



Sunderland City Council Procurement Strategy

2009 – 2012

1. Introduction

- 1.1 Effective and efficient procurement is vital to the cost effective delivery of high quality public services. It drives commercially advantageous and innovative solutions to continuously improve service delivery across the City, and can be measured by the social outcomes and financial gains achieved.
- 1.2 The aim of this Procurement Strategy is to build on the good progress already achieved by the Council and to set a challenging framework of objectives for procurement throughout the Council over the next three years. It reflects the outcomes required from the Council's Strategic Priorities, Corporate Improvement Objectives and the Sunderland Strategy and provides a clear and cohesive set of objectives for consistently delivering best value for money across all areas of Council expenditure.
- 1.3 The term "procurement" has a far broader meaning than that of purchasing or buying in that it includes the basic "make or buy" decision (i.e. whether to make, or employ direct staff to provide services, or to buy from an external provider) and it spans the "whole life" of the asset or contract. Procurement is an essential element of good strategic commissioning and this strategy complements the Council's commissioning strategies and plans. The "make or buy" decision is based on securing the best value for money, which means the Council having the skills and arrangements in place to select the option that offers the optimum combination of whole life costs and benefits to meet the desired outcomes.
- 1.4 The Strategy is based on the overarching objective of delivering best value for money. It is this principle of value for money that is to be at the heart of all procurement decision making in the Council.

1.5 In order to be able to demonstrate that this overarching objective is being achieved and that continuous improvement is sought, performance will be monitored using the following key measures.

Key Performance Indicator	Baseline 2008/2009	2009/ 2010	2010/ 2011	2011/ 2012
Cashable procurement savings (revenue)	£316,000 Actual in 2007/2008 £350,000 Target for 2008/2009 £629,000 Achieved	750,000 ongoing (Note 1)	£1.5m ongoing (subject to review)	£1.5m ongoing (subject to review)
Achievement of National Sustainable Flexible Framework and development of a Sunderland local directory of businesses	Level 1 target for 2009/2010 No single comprehensive list of local businesses to be used in quotation opportunities	Level 1 Development phase	Level 3 Implementation phase	Level 5
Engagement with Third Sector (see paragraph 3.5.1 below for levels)	No corporate model for engagement. A range of Directorate specific arrangements in place.	Level 1	Level 2	Level 3
Utilisation of e-commerce solutions	SAP e-ordering / goods receipting and approval – all areas of Council and Schools. E-tendering in place for all corporate contracts. Purchase card scheme in place for all school kitchens and Health, Housing and Adult Services.	SAP SRM in all Directorates and Schools e-tendering for Directorate contracts (50%) Card scheme rolled out to all Directorates / Schools as appropriate	e-invoicing introduced (target of 30%) e-tendering for Directorate contracts (100%)	Ongoing e-invoicing (target of 40%)

Note 1: This target reflects that the Council is implementing the SAP Supplier Relationship Management (SRM) module within 2008/2009 and 2009/2010, which requires significant resource input from the Corporate Procurement function.

2. Best Value for Money Procurement

- 2.1 Best Value is the statutory basis on which local authorities plan, review and manage their performance in order to meet the needs and expectations of people and communities. Delivering Best Value requires all options to be considered on their merits, with decisions being made on the basis of a fair and robust assessment of which option delivers the best outcomes.
- 2.2 The Council spends over £161m per annum with third parties for the provision of goods, services and minor works and over £100m in 2009/2010 on capital schemes in order to contribute to the delivery of its Strategic Priorities, Corporate Improvement Objectives and the Sunderland Strategy.
- 2.3 Achieving best value for money is at the heart of this Strategy. With increasing public expectations and influence as to what and how services are delivered by the Council it is essential that there is a framework to ensure that what is procured by the Council meets the requirements of the Council and service users in the most cost effective manner.
- 2.4 Cost effectiveness and value for money does not mean adopting the lowest cost. Social benefits are to be recognised alongside financial gains. Balancing the two dimensions is the challenge for the delivery of best value procurement.
- 2.5 Achieving best value for money and what constitutes value for money is also driven from key areas of national government policy, as follows:

National Procurement Strategy for Local Government

- 2.5.1 The three year National Procurement Strategy (2003-2006) has been a significant driver in the transformation of local government procurement, and has acted as a catalyst for the development of a more strategic approach, creating a platform for the realisation of efficiency gains. The Council has already responded fully to this strategy.
- 2.5.2 The government report publishing the progress against the National Procurement Strategy, in April 2008, commends local government's achievements against the targets set within the strategy, however it highlights that the Comprehensive Spending Review 2007 (CSR07) challenges councils to "up their game" in a tight fiscal environment as it will face rising public expectations and increasing demand for many local services and this in turn will require innovative approaches to efficiencies, including strategic procurement and commissioning.

The Local Government and Public Involvement in Health Act 2007

- 2.5.3 This Act gives more power to citizens and communities to have a bigger say in the services they receive, e.g. through the Community Call for Action power. In addition, there is a clear government policy to encourage and prompt councils to ensure that local citizens have more information about how services are performing in their area and the opportunities they have to get involved and give feedback as to what they see as value for money.
- 2.5.4 Rising public expectations and the challenging financial climate will require the Council to ensure that when services that are identified to be delivered by the external market (private or third sector), that the providers are selected using fair and open competition to drive innovation and continuous value for money.

CSR07 – Smarter Procurement

- 2.5.5 CSR07 set the overall public sector with a target of 3% annual cashable efficiency savings covering the three year period (2008/2009 to 2010/2011). For the whole of local government this equates £4.9bn, and whilst there are no compulsory targets for Councils, in order to ensure a successful response to the efficiency requirements of the CSR07 Cabinet agreed the Efficiency Strategy 2008/2009 to 2010/2011 which set out a target of £8.913 m per annum for Sunderland. As part of its Budget report in March 2009 the Government announced that local government must now deliver 4% cash releasing savings in 2010/2011. For Sunderland this equates to an increase of £3.152m, giving an overall target of £12.608.
- 2.5.6 One of the key areas identified by central government to deliver this is through “smarter procurement”. For Sunderland a total target of £3.75m over the next three years is considered appropriate.

Roots Review – Review of arrangements for efficiencies from smarter procurement in local government – February 2009

- 2.5.7 In responding to the CSR07, the Minister of State for Local Government commissioned this review to assess how support mechanisms (e.g. the Regional Improvement and Efficiency Partnerships, the Improvement and Development Agency and Office of Government Commerce) can be shaped to achieve the efficiencies sought. The Council is engaging with these support bodies to ensure best value for money is achieved in procurement.

