



**London Borough
of Hounslow**

**PROCUREMENT
STRATEGY
2011 - 2014**

Corporate Procurement Unit

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Procurement Strategy

Introduction

Procurement involves translating needs into delivery and achieving required outcomes in a way which delivers value for money. It is not merely a process for buying goods and services.

Effective procurement contributes to the delivery of all of our corporate priorities. In particular it contributes directly to the delivery of the following priorities:

- A thriving economy with more affordable homes
- A cleaner greener borough
- Help and support for our residents who need it most
- Ambitious council which improves the lives of residents and works in a transparent and efficient way

This strategy sets out:

- Our objectives for procurement
- How we intend to achieve our objectives
- How we will measure our progress

Our objectives for procurement

Effective procurement enables the delivery of economic, social and environmental benefits

Economic benefits working with our suppliers to generate

- Cost savings for the council
- Modern innovative service delivery
- Benefits to the local economy – maintaining jobs and creating opportunities for apprenticeships and graduates: and to
- Promote the payment of a London Living Wage by suppliers operating in the borough

Social benefits through

- Equality and diversity
- Social inclusion
- Delivering good quality services that meet residents' needs

Environmental benefits through assessing suppliers policies and proposals (where appropriate to the goods or services being procured) for

- Recycling
- Controlled energy consumption
- Biodiversity
- Carbon reduction

This document sets out London Borough of Hounslow's Procurement Strategy for the period 2011 to 2014.

Vision for procurement

Our vision is to transform Hounslow's procurement activity from an administrative process for buying goods and services into a process that better translates needs into delivery and outcomes in a way that delivers economic, social and environmental benefits.

We will achieve this through developing excellence in our procurement practice through:

- Updating our governance arrangements for procurement activity
- Better planning of procurement activity
- Procuring in collaboration with other local authorities, the NHS and other public sector organisations, particularly the West London Alliance
- Stronger category management to maximise savings and business improvement opportunities
- Using Procurement Boards to help scope procurement activity and maintain focus on risk areas
- A clearly defined contract management role with greater involvement from category managers to help maintain relationships, learn from our suppliers experiences and challenge performance levels where appropriate
- Using our supply chain to help deliver our corporate priorities

What do we procure ?

The council spends over £200m per annum on goods and services with 5,680 suppliers.

44% of this expenditure is with our top 30 suppliers

3.3% of this expenditure is with 3,450 suppliers with whom the council spends less than £10,000 per annum

The council processes 76,000 payments to suppliers per annum. Currently 89% of invoices received by the council are paid within 30 days

Procurement principles

The council's procurement activity is underpinned by the following principles:

- **Meeting residents needs** – we will procure services that meet residents needs
- **Value for money** – procurement will be conducted to secure value for money based on whole life costs and quality.
- **Partnership** – we will always procure collaboratively with other public sector partners

- **Sustainability** – we expect all major suppliers to have sustainability policies. Where appropriate we will assess potential suppliers proposals for recycling, reducing carbon usage, reducing emissions. and/or contribution to bio diversity as part of the procurement process.
- **Promoting local businesses** – we will structure our procurement activity to provide opportunities for local businesses and for the creation of jobs, apprenticeships and opportunities for graduates in the Borough.
- **Supporting the voluntary sector and social enterprises** – we will structure our procurement activity to provide opportunities for the voluntary sector and social enterprises.
- **Flexibility** – we will consider the full range of procurement options and allow flexibility for innovation and service improvement when structuring procurements.
- **Challenge** – we will challenge poor supplier performance and poor procurement practice.
- **Fairness, openness and transparency** – our procurement process will be fair, open and transparent. We will follow European Union procurement rules where applicable and will not favour or disadvantage any supplier.
- **Positive relationships** – we will maintain positive relationships with our suppliers and procurement partners.
- **Risk management** – we will assess the risks associated with each procurement exercise and apply appropriate governance arrangements.
- **Continuous improvement** – where a contract is going to run for a number of years we will ensure that the principle of continuous improvement included in the contract and will allow flexibility for changes in requirements.
- **Shared efficiencies** – we will work with our suppliers to deliver shared efficiencies
- **Shared values** – we will work with our suppliers to promote shared values and behaviours
- **Paying on time** – we will pay undisputed invoices within 30 days of receipt by the council.

