

SOUTHAMPTON CITY COUNCIL

CORPORATE PROCUREMENT STRATEGY 2009 - 2012

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1. EXECUTIVE SUMMARY

1.1. Position Statement

Procurement is defined as “the acquisition of supplies, works and services from third parties and in-house providers at the lowest total cost of ownership in the right quantity and quality, at the right time, in the right place for the direct benefit or use of the Council and its citizens.”

The value of procurement in local government was recognised in the Byatt report "Delivering Better Services for Citizens" in 2001. Procurement also formed the cornerstone of the government's Efficiency Agenda across the public sector with significant efficiency savings being identified in the Gershon Report with additional savings then being identified within the Comprehensive Spending Review. In addition the National Procurement Strategy set out a number of strategic milestones that had to be achieved by local authorities. Furthermore, Procurement featured heavily in the criteria for assessing councils under the Government's Comprehensive Performance Assessment (CPA) agenda.

The potential benefits from best practice Procurement are now widely accepted and recognised at a strategy and policy level as a critical success factor in the delivery of high-quality public services that offer exceptional value for money.

All local authorities need to carry out procurement in a legal and policy context that includes:

- **Best Value:** the duty to spend public money wisely and make arrangements to secure continuous improvement in their services in terms of economy, efficiency and effectiveness. Areas for review are prioritized through the CPA.
- **Community well-being:** the power to promote the economic, social and environmental well-being of the community. A community strategy is drawn up and delivered collaboratively through a Local Strategic Partnership.
- **Sustainability:** a key objective to be driven through procurement and a legal responsibility.
- **Diversity and equalities:** the legislation includes the amended Race Relations Act 1976 and sex and disability discrimination legislation.
- **Law:** the European Union (EU) Treaties, E.U. Consolidated Procurement Directives and The Public Contracts Regulations 2006, plus the Local Government Acts concerning contract standing orders, “non-commercial matters”, TUPE, pensions and conditions of new starters. The Human Rights Act 1998 and other legislation such as that covering money laundering and state aid may also be applicable.
- **Local government finance:** regulations govern financial procedures, public-private partnerships, local authority companies, trading, and audit requirements.

- **eGovernment:** a target date of 2005 was set for electronic service delivery in local government, which included eProcurement.

Effective procurement will reflect the Council's corporate values, priorities and vision and support its strategic objectives. Furthermore, it will be based upon procurement 'best practice'. As such implementation of the Strategy and adherence to the Contract Procedure Rules will help to avoid the following problems:

- legal challenge under the EU public procurement directives and the resultant UK public procurement regulations;
- inadequate planning and contract failures resulting in financial loss and damage to the Council's reputation;
- poor practices resulting in time and cost overruns and poor quality;
- failure to achieve cost and efficiency savings

In today's fast changing environment it is important that a Procurement Strategy must be flexible and be able to reflect changes in legislation, service requirements, and central government requirements and to be able to be used as a strategic tool to improve public services.

As such this strategy paper further develops many of the key themes from the 2007/8 strategy paper whilst also recognising specific Council and National requirements in terms of sustainability and where legally possible, helping local businesses. This strategy paper continues to provide a framework for best value and stands alongside the Council's Constitution (particularly, though not exclusively, the Contract and Financial Procedure Rules). The objective of the strategy is to define the focus for procurement over the next three years.

The objectives are to:

- enable the Council to demonstrate that it achieves best value in an appropriate balance of quality and price;
- ensure best value procurement is delivered on the basis of whole life costs;
- to support Council and National Government objectives on sustainability;
- to make ourselves easier for suppliers to deal with;
- provide appropriate consideration and management of risk;
- ensure procedures (Contract Procedure Rules and Financial Procedure Rules) continue to provide adequate control and yet are flexible enough to support service improvement;
- ensure procurement is transparent, legally compliant and fair;
- monitor procurement effectively;
- to further improve procurement processes;
- focus on areas of major expenditure where improvements are likely to produce the maximum benefit;

- to continue to generate sustainable procurement efficiencies in line with Gershon;
- make effective use of frameworks and collaborative buying where possible, for example, through the Office of Government Commerce (OGC), Central Buying Consortium (CBC), Improvement & Efficiency South East (IESE)
- deliver and develop e-procurement.