National Sustainable Development Strategy - "Securing the Future"

- 2.5.8 In 2005, the government delivered the national Sustainable Development Strategy ("Securing the Future") in which the Prime Minister committed to "lead by example" when spending tax payers money sustainably. The challenge was set for the UK to be the European Union leader in sustainable procurement by 2009, to achieve a low carbon, more resource efficient public sector.
- 2.5.9 Sustainable procurement is about using procurement to support wider social, economic and environmental objectives, in ways that offer real long term benefits.
- 2.5.10 To rise to this challenge the Government commissioned a business led Task Force to provide analysis, recommendations and an action plan (known as the Sustainable Procurement Flexible Framework) to deliver and embed sustainable procurement throughout the £150 billion worth of goods and services procured every year by the public sector. This is documented in the Government's publication "Procuring the Future" 2006.
- 2.5.11 The response from local government to "Procuring the Future" was the publication of the Local Government Sustainable Procurement Strategy in November 2007 which takes local government's commitment to sustainable procurement a significant step forward. It outlines the commitment to make its spending decisions in a way that achieves both value for money on a whole life cost basis taking into consideration the wider economic, social and environmental benefits.

Engagement with the Third Sector

- 2.5.12 During the last two years the national policy context for the Third Sector has moved firmly behind improving its engagement with service planning and delivery, whilst recognising the traditional roles of advocacy and engagement. Government, through the Office for the Third Sector and individual departments, has taken steps to promote and support this development. Notable direction has come from a range of cross-government policies, including:
- The Local Government and Public Involvement in Health Act 2007
 - The Future Role of the Third Sector in Social and Economic Regeneration (HM Treasury, 2007)
- 2.5.13 Delivering effective and efficient public services involves making sure that resources are appropriately targeted in order to deliver best value. The social and economic outcomes which can be achieved by Third Sector delivery organisations can directly contribute to the provision of high-quality, targeted services, and having a wide range of suppliers, including Third Sector organisations, is important to securing procurement efficiency savings.

2.5.14 In addition, strategic commissioning and procurement from third sector organisations can help evidence the extent to which, under the new Duties to Involve and to Cooperate, local authorities and their partners are taking a coordinated approach to engaging with their communities and successfully delivering services which are fit for purpose.

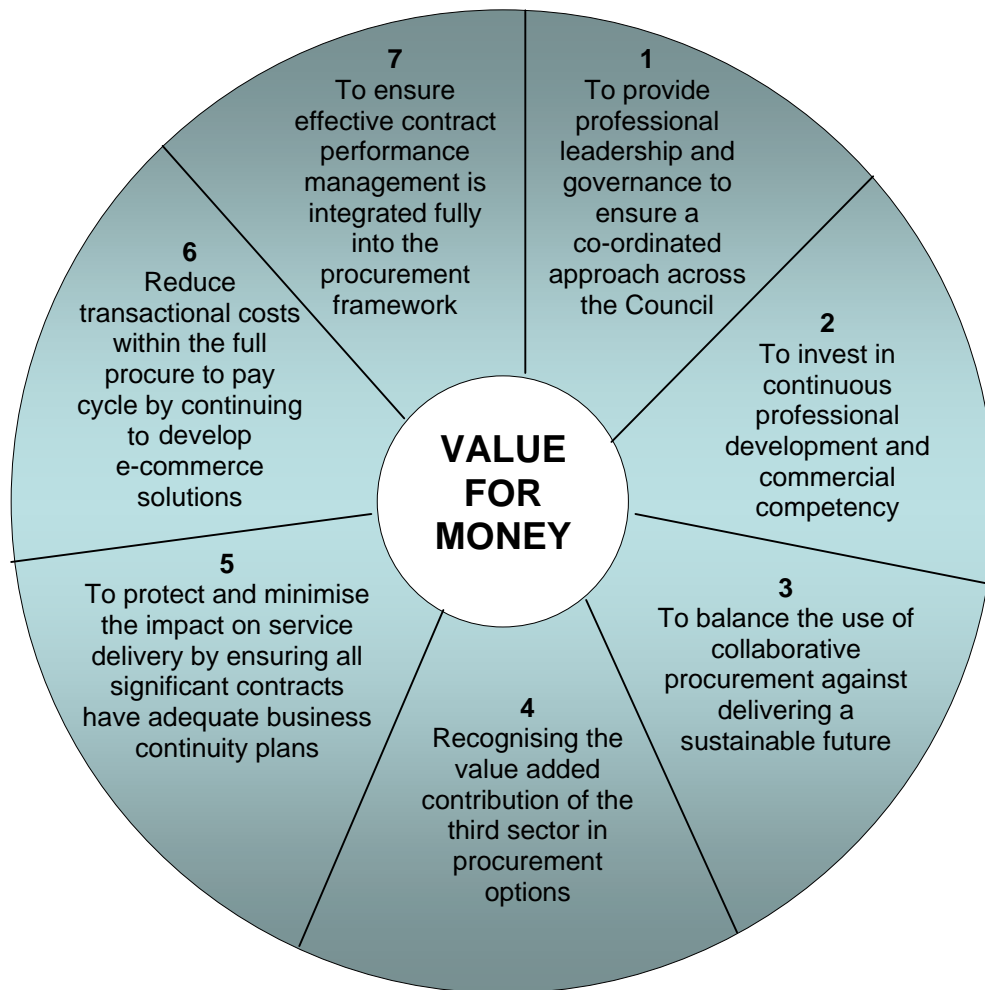
The Equality Standard for Local Government

2.5.15 The Equality Standard for Local Government provides a systematic framework for mainstreaming of equalities, covering the delivery of services and the provision of employment in England, and is designed to ensure that local authorities consider gender, race, disability, age, sexuality and faith equality issues at all level of Council policies and practices. This is particularly important for procurement practices as local authorities have a responsibility to ensure that contractors and providers of Council services act in an appropriate and inclusive way.

2.5.16 Under its manifesto, the Government is committed to introducing a Single Equality Bill during this Parliament. Confirmed in the Queen's Speech on 3rd December 2008 proposals to introduce the Bill in the current session of Parliament, 2008/2009 were taken forward. One of the requirements included a general strengthening of requirements with regard to procurement for public bodies, and includes the need to promote equality amongst its contractors and potential contractors, and to make sure that the procurement process is fair and accessible.

