



**Leicestershire County Council
Sustainable Commissioning and
Procurement Strategy
2009-13**

**‘Procurement Leadership
and Innovation’**

Foreword

To be inserted

John Sinnott
Chief Executive

About this Strategy

This Strategy explains how Leicestershire County Council's commissioning and procurement activity will be used over the next four years to improve the quality of life for the people of Leicestershire and make Leicestershire the best possible place to live and work for everyone¹. In doing so, we expect to demonstrate our procurement leadership and innovation.

The Strategy provides a clear picture in terms of:

- Where we are now
- What we value, including what we buy and how we buy
- Where we want to be (our vision)
- How we intend to get there
- How we will measure our progress

This picture is intended to enhance the understanding of everyone who has an interest in Leicestershire County Council's business, including our employees, trade unions, the voluntary and community sector (VCS), partner agencies, suppliers and potential suppliers.

Where We Are Now

Leicestershire County Council is a successful organisation, which has been rated as four star improving strongly by the independent Audit Commission and has been named as Council of the Year 2009². We have also achieved Level 3 of the Equalities Standards for Local Government.³ Our commissioning and procurement activity has received external recognition through the 4ps Award for Excellence⁴ and an Outstanding Achievement in Procurement Award from the Society of Purchasing Officers in Local Government (SOPO)⁵.

The commissioning and procurement activities of which we are particularly proud are:

- The Midlands Highway Alliance (MHA), led by Leicestershire County Council and supported by the East Midlands Regional Improvement and Efficiency Partnership (EMRIEP). The MHA comprises East Midlands local authorities and the Highways Agency working in collaboration to improve the design and delivery of highway services and to achieve forecast efficiencies of over £10m by 2011.
- The collaboration in learning disabilities between 9 East Midlands authorities, led by Leicestershire County Council and supported by the

¹ Leicestershire Together, Sustainable Community Strategy 2008 – 2010 (page 6)

² Winner of Council of the Year 2009, Local Government Chronicle Awards

³ Achieved in February 2009, demonstrating that the Council is successfully mainstreaming equality into all aspects of its work, including service delivery, procurement and employment

⁴ Leicestershire County Council received a highly commended accolade in the efficiency category for establishing the Midlands Highways Alliance, June 2008

⁵ The successful development and implementation of a category management approach was externally recognised in November 2008 with an Outstanding Achievement in Procurement award from the Society of Purchasing Officers (SOPO)

EMRIEP, to gain a better understanding of the supply market and to manage the market more effectively. This has led to framework agreements for the provision of learning disabilities services right across the region shaped by those people using the services as well as care providers with expected savings of £900k for 2009/10.

- The support services to be provided to all voluntary and community sector organisations in Leicestershire from April 2009 as a result of the new countywide support organisation commissioned jointly with the NHS Leicestershire County & Rutland and Leicestershire District Councils.
- The creation of a Passenger Transport Unit to provide a centre of expertise and co-ordinate our procurement of passenger transport services, including local bus services. This has improved customer service and resulted in savings of £1.6m by 2009/10. We are now investigating a shared commissioning arrangement with Leicester City Council to achieve further benefits.
- Our approach to the treatment of residual waste, which has successfully secured initial government support. We expect to sign a 25-year contract in 2009/10, which will provide a sustainable way of dealing with the waste that cannot be recycled and protect council taxpayers from increased costs in Landfill Tax.
- The consolidation of our Facilities Management services covering the Council's portfolio of buildings and land, which is expected to achieve greater co-ordination, improved service quality, and scheduled savings of £150k in both 2010/11 and 2011/12. Schools have also been given the opportunity to participate in this arrangement as well as our partners, including Leicestershire's District and Borough Councils.
- Our collaboration with other authorities in the East Midlands, including police authorities and fire authorities to procure external legal services at reduced rates. As well as cashable savings, the Council benefits from shared access to a training programme, specialist advice and documentation.
- The successful development and implementation of a category management approach across all our purchasing activity supported by a new Corporate Procurement Unit and our purchasing agent, Eastern Shires Purchasing Organisation (ESPO). This is on track to deliver over £9m of cashable savings by 2009/10.
- Our successful implementation of Oracle iProcurement across the Council to help control spending on corporate commodities and provide better management information.
- The positive feedback we received following our first corporate event for Key Suppliers⁶, aimed at learning more about the challenges and pressures facing suppliers and the Council. Suppliers' views and ideas on the way improvements could be delivered have been built into this Strategy.
- The development and publication of our Environmental Purchasing Policy demonstrating how the County Council accepts fully its

