

## Ensure your corporate procurement structure enables your authority to strategically consider and implement Rethinking Construction principles

You can do this by:

- 1.1 Ensuring that a suitable forum exists to consider procurement issues across the authority.
- 1.2 Collecting information on the nature of current procurement expenditure.
- 1.3 Collecting information on future procurement plans.
- 1.4 Playing to your strengths and seeking continuous improvement by addressing areas of perceived weakness.
- 1.5 Ensuring that planned capital expenditure adequately accommodates sustainability.
- 1.6 Ensuring that your Contract Standing Orders and Financial Regulations do not represent obstacles to your plans. If they do - change them!
- 1.7 Establishing a culture throughout your authority for appointing contractors based on best value rather than lowest price.

**The following pages explain how to do this.**



## Ensuring that a suitable forum exists to consider procurement issues across the authority

- Your authority should have a corporate procurement team led by a professional 'Head of Procurement'. However, if this is not practical:
- Establish a 'Procurement Group' consisting of officers drawn from each service area and department, which meets periodically (e.g. monthly) to discuss and consider procurement issues; and
- Nominate the Head of the Group as the focal point for procurement expertise within your authority and for contractors wishing to do business with your council.
- Make sure that the professional experts in procurement and project management within the authority are known by all officers who are involved in procurement. Issue quarterly newsletters and publicise contact details on your Intranet and within new employee induction processes.
- Your authority must have an adequate corporate procurement strategy that is communicated to all concerned. Check that your Strategy is satisfactory and has been prepared properly by looking at 'How to Produce a Corporate Procurement Strategy' published by the CIPFA in 2003. [www.cipfa.org.uk](http://www.cipfa.org.uk)
- Make sure elected members at your authority are convinced of the benefits that good procurement offers to the standard of services. Procurement should fall within the remit of a specific Member and be included within the responsibilities of a Chief Officer on the Senior Management Team
- To raise Members awareness, give each of them a copy of the 'Members' Guide to Procurement' that was produced by IDeA and the 4ps in 2003. [www.idea-knowledge.gov.uk](http://www.idea-knowledge.gov.uk)
- For further information see:
  - ▶ 'National Procurement Strategy for Local Government', published by the Office of the Deputy Prime Minister (ODPM) in 2003. [www.idea-knowledge.gov.uk](http://www.idea-knowledge.gov.uk)
  - ▶ Towards a National Strategy for Local Government Procurement. The Joint Response of the Government and the Local Government Association to the Local Government Procurement Taskforce Report 'Delivering Better Services for Citizens'. Published by the ODPM in 2002. [www.odpm.gov.uk](http://www.odpm.gov.uk)
  - ▶ Delivering Better Services for Citizens - a review of local government procurement in England (the Byatt Report) DTLR and LGA 2001. ISBN 1 851124 85 3

## Collecting information on the nature of current procurement expenditure

- Make sure your IT systems enable data to be readily obtained regarding the nature of your authority's procurement expenditure. This needs to include details of how much is spent, what it is spent on, and who within the authority spends it. It should also highlight the types of goods, works or services involved, what procurement routes are employed and the forms of contract used.
- Use the above to maintain a corporate contract register that identifies all major projects awarded by your authority. This will help you identify major contracts that are soon due for renewal and enable more informed future decision making.
- Analyse the information you obtain regularly and determine how value for money may be improved by, for example, identifying areas where long-term contractual and partnering arrangements may be of benefit.

## Collecting information on future procurement plans

- Set up joint in-house team(s), that meet regularly (e.g. at least quarterly) to discuss and review procurement plans. The teams should represent all clients who need capital construction work, as well as revenue projects, services and supplies in the next five years, and should include:
  - relevant finance and legal people;
  - in-house technical services and/or contracting partners when and where available; and
  - a representative from HR, where staff transfers may be involved.
- Ensure that plans are adequately discussed with stakeholders and end-users;
- Publish a 'Procurement Plan' that outlines major projects to be commissioned over the next five years. Within the Plan, highlight when procurement processes need to commence for individual projects;
- Ascertain the resources that will be required to deliver each project in the Plan. Give full attention to ensuring that in-house procurement expertise focuses on those projects perceived to be of greater risk and to identifying where assistance, through consultants, will be required.
- To help with the annual updating of the Procurement Plan, maintain a rolling programme of provisional major projects, together with outlines of anticipated levels of funding. A 'certainty factor' (say from 1 to 10) can be allocated to each project within the programme to indicate the likelihood of the project progressing.

## Playing to your strengths and seeking continuous improvement by addressing areas of perceived weakness

- Your corporate procurement strategy should identify the strengths and weaknesses within current procurement procedures. It should also contain an Action Plan, with clear target dates for securing any improvements that are considered necessary.
- When compiling the Procurement Plan, ensure the corporate procurement team/group knows what you do well. The Plan should aim to repeat and build on these strengths, while not being hesitant to experiment with new ideas.

**Sustainable development means meeting the needs of today's population without harming the ability of future generations to meet their own.**

Local authorities have a key role to play in sustainable development, with over 70% having taken up the challenges of The Earth Summit and Local Agenda 21.