What do we want to achieve by 2014 ?

- Delivering cashable savings through continued improvements in sourcing
- Strategic procurement through the West London Alliance (and beyond where appropriate) focussing particularly on adult social care, children's social care, environmental services and corporate supplies
- A stronger approach to category management with some categories being managed at a West London level and others at a local level by category managers who have the skills to lead our major procurements and manage the council's relationship with the supply markets
- All procurement being undertaken in collaboration with other local authorities, the NHS or other public sector organisations

- A clearly defined role for our centralised procurement team in the context of strategic procurement activity at a West London level
- Better forward planning of our procurement activity through the development of Annual Procurement Plans
- Aligning our procurement activity with other boroughs and the NHS to enable opportunities for joint procurement
- Streamlined, transparent procurement process that promote challenge of what we are procuring and why and better management of risks
- Building opportunities for improving sustainability and opportunities for local businesses and for job creation in the borough into procurements where appropriate
- Using our supply chain to maintain jobs, create more apprenticeships and job opportunities for graduates and our residents
- Working with our suppliers to reduce the volume of low value paper invoices submitted to the council for payment
- Developing a better understanding of our expenditure by category by streamlining our coding structure and supplier database and implementing a procurement classification set such as Proclass

Measuring our performance

We will measure the benefits delivered by our procurement activity via the following metrics:

Economic benefits

- Value of year on year cashable procurement savings
- % of payments to suppliers made within 30 days where the invoice is undisputed
- Number of local businesses/ SMEs submitting Pre Qualification Questionnaires
- Number of apprenticeships, graduate and other job opportunities created through the council's supply chain
- % of procurements undertaken in collaboration with another public body or through a framework

Social benefits

- % of procurements where equality considerations have been included in the contract award
- % of contracts that provide services to residents where residents are satisfied with the service they receive

Environmental benefits

- % of contracts where environmental considerations are included in the contract award
- CO2 (tonnes) emitted by suppliers with whom the council spends £1m+

Achieving our objectives

We will develop an action plan setting out the detailed actions we will take to deliver the objectives set out in this strategy. This will include the following activities:

To improve our procurement governance we will

- Produce an Annual Procurement Plan by the end of February each year
- Establish Corporate and Departmental procurement boards to manage the delivery of our procurement plans by 31 December 2011
- Share our Procurement Plan with other Boroughs to identify joint procurement opportunities
- Introduce a gateway review process by 31 December 2011 to help ensure that appropriate options are considered up front and relevant parties are engaged in the process
- Update the council's procurement tool kit by 31 January 2012 to help project teams complete the gateway reviews – and in particular consider how we structure procurements to deliver economic, social and environmental benefits
- Update our Tenders and Contracts Regulations and Financial Regulations to reflect changes to procurement governance arrangements by 31 January 2012
- Put in place a programme of procurement and contract management training by 31 January 2012

Working with West London/other boroughs we will

- Work with the other west London boroughs to establish a Procurement Hub by 31 March 2012
- Actively assess collaborative procurement opportunities and participate in them unless there is a good reason not to
- Utilise jointly procured procurement IT systems and portals to manage our procurements

Tracking benefits we will have processes in place by 30 November 2011 to

- Track savings arising from procurement activity and removing savings from budgets
- Identify the economic, social and environmental benefits to the borough arising from procurement activity
- Track collaborative procurements, benefits and lessons learnt

The new centralised procurement team will

- Define those functions to be undertaken by the centralised team and those to be undertaken in departments

- Identify who is affected by proposals and consult with them on a new structure for procurement
- Be in place by 30 June 2012
- Put in place training and development plans for the centralised team by 31 July 2012

We will **strengthen contract management** by

- Defining our expectations and how we will know whether these are being met
- Identifying our key suppliers and how we will work with them to deliver this strategy
- Learning from others
- Working with suppliers to streamline invoice processing

We will **enable better category management** by

- Reviewing coding structure and supplier database and implementing a procurement classification such as Proclass to help us better track what we spend by 31 October 2012
- Targeted monitoring of off-contract spend and taking action to address it