⁶ Key Suppliers are those organisations with whom the Council places a significant amount of business on an annual basis

responsibilities as a community leader in carrying out its purchasing activities in an environmentally responsible way.

All of this has been achieved as a result of the efforts of high quality staff at all levels of the Council, including our purchasing agent, ESPO, and also through collaborative working with our partner agencies and suppliers.

Yet there is still much to do. We have to increase the pace at which we achieve efficiencies through better commissioning and procurement and we have to ensure that long lasting benefits – through sustainable procurement - are delivered to the people of Leicestershire. At the same time, we face challenges through demographic changes, natural resource constraints, heightened environmental concerns, increasing technological change and high impact events (such as the 'credit crunch').

What We Value

We believe that the way we behave as an organisation impacts upon both the way that we do business and the way in which we are perceived by our suppliers, potential suppliers and partners.

The County Council already has six Organisational Values, which summarise what we value and the way we work across the Council. Indeed, our category managers work across the organisation – not in departmental 'silos' - to ensure that the necessary business results are achieved for the Council overall. These values are:

- A focus on the people of Leicestershire
- Being positive
- The desire to achieve results
- Flexibility
- Co-operation
- Speaking up

In addition, our procurement activity is underpinned by the following procurement principles:

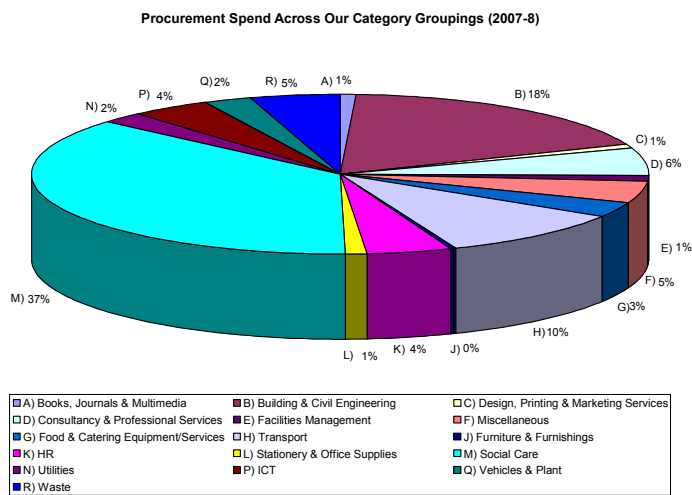
- **Competition** - All procurement will be subject to competition, wherever possible. A competitive process provides the Council with the best opportunity of gaining value for money, meeting service requirements and taking account of sustainability issues when procuring goods, works or services. However, there may be a few valid exceptions to this principle when taking into account the nature of the requirement
- **Value for money** - All procurement will be conducted on a value for money basis. Value for money includes both whole life costs and quality (The Council's approach to gaining value for money is set out in its Value for Money Strategy 2009/10 to 2012/13)

- **Sustainability** - Will be addressed from the start of the procurement and throughout the process. In many instances, particularly when environmental issues are relevant, sustainable procurement will reduce whole life costs and improve quality through recycling or reducing disposal costs.
- **Fairness, openness and transparency** - All procurements will be fair, open and transparent. This is based on the European Union procurement rules, about not favouring or putting any potential supplier at a disadvantage.
- **Continuous improvement** – Where a contract is going to be run for a number of years, we will make sure that the contract is sufficiently flexible to provide for continuous improvement throughout the period of the contract, allowing for changes in the requirement.
- **Collaboration** – Full advantage will be taken of any opportunities for realising efficiencies and sharing knowledge through collaboration with partners and suppliers, where it is beneficial to do so.