3. Delivering Value for Money Procurement

3.1 The Council's strategy for delivering the overarching objective of best value for money procurement is through the delivery of the following seven sequenced objectives.



3.2 Objective 1 - To provide professional leadership and governance to ensure a co-ordinated approach across the Council

3.2.1 Within 2009/2010 the Council will spend over £300m with third parties (revenue and capital).

Revenue

3.2.2 £161m of revenue spend can be divided into categories of procurement, both cross cutting across several Directorates and areas which are Directorate specific. These categories fit the supply market in order to allow competition and commercial intelligence to be applied to secure and demonstrate value for money, are as shown in Table 1 below.

Table 1

Category Spend Analysis 2009/2010

Category of Spend	Budget Expenditure (£m)
Business Support	17.4
Utilities	5.4
Professional Services	18.8
ICT and Telecoms	4.4
Printing, Advertising and Marketing	2.4
Transport	8.0
Facilities Management	6.9
Social Care	54.0
Front Line Services	43.5
Total	160.8

3.2.3 A category of spend as indicated in Table 1 above defines a group of items/services with similar properties/synergies and generally at the level at which individual category sourcing/procurement strategies are developed. The Council will adopt this 'category management' approach to ensure that the Council takes a cross cutting view of its procurement spend in order to maximise value for money and secure other non financial benefits.

3.2.4 The categories of spend can then be broken down into sub-categories which is a logical sub-grouping within a category used to identify levels of similarity which is reflected in the supply market. This can be further broken down to a micro-category level which is an optional sub-division to identify specific types of goods and services. A breakdown of the Categories and Sub-categories for the Council's 2009/2010 spend is shown in Appendix A.

3.2.5 It is recognised that some categories of spend and their specific sourcing strategies will be driven by corporate policies, for example, ICT hardware and software, mobile telecoms, uniforms, and travel and accommodation. The relevant Head of Service will be responsible for developing any appropriate policies and will work with Corporate Procurement to support the implementation of these policies.

3.2.6 For all categories of spend, an appropriate procurement and category sourcing strategy for the delivery of the agreed policy and/or outcomes will be developed and maintained. This will include the following:

- detailed analysis of spend
- the forecast demand of requirements
- the risk to supply (critical or non-critical)
- the market conditions (competitive or non-competitive)
- market intelligence (use of intelligence from the supply side)
- assessment of collaborative opportunities
- existing contractual commitments
- options appraisal and approaches to the market
- efficiencies savings forecasts and benefits realisation strategy
- exit strategies and contract/performance management solutions

3.2.7 To ensure a co-ordinated and standardised professional approach across all categories of spend professional procurement staff will be unified within the Corporate Procurement unit and resources realigned to support this model.

A Category Management team will cover all areas of procurement influencable as shown in Table 1. Their responsibilities will primarily include full scoping of key areas of spend and producing sourcing strategies and options appraisals using current market intelligence. They will work closely with commissioners of services and goods to assist them in delivering the procurement cashable savings target. A rolling programme will be put in place to review all categories of spend.

The key roles and responsibilities of the Category Managers will be aligned to the four stages of the commissioning process to recognise the interdependency between category managers and commissioners in the delivery of the Council priorities and outcomes. This is detailed in Appendix B.

Schools

- 3.2.8 Schools spend over £29m on the procurement of services, goods and minor works. Although schools are expected to comply with the Council's Scheme of Delegation in relation to how they procure they remain free to procure independently of the Council.
- 3.2.9 However, it is recognised that there will be common services and goods that are required by individual schools and the Council and there are benefits to be gained through collaboration. The Category Managers will take into account school requirements when determining Council individual category / procurement sourcing strategies in order to secure value for money for the Council and schools. In order to support schools collectively a Schools Procurement Manager will provide professional procurement support and act as the link between schools and the Category Managers.

Capital

- 3.2.10 The Council's Capital Programme is substantial including Building Schools for the Future, a Waste Management Partnership, a new Bridge and access roads. In relation to Capital projects a lead project manager will be appointed and in relation the procurement elements will be supported by a range of professionals (e.g. architects, surveyors) with procurement advice and expertise being provided by a dedicated procurement professional within Corporate Procurement. This will also ensure that procurement links between capital projects and the Category Managers are maintained.

e-Business and Information systems

- 3.2.11 In order to assist procurement professionals to secure value for money it is important that an effective infrastructure of systems is in place to provide management information and intelligence. In furtherance of this the Council's e-Procurement Strategy will be updated to support this new Procurement Strategy. This will reflect the significant investment the Council has made in relation its SAP systems.

Regulation

- 3.2.12 All procurement undertaken by public bodies is regulated by law and the Council will continue to maintain detailed Procurement Procedure Rules to ensure all procurement is undertaken legally and supports the achievement of value for money.

3.3 Objective 2 - To invest in continuous professional development to build capacity and commercial competency

- 3.3.1 To build capacity there is a requirement to invest in procurement skills and knowledge and promote continuous professional development to ensure the Council has a good base of commercial and business skills required to deliver the challenging fiscal requirements now and into the future.
- 3.3.2 The introduction of the proposals set out under Objective 1 will ensure that there is a collective pool of expertise within the Council that has the understanding of all aspects of the Council's spend.
- 3.3.3 It is recognised that commissioners and procurement professionals will need to work together in order to deliver the Council's priorities and outcomes within increasing financial constraints. By bringing together the commissioners and procurement professionals on a regular basis they will become a learning network able to share good practice and develop and enhance skills through contact with each other.
- 3.3.4 A schedule of structured development internal and external workshops will be provided for the procurement professionals and commissioners where appropriate to cover all national agendas such as socially responsible procurement, equalities in procurement, engagement with the third sector, and small medium enterprises and also more procurement specific areas such as:
- outcome based contracting
 - developing category sourcing strategies
 - understanding markets and gathering market intelligence
 - understanding supply chains and sourcing strategies
 - capturing efficiencies
 - evaluating tenders for better outcomes
 - supporting local businesses and the local economy
 - contract and performance management
- 3.3.5 The Council will continue to support appropriate procurement officers to become fully qualified members of the Chartered Institute of Purchasing and Supply (CIPS) and encourage continuous professional development.

