

# Procurement and Contract Management Strategy

2016 – 2021

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## 1.0 Introduction, Vision and Procurement Aims

- 1.1 This strategy sets out our vision for procurement and contract management and our priorities for the next 5 years to 2021 incorporating the latest government procurement legislation and initiatives. We aim to provide quality services that are responsive to the needs of our community and deliver optimum value for money.
- 1.2 The strategy sets out how we aim to achieve this over the longer term and includes an action plan for the forthcoming year which will be regularly reviewed and a new action plan produced each year.
- 1.3 Our vision for procurement over the term of this strategy is to demonstrate value for money through the effective procurement of goods, services and works.
- 1.4 To achieve this vision we will procure goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to the organisation, whilst minimising impacts to the environment.
- 1.5 Our high level procurement and contract management aims are shown below, Appendix 1 gives details on this aims and how we will achieve them.:
  - **Developing and improving our approach to procurement**– We will further develop our processes and procedures that define the Council’s approach to procurement and how social value will be measured whilst achieving efficient and effective procurement by ensuring the Council gets best value for money.
  - **Governance** – We will ensure the Council has appropriate and proportionate controls, systems and standards to manage procurement risk, information governance, and to comply with legal requirements. Protecting the environment is one of our core priorities and our continuing EMAS accreditation includes a commitment to procure works, goods and services from sustainable sources.
  - **Providing leadership, building capacity and sustainability** – The commitment of the Council to procurement excellence by promoting and managing procurement strategically and by ensuring that it is resourced by staff with the appropriate level of skills, knowledge and experience. Protecting the environment is one of our core priorities and our continuing EMAS accreditation includes a commitment to procure works, goods and services from sustainable sources.
  - **Supplier Engagement and Contract Management** – We will strengthen our contract management including regular reviews to ensure the Council is receiving the most advantageous commercial terms. We will develop relationships with local businesses and supplier by promoting opportunities and ‘how to sell’ to the council.
- 1.6 Stroud District Council spends £30m each year on goods, works and services provided by external organisations, we clearly have a responsibility to make sure this spending represents best value for money.
- 1.7 A strategy by itself will not lead to effective procurement and contract management; it is the commitment of our senior managers and staff carrying out procurement and contract management activity which are key to its success. The Council’s Corporate Team oversees the strategy and will review progress against the implementation of the actions.

- 1.8 Procurement and contract management are key areas for releasing efficiency savings, and have a significant role to play in ensuring the Council continues to deliver good quality, cost-effective services to the residents of Stroud.

## **2.0 What is Procurement and Contract Management?**

- 2.1 “Procurement is the process of acquiring, goods, works and services, covering both acquisition from third parties and in-house providers. The process spans the whole cycle from identification of needs through to the end of a contract or the end of the useful life of an asset. It involves options appraisal and the critical ‘make or buy’ decision which may result in the provision of services in-house in appropriate circumstances”.

*(Source: National Procurement Strategy for Local Government 2014).*

- 2.4 “Contract Management enables councils and their suppliers to meet their contractual obligations at an agreed cost and quality. Circumstances may change over the life of a contract, so contract management also involves managing changes and variations in terms of scope, terms and prices”.

*(Source: Making Savings from Contract Management, LGA 2013)*

## **3.0 Why is procurement and contract management important?**

- 3.1 “Good procurement is essential to ensure good public services, from buying works, goods and services that work as they are supposed to, to achieving savings that can be ploughed back into front-line services. The public sector spends over £125 billion a year procuring a wide range of works, goods and services, from everyday items such as pens and paper, to major construction projects such as schools and hospitals. All those who, as taxpayers, use and fund public services have the right to expect government to meet the highest professional standards when it procures on their behalf”.

*(Source: Transforming Government Procurement)*

- 3.2 “Good contract management is active and dynamic; ensuring councils can manage change and aim for continuous improvement. It helps to identify and manage suppliers, and their commercial risks within a collaborative and professional relationship. It helps to maximise savings and service quality”.