In addition to the above legal and Governmental directives placed upon procurement, Southampton also has a range of priorities and outcomes which it wants to deliver with its partners and for its customers. These have been grouped into three key outcomes for the Council. We need to be:

- **Customer focused** – Delivering what our customers need in the most cost effective way
- **Intelligence led** – Making intelligent decisions with the best use of the information that we hold as an organisation
- **Efficient at service delivery** – Removing the barriers that get in the way of delivering services effectively

The Procurement Strategy is fundamental to the achievement of all of these outcomes however, it needs to work in conjunction with other strategies eg: Workforce Strategy, the IT and Information Management Strategies and Commissioning Strategies.

1.2. Vision for Corporate Procurement

To deliver improved Council performance, and effectiveness, by optimising value for money opportunities, through helping its customers maximise the service and performance of their suppliers and through providing strategic direction, guidance and support on all aspects of procurement activity.

Success for Procurement means having effective processes , policies and procedures, whilst complying with legislative requirements, that enable us to deliver our vision which in turn contributes towards the delivery of the Council’s priorities and “The City of Southampton Strategy”.

How Procurement will look in the future

- We will be exemplars of best procurement practice.
- We will continue our focus upon making ourselves easier to deal with for all suppliers.
- We will embrace the administration’s six priority themes and ensure that current and future developments support them.
- We will focus upon driving the sustainability agenda forward.
- We will continue to develop our structure around category management and will gain wider market knowledge.

- We will assist the Directorates in the development of improved specifications and improved contract management processes and will develop appropriate tools to support this objective.
- We will embrace the use of cost effective technology to make the procurement and sourcing process more cost effective.
- We will continue to deliver value for money and will actively seek opportunities to deliver wider value for money.
- We will continue to work closely with the Directorates to assist them with the delivery of their own strategies and service objectives in terms of providing appropriate and timely procurement advice, service reviews and in terms of the management of the procurement process.
- We will continue to obtain feedback upon our performance and will listen to our client's views on how to improve our service.
- We will continue to focus upon increasing the % of the Council's spend covered by contracts and framework agreements.
- We will continue to identify and review opportunities for joint procurements with other councils and public bodies.

Southampton City Council now has a robust Strategic Services Partnership (SSP) to deliver the Council's 'Best Value' obligations on procurements greater than £100,000 and investment's made in systems, process improvements, expertise and resources which will enable Property/Procurement Services and the Head of Property and Procurement, in conjunction with the Directorates, to deliver the requirements of this strategy paper.

This Procurement Strategy sets out an overview of how the Procurement Service can support the achievement of the Council's core objectives and priorities by ensuring that Procurement processes, policies and tools are fit for purpose and enable Directorates to deliver their services in the most effective and efficient way, whilst fully complying with procurement legislation. It aims to look ahead for the next three years.

1.3. The six priorities

Southampton City Council will use the following six priority themes to shape its future Policy Framework Plans and the City Council's budget, and hence the Council's policy decision making and resource allocation.

1. Delivering value for money and efficient services, avoiding excessive taxation, ensuring good City governance, and working with neighbouring authorities, partner agencies and with appropriate strategic partnerships such as the Partnership for Urban South Hampshire.
2. Promoting economic prosperity in the City by improving the City's infrastructure, facilitating business growth and enabling more residents to enjoy rewarding employment.
3. Raising educational standards and attainment in the City, and promoting greater choice and diversity.
4. Reducing crime and anti social behaviour and improving the protection of residents from crime.

5. Minimising and recycling waste, promoting energy initiatives and improving the City's environment.
6. Improving the wellbeing of all residents and supporting older people especially those with medical, care, social or financial needs.

These priorities underpin all of the Council's work, and are supported by five values which reflect the culture of the organisation and set out the way that the council operates.