3.4 Objective 3 - To balance the use of collaborative procurement against delivering a sustainable future

Collaborative Procurement

- 3.4.1 Where there are synergies with contract requirements with other Councils / public sector bodies nationally, regionally and sub-regionally the Council will participate where there is a clear business case that demonstrates value for money opportunities, taking into consideration the social, economic and environmental impacts. To facilitate this, the Council will proactively share its future procurement opportunities with relevant and appropriate local and national forums and actively seek out and promote other collaborative procurement opportunities.
- 3.4.2 The Council is a full member of the North Eastern Purchasing Organisation (NEPO) and as at December 2008 was committed to 61 contracts (58% of available NEPO contracts) which equates to an estimated value of £17.6m annually. The Council will continue to participate in NEPO contracts where it can demonstrate value for money and meet the sustainable procurement objectives of the Council. Each collaborative opportunity including NEPO contracts will be assessed for its suitability for Sunderland prior to commitment, and the Council will, where it is in the Council's interests, fully support the work programme of NEPO.
- 3.4.3 In line with the Roots Review the Council will fully engage with the mechanisms in place to support procurement by local government, including the North East Regional Improvement and Efficiency Partnership, Improvement and Development Agency and the Office of Government Commerce.

Sustainable Procurement

- 3.4.4 Procurement has a vital role in furthering sustainable development through its procurement of goods, works and services. Every procurement decision can have socio-economic and environmental implications, both locally and globally, now and for future generations.
- 3.4.5 To ensure sustainable procurement becomes mainstream and is embedded across the Council as part of the Council's Sustainability Policy, the Council will aim to achieve level 5 of the Government's Sustainable Procurement Task Force Flexible Framework by 2011/2012. This will allow the Council to monitor progress against levels of objective criteria and provide a roadmap to achieving socially responsible procurement.

3.4.6 To support the delivery of this agenda a Corporate Sustainable Procurement Policy is attached at Appendix C. This Policy will be supported by a sustainable procurement toolkit. The purpose will be to provide a structured and guided approach to addressing and achieving the requirements set out in the Sustainability Procurement Policy when scoping out contracts, producing tender documents and evaluating tender returns. The toolkit is intended to be a simple method of standardising the way that sustainable procurement provisions are considered when undertaking procurement across the Council.

The toolkit will include:

- How community benefits can be included within contracts, including the utilisation of the regional harmonised contract documents and other recognised models
- Detailed sustainability impact assessments on areas of key strategic spend prior to procurement activity
- Environmental quick win specification guides
- Evaluation criteria weightings and decision making guides
- A procurement achievements log to record sustainable procurement outcomes
- Engagement and stimulation of local businesses and Small Medium Enterprises (SME) in furtherance of the Council's commitment to the SME Concordat

3.4.7 In recognition of the current economic climate, and the expectation that the UK economy is not predicted to recover in the short to medium term, procurement will have a key role to contribute to supporting the local economy in line with relevant procurement legislation.

3.4.8 A number of initiatives will be taken forward to support the local economy including:

- the development of an electronic (self-registration) Sunderland directory of local companies which will be used for procurement opportunities under £75,000, and consideration to be given to the use of local business
- unification of the Council's current standing lists, ensuring they remain open with a lead contact
- regular Sunderland specific events which will bring together the Council and local businesses to discuss future contracts
- provide educational and practical workshops to local business on how Local Authorities' procurement practices operate, and to demystify the tender process
- provide on-line information regarding larger contracts for local business to have visibility of sub-contracting opportunities
- the inclusion of targeted recruitment and training in construction contracts, where possible

All of the above will be made available to schools.

3.5 Objective 4 - Recognising the value added contribution of the third sector in procurement options

3.5.1 Procurement has an essential role to play to ensure that when opportunities for service provision occur that the third sector has an equal opportunity to quote or tender as appropriate. Procurement activity across the Council will support the principles behind both the Regional Compact – *A framework for strong and effective relationships between the public sector and third sector in the North East* and the local *Commissioning Framework for the Voluntary, Community and Social Sector* including the Council's Procurement and Funding Code of Practice. This will include the following levels of engagement:

Level 1

- Working closely with the Council's lead officer on engagement with the third sector and commissioners to consider how best to make use of the innovation and flexibility of the sector, whilst providing equality of access to contracts and funding stability where appropriate.
- Examination of the Council's tender documentation to ensure only required and appropriate information is requested at pre-qualification stage.

Level 2

- Officers involved in commissioning and procuring services will receive the necessary training to deliver national, regional and local third sector policies, including understanding of the relevant rules and methodologies which enable public bodies to contract with the third sector without conflicting with European Union Public Sector Regulations and the Council's Procurement Procedure Rules.

Level 3

- Develop a single and co-ordinated communication channel with the third sector to ensure they are aware of future commissioning and procurement opportunities across the Council.
- Provide, as appropriate, training and support to third sector organisations who wish to bid for opportunities with the Council, to ensure they are able to compete for delivery contracts, have the skills to submit viable tenders, be fully aware of the legal framework and able to convey the added value that working with the third sector can bring. This will be supported by sub-regional workshops and master classes to be provided by regional partners such as Project North East and Business Link on issues such as legal frameworks, costings, and local authority budgetary cycles.

3.6 Objective 5 - To protect and minimise the impact on service delivery by ensuring all significant contracts have adequate business continuity plans

- 3.6.1 Business Continuity Management Planning (BCMP) is an integrated set of formalised procedures and resource information that the council and its supply chain can use to recover from a disaster that causes disruption to the delivery of council services.
- 3.6.2 As the Council has a third party expenditure of over £300m this carries with it a dependence on external supply chains that can expose the Council to a wide variety of risks known as supply chain vulnerability. Modern supply chains are complex networks that link organisations, industries and economies, and virtually all supply chains operate within a network of multiple businesses and consequential relationships and rarely comprise of a one to one relationship.
- 3.6.3 Supply chain vulnerability is a point of weakness that can lead to business risks. It is therefore necessary to identify, and where possible minimise and / or manage the likely impacts of such risks to the Council. For significant expenditure, long-term commitments or identifiable “pinch points” (that is where even a small supply problem could have large implications for the delivery of Council services) risk assessments are to be undertaken.
- 3.6.4 Significant contracts are defined as those that are responsible for delivering key Council services and often (but not always) are of significant value. An assessment matrix is used to assist to identify significant contracts.
- 3.6.5 Many of the Council’s existing significant contracts are with the first tier in the supply chain. It is therefore important that within existing and future contracts the supply chain is mapped to identify existing suppliers/providers further down the supply chain (second and third tier) and seek assurance that there is adequate BCMP in place throughout the chain.
- 3.6.6 Corporate Procurement will co-ordinate activity across the Council, which involves procurement and contract management in relation to significant contracts, to ensure that any existing and future activity considers BCMP as part of the process. This will include the development of supply chain mapping skills and education and awareness of the importance of BCMP within procurement.