We will continually monitor our procurement activity to make sure it aligns with these values and principles.

What We Buy

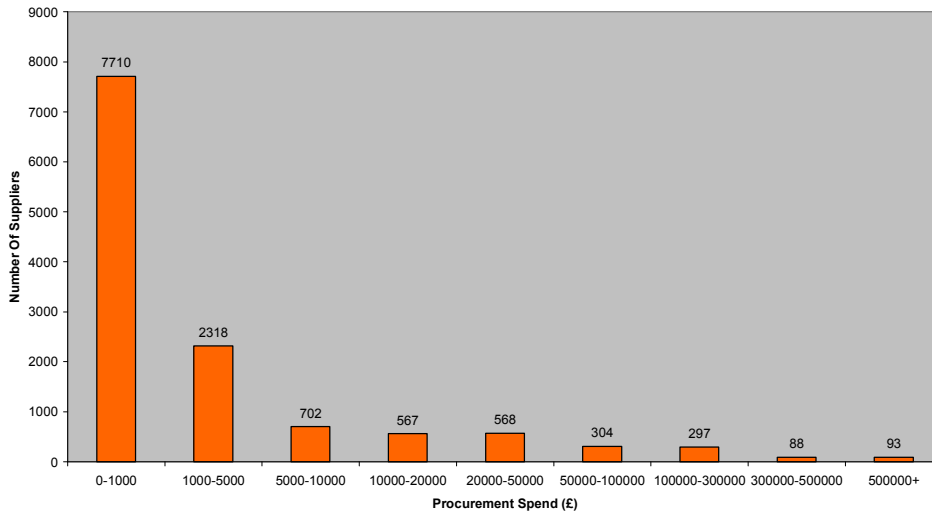
The Council spends approximately £275m per year on goods, works and services. The pie chart below shows how this annual spend is divided among the Council's Category Groupings.



How We Buy

The Council has approximately 13,000 suppliers. The following graph shows how the Council's spend on goods, works and services is distributed among its 13,000 suppliers.

Procurement Spend Across Our Supply Base (2007-8)



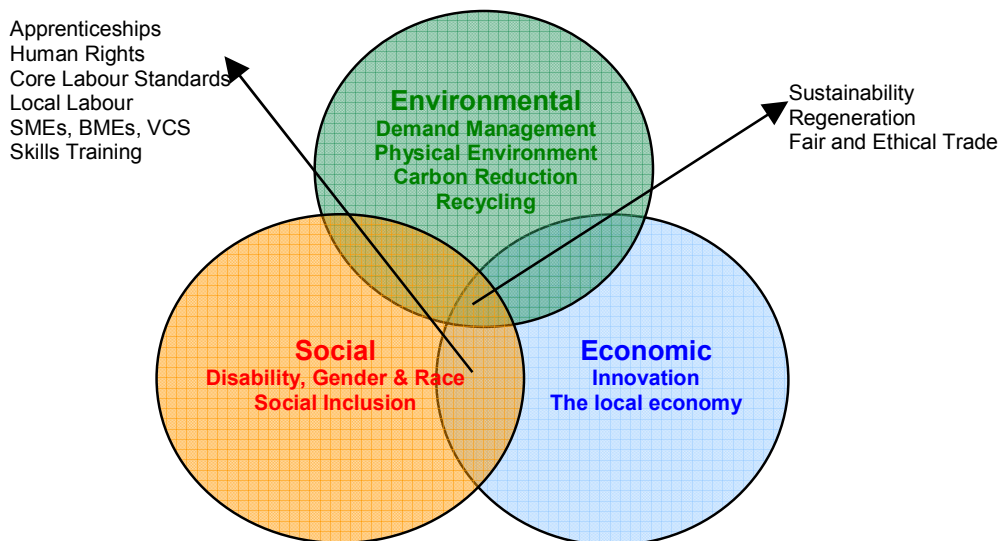
Our Vision is therefore.....

