

Executive Member	Councillor Lynne Brooks, Executive Member for Finance & Investment
Strategic Management Team Lead Officer	Nick Gray, Deputy Chief Executive
Author	Phil Mitchell, Financial Services Manager
Telephone	Tel: 01306 879149
Email	phil.mitchell@molevalley.gov.uk
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Ward(s) affected	The report covers the whole District
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Subject	The Council's Corporate Procurement Policy & Principles
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RECOMMENDATIONS

The Audit Committee is asked . . .

To approve the Corporate Procurement Policy & Principles at Annex A

BACKGROUND

1. Over the course of the last 18 months, procurement has been the focus of a number of new initiatives introduced by the European Union and UK Government. The underlying theme has been a push towards opening up public sector Procurement activity to potential tenderers, particularly small and medium enterprises (SMEs) by streamlining and simplifying processes and publishing more frequent and clearer details on existing and proposed contract spending.
2. New directives from the EU have been implemented through the Public Contract Regulations 2015 (PCR 2015) and the Concession Contracts Regulations 2016. The PCR 2015 prescribes that all public sector contracts in excess of £25,000, which are advertised, must also be advertised in the UK on the Contracts Finder portal, or on an e-tendering system that interfaces with it. There are some limited exceptions, which are provided for in the Council's Contract Standing Orders (CSOs).
3. The Local Government Transparency Code 2014 introduced a mandatory requirement on local authorities to maintain and publish a Contracts Register

(for all contracts with a value in excess of £5,000) and a register of all procurement exercises (also with a value in excess of £5,000).

Procurement Policy & Principles

4. To reflect all of the above developments, the statement of MVDC's Procurement Policy & Principles has been updated and is attached at Annex A. It was initially considered by the Audit Committee in November 2015 and has been refined since then in line with Audit Committee comments and wider consultation. If approved by the Audit Committee and Executive, the Policy will be published on the Council's website, replacing the current, outdated statement. The Policy sets out MVDC's commitment to strategic procurement and aspiration of securing best value for the benefit of MVDC residents. The introduction of a new Policy is also a requirement of the internal audit of the council's procurement function.

CORPORATE IMPLICATIONS

Monitoring Officer commentary - None within the report. The Policy reflects and is compatible with the current legislative framework within which MVDC is required to procure. It will need to be kept under review and in the event of conflict, the legislative framework and MVDC's contract standing orders will prevail over the Policy.

S151 Officer commentary - The S151 Officer confirms that all financial implications have been taken into account.

Risk Implications – a clear public statement of policy and principles addresses the risk of improper or ineffective procurement.

Equalities Implications – there is explicit reference to Equalities within the Principles.

Employment Issues - None within the report.

Sustainability Issues – there is explicit reference to Sustainability within the Principles.

ANNEX A

MOLE VALLEY DISTRICT COUNCIL CORPORATE PROCUREMENT POLICY & PRINCIPLES 2016

Procurement Policy Statement

Mole Valley District Council will

- **Secure the best goods and services available, appropriate to its needs**
- **At the best price**
- **Following fair and proper evaluation and selection of suppliers**
- **In compliance with the UK legislation and MVDC's own policies and regulations**

Procurement is defined in the National Procurement Strategy first published in 2003, and now re-stated in the 2014 version, as:

“The process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of need, through to the end of a service contract or the end of the useful lifecycle of an asset.”

This definition, whilst accurate, does not identify the full potential of procurement as a tool for delivering the Council's long terms goals as set out in the Corporate Strategy. This policy sets out how Procurement will support the achievement of those wider objectives over the next four years through:

- (i) the introduction of new governance arrangements;
- (ii) the development of a more commercially focused procurement culture, engaging with Small and Medium Enterprises (SMEs) where possible;

- (iii) the promotion of social value, sustainability and environmental benefits where appropriate;
- (iv) investing in new technology;
- (v) the development of expertise through staff training.

