement activity.

In the current financial climate, there is also great potential to save money through sustainable procurement: the up-front price of goods or services can sometimes hide the ‘true cost’ of purchase, while a sustainable approach would seek to identify the whole life cost and impact.

Altogether Greener

Altogether Wealthier

### Current progress

Significant progress has been made in developing and embedding the principles of sustainable procurement across the Council. In addition to its Sustainable Commissioning and Procurement Policy, the Council was the first local authority to adopt a Sustainable Timber Procurement Policy that was fully compliant with EU and UK law and guidance from the Central Point of Expertise for Timber (CPET).

Key employees have been trained as part of the Marrakech Task Force (MTF) sustainable procurement training, originally developed for the UN and sponsored in the UK by DEFRA.

### Further actions

The Council is leading on the redesign of the flexible framework for sustainable procurement, an internationally recognised self-assessment tool, working with other authorities across the region via NEPO. Our forthcoming actions include the rolling out of training, based on the MTF approach, to employees involved in commissioning and procurement across the organisation.

Further information can be found in the Council’s Sustainable Commissioning and Procurement Policy.

## Transparency and accountability

### Principle and rationale

Durham County Council is committed to making information of public interest widely and easily available in the interests of open and accountable government. The Government has placed an even greater importance on transparency and

For example:

A statutory requirement was introduced in January 2011 for local authorities to publicly publish all transactions of £500 or more on a monthly basis.

Engaging effectively  
with our communities  
and partners

Working to satisfy  
customer needs and  
expectations

### Current progress

The Council began publishing its transactions of £500 or more in October 2010, well in advance of the statutory requirement to do so by January 2011. The Council conducts and publishes around 12,000 transactions of this nature every month.

Many of the Freedom of Information Act requests (FOIs) received by Council's Information Management Team relate to third party spend. Corporate Procurement therefore works closely with our colleagues in Information Management to ensure that FOIs are responded to in as timely a manner as possible with the most current data available.

### Further actions

The Council is responding to the forthcoming requirement of local authorities to publish contracts online by uploading its contracts register to the Pro-Contract system.

## Value for money

### Principle and rationale

The Council has always recognised the importance of providing value for money but this has become more important than ever in light of the efficiency savings that local authorities have been required to make.

The Council's strategy for addressing these reductions is underpinned by its Medium Term Financial Plan (MTFP). The MTFP recognises the potential of procurement activity to be a key driver of value for money and financial savings.

Affordable financial strategy which addresses Government reductions

Procurement decisions must also take into account the effect that the Council's spend has on the county and the region, in order to avoid 'unintended consequences' of public sector efficiencies. Value for money within a procurement context must therefore consider the optimal combination of the whole life cost of a commodity or service as well as the wider positive social, economic and environmental outcomes that the contract could create.

Improving efficiency and value for money

### Current progress

With support from the SPN, Corporate Procurement has made a number of proposals to achieve savings through procurement activity, in support of the MTFP. These include:

- Monitoring savings made across the organisation via procurement activity.
- Engaging with our top suppliers to identify opportunities for price reductions, price increase avoidances and rebates.

We have also trialled the use of whole life costing tools that will help to inform procurement decisions where there may be opportunity to 'invest to save', in line with the regional approach.

### Further actions

Value for money will be a key driver for procurement, particularly over the next four years. To ensure that procurement activity delivers all it can in support of the Council's financial strategy, we will:

- Report corporately on savings made via procurement activity, as one of the Resources Service Plan key performance indicators.
- Encourage staff across the organisation to consider the 'whole life value' of goods, works and services when making commissioning and procurement decisions.
- Continue to work with our suppliers to achieve the optimal combination of value for money for local people and businesses.

## Appendix: Web Links

Sustainable Community Strategy

[http://www.durham.gov.uk/MINAGENDASPDF/Cabinet/100310\\_Item10\\_Strategy.pdf](http://www.durham.gov.uk/MINAGENDASPDF/Cabinet/100310_Item10_Strategy.pdf)

Council Plan and Service Plans

<http://www.durham.gov.uk/Pages/Service.aspx?ServiceId=7559>

Corporate Procurement Policy and Strategy pages

<http://www.durham.gov.uk/Pages/Service.aspx?ServiceId=829>

Guide on How to do Business with Durham County Council

<http://www.durham.gov.uk/Pages/Service.aspx?ServiceId=830>

DCC's Equality and Diversity webpage

*(Including details of our Single Equality Scheme)*

<http://www.durham.gov.uk/Pages/Service.aspx?ServiceId=861>

North East Procurement Organisation (NEPO) portal

<http://www.nepoportal.org>

## Further Information

For further information on any of the details in this document or the Council's plans for strategic procurement activity, please feel free to contact us:

[corporate.procurement@durham.gov.uk](mailto:corporate.procurement@durham.gov.uk)