2. OUR CURRENT POSITION

2.1. The Strategic Services Partnership

The Council is now receiving its Procurement Services for spends greater than £100,000 through its Strategic Services Partnership with Capita. Now a year old, the Partnership has and will continue to deliver procurement savings, expertise and process improvements. Achievements made by the Service and client-side to-date include:

- A clear defined process for identifying and assessing cost saving opportunities along with clear identification of saving opportunities.
- Significant savings are starting to be achieved.
- Key procurement processes have been process mapped.
- The Intranet has been up-dated and there is now in place a clear contract fulfilment process on the Intranet.
- The Procurement Internet site has been up-dated and now provides information which should help suppliers understand how to deal with Southampton City Council whilst also providing them with clear information on potential contract opportunities.
- Work has started upon the process of 'leaning' the procurement process with the specific objective of considerably reducing the process lead-time. The first stage of this review has been a review of the PQQ process which has resulted in a more supplier friendly PQQ as well as process savings for SCC.
- Contract Procedure Rules have been up-dated and issued along with a guide to the Contract Procedure Rules
- E-Tendering and Southampton City Council's own portal has been launched.
- Category Management has been implemented.
- A spend analysis tool has been put in place to enable detailed analysis of the Councils spend and trends. This software will enable more accurate understanding of the potential saving review areas and to also understand our direction of spend.
- A workflow package has been implemented to enable the tracking and monitoring of procurement activities and to ensure that work starts on renewing contracts at the appropriate time.

Greatly improved levels of service and reliability are being delivered and performance is being monitored through Key Performance Indicators (KPIs). We are a year into the contract and are already seeing significant improvements in the Procurement Service delivery and reliability.

In addition to the improvements being delivered by the SSP a number of improvements were achieved between approval of the existing Procurement Strategy (February 2007) and the transfer of services. These include:

- Achievement of half year savings plan for general fund expenditure as well as achieving significant non general fund savings.
- SSP Specification and Service Delivery Plan written and agreed.
- Audit Commission/IDeA local performance indicators have been reviewed and are at various stages of development. These will be developed further by Procurement Services as part of a balanced scorecard approach.
- Development work was started upon key aspects of the Procurement Strategy and was subsequently written into the SSP Procurement Specification. This included a whole life costing model; KPI's; Procurement best value improvement plans; staff training; project management; development of a culture of commercial awareness; a suite of standardised contracts and identification and implementation of best practice.
- A review of e-Purchasing tools with an initial focus upon a cost effective deployed of e-Marketing was conducted.
- Achievement of Equality Standards Level 4.
- A focus upon improving our EFQM score and in terms of embedding IIP principles within the team.
- Benchmarking work conducted with Portsmouth, Swindon, Hampshire and Surrey.
- The building of closer working relationships with representatives of the local supplier community.

2.2. New developments

We have improved corporate governance through the revising and re-launching of the Contract Procedure Rules (CPR's) and through the issuing of CPR and Procurement Guidance. Furthermore, robust audit trails have been put in place through the use of e-tendering and Sharepoint (a workflow management tool) for all non properties related procurements valued in excess of £100,000. In addition to this standard forms, documents and processes are now in place via the Intranet

2.3. Corporate Procurement initiatives

The Procurement Service is currently working upon a number of initiatives:

- Reviewing the procurement process with a view to reducing the lead-time down from an average 11.5 months to 7 months on procurements greater than £100,000 (excluding highly complex procurements).
- Developing a Supplier Relationship Management programme
- Implementing a 'Strategic Dashboard' for monitoring performance.
- Designing an 'I need' tool to enable officers to identify how their procurement needs can be met.
- Identifying further areas of Council spend that can be addressed by Corporate Contracts.
- Designing Business Intelligence tools to increase the Councils supplier and market knowledge.