It is important that the ability to act and react flexibly is retained. There have been many changes to procurement in the last few years, brought about by legislation and there are more to come. The Council will take every opportunity to develop procedures and support officers through guidance and training to develop and retain professional competence in all aspects of procurement to deliver outstanding value for money to the district.

The policies and principles in this document set out the Council's commitment to strategic procurement and aspirations in pursuing the objective of securing best services at the best value for the benefit of Mole Valley.

OVERVIEW OF PROCUREMENT

In 2014-15, the Council externally procured goods, works and services worth approximately £17 million. 80% of the expenditure is concentrated with 8% of the Council's suppliers. In the next few years further national and local budget reductions will mean that it will be increasingly important to manage expenditure on procured goods, works and services to minimise risks to the Council's financial strategy, and to ensure that the best possible value is achieved for the residents and businesses of Mole Valley.

Effective procurement plays an important role in achieving continuous improvement and securing value for money in public services. The Council has legal responsibilities when making procurement decisions. It is important to ensure that procurement decisions are legal, embed the Nolan principles of Public Life and accord with the priorities of the Council in terms of the economic, social and environmental well-being of the district.

The Council is structured to deliver as effectively as possible, procuring activities

which are devolved to each individual service and managed by officers in those services. To support officers and to provide cohesion and consistency across the Council, a Corporate Procurement Advisory Board (CPAB) will form an important part of the governance structure. The CPAB will have oversight of the procurement function and will report directly to the Senior Management Team. This is not to take away responsibility from the Business Managers for managing their requirements but it will provide an extra level of resource to maximise value from the procurement spend.

The CPAB will also act as a gateway for certain procurement activities; promulgating best practice, helping to mitigate procurement and contract management risk, providing a Council-wide overview of procurement activity, identifying potential savings opportunities and areas of collaboration, and ensuring that the Council may respond quickly and flexibly to new opportunities and ways of working.

As well as complying with Contract Standing Orders and Financial Regulations, all officers engaged in procurement must be familiar with this Policy and the actions that the Council should take to provide effective governance and to maximise value from its procurement spend.

The developments in best practice, legislation and government guidance, combined with the need to be responsive, make it important to accept that the Procurement Policy documents are living documents and will require review and amendment. For example, recent changes in UK legislation including The Public Contract Regulations 2015 and the Public Services (Social Value) Act 2012, require that the Council considers how what is to be procured may improve the economic, social and environmental well-being of the District.

THE COUNCIL'S VISION

A place where people want to live, work, do business and spend their leisure time.

The priorities for the Council are:

- Environment
- Prosperity
- Community Well Being

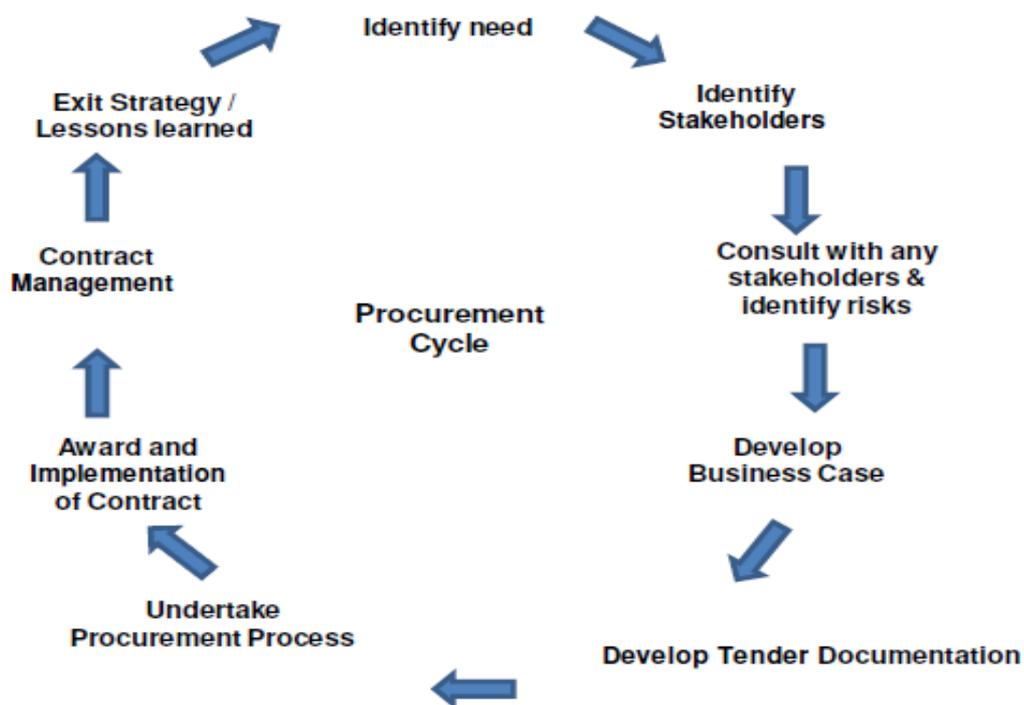
The Council's procurement activity is an essential contributor to the achievement of its vision through coordinated, efficient and focused procurement activity guided by the principles.