3.6.7 In conjunction with the Council's Emergency Planning team Corporate Procurement will maintain a register of significant contracts and their Business Continuity Plans. Training and support will also be provided by the Emergency Planning team to the Council's existing and potential suppliers and providers.

3.7 Objective 6 - Reduce transactional costs within the full procure to pay cycle by continuing to develop e-commerce solutions

3.7.1 Developments in e-commerce are changing the way in which business is conducted. It redefines what is possible, removes limitations imposed by time, geography, traditional boundaries and expands opportunities. It also ensures the provision of accurate, relevant, real-time procurement intelligence (what the Council spends, who with, and at what cost) is available to ensure commercial procurement decisions are made from a strong evidenced base line.

3.7.2 Electronic procurement is essentially "doing business" electronically and therefore having the potential to make all of the procurement process more efficient. The Council recognises the business improvement potential that effective e-commerce can facilitate, and has already made a significant financial investment in SAP to automate and integrate the Procure to Pay (P2P) process.

3.7.3 The Council is committed to making even better use of e-commerce solutions to improve procurement efficiency and effectiveness. It aims to continue to reduce the cost of the procurement process for the Council and its suppliers, and to encourage suppliers to adopt e-procurement methods. The further development and roll-out of the SAP Supplier Relationship Management (SRM) e-procurement module during 2008/2009 and 2009/2010 will also enhance the end user experience for Council officers incorporating electronic catalogues and on-line approvals via e-mail functionality.

3.7.4 Other e-commerce opportunities such as purchase cards, e-tendering, contract management and e-invoicing will be further developed and accordingly the current e-Procurement Strategy will be updated to reflect the developments and e-commerce objectives that will be taken forward over the duration of this strategy.

3.8 Objective 7 - To ensure effective contract and performance management is integrated fully into the procurement framework to ensure outcomes are delivered.

3.8.1 Contract Management is the active management of the relationship between the client (purchaser) and the contractor (provider) over the term of the contract for the provision of goods and services to the agreed standard.

3.8.2 Contract Management should be proportionate to the value, risk and complexity of the contract. Simple purchase contracts will usually only require inspection on receipt and payment of the invoice, while for complex/high value contracts it may be necessary to appoint a dedicated contract manager or client team to develop a contract management plan.

3.8.3 Contract Management activities can be broadly grouped into the following three areas:

- Service Delivery Management – ensures that the service is being delivered as agreed, to the required level of performance and quality.
- Relationship Management – keeps the relationship between the two parties open and constructive, aiming to foster continuous improvement activity and resolve or ease tensions and identify problems early.
- Contract Administration – handles the formal governance of the contract and changes to the contract documentation.

All three above areas need to be managed successfully if the arrangement is to be a success and performance outcomes are to be achieved.

3.8.4 The Council is committed to ensuring that equality is considered and incorporated within all Council activities, including procurement processes and contracts. This is particularly important, as it is the Council's responsibility to make sure that contractors and providers working on its behalf act in an appropriate and inclusive way. Good contract management will ensure equalities is monitored throughout the term of the contract.

3.8.5 Performance against key indicators, linked to payments for service, is becoming a standard feature of many major contracts. The contractor's performance needs be assessed objectively against clearly agreed standards and target outcomes set out in the contract.

- 3.8.6 In relation to service delivery shifting the balance of contracts defined by quantity of service, to contracts which also focus on outcomes to be delivered has become an increasing and helpful policy direction. Future service delivery contracts need to consider the benefits of shifting the focus from only specifying activities to results, requiring tender responses on the basis of what outcomes the Council wants to achieve rather than prescribing all of the activities to be conducted. Performance management criteria of how outcomes will be measured will need to be explicit within the specification.
- 3.8.7 The Contract Manager or client has the key role of ensuring that the day-to-day requirements of the contract are delivered and overall outcomes as prescribed in the contract are delivered. Corporate Procurement will have a responsibility to develop officers identified as contract managers so they have the skills and knowledge to effectively contract manage the Council's expenditure and secure better outcomes.
- 3.8.8 Category Managers will work with commissioners to ensure a suitable contract management framework is in place prior to contract award and ensure roles and responsibilities are clearly defined.
- 3.8.9 To support this, Corporate Procurement will produce a framework for monitoring significant contracts, which will include:
- Developing a Contract Management Plan
 - Recording and monitoring contract outcomes
 - Contract amendments
 - Relationship management
 - Dispute resolution
 - Monitoring equalities in contracts

4. Improvement Plan

- 4.1 Whilst the Council has made good progress to date in relation to ensuring value for money is secured through its procurement activity further improvements need to be made. The Improvement Plan attached is designed to ensure that action is taken to build upon current practices in order to fully deliver this Procurement Strategy.

Improvement Plan

**Sunderland City Council, Procurement Strategy, 2009 - 2012
Improvement Plan**

Objective 1 - To provide professional leadership and governance to ensure the a co-ordinated approach to all procurement activity across the Council

Ref.	Action	Target Completion Date	Success Criteria
1.1	Seek agreement to new organisational structure for Corporate Procurement which unifies procurement professionals and supports the implementation of this Strategy	September 2009	Agreement reached
1.2	Implement new structure and recruit to posts	January 2010	All posts successfully filled
1.3	Detailed spend analysis and category scoping of key areas of spend to produce a procurement workplan and forecast savings are established	April 2010 – Sept 2010	Procurement workplan produced and forecast savings targets are identified in all categories
1.4	Communication strategy developed to ensure roles and responsibilities between Category Managers and commissioners and the new Strategy are understood	Initial – September 2009 Detail – January 2010	Clarity is achieved on roles and responsibilities and the new Procurement Strategy has been effectively communicated
1.5	Non-compliance and further opportunity assessment is established through the introduction of SRM	Throughout 2010	Reduction in retrospective orders/maverick expenditure and new procurement opportunities identified

**Sunderland City Council, Procurement Strategy, 2009 - 2012
Improvement Plan**

Objective 2 - To invest in continuous professional development to build capacity and commercial competency

