

Procurement

What is Procurement?



Introduction

- What is Procurement?
- National Strategy
- Annual Efficiency Statement
- Standing Orders
- Procurement / Tenders Processes
- e-procurement
- Organisations

What is Procurement?

Process of obtaining:

- Supplies – i.e. stationery, cleaning materials
- Services – i.e. consultancy, surveying
- Works – i.e. construction of a building or road

- Covers the full life cycle of asset or service from manufacture to disposal

Why is procurement important?

- Impact upon all aspects of
 - Service delivery
 - Council performance
- Local authorities spend £40bn every year on behalf of citizens
- Effective procurement can contribute towards Authority savings
 - Current multi-functional device contract

MBC - 2004/5 £120million approx

- 23% within MBC postcodes
- 20% within the Tees Valley (ex MBC)
- 16% within North East (ex TV & MBC)
- 41% outside North East

Almost 60% of Council spend stays in the North-East Region

National Procurement Strategy

- December 2003
- Following on from Byatt report
 - Opportunities to develop and improve procurement processes
- Designed to help local authorities:
 - Achieve best value for money
 - Get the outcomes they want
 - Scope for potential cost savings - through more efficient procurement practices

MBC Corporate Procurement Strategy (Executive 19th August 2004)

- Taking into account recommendations within National Strategy
- Clear framework for Procurement
 - Reflects corporate plan
 - Framework for best value
- Action plan
 - National Procurement milestones
- Contributes towards Council's CPA rating
- Development plan August 2006

Centres of Excellence

- Central Government support to local authorities
- Nine centres of excellence
- Assist in implementing Procurement Strategy
- Aimed at innovation change by providing:
 - Expertise
 - Sharing existing good practice

North East Centre of Excellence (NECE)

- Hosted by Gateshead
 - In co-operation with all other authorities in the region
- NECE projects MBC are involved in
 - Joint Tees Valley Vehicle Procurement Project
 - Development of a Regional Collaborative Contract Programme
 - Development of a Regional Cross Public Sector Procurement Concordat
 - Standardisation of Tender Documents

Gershon – Annual Efficiency Statement (AES)

- Sir Peter Gershon
 - Invited to undertake an Independent Review of Public Sector Efficiency
- Independent review of Public Sector Efficiency
- Release major resources more efficiently into front line services
- Direct feed into 2004 Spending Review
- Procurement is a vital component
- Council's AES can be found on www.communities.gov.uk

MBC's Efficiency Statement

- First Annual Efficiency Statement submitted to the ODPM on 15th April 2005
- Proposals of £4.8m for 2006/07
- Based on
 - Vision – maintaining a strong & ambitious vision for the future
 - Performance management framework
 - Procurement - clear framework set out within the Corporate Procurement Strategy

Council's Constitution

- Procurement process responsibility largely delegated to Directors
- Executive approval is required for expenditure over £75,000 (forward work programme)
- The Director of Legal and Democratic Services and Director of Resources also have specific duties
- The Executive Member for Resources is the Member Champion for Procurement

Legislation & Standing Orders

- European legislation (OJEU)
 - Works over £3,611,319
 - Goods, Materials and Services over £144,371
- Total contract value over 48-months
- UK law
- Standing orders -Define the framework
- Internal Financial thresholds

Standing Orders - thresholds

Works	Goods, Materials & Services	Consultants	Requirements
Up to £9,799	Up to £4,999	Up to £14,999	Neither written quotations nor tenders need to be invited but Accounting Instructions must be observed.
£9,800 - £99,999	£5,000 - £34,999	£15,000 - £49,999	At least three written quotations. Tenders can be sought but this is optional.
£100,000 - £499,999	£35,000 - £100,000	£50,000 - £99,999	At least 3 Tenders must be sought. The Tender advert(s) must be placed in at least one local paper and on the government website Supply2.gov.uk
£500,000 - £3,611,319	Above £100,000	Above £100,000	EC Procedure - OJEU notice. Even if not a mandatory service. At least 3 tenders must be sought, ensuring that the tender process complies with the EC Directives. In addition tender adverts must be placed in at least one local paper.
Above £3,611,319 (EC threshold)	Above £144,371 (EC threshold)	Above £144,371 (EC threshold)	EC Procedure - OJEU notice At least 3 tenders must be sought, ensuring that the tender process complies with the EC Directives. In addition tender adverts must be placed in at least one local paper.

Exemptions from Standing Orders

- In cases where it is not possible to comply
 - Only one supplier
 - Emergency
- Formal exemption approval is needed from:
 - Internal Audit
 - Director of Resources
 - Director of Legal & Democratic Services
- In some cases the exemption must be sought from Executive Members

Procurement Processes

- Guidance given in Desk-top guide to Procurement
- Existing contract
- Quotation or Tenders
- Quotations – RFQ, HBS Corporate Procurement Team via SAP
- Tenders
 - Open – any supplier
 - Restricted – PQQ used to pre-select
 - Negotiated – tend to be above EC thresholds

Tender Process

- Business case
- SCPU contacted – advice
- Tender documents (SCPU standard documents)
- SCPU advised of tender date – to include within Council's tender notification system
- Advert issued (Local press/Supply2Gov/OJEU)
- Members Services informed of tender return date
- Tender documents issued

Tender Process - con

- Date for opening arranged with Members Services
- Tenders evaluated
- Approval sought to accept
 - Most economically advantageous
- Unsuccessful companies informed
- Award & Formal contract exchange
- Pre-start meeting,
- SCPU informed – to include on corporate register and issue OJEU award notice if required

Gateway Reviews

- Business Justification
 - Council's vision and key aims
 - Implications of not proceeding
- Recommendations, Project Management and Contract Approval
 - Outcome of tender evaluation
- Project Performance and Outcome
 - Was business case realistic
 - Outcome achieved

Prior Information Notice (PIN)

- Formal notice to OJEU
- Indication of goods, services and works that Council intends to procure
- Allows reduction in statutory time periods
- Ensures interested parties have time to prepare

e-procurement

- Electronic system to acquire goods, works and payments
 - Complete 'end to end' procurement systems integrated into financial systems
 - QT tender used for e-tendering, SAP module used for quotations
 - Web-based systems to enable ordering from approved catalogues
 - Electronic auctions – NEPO stationery contract
 - Procurement cards – Travel, Schools, Catering
 - Payment through BACS and CHAPS

MBC website

- Business Section
 - Forthcoming tender opportunities
 - Corporate Procurement Strategy
 - Contract Standing Orders
 - Business Guide – how to do business

Small Business Friendly Concordat (SME) – Executive 18th August 2005

- MBC have declared support for the SME Friendly Concordat
 - Non-statutory code of practice set up by the Office of the Deputy Prime Minister
 - Set up to encourage effective trade between Local Authorities and Small Businesses

Purchasing Organisations

- NEPO, YPO, OGC, TVJPG
- Aggregating contracts
- Efficiency savings on tendering
- Pooling purchasing knowledge and expertise
- NEPO Purchasing and contracting consortium
 - 11 full members
 - 13 associate members
- Annual Exemption NEPO, OGC (Executive 10th May 2006), YPO (Executive 7th July 2006)

Tees Valley Joint Procurement Group

- Authorities within the Tees Valley
(Middlesbrough, Stockton, Redcar & Cleveland, Hartlepool, Darlington and Cleveland Police)
- Aim to:
 - Share information
 - Identify collaborative procurement opportunities
 - Deliver efficiency savings
 - Joint procurement plan for goods and services