

*A step-by-step guide to
Procurement i.e. how the
Council buys its Goods and
Services*



What is Procurement?

Procurement is the process of obtaining Goods, Materials & Services, Consultants or Works spanning the full life cycle of the asset or service. 'Life cycle' is defined as being from the initial definition of the business need through to the end of the useful life of the asset or service (manufacture to disposal).

Why is Procurement important?

Procurement impacts upon all aspects of Service delivery and Council performance. It is about securing services and products that best meet the needs of users and the local community, along side achieving best value for money. Nationally local authorities spend over £40bn every year on behalf of citizens; they have a legal and moral duty to ensure that they get good value for money. By having effective practices within place procurement can contribute towards Authority savings, i.e. current multi-functional device contract, application of prior information notices (PIN).

MBC – 2004/5 £120million approx

Within 2004/5 Middlesbrough Borough Council spent approximately £120million. 23% of this was spent with suppliers with Middlesbrough postcodes, 20% with suppliers within the Tees Valley (excluding Middlesbrough), 16% within the North East (excluding Tees Valley and Middlesbrough) and 41% outside the North East. Almost 60% of Middlesbrough Council spend stays in the North-East Region.

National Procurement Strategy

The Government produced the National Procurement Strategy in December 2003, following on from the Byatt report published in June 2001, which examines the emerging opportunities for local government to develop and improve their procurement processes. It is designed to help local authorities achieve best value for money from their expenditure and get the outcomes they want for their communities. The strategy illustrates the scope for potential cost savings through more efficient procurement practices and partnership working, to release resources to the frontline.

Corporate Procurement Strategy

Middlesbrough Council have adopted a Corporate Procurement Strategy, which gained Executive approval on the 19th August 2004, this takes into account the recommendations within the National Strategy and the Byatt report. The Strategy sets a clear framework for procurement throughout the authority, which reflects the Council's corporate plan, provides a framework for best value and which stands alongside the Council's contract standing orders, financial procedures and constitution. It also sets out an action plan for achieving the corporate approach to procurement, which shows how the National Procurement milestones will be achieved; this progressed to a development plan in August 2006. The Corporate Procurement Strategy contributes towards the Council's CPA rating within the Use of Resources area, the Strategy also gives a clear framework for all services to work within.

Centres of Procurement Excellence

Central Government support has been given to local authorities in implementing good procurement practices by the launch of nine centres of procurement excellence; these will assist local authorities across the country in implementing the National Procurement Strategy for Local Government. The centres are aimed at innovation change by providing expertise to other Councils and by building on sharing existing good practice.

North East Centre of Excellence (NECE)

Middlesbrough is part of the North East Centre of Excellence hosted by Gateshead Metropolitan Borough Council. As stated above the Regional Centres of Excellence provide local government support for local authorities in implementing good procurement practices, the programme is a major component of the ODPM/LGA National Procurement Strategy for Local Government. The Centres of Excellence are a fundamental driver for implementing the Strategy over the next few years and will be a key delivery mechanism for future policy development for Local Government. NECE projects Middlesbrough are involved in are the Joint Tees Valley Vehicle Procurement, Development of a Regional Collaborative Contract Programme, Development of a Regional Cross Public Sector Procurement Concordat, Standardisation of Tender Documents.

Gershon: Annual Efficiency Statement

Sir Peter Gershon, CBE was invited to undertake an Independent Review of Public Sector Efficiency in August 2003 by the Prime Minister and Chancellor of the Exchequer. The objective of the review is to release major resources out of activities which can be undertaken more efficiently into front line services that meet the public's highest priorities. The review would feed directly into the 2004 Spending Review, making recommendations to Ministers for stretching but realistic departmental efficiency targets for the period 2005-06 to 2007-08. Middlesbrough Borough Council's first annual efficiency statement was submitted to the Office of the Deputy Prime Minister in April 2005, the proposals were based on the Council's existing budget and performance approach and decisions.

Middlesbrough Council's Annually Efficiency Statement

Middlesbrough's first Annual Efficiency Statement was submitted to the Office of the Deputy Prime Minister on the 15th April 2005. The submission is based on recognising and consolidating the work already undertaken in respect of making efficient, economic and effective use of resources. Efficiency proposals of £4.8m have been submitted for 2006/07. The statement has been based on three aspects:

1. Vision – maintaining a strong & ambitious vision for the future
2. Performance Management – ensuring that priorities and vision, as well as resources are driven by a performance management framework
3. Procurement – Middlesbrough's Procurement Strategy sets a clear framework for procurement throughout the Authority, this also reflects the Council's Corporate Plan.