2.4. Channel shift

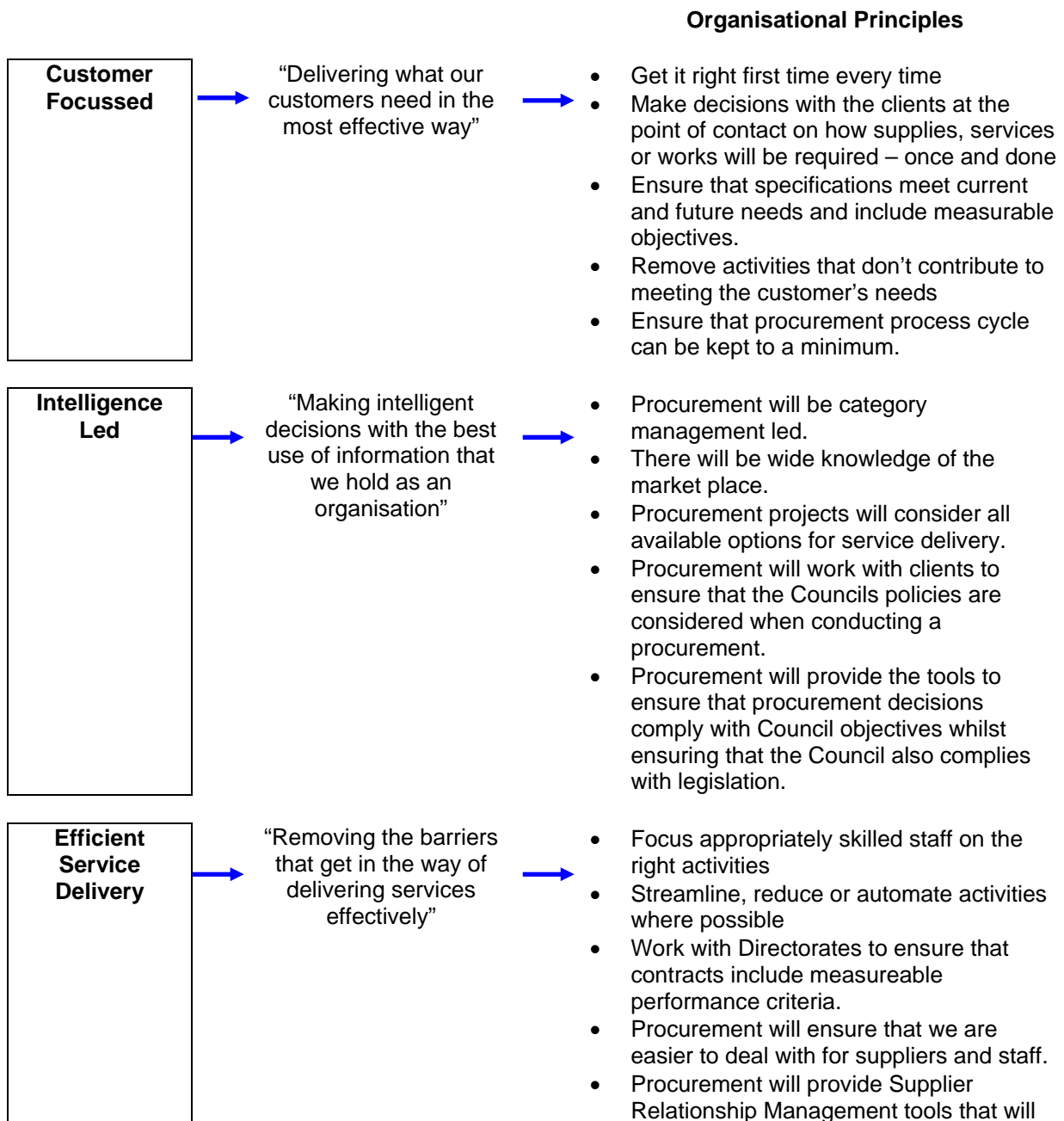
We need to ensure that the Council's procurement needs and supplier needs are delivered in a way that is easy for our customers and suppliers to use. It is therefore proposed that we continue to focus our efforts upon further developments of the Councils Intranet and Internet sites.

3. THE BUSINESS DRIVERS FOR THE PROCUREMENT STRATEGY

The business drivers for the Procurement Strategy are derived from a number of different requirements, many of which are external requirements from the E.U. and National Government. Such drivers also include demands from Local Businesses to make ourselves easier to deal with and from within the Council in terms of procurement support. Council priorities and other Strategies also inform the Procurement Strategy.

3.1. The Council’s Key Outcomes

Procurement has a key part to play in the delivery of the Council’s Key Outcomes, which are being driven forward by the Transformation agenda. These are shown in the table below:





ensure that Council receives what it tendered for and that continuous improvement is build into such agreements.