Ref .	Action	Target Completion Date	Success Criteria
2.1	Establish Category Managers and commissioners learning network	Throughout 2010 (depending on category)	Regular meetings of procurement professionals and commissioners with structured approach to learning and sharing knowledge and experience
2.2	Develop long and short term training plans for Council's procurement professionals driven by the results of a skills audit	April 2010	Appropriate training plans are produced and new skills linked to outcomes delivered
2.3	National agenda training and awareness sessions to be developed in conjunction with other Council specialists, i.e. sustainability, equalities, business continuity, legal and accountancy	ongoing	Full engagement with other Council specialists to ensure the requirements of national agendas are considered and taken forward within the procurement process
2.4	To commence the delivery of training on outcome based contracting and performance management to support strategic commissioning within the Council. Training to be delivered in conjunction with the implementation of the Council's new business operating model.	April 2010	Improved skills in outcome based contracting and performance management

**Sunderland City Council, Procurement Strategy, 2009 - 2012
Improvement Plan**

Objective 3 - To balance the use of collaborative procurement arrangements and enhanced purchasing power against delivering a sustainable future for the residents of Sunderland through socially responsible procurement

Ref.	Action	Target Completion Date	Success Criteria
3.1	A value for money assessment will be made on all NEPO contracts before commitment to contracts is given	Immediate	Value for money is secured for procurement activity which is given to other bodies to procure on the Council's behalf
3.2	The Council will fully engage with the mechanisms in place to support procurement by local government, including the North East Regional Improvement and Efficiency Partnership, Improvement and Development Agency and the Office of Government commerce	Immediate	Any beneficial opportunities are fully explored and benefits realised
3.3	Delivery of an action plan to meet the Government's Sustainable Procurement Task Force Flexible Framework by 2011/2012	March 2012	Progressive achievements to delivery of Level 5 of the flexible framework
3.4	The Council's procurement work plans will be shared with appropriate local and national forums	ongoing	Areas of synergy both locally and nationally identified for potential collaborative procurement activity
3.5	Development of a socially responsible procurement toolkit to provide a structured and guided approach to delivering and embedding sustainable procurement	March 2010	Sustainable procurement is embedded within procurement processes and decision making
3.6	Development of a single Council electronic directory of local businesses for use in the quotation process and unification of current standing lists	Development March 2010 Implementation from April 2010	Increase in local businesses obtaining an opportunity to bid for Council work

**Sunderland City Council, Procurement Strategy, 2009 - 2012
Improvement Plan**

Objective 4 - Recognising the value added contribution of the third sector in procurement options

Ref.	Action	Target Completion Date	Success Criteria
4.1	<p>Achievement of LEVEL 1 of local framework</p> <ul style="list-style-type: none"> - Engage with the Council's lead officer on engagement with the third sector to consider how best to make use of the innovation and flexibility of the sector, whilst providing equality of access to contracts and funding stability where appropriate - Examination of the Council's tender documentation to ensure only required and appropriate information is requested at pre-qualification stage 	April 2010	<p>Procurement officers understand the third sector as a market and the value they can potentially bring. The third sector have an equal opportunity to bid for contracts and funding through a transparent and easily understood process</p> <p>Reduction in unnecessary paperwork and more submissions received from the third sector</p>
4.2	<p>Achievement of LEVEL 2 of local framework</p> <p>Appropriate levels of training and support is provided with other partners to the third sector on how to bid for Council opportunities and have the skills to submit viable tenders</p>	October 2011	The third sector have the skills and confidence to bid for Council opportunities
4.3	<p>Achievement of LEVEL 3 of local framework</p> <p>Development of a single co-ordinated communication channel with the third sector ensuring they are fully aware of future commissioning and procurement opportunities across the Council</p>	March 2012	The efficiency and transparency of a single co-ordinated communication channel is recognised as value adding by the third sector. The third sector is aware of the Council's future commissioning and procurement activities

**Sunderland City Council, Procurement Strategy, 2009 - 2012
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Objective 5 - To protect and minimise the impact on service delivery by ensuring all significant contracts have adequate business continuity plans

Ref.	Action	Target Completion Date	Success Criteria
5.1	To co-ordinate activity across the Council, which involves procurement and contract management in relation to the provision of significant contracts, to ensure that any existing and future activity considers business continuity as part of the process	In Progress	All Council potential contracts are assessed for their significance in relation to the need for business continuity and is assessed as part of the process as appropriate
5.2	Corporate Procurement in conjunction with the Emergency Planning Team will maintain a register of significant contracts and their business continuity plans	In Progress	A single Council register of significant contracts is continually maintained and copies of the contractor's business continuity plans are held and assessed by the Council
5.3	Training, awareness and support where appropriate will be provided to the Council's existing and potential suppliers and providers in conjunction with the Emergency Planning Team	March 2010	Suppliers/providers of council significant contracts - existing or new will have awareness of the importance of business continuity and how to develop business continuity plans
5.4	Training and awareness of the impact and importance of business continuity within the supply chains will be provided for officers involved in commissioning and procurement activity	March 2010 (based upon skills analysis)	All Council officers involved in procurement will have an understanding of business continuity and its impact on the Council's supply chains and how to minimise the risk

**Sunderland City Council, Procurement Strategy, 2009 - 2012
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Objective 6 - Reduce transactional costs within the full procure to pay cycle by continuing to develop e-commerce solutions

Ref.	Action	Target Completion Date	Success Criteria
6.1	Implementation of business intelligence to ensure accurate management information is available to support future procurement activity and assist in forecasting future savings and evidencing current savings	September 2009	Evidenced based forecasting of future procurement activity and associated savings. Monitoring of procurement activity to improve compliance and reduce maverick expenditure
6.2	Implementation of SRM across the Council to capture all procurement activity with third party providers	December 2010	All third party spend is routed via SRM in accordance with the agreed business processes
6.3	Use of e-tendering system across all areas of spend (where appropriate)	October 2010	All council tenders are routed through the e-tendering system where appropriate and the tendering process (time and resource) across the Council is more efficient
6.4	Supporting the implementation of e-invoicing to further reduce transactional costs	From March 2010/2011	Council suppliers with high invoice volumes processed via e-invoicing therefore further reducing transaction and resource costs

**Sunderland City Council, Procurement Strategy, 2009 - 2012
Improvement Plan**

Objective 7 - To ensure effective contract and performance management is integrated fully into the procurement framework to ensure outcomes are delivered