*(Source: Making Savings from Contract Management, LGA 2013)*

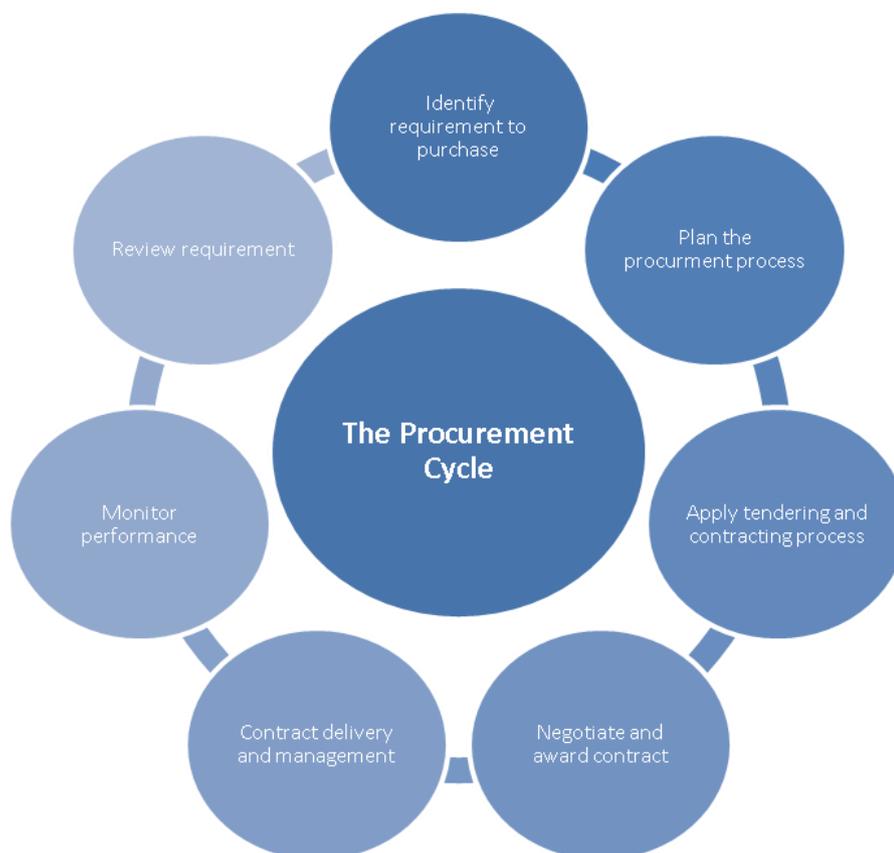
## **4.0 Critical Success Factors**

- 4.1 Success of this strategy will depend on the effectiveness of the following key principles and actions:

- Political and management endorsement and support.
- Recognition council-wide of the role of procurement and contract management in delivering improvement and efficiency;
- Improved forward planning by service areas;
- Adequate resourcing and prioritisation of projects;
- Adequate support from key internal functions throughout the procurement and contract management cycle;
- Continued development of procurement and contract management capacity and capability within services, encouragement of continuous improvement;
- Identification, allocation and continuous management of risk;

- Management of performance shortfalls and adequate tools to tackle poor performance;
- Continuity of knowledge throughout the procurement and contract management phases and the delivery of regular and effective training.

## 5.0 The Procurement and Contract Management Cycle



- 5.1 Effective procurement and contract management forms a continuous cycle of action and improvement, from identification of needs through to review of delivery and achievement of outcomes and includes procurement and contract management activity. The stages are inter-dependent – each stage builds on the previous ones. The outcome for the procurement exercise may not be known at the outset and this may result in a grant being awarded, provision remaining in-house or a fully tendered procurement.
- 5.2 This strategy is aimed at promoting effective procurement across all services and should be read in conjunction with our Contract and Procurement Procedure Rules, Financial Regulations.