.....Through our leadership and innovation to ensure that the real long-term benefits of sustainable commissioning and procurement are generated for the people of Leicestershire.

Sustainable Commissioning and Procurement

For us, sustainable commissioning and procurement means working in partnership with all our stakeholders to support wider social, economic and environmental objectives (see Figure 1) in ways that offer real long-term benefits, including value for money.

Figure 1 – The 3 Objectives of Sustainable Commissioning and Procurement



These economic, social and environmental objectives are interlinked and alongside service requirements and value for money, represent the 'lens' through which all our procurement decisions are made at the Council and against which our performance is measured.

Each of these objectives is equally important:

- The **economic** objective is about maximising business value and working with our suppliers to reduce costs on a whole-life basis, as well as making it easier for Leicestershire businesses to work with the Council and to stimulate the local economy.
- The **social** objective is about ensuring equalities and diversity are embedded into the procurement process, taking the opportunity to secure relevant wider community benefits, and making sure that our suppliers comply with employment law as well as address skills, training and health and safety.
- The **environmental** objective is about ensuring that all our purchasing activities are conducted in an environmentally responsible manner, for example, by only buying goods, works and services that are necessary, reducing the use of virgin non-renewable natural resources, and considering climate change mitigation

At the same time we constantly need to develop **excellent procurement practice** across the Council and in collaboration with our partners, particularly through:

- Our governance arrangements for procurement activity
- Planning, measuring and controlling our activity
- Doing business electronically
- Supplier engagement
- Risk management
- Business continuity
- Procurement capability, skills and training

Where We Want To Be

We expect our future commissioning and procurement arrangements in 2013 to be very different from the current arrangements.

We expect there to be:

- Further significant cashable savings and non-cashable benefits achieved through continued improvements in sourcing.
- Strategic commissioning arrangements in place with our partners, through Leicestershire Together, which will own development of the Partnership's commissioning framework. This framework includes the Local Area Agreement (LAA) service delivery plans, to ensure an integrated approach across key LAA outcomes.
- A clear recognition that our category managers, supported by ESPO, are 'custodians' of the Council's relationship with the supply markets.

As such their role is to deliver innovation and commercial solutions to meet the needs of Leicestershire people.

- Early engagement of these procurement professionals in joint commissioning arrangements and strategies with our partners, in order to challenge thinking and to influence the procurement approach from the outset.
- Clear alignment of our category managers with their counterparts in partner agencies in order to maximise resource use and procurement capabilities across all organisations. This will facilitate a joint approach, for example, in such areas as market analysis and development, joint specifications, joint cost reduction approaches and joint contract management.
- Less time spent by category managers on tactical and operational procurement activity, which will be devolved to service areas with support.
- A culture of demand management in place right across the Council supported by category managers. At a tactical level, this means staff questioning whether we need to spend the budget in the first place. At a strategic level this means reviewing a whole activity to determine whether it meets the needs and objectives of the Council.
- An increase in the number of our shared service arrangements in order to deliver real service improvements and efficiency gains.
- Greater investment in e-procurement so that the majority of our business transactions with suppliers are conducted by electronic means to reduce transactions costs.
- A shared approach to managing costs with our suppliers, so that suppliers achieve a fair profit but at a substantially lower cost to the Council and our partners. This means moving away from the current approach of tactical price management through re-tendering and re-negotiating prices.
- Much greater attention given to service partnerships and contract management arrangements to ensure that our specified outcomes are actually achieved.
- More empowerment of local people through publishing clear information on our website to explain what services we have commissioned/procured on their behalf and what key performance measures are being used to monitor performance.

How We Intend to Get There

The following activities will be developed into a detailed implementation plan which will be regularly updated and progress reported to our new Commissioning & Contracts Board and Cabinet on an annual basis:

Economic

- We will achieve ongoing annual procurement efficiency savings of at least £1.2m p.a.
- We will put in place a Supplier Relationship Management Programme, for our key suppliers.