Ref.	Action	Target Completion Date	Success Criteria
7.1	Development of an Equality in Procurement Guidance for suppliers	October 2010	Approved and published supplier guide available for all potential suppliers to Council
7.2	Establish key contract managers/clients for current contracts across the Council	April 2010	List of identified officers who have responsibility for contract and performance management
7.3	Development of a Code of Practice for performance monitoring significant contracts	Updated Code of Practice in place by April 2010	Approved and published framework available for all officers involved in contract and performance management
7.4	Implementation of performance monitoring framework, including training and awareness sessions as appropriate	March 2011	Contract and performance management is embedded into the procurement and commissioning process

Appendices

Breakdown of Procurement Spend by Category and Sub-Category - 2009/2010

Business Support	Utilities	Professional Services	ICT and Telecoms	Printing, Advertising & Marketing
Stationery and business consumables	Gas	Consultants	Hardware & software	Recruitment advertising
Office equipment	Calor Gas	Agency Staff & Interims	Licences	Non-staff advertising
Non-office equipment	Electricity	Legal Services	Printers & peripherals	Publicity and marketing
Insurance	Water	Training	Repairs & maintenance	External printing
Postage, couriers & carriage	Coal	Specialist Advice	Computer leasing	Copywriting
Uniforms, clothing, PPE	Petrol & diesel	Translation Services	Mobile communications	Design commissions
Subscriptions			Telephones (landlines)	Exhibitions
Travel & accommodation			Other line rentals	Photography
				Market research
£17.4m	£5.4m	£18.8m	£4.4m	£2.4m
Transport	Facilities Management	Social Care		Front line Services
		Adults	Children's	
Car lease scheme	Catering & hospitality	Residential Care	Foster Care	Minor building/construction works
Lease & hire of commercial vehicles	Cleaning services	Day Care	Community involvement & volunteer services	Highways/roads
Purchase of vehicles	Building alarms and security services	Supporting People	Home support services	Environmental services
Plant hire	Laundry	Addiction Care	Short break residential care	Burials and cremations
Taxis	Removal services		Mobile/outreach crèche services	Leisure services
Coach hire	Bailiff Services		Youth Offending services	Grounds maintenance
Repairs & maintenance	Disposal of equipment		Parenting services	Waste management & recycling
	Commercial equipment Repairs & maintenance			Property repairs and maintenance
£8m	£6.9m	£54m		£43.5m

Commissioning and Procurement – Roles and Responsibilities

The split below is shown as a guide as it is recognised that the exact level of interaction and support for each exercise will be different and be dependant upon the skills, knowledge and experience of the parties involved (both commissioner and procurement professional). The key issue is that both parties work together to ensure the best possible outcome is realised. For completeness, the table shows all areas where a procurement option is selected by the commissioner, although it is recognised that this is only one option.

Commissioning Stage	Commissioner (e.g. Head of Service)	Category Manager (Corporate Procurement)
Analyse	<ul style="list-style-type: none"> • Service intelligence (forward and backward looking data), i.e. demographics • Customer engagement • Identification and assessment of need(s) • Determination of desired outcomes • Market engagement • Stakeholder engagement – Members and Partners 	<ul style="list-style-type: none"> • Baseline information, for example financial (i.e. unit costs / previous expenditure / budget information) – will include liaison with Directorate Finance Managers • Market assessment / intelligence • Soft market testing
Plan	<ul style="list-style-type: none"> • Options appraisal – Agree option to be taken forward • Service re-design • Prioritisation of needs • Specification (inputs/outputs/outcomes) • Agree evaluation criteria • Agree performance criteria • Risk assessment • TUPE implications • Cabinet Report (if appropriate) • Approvals via EMT (if appropriate) • Identify contract manager(s) and contract administrators • Consider exit strategies (along with options appraisal) 	<ul style="list-style-type: none"> • Commercial options appraisal, considering exit strategies and potential switching costs • Procurement assessments – Business Continuity, Sustainability and Equalities • Local supply chain impacts • Benchmarking • Forecast savings, cost avoidance, budget pressure reductions • Whole life costings • Collaborative opportunities

Commissioning Stage	Commissioner (e.g. Head of Service)	Category Manager (Corporate Procurement)
Do	<ul style="list-style-type: none"> • Lead on tender evaluation process • Lead on change management - exit strategies and mobilisation plans (when a supplier/provider changes) 	<ul style="list-style-type: none"> • Tender pack preparation including appropriate terms and conditions • Manage and co-ordinate tender process • Award contract • Support on mobilisation of new contract and potential demobilisation of previous contract
Review	<ul style="list-style-type: none"> • Mobilise contract and performance management arrangements • Evaluate and provide feedback into the analyse stage 	<ul style="list-style-type: none"> • Produce procurement outcome report – savings/cost avoidance/budget pressure reduction/added value • Provide contract management framework and support including providing clarity on roles and responsibilities during the contract period. • Attend contract review meetings (commercial considerations)

Sustainable Procurement Policy

The Council recognises it has a vital role in furthering sustainable development, through its procurement of buildings, goods, works and services. Procurement decisions have a major socio-economic and environmental implication, both locally and globally, now and for future generations.

Context and Background

Definition of Sustainable Procurement

“Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities 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, while minimising damage to the environment”.

‘Procuring the Future’ - Sustainable Procurement Task Force, June 2006

Sustainable procurement is about BEST procurement (Benefiting Economy and Society Through) procurement practices.

The public sector has a duty to spend public money in the long-term public interest – in ways that avoid undermining people’s health, opportunities and the environment. Sustainable procurement contributes to this and therefore delivers long-term value for money, which is at the heart of the Council’s Corporate Procurement Strategy. This policy therefore forms an integral part of the Council’s Corporate Procurement Strategy.

Sustainable Procurement has been the focus of several major reports in recent years. In March 2005, the Government published its Sustainable Development Strategy – “Securing the Future”. This strategy recognises the need to use procurement to support the wider social, economic and environmental objectives of the public sector and resulted in the establishment of the Sustainable Procurement Task Force. The Task Force has provided guidance for the Public Sector and developed a flexible framework (Annex A) to ensure that by 2009, the UK is recognised as being amongst the leaders in sustainable procurement across EU member states.

The driving forces behind sustainable procurement policies are the individual Sustainable Community Strategies, which create a long-term, sustainable vision and set the priorities for each Local Authority.