Governance : Management of the Strategic Framework and Corporate Objectives

Procurement activity takes place within a strategic framework consisting of the Constitution, Corporate Procurement Policy, the Contract Standing Orders and the Financial Regulations.

An audit trail of the decision making process is required for all stages of procurement, as illustrated:

Diagram: Procurement Cycle



Priorities and Plan

Procurement activity will be planned over two year cycles. Where practicable, procurements in excess of £100,000 will have a business appraisal, including options and all the key aspects of the procurement which must be agreed by the relevant Corporate Head of Service and the CPAB prior to commencing procurement. This

will facilitate enhanced planning and scheduling of all significant procurement activity.

Options Appraisal

The proposal for each procurement project over £100,000 should include an options appraisal. An audit trail will be required for each such procurement; starting with the case that there is a need and how that need might best be met. Consideration will also need to be made as to the most appropriate route to procure goods, services and works to ensure that the Council achieves value for money. Option appraisals may include alternative models of service delivery including shared services with other public sector organisations and collaborative opportunities.

Monitor and Review

The monitoring and management of contracts is a critical factor, and may account for the difference between a successful contract and a failed one. Contractual arrangements must be effectively managed and monitored throughout the contract duration. Contracts should include quality and performance standards and be monitored and reviewed by the contract manager. Major contracts should be subject to continual review and appraisal. Plans should be made well in advance of the expiry of a contract to consider the procurement strategy. This will inform future procurement so as to ensure that the Council may:

- improve outputs and outcomes,
- reduce where possible the cost of goods and services procured by the Council,
- improve the way in which we procure works, goods and services,
- encourage local suppliers and improve their understanding of how to bid
- balance quality and cost,
- respond promptly and effectively to changes in requirements,
- value innovation and creativity,
- work with councils and other partners to achieve value for money and maximise economies of scale.

Partnership and Partnering

In specific instances (subject to the evidence of a robust business case), a properly

procured and managed strategic service delivery partnership can deliver step-changes in service quality. Strategic partnering can provide access to new skills, resources and ways of doing things and allow for innovation and the pursuit of difficult or long-term goals as well as the opportunity for a small Council to achieve economies of scale. Partnerships can provide access to investment, skills and new opportunities that the Council is unable to acquire alone. The Council may explore such options to provide quality services required for the future.

E-tendering

E-tendering involves the end to end process of conducting business electronically. The new legislation required all public authorities which are advertising a procurement with an aggregate value in excess of £25,000, to advertise the procurement on Contracts Finder with effect from 1 April 2015, subject to a few exceptions, and to introduce full e-procurement by 2018. The Council started undertaking procurement electronically for contracts from 1st April 2015. The system also provide benefits as a source of data for management assisting the Council to meet its obligations under the Local Government Transparency Code in a cost efficient manner.

KEY PRINCIPLES

1. Sustainable Procurement

Sustainable procurement is a process whereby the Council meets the needs for goods, services, utilities and works 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. Procurement seeks to minimise damage to the environment, promote the conservation of natural resources and help support supply chains to develop their own sustainability.