Council's Constitution

Responsibility for procurement is largely delegated to Executive Directors, although the principle of committing expenditure that exceeds £75,000 in value is subject to prior approval by the Executive, values over this amount are required to be included within the forward work programme. The Council's Monitoring Officer (i.e. Director of Legal and Democratic Services) and Chief Finance Officer (i.e. Director of Resources) also have specific duties regarding the provision of advice and on the lawfulness of financial transactions. The Executive Member for Resources is the Member Champion for Procurement.

Legislation & Standing Orders

Standing Orders define the framework that should be followed when buying or selling to ensure the Council acts legally, transparently and honestly in relation to all of its procurement activities. A series of thresholds have been set, which determine the processes that should be followed. In addition to standing orders there are UK and European legislation thresholds for works contracts over £3,611,319 and goods, materials and services over £144,371. All contracts over these levels must follow the National and European rules along side the requirements of Standing Orders. The thresholds for European Regulations are calculated on the total contract value up to a maximum contract period of 48-months, should the contract be for longer than 4-years.

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 Standings Orders

In cases where it is not possible to comply with standing orders such as when there is only one supplier or it is an emergency, an exemption from standing orders is required. Formal exemption approval is needed from the Director of Resources, Director of Legal & Democratic Services and Head of Internal Audit. Member involvement is required if the exemption is for a significant project or value of money.

Procurement Processes

Reference should be made to the Desk Top Guide to the Procurement of Goods and Services, which outlines the main considerations and processes involved in making a purchase of goods and services on behalf of the Council. The guide outlines the key procurement steps, which must be followed, as well as giving a list of the Corporate Contracts. Help and guidance can also be gained from the Procurement Tile on Lotus Notes, the tile lists the Corporate Contracts, Guidance Documents and Price Lists, as well as an area to ask questions and receive feedback. Standard tender documents are also available from the Strategic Commissioning and Procurement Unit.

Once a procurement need has been recognised and the value determine the first step is to find out if the Council has an existing contract or agreement that could be used. If there is no existing contract available, then quotes or tenders need to be gained depending on the value of the contract in line with standing orders. Competition should be seen as a way of obtaining the best value from the market place, with the tendering process the best way this can be achieved.

- Quotations – a request for quotation should be completed and sent to HBS Corporate Procurement Team via SAP.
- Tenders – tenders are issued if quotation limits are exceeded. There are three types of tendering processes:
 - Open – any supplier who wishes to participate may request a copy of the tender documents.
 - Restricted – allows the pre-selection of companies to be invited to tender. Suppliers express an interest and receive a pre-qualification questionnaire seeking information about their skills, abilities and financial standing; this helps to select a short list of tenderers, normally between 4-6.
 - Negotiated – these type of tenders are less common and tend to relate to contracts that are above the EC thresholds, as well as for contracts where there are unknown factors.

Tender Process

There are certain steps that need to be carried out within the tender process;

1. A business case needs to be prepared and approvals sought
2. The Strategic Commissioning and Procurement Unit (SCPU) can be contacted for advice and access to standard tender documents and letters, as well as to gain a Corporate Tender Reference Number
3. Tender documents should be prepared, liaison should occur with SCPU and Legal over any special Terms and Conditions – this will involve determining how the tenders will be evaluated, and what quality issues are important. Tender return envelopes should be obtained from Members Services
4. The SCPU should be advised of the tender advert date to include it within the Council's tender notification system
5. The advert will be issued
6. Members Services will be informed of the tender return date – as they receive all tenders
7. Tender documents are issued to companies as they apply
8. A date for opening the tenders needs to be arranged with Members Services
9. Following this meeting tenders are given to the service area to evaluate
10. If the preferred tender is the lowest cost or the most economically advantageous in line with the evaluation model then approval is sought to accept the tender from the relevant Corporate Director, member approval is required if the tender value is greater than £75,000
11. The formal Contract Exchange with Legal is arranged
12. A pre-start meeting with the successful tenderer is set-up and the unsuccessful companies are informed (a statutory 10-day standstill period (Alcatel) is required for OJEU tenders)
13. The SCPU should be advised of the tender award so that it can be included on the corporate contracts register

Gateway Reviews

Gateway Reviews are held at key decision points throughout a procurement process to ensure key decisions and actions have been taken and sufficient evidence exists that the project can move forward to the next stage. The three Gateway Reviews are:

1. Business Justification and Procurement Strategy – how the project assists in meeting the Council’s vision and key aims and the implications of not proceeding.
2. Recommendations, Project Management and Contract Approval – examines if the agreed tender process has been adhered to, the outcome of the tender evaluation process and how the recommendation has been arrived at.
3. Project Performance and Outcome Delivery – this is carried out at the end of the project and asks questions as to if the business case was realistic, delivered on time and whether the required outcome has been achieved.