3.2. Legislation

As one of the largest employers within Southampton and with a corporate spend of approximately £225m a year, it is vital that the Council procures its products responsibly and fully exploits its position to stimulate and promote Corporate Social Responsibility within its market. Local Authorities must however procure their goods within the law. Current legislation is found in:

- EC Treaty Principles
- EC Procurement Consolidated Directives 2004
- Public Contracts Regulations 2006
- The Local Government Act 1999

Legislation demands that all procurement is conducted on the basis of:

- No discrimination on the grounds of nationality
- Equal treatment of all potential bidders and suppliers
- Fair competition
- Proportionality
- Transparency
- Requirements of tenders must be relevant to the subject matter of the contract.

In addition to this all Supplies, Services and Works must be bought on the basis of Best Value and the Government's Value for Money Policy. Our supplier selection and tender evaluation procedures must be transparent, non-discriminatory and based on Best Value. Procurement legislation does not allow us to simply favour small or local businesses over others. In order to demonstrate Best Value this means that procurement decisions must be based on an assessment of the most economic advantageous tender (MEAT) which should focus upon whole life costs and fitness for purpose rather than lowest price alone.

In order to ensure that officers of the Council comply with legislation Contract Procedures Rules were revised and issued in May 2008 and a Guide to Contract Procedure Rules and Procurement was issued in November 2008. Furthermore, the Councils Intranet has been up-dated to provide further guidance. However, effective procurement across the Council will only be delivered through the active participation of all those who control budgets and authorise expenditure as well as those with the appropriate technical expertise.

3.3. Process Improvements

There has been a considerable amount of work and progress in this area and indeed further improvements are already in progress, as detailed in Corporate Procurement Initiatives above. The key focus will be upon a managed sourcing process designed to reduce the average procurement time to 6/7 months. This will require the use of standard legal documents, where appropriate, but more fundamentally will re-engineer the complete procurement process. This will require a more proactive focus upon the

development of key procurement documents up-front as opposed to officers reacting to the various stages of the process.

3.4. Achieving 'Value for Money'

There is a duty upon the Council and therefore the Directorates to ensure that they satisfy 'Value for Money' criteria in everything they do, coupled with effectiveness and quality whilst delivering the community's social, economic and environmental objectives. Much of the focus has traditionally been upon effectiveness and quality and upon value for money however, there needs to be an increased focus upon social, economic and environmental objectives. Procurement Services have and will continue to work closely with the Directorates to help them to achieve their 'Value for Money' objectives and will continuously review the Council's spend with a view to identifying further 'Value for Money' opportunities.

3.5. Making it easier to do business with the Council

There have been a number of actions taken to make ourselves easier to deal with for both suppliers and officers of the Council. Such improvements include:

- Improvements to the intranet and internet.
- Greater visibility of the Council's spend, potential contracts and current tenders.
- 'Supply Southampton' Portal.
- Close liaison with supplier representative bodies.
- Attendance at 'Meet the Buyer' events.

However, there is still room for improvement and as such these improvements should include the following:

- Development of a 'Guide to selling to the Council'
- Signing and commitment to the SME Concordat
- Development of an 'I need' guide
- Procurement customer service help desk

3.6. Local employment

Addressing local employment needs and the question of how to create employment opportunities within Southampton needs to be considered within the Procurement Strategy. The most appropriate area of spend to target, to address these needs, is the Council's property procurements. To that effect significant property procurement tenders should specify requirements in terms of targeted recruiting and training, apprenticeships, working with NEETS and workless families. Suppliers should also be made aware that this will form part of the tender evaluation.

4. STRATEGIC DIRECTION

4.1. The Transformation Agenda

We need to continue to approach Procurement more strategically to ensure that we support the Council's values, priorities and vision as well as supporting and helping to drive the Transformation Agenda in the Council. This will require the Directorates to involve Procurement at the very beginning of the Business Planning processes and service development plans. This will enable Procurement to help the Directorates achieve their value for money and improved service delivery criteria.

4.2. National Procurement Strategy

In October 2003 the Office of the Deputy Prime Minister issued its National Procurement Strategy for Local Government setting out how central and local government, working together with partners from the public, private and voluntary sectors intend to improve local government procurement. As such it was designed to be a route map of how to improve service delivery and value for money through better procurement.