2. Value For Money

The Council aims to achieve value for money from all procurement activities. Value for money in this context is the optimum combination of whole life costs and

benefits, which meets the requirements. This is not necessarily the lowest price option.

3. Supporting Local Businesses

Procurement legislation prohibits the Council from favouring local businesses. However, the Council is encouraged through the provisions of the Public Contract Regulations 2015 to support access by Small and Medium Enterprises (SMEs) to public contracts. Best practices on Small and Medium Enterprises (SMEs) and recent legislation identifies the main issues encountered by SMEs as:

- the size of contracts
- access to relevant information
- the quality and understanding of the information provided
- selection criteria - setting of proportionate qualification levels and financial requirements
- excessive administrative burdens
- more emphasis on price rather than value for money
- insufficient time to prepare and submit bids
- slow payment of invoices

The provisions of the Public Contract Regulations mandates proportionate selection criteria and prompt payment terms. The Council will support the growth of a strong local economy through:

- making it simpler to do business with the Council through a refinement of the bidding process to ensure that bidding procedures are proportionate and appropriate to the requirement. For example, this could be through splitting requirements into lots and removing unnecessary paperwork and administration;
- keeping the procedure rules under review and, in so far as is possible within the legal framework, simplifying processes;
- providing clear information about selling to the Council on our website;

- working pro-actively to support local businesses through supplier engagement events to explain how to do business with the Council;
- the introduction of an electronic tendering system to reduce paperwork, comply with procurement legislation and save costs for both the Council and prospective tenderers;
- providing information about future procurement activity and advertising tenders on the Council's website and also through procurement portals and local media well in advance of the requirement when possible;
- ensuring our evaluation processes continue to place emphasis on value for money.

4. Social Value

The Council has a role to play in addressing social cohesion across the district. The Public Services (Social Value) Act 2012 places a duty on the Council to consider in procuring services above the EU threshold:

- (a) how what is procured might improve the economic, social and environmental well-being of the relevant area; and
- (b) how, in conducting the process of procurement, the Council may act with a view to securing that improvement.

The Council's processes seek not only to maximise value for money in terms of taxpayer spending and outcomes for customers but also seek, where appropriate, to:

- benefit local people and organisations, including developing the third sector and SMEs in the district,
- encourage new approaches to social, environmental and economic issues,
- deliver sustainable solutions benefiting our communities beyond the length of a contract, and
- improve local job opportunities and skills.

5. Equality

As a local authority, we must be fair and accessible when we commission and buy services from others and we must have due regard to the aims of the Public Sector Equality Duty, as set out in the Equality Act 2010. The public sector equality duty is non-delegable. In practice, this may mean that we need to ask our contractors to take certain steps in order to enable us to meet our continuing legal obligation to comply with the duty. Potential equality issues should be considered at all stages of the procurement cycle.

6. Conduct

- Procurement activity will be transparent, fair and, consistent and be undertaken to the highest standards of probity and accountability.
- All employees must adhere to the Council's Code of Conduct and the requirements of the Employees on Gifts and Hospitality Register.
- Contractors will be expected to act with integrity and to the same high ethical standards as the Council.
- The Council will ensure that procurement activity is undertaken in the most effective and appropriate manner, considering all options including:
 - use of framework agreements when appropriate
 - use of approved e-tendering portals
 - collaborative procurement with other councils and organisations
 - recording all Contract Standing Order waivers
- The Council will regularly assess the training and development needs of all officers procuring goods, works and services and the Corporate Procurement Advisory Board (CPAB) will maintain a list of all officers that conduct our procurement activity to ensure that they are informed of new corporate contracts and ongoing procurement developments. The CPAB will provide support to staff undertaking a contract management role as well as providing a corporate point of focus for information concerning procurement activity and embed efficiency and consistency of approach across the Council.

Last updated	June 2016
Responsible Officer	Financial Services Manager
Agreed by	Audit Committee 30 June 2016 Executive 19 July 2016
Next update due	June 2019