- We will work with prime contractors - both at tender stage and during the life of a contract - to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain.
- We will provide details of our prime contractors on our website.
- We will keep the tender process as simple as possible, and proportionate to the requirement, in order to help minimise the costs to suppliers.
- We will publish a complaints procedure.
- We will continue to undertake detailed analysis of our supply base to identify and monitor our expenditure with local small and medium-sized enterprises (SMEs) and to give us a better understanding of the impact of our purchasing activity upon the local economy.
- We will require our suppliers to pay their sub-contractors, throughout the supply chain, within 30 days from receipt of an undisputed invoice.
- We will deliver the Action Plan supporting the Small Business Friendly Concordat to which the Council is a signatory

Social

- We will achieve level 5 of the new Equality Framework by March 2011.
- We will ensure that equality considerations are built into all stages of the procurement process, and that we do business with suppliers who meet their obligations under the equality legislation.
- We will conduct Equalities Impact Assessments for our procurements, on a risk-basis, to assess the impact of our activity on different groups in the community.
- We will endeavour to include social clauses as special conditions in terms of the performance of a contract, to assist in delivery of the Sustainable Community Strategy.
- We will ensure ethical sourcing issues⁷ are considered as part of our normal procurement practice.

Environmental

- We will aim to control our consumption of and demand for goods and services, such as stationery, consultancy, travel and venue arrangements.
- We will continue to implement the requirements of the National Flexible Framework⁸, so that the Council achieves Level 5 by March 2012.
- We will undertake the planned work with our key suppliers to help them improve their environmental performance.
- We will embed whole life costing techniques across the Council.
- We will develop our environmental risk assessment tool into a sustainable procurement tool, to help our staff maximise the positive benefits and minimise negative impacts on society, the economy and the environment.

⁷ Ethical sourcing issues include, for example, ensuring suppliers do not use forced labour, and offer wages that at least meet relevant industry benchmarks or national legal standards.

⁸ Source: www.defra.gov.uk/sustainable/government/documents/full-document.pdf - The Flexible Framework is on page 74 of 'Procuring the Future').

- We will update our environmental purchasing policy, so that it continues to support delivery of the Council's Environmental Policy.

Excellent Procurement Practice

- We will play an active part in the development of the new Strategic Commissioning arrangements, which are being put in place by Leicestershire Together.
- We will put a governing board (Commissioning & Contracts Board) in place to oversee the contract letting and contract management processes within the Council. The board's role will be to appraise project proposals, to challenge demand, to ensure sustainability issues are incorporated into the procurement process and share the learning from different projects across the Council.
- We will move to a 'self service' procurement model, supported by a help desk facility, for lower value/lower risk activity. This model will still be co-ordinated centrally within the Council's category management arrangements.
- We will align our category work plans with the Council's financial targets to ensure new savings are identified as well as a pipeline for future savings.
- We will introduce a competency framework, which identifies the skills and competencies required of all those involved in the procurement process.
- We will continue to provide procurement training to improve procurement competencies and skills and develop additional purchasing guidance.
- We will ensure that elected members have an awareness of the procurement process sufficient to meet their identified needs and to enable them to exercise their roles as Executive Member, Scrutiny Member or member of the Corporate Governance Committee, as appropriate.
- We will revise our financial regulations to ensure strict enforcement of corporate contracts and procurement policy. This will also be incorporated into future audit reporting.
- We will ensure that all our contracts have a named contract manager in place and that all contracts with a value of £500k and over also have a Senior Responsible owner in place.
- We will train our category managers and contract managers in supplier relationship management techniques.
- We will pilot a Supplier Relationship Optimisation tool to help us and our key suppliers improve the way we work together.
- We will implement further improvements in e-procurement, procure-to-pay processes and management information, so that the Council and its suppliers maximise the benefits of electronic procurement.
- We will continue to obtain assurance on a risk basis of the viability of the Council's significant contractors' and partners' business continuity plans.

How We Will Measure Our Progress

The Council's goal is to commission and procure quality services tailored to local needs to deliver sustainable outcomes and value-for-money. To measure our progress, we will look at the following and report progress to our Commissioning & Contracts Board and Cabinet on an annual basis, publishing the report on the Council's website. We will also benchmark our commissioning and procurement performance with that of other organisations across different sectors.