There were four key themes within the National Procurement Strategy namely:

- Providing Leadership and Building Capacity;
- Partnering and Collaboration;
- Doing Business Electronically; and
- Stimulating Markets and Achieving Community Benefits.

Significant progress has been made in terms of meeting the identified requirements of the National Procurement Strategy but there are a number of areas where further progress needs to be made. Specifically these areas include the following:

- Developing and issuing a 'Guide to Selling to the Council'
- Introduction of Gateway reviews for agreed projects.
- Sustainable Procurement
- A further e-Procurement review.
- Procure to Pay review (this is already underway).
- Development and introduction of a Supplier Relationship Management programme.
- Signature and issuing of the SME Concordat.
- Adoption of a standard whole life costing model.

4.3. Sustainable Procurement

For the purposes of this strategy paper, sustainable procurement shall be seen as addressing social, economic and environmental concerns and will include stimulating the local market. The issue of sustainability is gaining increasing focus at a local, national and global level and therefore forms an important part of this Procurement Strategy. It is the intention that the strategy document will be supported by a Sustainable Procurement Policy and that the

intention is that both the Strategy and Policy Document will comply with the Corporate Sustainability Statement of Principles.

In order to demonstrate Best Value this means that procurement decisions must be based on an assessment of whole life costs and fitness for purpose rather than lowest price alone. This does enable sustainability and quality to be taken into account when service delivery options are being considered. For example, the consideration of whole life costs allows factors such as fuel efficiency and replacement cycles to be taken into account, as well as social factors. Therefore the sustainability requirements of the Council can be achieved through the application of carefully considered procurement processes. The key to achieving this within the directives is to ensure that sustainable issues are taken into consideration right at the very beginning of the procurement process during the initial procurement review, specification processes, and invitations to tender and within the advised tender weightings. As such although Procurement Services can encourage consideration, it will be the responsibility of the Directorates to ensure that sufficient consideration has been given to sustainability requirements within their stated requirements.

Looking specifically at the environment, environmentally aware procurement is concerned with effective protection of the environment and prudent use of natural resources. Efficient use of materials, energy and other inputs is central to effective procurement i.e. – doing more with less.

Issues such as renewable sources of energy and materials, recycling, waste and pollution should all be high on the sustainable procurement agenda. Areas of procurement to highlight for consideration are:

- Construction
- Highways
- Estate management
- Paper and print
- Food
- Energy

But this is by no means an exhaustive list. The environmental impact of a procurement exercise should be considered at each key stage in the process:

- Identification of need (reduce waste)
- Specification (whole life costing)
- Supplier qualification and appraisal (pre tender qualifications)¹
- Tendering and evaluation (effective criteria)

¹ Care needs to be taken that we do not de-select applicants on grounds which go against the Public Contract Regulations 2006 i.e.

- Cannot de-select on any grounds not directly relevant to the applicant's ability to execute the contract.
- Cannot de-select on any criteria that will be used to evaluate tenders in the award decision as will have been deemed to have already assessed it at the Pre-Qualification stage.
- Should only ask for information that will be directly used in de-selection – in the event of a challenge it will be assumed that all information requested was included in the evaluation.

- Contract management and review (dissemination, monitoring)

It will be the responsibility of the Head of Property and Procurement to work closely with the Sustainability Team, located within the Environment Directorate, to develop appropriate policies and guidance.

4.4. e-Procurement/e-Sourcing

Procurement is committed to taking appropriate steps to utilise e-government procurement options where there is a sound proven supporting business case which includes:

- a risk assessment
- adequate security and financial control safeguards
- reduced acquisition and transaction costs
- an assessment of the impact on the payment of creditors
- an assessment of the readiness of the market / suppliers

To date the following options have been implemented:

- implementation of an e-tendering system
- a commitment to use e-auctions, where appropriate
- Intranet based fulfilment process reducing paperwork whilst also increasing control
- A web based work flow management system.
- Advertising of opportunities on the portal and the Councils internet site.