## Ensuring that planned capital expenditure adequately accommodates sustainability

- Your authority should have a clear policy on the issue of sustainability (environmental and social) and this should be adequately accommodated within its' corporate procurement strategy.
- Sustainability issues should be addressed at each stage of the procurement process. You can do this by including it as a standing award criterion for all of your contracts. The opportunity can then be taken, for example, to ask potential contractors to explain the steps they have taken to minimise the amount of waste produced from their construction processes. Designers could be asked how they ensure they specify products and materials with strong sustainability criteria.
- Regularly discuss with designers how action can be taken to improve the energy efficiency of completed buildings, and on the source of any materials that they specify.
- For further information and numerous links to useful documents, look on the DTI Construction Sector Unit website [www.dti.gov.uk/construction/sustain/](http://www.dti.gov.uk/construction/sustain/)

Other documents that you may also find useful include:

- ▶ 'Sustainability and Local Government Procurement'. One of a range of guidance documents published in 2003/04 under the title of 'Modern Procurement in Local Government' by the IDeA. [www.idea-knowledge.gov.uk](http://www.idea-knowledge.gov.uk)
- ▶ 'Building a better quality of life – A Strategy for more Sustainable Construction' published by Construction Best Practice 2001 and now available from the ODPM.
- ▶ 'Wellbuilt! Sustainable Construction Action Plan for Local Authorities' [www.wellbuilt.org.uk](http://www.wellbuilt.org.uk)

## Ensuring that your Contract Standing Orders and Financial Regulations do not represent obstacles to your plans. If they do – change them!

- Look through the following issues to see how the Contract Standing Orders and Financial Regulations measure up at your authority. If you find any shortcomings, change them!
- They should provide a practical framework for successfully implementing Rethinking Construction principles.
 

Make sure the culture within your organisation is right for considering the subjective issues involved and, if necessary, for moving away from old practices (e.g. lowest price wins). Ensure this includes everybody involved, including members, lawyers, accountants and auditors.
- They should provide for shortlists to be compiled from the Constructionline database.
 

Constructionline is the UK's largest register of pre-qualified construction contractors and consultants and is a contributor to the Rethinking Construction initiative. Their register contains over 12,000 contractors and consultants who have each met pre-qualification requirements supported by the DTI.

Using Constructionline will save you money by reducing the administrative burden of maintaining your own approved lists, freeing up valuable resources and allowing you to deliver more efficient and effective services. This will assist you in achieving best value. For further details visit [www.constructionline.co.uk](http://www.constructionline.co.uk) or telephone them on 0870 240 0152
- They should encourage and not obstruct the seeking of best value.
 

For example, if your Contract Standing Orders focus on price alone then they may, quite correctly, require specific approval to be sought to accept a tender other than the lowest. In which case, officers may be tempted to avoid the extra work required, as well as delays, by simply issuing an order to the lowest bidder.
- Contract Standing Orders and Financial Regulations should be written in plain English.
 

If they are to be adhered to, they must be readily understood by all officers and Members within your authority. Therefore, they need to be written in non-legalistic terms.
- They should not be bureaucratic.
 

All control procedures should be in place for a specific purpose and the levels of checks and authorisations should be commensurate with the levels of risk involved.

- The Financial Regulations, Contract Standing Orders and any supporting guidance should be easily accessible.

Supporting guidance should be clear, user friendly and readily accessible to all staff. Establish a complete purchasing framework on your Intranet, which includes standard documents (e.g. tender invitation letters) to ensure consistency in approach across your authority

- Supporting guidance should include contract management processes that provide for 'gateway reviews' at critical stages of each medium and high-risk project.

Gateway reviews involve the review of project objectives, costs and programme at key stages in the procurement process. Such reviews make an important contribution to the success of each project and are a means of controlling risks and assuring quality. The National Procurement Strategy recommends that gateway review principles be adopted for all projects. To find out more, including detailed workbooks, look under Gateway Reviews on the 4ps website [www.4ps.co.uk](http://www.4ps.co.uk)

- For further details see:

- ▶ 'How to Develop a Procurement Strategy', published by the CIPFA in 2003 which includes an example set of Contract Standing Orders that can be easily adopted by your authority. [www.cipfa.org.uk](http://www.cipfa.org.uk)
- ▶ Financial Regulations for a Modern Local Authority' published by the CIPFA in 2002. [www.cipfa.org.uk](http://www.cipfa.org.uk)

**More than 70% of all publicly procured projects were over time or over budget**

Modernising Construction  
National Audit Office 2002

## Establishing a culture throughout your authority for appointing contractors based on best value rather than lowest price

- Award contracts to those who can demonstrate the greatest potential for achieving your key success factors and thereby adding value to your projects.
- Still have competitive tendering exercises, but base selection on quality and technical issues, as well as price. (See Operational Issues Section 1).
- Make assessments that incorporate subjective professional judgements based on objective criteria and scoring methodologies.
- This concept must be recognised and accepted throughout the authority. Make sure everyone is signed up to it, including clients, stakeholders, lawyers, accountants and auditors.
- Also, make sure that the concept is applied throughout the supply chain. You will not get a best value solution if you appoint a main contractor on a 'best value' basis and they then adopt a 'least initial cost' approach with all other members of the supply chain.

### Why do all this?

- To ensure that you have a suitable framework within which to work;
- To ensure information is shared across the authority and plans are established accordingly in the most efficient manner;
- To provide a firm platform from which you can effectively steer your procurement processes and ensure everyone is pulling in the same direction;
- To ensure expertise is focused in the right areas and help fulfil the authority's overall objectives.