Our Performance Measures

Economic	Procurement Practice
<ul style="list-style-type: none"> • Year on year procurement savings (cashable) achieved • Percentage of payments made within 30 days by the Council where the invoice is undisputed • % spend with SMEs • Key Supplier Performance 	<ul style="list-style-type: none"> • Corporate Use of Resources Score: Value-for money (out of 4) • Value of procurement spend transacted electronically • Colleague satisfaction with purchasing arrangements • % of contracts supported by ESPO
Social	Environmental
<ul style="list-style-type: none"> • No of EIAs completed on high risk/high value procurement activity • Level of Equality Framework for Local Government achieved 	<ul style="list-style-type: none"> • Level of national Flexible Framework achieved • % of high risk contracts where environmental considerations were included in the contract award (weighting 15%+) • % of paper consumed which meets the paper specification

Glossary of Terms

Business Case - This is a document, which is used to obtain management commitment and approval for investment in business change. It identifies the costs, benefits and risks associated with a particular project, so that the viability of the project can be judged

Business Continuity – Where supply of goods or services is critical to the Council, evidence of business continuity and security arrangements will be obtained to minimise the probability of disruption and delayed or non delivery

Demand Management – This is an approach to ensuring that the business' needs are being appropriately met and that resource is not being applied unnecessarily. Demand management is not about reducing contract volumes - it is about ensuring, among other considerations, that contract volumes are appropriate for meeting the needs and objectives of the organisation.

Category Management – This involves coordinating and managing the purchasing arrangements across the Council for a group of similar goods, works and services. Examples of categories include transport services, energy and food

Eastern Shires Purchasing Organisation (ESPO) - A local authority purchasing and distribution consortium formed in 1981, that is jointly owned and managed by 7 local authorities, including Leicestershire County Council. It provides a comprehensive purchasing service to its 7 member authorities and other approved customers

East Midlands Improvement & Efficiency Partnership (EMIEP) – Partnership set up following the publication of the National Improvement and Efficiency Strategy (December 2007) by the Department for Communities and Local Government (DCLG). It aims to bring lasting improvements to the East Midlands region by forging closer relationships between East Midland Local Authorities to help them challenge and support one another on their 'improvement journeys'.

Equality Framework for Local Government - The Equality Framework has been developed to build on the equalities achievements of local government and create a framework that helps councils to respond effectively to the increasingly complex and diverse nature of their communities, legal obligations and new performance measures. The Framework uses the broader definition of equality set out in the Equalities Review which emphasises equal life chances for all

Flexible Framework – Developed by the National Sustainable Procurement Task Force to allow public sector organisations to benchmark their own sustainable procurement capability, and providing a route map for improvement. Further information is available from:

(www.defra.gov.uk/sustainable/government/documents/full-document.pdf - The Flexible Framework is on page 74 of 'Procuring the Future')

Gateway Review – An appraisal of a procurement project carried out at crucial junctures in its development. It is conducted by an independent team who are not part of the project team and who can provide a 'health check' on the aims and the progress of the project. Further information is available from:
www.ogc.gov.uk/what_is_ogc_gateway_review.asp

Joint commissioning - two or more agencies pooling their resources to implement a common strategy for providing services

Leicestershire Together – The Local Strategic Partnership (LSP) for the county of Leicestershire whose aim is to improve the quality of life for Leicestershire people and to improve the quality and coordination of public services in the county. Leicestershire Together has 28 members representing different sectors, including the organisations providing key services to communities across the county

Local Area Agreement - sets out the priorities for a local area agreed between central government and a local area (the local authority and Local Strategic Partnership) and other key partners at the local level. These priorities aim to make a town, city or community a better place to live.