What does sustainable procurement mean in real terms?

The consequences of procurement decisions can determine whether the Council is to be part of the problem or part of the solutions.

Sustainable procurement can lead to:

- Long-term efficiencies through adopting whole life costings and anticipating future resource shortages and associated increases in costs. Choosing sustainable products and services is often a sound financial decision. This is because common characteristics of more sustainable products include:
 - superior energy and water efficiency
 - reduced usage of consumables
 - lower hazardous material content
 - longer life and greater upgradeability
 - reduced packaging and waste
 - ease of recycling

These benefits typically translate into lower running and disposal costs, offsetting any premium on initial purchase costs or resulting in direct financial savings.

- Using local spend to encourage local involvement in contracts, increase local skills and jobs, and re-circulate money within the local economy.
- Addressing health inequalities by supporting local SME's and Social Enterprises to increase employment and raise incomes. There is a clear connection between healthy and profitable businesses and the well-being of the community in which they are based.
- Reduced traffic and air pollution through reduced freight and personnel movements.
- Sustainable use of natural resources and the avoidance of ecological damage, through local and global pollution and habitat destruction.
- Reduced exposure to supply shortages and price rises by efficient use of energy and resources.
- Assist in planning for a changing climate and a resource and carbon constrained future.
- Realisation of the local sustainable development objectives in the Sunderland Strategy.
- A reduction in short sighted procurement decisions that can have a knock on effect to other public sector organisations such as the NHS.

Policy Objectives

This policy has two key objectives:

- **To ensure that all Council procurement activity is undertaken in an economically, environmentally and socially responsible manner and that all factors are taken into account as appropriate to the goods, services or works being procured.**
- **To achieve level 5 of the Government's Sustainable Procurement Task Force Flexible Framework by 2011/2012.** The framework can be referenced in Annex A.

These objectives will ensure that the Council's procurement activities maximise the delivery of the sustainability objectives set out in the Sunderland Strategy, and Local Area Agreement. The Sustainable Procurement Policy sits within the Sunderland City Council's wider Sustainability Policy.

To achieve these objectives the Council's Corporate Procurement unit will provide education, training and awareness, engage suppliers and stakeholders and provide clear and transparent measurement of achievements.

Education and Awareness

Educate, train and encourage commissioners and procurement practitioners by:

Development of a socially, economically and environmentally responsible procurement toolkit which will assist officers when undertaking any procurement activity to embed sustainable procurement practices across the Council. The toolkit will be aimed at procurement practitioners, with the aim of encouraging them to address sustainable issues when scoping out contracts and producing tender documents. The toolkit is intended to be a simple and consistent method of standardising the way that sustainable procurement provisions are considered when undertaking procurement exercises. This will include:

- A sustainability impact assessment, which will include both environmental, economic and social impact assessments of all procurement activity over £75,000 supported by the in house expertise of the Council's Sustainability Team. This will identify opportunities to change contract specifications and deliverables.
- The consideration of the governments "quick wins" environmental specifications for key commodity goods.
- Sustainable procurement evaluation criteria weightings and decision making guides, which will recommend a minimum of 10% weighting be attached to sustainable outcomes appropriate to the contract.
- The use of a whole life costing model for procurements over £75,000.
- The use of appropriate community benefits clauses in contracts by using the regional harmonised contract documents and other recognised models.
- Addressing perceived barriers to delivering sustainable procurement within the legal framework.

Engagement with Suppliers and Stakeholders

Engagement with both suppliers and stakeholders is key to the delivery of sustainable procurement. Their understanding and commitment to provide sustainable solutions will ensure a sustainable future for the citizens of Sunderland. This will require:

- Ensuring that low value opportunities are made available both on the Council's internet site and the regional procurement portal. This will also include the promotion of these sites to reference new opportunities.
- Ensuring that where quotes are sought for the purchase of goods, works or services (under the tender threshold) consideration will be given to seeking quotes from local suppliers and that, at least, one is obtained from a local supplier (where available).
- Addressing barriers to entry in order that local Small to Medium sized Enterprises (SMEs), local suppliers and the third sector are encouraged to bid for Council business.
- Providing training and education workshops on how to win Council business in line with the Council's procurement work plan.
- Educating our suppliers and providers regarding the Council's commitment to sustainable objectives, this will include revising the "Selling to the Council" guide.
- Encouraging and persuading current suppliers to adopt sustainable practices and to promote innovative solutions.
- Working with existing suppliers to make changes and thereby extend sustainability improvements throughout the supply chain.
- Working with stakeholders within existing partnership arrangements to promote the Council's commitment to sustainable procurement principles.

Measurement and Results

The policy objectives will be measured in a clear and transparent manner, which will include the following:

- The development of a procurement achievements log to record sustainable procurement outcomes.
- The use of the sustainability impact appraisal tool-kit within the Council.
- The tracking of achievements against the levels within the National Sustainable Procurement Flexible framework.
- Tracking the level of Council expenditure with local businesses.
- Tracking the number of opportunities given to local businesses to tender for Council contracts.

National Sustainable Procurement Flexible Framework

Flexible Framework	Foundation	Embed	Practice	Enhance	Lead
	Level 1	Level 2	Level 3	Level 4	Level 5
People	Sustainable procurement champion identified. Key procurement staff have received basic training in sustainable procurement principles. Sustainable procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.	Targeted refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.	Sustainable procurement included in competencies and selection criteria. Sustainable procurement is included as part of employee induction programme.	Achievements are publicised and used to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.
Policy, Strategy and Communication	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy, in particular consider supplier engagement. Ensure it is part of a wider Sustainable Development strategy. Communicate to staff, suppliers and key stakeholders.	Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.	Review and enhance the sustainable procurement strategy, in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.	Strategy is: reviewed regularly, externally scrutinised and directly linked to organisations' EMS. The Sustainable Procurement strategy recognised by political leaders, is communicated widely. A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.
Procurement Process	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value-for-money, not lowest price. Procurers adopt Quick Wins.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life-cost analysis adopted.	All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targets to improve sustainability are agreed with key suppliers	Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life-cycle approach to cost/impact assessment is applied.	Life-cycle analysis has been undertaken for key commodity areas. Sustainability Key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.
Engaging Suppliers	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involvement.	Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.	Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.	Suppliers recognised as essential to delivery of organisations' sustainable procurement strategy. CEO engages with suppliers. Best practice shared with other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.