Prior Information Notice (PIN)

The EC Procurement Directives require authorities to issue an annual PIN, which is a formal notice to the Official Journal of the European Union (OJEU). A PIN notice gives the contracting community an indication of the goods, services and works that the Council intends to procure over the forthcoming year. It has the benefit of allowing the reduced statutory time periods to be utilised, as well as ensuring that interested parties have as much time as possible to prepare for participation.

e-procurement

Within the National Strategy e-procurement is described as an electronic system to acquire goods, works and payments from third parties. To achieve this, a number of solutions are identified, these include:

- Complete ‘end to end’ procurement systems that are integrated into financial back office systems. An ‘end to end’ marketplace solution allows on-line orders from electronic catalogues and electronic interface with marketplace providers to receive order confirmations and potentially on-line invoicing and payment.
- Stand-alone modules used to seek tenders or quotations – Middlesbrough Council’s quotations are issued through the HBS Corporate Procurement Team, the preferred electronic tendering solution (Q-Tender) is operational and is currently being rolled out to Services.
- Web based systems to enable ordering from approved catalogues – MBC’s will trade electronically using the existing suppliers on-line purchasing solutions in conjunction with SAP.
- Electronic auctions – NEPO stationery contract
- Procurement Cards – Travel, Schools, Catering
- Payment through BACS and CHAPS – the Council’s preferred payment process is through electronic methods, in line with the National Strategy.

Council’s may choose to implement some or all of the elements depending on local circumstances and technical infrastructure capabilities.

Middlesbrough Council website

The forthcoming tender opportunities are located on the Council’s website, along side a copy of the Corporate Procurement Strategy, the Contract Standing Orders and a Business Guide of how to do business with Middlesbrough Council. The guide is used to assist suppliers and contractors who wish to supply the Council with goods, works and services, advising them of the rules the Council has to follow, alerting them to the opportunities and explaining how they can bid for work.

Small Business Friendly Concordat (SME)

The SME Friendly Concordat is a voluntary, non-statutory code of practice set up by the Office of the Deputy Prime Minister (ODPM), the Local Government Association (LGA) and the Small Business Service (SBS) to encourage effective trade between Local Authorities and Small Businesses, this went to executive on the 18th August 2005. Middlesbrough Council has signed the declaration of support for the Small Business Friendly Concordat, this demonstrate a pledge to actively engage with small businesses and show the Authority's commitment to good procurement practices in general.

Schools

All schools have delegated budgets and have autonomy in procurement, except in so far as they must comply with the Council's Contract Standing Orders and Financial Procedure Rules. Whilst the requirements of the Constitution apply in full, schools have discretion regarding where they procure works, goods and services.

Purchasing Organisations

Middlesbrough Council is a member of a number of purchasing organisations, NEPO (North Eastern Purchasing Organisation), YPO (Yorkshire Purchasing Organisation), OGC (Office of Government Commerce), TVJPG (Tees Valley Joint Procurement Group). Purchasing Organisations are used as a means of aggregating contracts and pooling purchasing knowledge and expertise, resulting in efficiency savings on tendering. An annual exemption to utilise NEPO, OGC contracts went to executive on the 10th May 2006 and to utilise YPO contracts on the 7th July 2006.

NEPO was established in 1976 and is a purchasing and contracting consortium consisting of 11 full member local authorities and 13 associate members. Middlesbrough Council is an active member and will continue to co-operate with this purchasing consortium in order to maximise bulk purchasing power and reduce administrative costs.

Tees Valley Joint Procurement Group

The authorities within the Tees Valley have set up a joint procurement group to share information and identify collaborative procurement opportunities. The group consists of Middlesbrough, Stockton, Redcar & Cleveland, Durham, Hartlepool and Darlington Councils, and Cleveland Police. The Tees Valley Joint Procurement Group have set up a contract programme to coordinate contracts on behalf of all members; one member Authority takes the Lead for the tendering procedure, helping to reduce tender costs. The group's aim is to share information, identify collaborative procurement opportunities, deliver efficiency savings and develop a joint procurement plan for goods and services.