In addition to the above the use of e-marketplace solutions has been considered but was rejected at the time due to cost and effectiveness considerations. However, it is recognised that this is an area for further development and will be considered once the Procure to Pay review has been completed. It is anticipated that areas to be considered will be as follows:

- E-Procurement
- Market places
- Catalogue management
- E-Invoicing
- Procurement cards

4.5. Gateway Reviews

Although the Council informally uses a Gateway process on major procurements it does not have a standard process. In order for the Council to ensure consistent and effective delivery of all procurement projects and in order to confirm that essential elements of this strategy are being implemented, it is recommended that a standardised Gateway Review process is developed and implemented. Given that the procurement process is currently being reviewed, it is proposed that Gateway Review process should be developed and implemented post Managed Sourcing process review

4.6. Supplier Relationship Management Programme

If the Council is to receive what it expected from suppliers (and what suppliers promised) when it tendered supplies, services or works, it is essential that all

contracts are appropriately managed and monitored. In addition it is essential; given that contracts can run for a number of years, that all specifications are future proofed and that continuous improvement, Key Performance Indicators (KPI's) and change management procedures are build into all contracts over £100,000. Currently this is not always the case and will require increased focus by both the Directorates and Procurement/Property Services to ensure that this happens.

In addition a Supplier Relationship Management Programme (SRMP) will be developed to ensure that the Council receives what it expects from suppliers and that the KPI's and continuous improvement programme are delivered. Furthermore, a key element of the SRMP will be to work with suppliers to continuously improve their performance and to identify mutual cost saving benefits. It will be the responsibility of Procurement Services to manage the top 20 suppliers (to be determined by the Head of Property and Procurement), in conjunction with the Directorates and for the Directorates to manage the balance of their contracts/suppliers.

4.7. Engaging with the Market

The Council seeks to achieve community benefits through procurement by actively engaging with a diverse range of suppliers. It is recognised that real long term benefits for the city can be achieved by carefully selecting a mixture of service provision through:

- Small and Medium-sized Enterprises (SMEs)
- Black and Minority Ethnic (BME) owned and run organisations
- Voluntary and Community Sector (V&CS) organisations
- Social Enterprises

We will sign up to the Small and Medium Enterprise Friendly Concordat and its associated guidelines, and endeavour to incorporate these principles into our standard processes.

Procurement will continue to cut down on red tape, where appropriate and the Head of Property and Procurement will continue to work with representative bodies such as the Chamber of Commerce, Federation of Small Businesses, Business Link, Business Southampton and Southampton Voluntary Services. The Council contributes to the Local Area Agreement through this strategy by outlining a clear set of actions for ensuring that procurement processes are geared towards supporting the development of our local economy.

Not all of the Council's requirements can be delivered by SME's, BME's, Voluntary Sector (3rd Sector) and Social Enterprises. However, the Council will work to encourage primary suppliers to use these suppliers and as part of its tendering process will ask tenderers for a plan on how they will engage with these sectors.

Small organisations can offer real benefits to Local Authority clients, some of which are outlined below:

- They can often respond quickly and flexibly to customer needs.
- They can be a source of innovation, ideas and products.

- They can offer cash savings, improved quality, service and effectiveness.
- They are frequently close at hand.
- Some, like social enterprises and those operating in the voluntary and community sector, may have better access too hard to reach customer groups.
- They may attach more importance to doing business with a Local Authority.
- Added value in supporting other services delivered to local people.

Nationally, a Compact on relations between Government and the Voluntary sector was launched in 1998. Supporting the Voluntary and Community sectors through the procurement of their goods and services contributes to the local economy by keeping money local and providing an alternative means of sustainability for the sector outside of funding which can be sporadic and uncertain. In addition, voluntary and community sectors can often deliver personalised public services and in many cases are better placed to do so than the private sector. However, many Voluntary/3rd sector suppliers can be put off by the public procurement process. Furthermore, the requirements of the E.U. Directives to aggregate demand when procuring can mean that many of our contracts are too large for Voluntary/3rd sector suppliers or indeed they are found to be uncompetitive against larger suppliers. In order to address these issues the Head of Property and Procurement will work with representative bodies such as Southampton Voluntary Services to make ourselves easier to deal with (the objective will be to make ourselves easier to deal with for all suppliers as we need to comply with Procurement regulations on transparency and fairness) and to provide guidance on tendering. Directorates will also need to consider including social issues within their specifications and tender evaluation processes in order that the Voluntary/3rd sector are able to demonstrate added value.