## 6.0 Legislation

- 6.1 Public procurement operates in a highly regulated environment that is governed by legislation and policies set by the European Union (EU), nationally through statute and case law and locally by the Council's Constitution. Please see Appendix 2 for details of the relevant legislation and procedure rules.

## 7.0 Governance, structure and responsibilities

- 7.1 The National Procurement Strategy recommends that local authorities demonstrate

political leadership of procurement. Strategy and Resources Committee are responsible for authorising this Procurement and Contract Management Strategy and reviewing progress on the annual action plan. Audit and Standards Committee are responsible for ensuring compliance with the Contract and Procurement Procedure Rules.

## 7.2 Corporate Team are responsible for:

- Strategic leadership and governance of Procurement and Contract Management
- Adopting the Procurement and Contract Management Strategy and ensuring it aligns with corporate objectives.
- Overseeing the arrangements for procurement and contract management to ensure they are operating effectively.
- Asking challenging questions about value for money and risk management in relation to procurement.
- Ensuring equality and sustainability are considered at each stage of the procurement process.
- Making key decisions in the procurement process for major projects.

## 7.3 Operational Managers and Relevant Staff

- Each relevant operational manager is responsible for ensuring that the staff in their areas have the right level of skills to deliver effective procurement and will also monitor all procurement activity in their services.
- For specific, high value (£250,000) or high risk contracts, project teams are formed to ensure that technical, legal and commercial issues are considered, using the project management framework.
- Staff involved directly with the purchase of goods, services and works must ensure they comply with this strategy, and the Contract and Procurement Procedure Rules, with reference to the guidance on the Hub and conduct relationships with suppliers and the Council in an ethical and appropriate manner to ensure they promote their employer in a positive manner.

## 7.4 Procurement Team

The duties of procurement team are to coordinate, develop and monitor procurement activity across the Council, including:

- Coordinating this procurement and contract management strategy on behalf of the Council.
- Providing assistance to contract owners in the control and management of contracts.
- Development and maintenance of procurement and contract management documentation and web pages to publicise procurement plans, information and advice to potential suppliers and staff.
- Continue the development of e-procurement to deliver savings in transactional processes.
- Providing assistance to contract owners in the planning and co-ordination of improvement of current contracts, business continuity, exit strategies and post contract appraisals and reviews.
- Ensuring the procurement process eliminates the potential for fraud and favouritism towards any supplier.
- Supplier analysis to identify supplier base, spend per supplier, spend per category.

- Coordinate and monitor the Council Contracts Register to allow improved advanced planning for procurement and contract management activity.
- Organising training for staff, to include specific procurement training, induction and Contract & Procurement Procedure Rules, and use of the procurement portal.

## **7.5 Management of Risk**

- 7.6 Risk management is an integral part of procurement. The risk when procuring, including that of fraud and corruption will be a key consideration and an integral part of the procurement process. The Council will identify the risks associated with major procurements and the contingencies for service disruption in each project and corporate risk register and how these are to be mitigated and managed.
- 7.7 For any high value, high risk or high profile procurement and which also involves significant risk including staff transfer; or significant potential for reputational or financial risks the Council will utilise the project management methodology throughout a projects life to ensure the project delivers the project objectives and outcomes. Risks and issues registers relating to the procurement will be set up and regularly monitored by the project team.

## **7.8 Business Continuity**

- 7.9 Business continuity is the process of preparing for and responding to a disaster, event or situation that could have a serious impact on the delivery of services. For high risk procurements the suppliers will be required to submit a business continuity plan as part of the tender submission. All key suppliers will be required as part of contract management to provide an annual update of their business continuity plans in the required format.