Local Strategic Partnership – A single body, which brings together the different parts of the public, private, voluntary and community sectors for the purpose of preparing and implementing a community strategy and agreeing community priorities. In Leicestershire, the local strategic partnership is called 'Leicestershire Together'

Oracle iProcurement - A software application which streamlines the process of purchasing goods/services replacing the manual paper order system, and is one of the principal electronic procurement tools which has been implemented by the Council to modernise its approach to procurement technology and to contribute to delivering efficiency savings

Public Sector Bodies – For the purpose of this Strategy each of the following is considered to be a Public Sector Body: a local authority, a district council, a borough council, a government department, a fire and rescue authority, a police authority, a health authority, an association of or formed by one or more public sector bodies

Purchasing Card (pCard) - This is a charge card, which works in a similar way to a credit card and is used to purchase low value, high volume routine transactions, for example: hardware purchases, travel and accommodation expenses, newspapers. They replace paper based purchase orders and invoices and the use of petty cash

Risk Management - We will assess the risks associated with the development and performance of contracts and manage these risks appropriately

Small Business Friendly Concordat – A voluntary, non-statutory code of practice, which sets out what small firms and others supplying local government can expect when tendering for local authority contracts. It also sets out the standards that public sector buyers should expect from their suppliers

Small to Medium Size Enterprises (SMEs) – Companies employing 250 employees or less

Supplier Relationship Optimisation (SRO) – An analytical tool which involves gathering 360 degree feedback on suppliers and comparing this to a supplier's own self assessment. The results are used to identify and address any important gaps in the relationship.

Voluntary organisations – Voluntary organisations exist for their self defined purpose and are not set up by law. They are independent and range from large service providers and registered charities to small groups and clubs that may not be formally constituted, and which between them cover the entire range of activities and

policy areas. They include faith groups, black and minority ethnic, refugee and asylum seeking groups, and tenants and residents associations. They may or may not use volunteers

Voluntary and Community Sector (VCS) – The voluntary and community sector is the collective name for all the voluntary and community organisations

Whole Life Costs – The costs associated with the life of an asset or service, including procurement, operation, maintenance and disposal/re-competition.

If you require information in an alternative version such as large print, Braille, tape or help in understanding it in your language, please contact 0116 305 5837 or email: procurement@leics.gov.uk

જો આપ આ માહિતી આપની ભાષામાં સમજવામાં થોડી મદદ ઇચ્છતાં હો તો 0116 305 5837 નંબર પર ફોન કરશો અને અમે આપને મદદ કરવા વ્યવસ્થા કરીશું.

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਜਾਣਕਾਰੀ ਨੂੰ ਸਮਝਣ ਵਿੱਚ ਕੁਝ ਮਦਦ ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ 0116 305 5837 ਨੰਬਰ ਤੇ ਫੋਨ ਕਰੋ ਅਤੇ ਅਸੀਂ ਤੁਹਾਡੀ ਮਦਦ ਲਈ ਕਿਸੇ ਦਾ ਪ੍ਰਬੰਧ ਕਰ ਦਵਾਂਗੇ।

এই তথ্য নিজের ভাষায় বুঝার জন্য আপনার যদি কোন সাহায্যের প্রয়োজন হয়, তবে 0116 305 5837 এই নম্বরে ফোন করলে আমরা উপযুক্ত ব্যক্তির ব্যবস্থা করবো।

假如閣下需要幫助，用你的語言去明白這些資訊，請致電 0116 305 5837，我們會安排有關人員為你提供幫助。

Jeżeli potrzebujesz pomocy w zrozumieniu tej informacji w Twoim języku, zadzwoń pod numer 0116 305 5837, a my Ci dopomożemy.

اگر آپ کو یہ معلومات سمجھنے میں کچھ مدد درکار ہے تو براہ مہربانی اس نمبر پر کال کریں 0116 305 5837 اور ہم آپ کی مدد کے لئے کسی کا انتظام کر دیں گے۔

We encourage feedback on our Strategy and this can be provided to the Corporate Procurement Unit at the following address or any of our Category Managers (contact details available via website: www.leics.gov.uk):

Corporate Procurement Unit
Corporate Resources Department
Leicestershire Council Council,
County Hall,
Glenfield,
Leicester,
LE3 8RE
Email: procurement@leics.gov.uk