4.8. Whole life costing model

The Council acknowledges the risks inherent if contracts are awarded on the basis of lowest price, because it encourages tenderers to cut corners, inflate prices for contract variations and pursue claims. This can actually increase costs through delayed delivery, complaints handling, increased contract management, claims and contract failures.

Tenders will be assessed on the basis of identification of the most economically advantageous tender or quotation, which shall take account the value for money they offer the Council – the optimum balance of whole-life costs and benefits that meets the customer's requirement. Whole life costs comprise all the costs of acquiring and owning supplies, services or works such as:

- Initial price
- Switching costs
- Delivery and installation
- Integration / compatibility with existing systems
- Training
- Operative resources
- In-house management resources

- Consumables
- Spare parts
- Licences (including update costs)
- Taxes
- Maintenance
- Energy consumption
- Depreciation
- Disposal
- Service development / innovation improvement costs

However, it is clear from the sustainability agenda there are other social, economic and environmental considerations that should form part of a whole life costing model. Southampton City Council is not alone in terms of needing a model to address and measure the cost/benefits of sustainability and as such a key action from this strategy will be for the Head of Property and Procurement to identify/research/develop a suitable model. In the meantime action will be taken to ensure that the existing model is further developed and used to evaluate all tenders.

5. OTHER STRATEGIC DRIVERS

5.1. Corporate Strategies

There are a number of other Council strategies which this Procurement Strategy fits alongside:

- **The Information Management Strategy** – will provide the necessary infrastructure that will support the capture or creation, processing, storage, retrieval, retention, destruction or archiving of information
- **The Property Strategy** – will provide appropriate systems that will enable the Council to manage and dispose of its property assets and will take account of the purchasing strategy and the Council's sustainability objectives.
- **The Workforce Strategy** – will provide appropriate systems that will facilitate online training, skills development and the opportunity for more flexible working patterns. Such skills development will include commissioning and contract management skills.
- **Commissioning Strategies**- will provide the appropriate systems and processes for the entire cycle of assessing the needs of people in the local area, designing services and then securing them. Such strategy will also identify how we work with partner organisations such as the local PCT. These strategies will inform and link directly with the procurement process.

5.2. Major Council Priorities

There are a number of major Council priorities that have a procurement thread throughout and which will need to be considered as part of this strategy. Some current examples include:

- Building Schools for the Future and Academies
- Every Child Matters / Contact Point
- In Control
- Highways Futures
- Estates Regeneration
- Street lighting PFI
- Sports and Leisure Options
- Transformational Projects

Indeed many of these projects, due to their size and nature, are ideal projects to implement the local employment, sustainability and local business aspects of this strategy.

5.3. Cost Saving Programmes

The delivery of cost savings will be critical to both meeting the Councils 'Value for Money' objectives and in terms of releasing funds. Given that Southampton City Council procurement expenditure accounts for approximately 50% of its total costs then good procurement practice and the achievement of cost savings is vital. In order to make a significant impact procurement needs to be

actively involved in service reviews as well as 'traditional' procurement corporate procurement activities. In terms of service reviews this will necessitate a review of both the way the service is delivered and in terms of the service specification. This will be managed in conjunction with the Directorates however, Procurements role will be to challenge current thinking. Much of this work is already in progress. It is also planned to conduct on-going reviews of cost saving opportunities in order to create an on-going evolving plan however, the key to successful procurements is the investment in terms of detailed thinking and analysis and as such these types of procurement activity will take a considerable amount of time from initiation to delivery.

5.4. Central Government Initiatives

There are other central government priorities and initiatives that will require procurement support in terms of partnership working with the private and voluntary sectors, for example, the Children's Trust. Such partnership working will involve the need to give guidance on procurement legislation as well as managing any necessary procurement.

6. RESOURCES AND FUNDING

This strategy is not seeking additional funding as the initiatives already mentioned are largely provided for in the Strategic Services Partnership contract or within the remit of the Head of Property and Procurement. Where they are not, separate business cases may be required at the appropriate time.