## Appendix 1

## Procurement and Contract Management Strategy - Procurement Aims

<b>Vision for procurement</b>	<b>Our vision for procurement over the term of this strategy is to demonstrate value for money through the effective procurement of goods, services and works</b>
<b>Procurement Aim1</b>	<b>Developing and improving our approach to procurement</b> - We will further develop our processes and procedures that define the Council's approach to procurement and how social value will be measured whilst achieving efficient and effective procurement by ensuring the Council gets best value for money.
Where are we now?	<ul style="list-style-type: none"> <li>• A significant number of Internal Audit reports with limited or unsatisfactory assurance opinions around compliance with contract &amp; procurement procedure rules and EU regulations</li> <li>• Reported as a significant issue for 2 years running in the Annual Governance Statement</li> <li>• A qualified value for money opinion from External Auditors in relation to procurement.</li> <li>• An external review undertaken and an action plan produced to address the recommendations made</li> <li>• 12 months on from the first procurement action plan, most of the actions have been completed, or are now BAU for the procurement team.</li> <li>• Use of the procurement portal for the majority of procurement activity is embedded across the authority.</li> </ul>
Where do we want to be?	<ul style="list-style-type: none"> <li>• Evidence that new processes and governance put in place has improved our performance in relation to procurement</li> <li>• Have staff skilled up to undertake procurement activity in accordance with the rules and regulations</li> <li>• Ensuring social value considerations are made for services contracts at the pre-procurement stage</li> </ul>
What do we need to do to get there?	<ul style="list-style-type: none"> <li>• Provide comprehensive and effective training to all staff, including Corporate Team and senior managers, involved in procurement activity on procurement</li> <li>• Ensure delivery of the Procurement and Contract Management Strategy</li> </ul>
<b>Procurement Aim 2</b>	<b>Governance</b> - We will ensure the Council has appropriate and proportionate controls, systems and standards to manage procurement risk, information governance, and to comply with legal requirements.
Where are we now?	<ul style="list-style-type: none"> <li>• Reported as a significant issue for 2 years running in the Annual Governance Statement</li> <li>• Focus very much on getting the basics right by ensuring the Council has appropriate and proportionate controls and procedures to manage procurement and contract management</li> <li>• In transition following the external review undertaken</li> <li>• Corporate Team are responsible for strategic leadership and governance of procurement and contract management</li> </ul>

Where do we want to be?	<ul style="list-style-type: none"> <li>• No significant issues relating to VFM in the Annual Governance Statement</li> <li>• All procurement and contract management activity is fully compliant with legislation and procedure rules</li> </ul>
What do we need to do to get there?	<ul style="list-style-type: none"> <li>• Establish robust governance of procurement through Corporate Team following the dissolution of the Corporate Procurement Board with appropriate level of consequences for non-compliance</li> <li>• Establish a comprehensive procurement training programme for all staff</li> <li>• Ensure delivery of the Procurement Strategy</li> </ul>

<b>Procurement Aim 3</b>	<b>Providing leadership, building capacity and sustainability-</b> The commitment of the Council to procurement excellence by promoting and managing procurement strategically and by ensuring that it is resourced by staff with the appropriate level of skills, knowledge and experience. Protecting the environment is one of our core priorities and our continuing EMAS accreditation includes a commitment to procure works, goods and services from sustainable sources.
Where are we now?	<ul style="list-style-type: none"> <li>• Corporate Team are responsible for strategic leadership and governance of procurement and contract management</li> <li>• Forward Procurement Plan published for 2015/16, identifies by budget holder all planned expenditure over £5,000.</li> <li>• Procurement guidance on the Hub updated to reflect changes to legislation, procurement portal template updated</li> <li>• Procurement training programme scoped, input from procurement champions</li> </ul>
Where do we want to be?	<ul style="list-style-type: none"> <li>• Comprehensively training staff, fully understand process and procedures in relation to procurement and contract management</li> <li>• Use of forward procurement plan to ensure strategic, high value, high risk contracts are well planned in advance of expiry, with all options considered, and fully resourced</li> <li>• Sustainability and environmental issues are considered for all procurement activity</li> </ul>
What do we need to do to get there?	<ul style="list-style-type: none"> <li>• Implement comprehensive training programme for all staff</li> <li>• Update forward procurement plan for 2016/17 for all expenditure over £25,000 for each budget holder</li> <li>• Continue to update guidance and provide up to date information for staff carrying out procurement activity</li> </ul>

<b>Procurement Aim 4</b>	<b>Supplier engagement and contract management</b> - We will strengthen our contract management including regular reviews to ensure the Council is receiving the most advantageous commercial terms. We will develop relationships with local businesses and supplier by promoting opportunities and 'how to sell' to the council.
Where are we now?	<ul style="list-style-type: none"> <li>• Suppliers in the district have been mapped identified by those who pay NNDR, including size, type and ward location</li> <li>• Annual spend analysis undertaken to identify top suppliers by value of spend, number of suppliers, and GL spend</li> </ul>
Where do we want to be?	<ul style="list-style-type: none"> <li>• Encouraging local suppliers to bid for opportunities</li> <li>• Regular communications with contractors including contract progress</li> <li>• Plans and options appraisal as part of a business case are made well in advance of expiry of contract</li> </ul>

What do we need to do to get there?	<ul style="list-style-type: none"><li>• Ensure local suppliers understand where to find opportunities from the Council and other public sector organisations by ensuring information available on the website</li><li>• Regular 'selling to the council' events</li><li>• Regular pre-procurement market engagement</li></ul>
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**Appendix 2****Legislation and procedure rules relating to Procurement and Contract Management****EU Directives and Public Contract Regulations (PCR) 2015**

The EU procurement regime is based on the Treaty principles of transparency, non-discrimination, equal treatment and proportionality. The directives give detailed instructions on how public procurement over a certain threshold should be carried out. The detail behind the legislation and regulations is complex, and since their inception has been supplemented by a raft of case law.

In December 2009, the Remedies Directive provided additional regulations which provide suppliers with additional powers to challenge and arrange for a contract award to be set aside under certain conditions.

The Public Contracts Regulations 2015 came into force on 26 February 2015. Failure to adhere to the provision of the EU Directive and The Public Contracts Regulations 2015 can result in the authorities becoming subject to Court action or enforcement action by the European Union.

**Local Government Transparency Code 2015**

The Transparency Code requires the Council to publish details of every invitation to tender for contracts with a value that exceeds £5,000. We must also publish details of any contracts, commissioned activity, purchase order, framework agreement or any other legally enforceable agreement with a value that exceeds £5,000.

**The Public Services (Social Value) Act 2012**

This act places a duty on local authorities, at the 'pre-procurement' phase of procuring services to consider how and what is being procured might improve the economic, social and environmental well-being in their community; and how they might secure that improvement in the procurement process itself as long as such action is relevant to what is being procured, and is considered to be proportionate. This applies to all public services contracts with only an element of goods or works. It does not apply to public works contracts or public supply (goods) contracts.

**Community Right to Challenge (Localism) Act 2012**

This act enables "relevant bodies", for example voluntary and community groups, employees or Parish Councils, to challenge to take over local services that they think they can run differently or better. The right enables a relevant body to submit an expression of interest (EOI) to a relevant authority to provide or assist in providing a relevant service.

**Freedom of Information Act 2000**

This act provides people with the right to access to information held by public bodies. This with the government's transparency agenda has consequences for those contracting with the partners where the financial details of contracts awarded may be made public.

**Data Protection Act 1998**

This act governs the way personal data is handled. Any contract must require the contractor to comply with Data Protection Act 1998 and indemnify a partner Council against any claim.

**Contract and Procurement Procedure Rules and Financial Regulations**

As part of its corporate governance arrangements the Council must ensure that there are adequate controls, procedures and standard documentation in place to satisfy the need to meet probity, propriety and transparency tests. The Contract and Procurement Procedure Rules and Financial Regulations fulfil this requirement and they are part of the approved Constitution. They must be observed by both Members and Officers within the procurement process.