

Report to **Resources & Performance Committee**  
 Date **14 November 2012**  
 By **Director of Corporate Services**  
 Title of Report **Procurement Review**  
 Purpose of Report **To outline the development of the procurement function to meet the operational needs and aspirations of the South Downs National Park Authority (SDNPA).**

**Recommendation: The Committee is recommended to approve the broad approach laid out in the report, which will;**

- 1. Place a greater emphasis on the development of sourcing strategies, involving suppliers at an early stage**
- 2. Simplify the tendering process, making it easier for small companies, in particular, to tender for work with SDNPA**
- 3. Consider the sustainability aspects of all contracts**

## **1. Introduction**

- 1.1 The SDNPA is committed both to outsourcing services and to working in partnership. As a result of this commitment, in 2012/13 about 60% of the organisation's expenditure is expected to be directly with external bodies.
- 1.2 The culture of partnerships and outsourcing places a strong reliance on partners, suppliers and contractors to deliver the goals of the organisation. It is important therefore that the procurement and contract management function is sufficiently robust to ensure that the best possible value is obtained from all of those relationships.
- 1.3 This report gives an overview of the route by which the procurement and contract management function within SDNPA moves from delivering compliance with the legal requirements, which it already does, to meeting the best standards of public procurement.
- 1.4 The approved procurement process will form part of a wider procurement strategy that will be brought to a future meeting of the Committee.

## **2. Background**

- 2.1 From the information available on procurement spend, the supplier profile for 2011/12 is as follows;

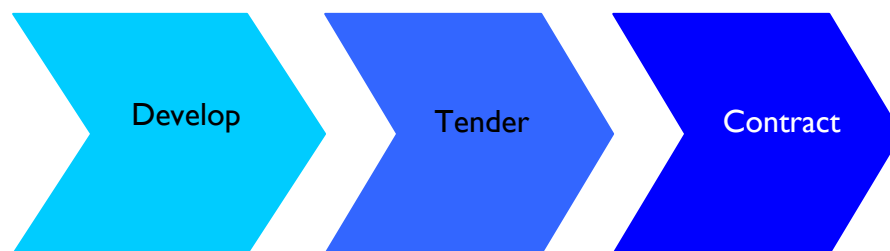
<b>Value Range</b>	<b>Total Spend</b>	<b>% of Total</b>	<b>Invoices</b>	<b>Companies</b>	<b>% of Total</b>
> 75k	3,882,963	60.94	452	20	3.7
25k – 75k	1,045,551	16.41	396	26	4.76
2k – 25k	1,247,144	19.57	1101	170	31.13
< 2k	196,232	3.08	910	330	60.44
Total	6,371,890		2859	546	

Procurement Managers traditionally aim to manage expenditure on the basis of the 80/20 rule with 80% of expenditure being placed with the top 20% of suppliers. The table above shows that this holds good for SDNPA with 77% of the expenditure during 2011/12 being placed across 46 suppliers (8.5% of the total)

- 2.2 Public Sector Procurement in the UK is governed by the Public Procurement Rules, which are largely derived from European Union Directives. Although the strict wording of the Directives only applies to contracts with a value above the European Thresholds, the principles are applied to public contracts of lesser values and this is backed by case law from the European Court, such as the TelAustria case.
- 2.3 As you can see from the table above much of the procurement carried out will be for smaller contracts with a value of less than £100,000. It is on this level of contract that the cost of tendering for public sector contracts is most intrusive, particularly since it tends to be smaller companies who are bidding. While the public sector remains a reasonably attractive customer for most companies, given the relative certainty of ultimate payment, the time and cost involved in bidding for contracts can still be a disincentive. As the SDNPA are often seeking bids from companies in niche markets this can be an issue for achieving competition.
- 2.4 The traditional procurement process can be an administrative burden for the client organisations as well and can represent a significant barrier to delivering on programmes, particularly where staff resources are scarce. The UK Government has recognised this and the Cabinet Office makes a number of recommendations in the 2012 paper: 'Government Sourcing; A New Approach using LEAN'.

### 3. The Procurement Process

- 3.1 The process of procurement and contract management in the public sector can be broken into three sections; the process is detailed in **Appendix I**.



The development stage covers everything that happens before the issue of the tender documents. The tender stage runs from the issue of the Invitation to Tender or the Pre-Qualification Questionnaire in a restricted process, through the return of tenders, the evaluation process and contract award. It is this stage that is covered by the Public Procurement Rules. The Management Stage begins after the contract is awarded and includes mobilisation, on-going performance management and exit.

- 3.2 The critical stage in any contract is the development stage. Where possible this should begin at the start of the financial year. A purchasing plan for the year, detailing all significant contracts to be let, should follow on from the Budget and Business Planning exercise. This should be published on the SDNPA website and for OJEU tenders, should be the subject of a Prior Information Notice.
- 3.3 The development stage is where the objectives are agreed, market tested and weighted, where risks are analysed and mitigating actions are agreed, and where the supplier profile is set. The supplier profile and the weighted objectives will form the selection and award criteria respectively within the Invitation To Tender.
- 3.4 The Tender stage will be made as simple as possible, with straight forward and relevant terms and conditions, with clear specifications and objective selection and award criteria. It is anticipated that electronic tendering will be the norm, making the tender process administratively easier for SDNPA staff to manage.
- 3.5 The contract management stage will be developed to include scoring of all contractors' performances (and SDNPA as client) and on-going contract management will be aligned to stage payments in contracts. The contract management output will form the basis of a "lessons learned" exercise to be carried out at the end of each contract. Outstanding supplier performance will be celebrated.

#### **4. The Supplier Experience**

- 4.1 The supplier experience, particularly for smaller companies, in dealing bidding to win work from the public sector, can be a fraught one. For a large Government department or local council with many suppliers bidding for work, this may not matter too much to the organisation. For a national park, looking to engage with niche suppliers, or those who are local and share the overall ethos of the national park, ensuring that their experience of bidding for work is not an expensive mistake, even when they are unsuccessful, is vital in the longer term.
- 4.2 Publishing up-coming tender opportunities on the SDNPA website will not only inform interested suppliers in good time but will allow them to engage with SDNPA during the development of the contract. Early supplier involvement leads to a better and more cost effective outcome both for the client and the supplier.
- 4.3 Suppliers will have the opportunity to engage with SDNPA during the development of the sourcing strategy, helping to ensure the specification that is published is realistic and contains no unnecessary barriers to participation.
- 4.4 The tender documents when they are published, will have clear specifications and objective evaluation criteria so that suppliers know exactly what is expected of them. SDNPA will make use of electronic tendering, which will allow bidders to upload their documents, thus saving costs on printing and delivery (often by courier).
- 4.5 Evaluation of competing bids will be carried out objectively and unsuccessful bidders will be given their score in each contractor along with the score from the winning bid. They will be invited to receive detailed feedback on where their bid fell down.
- 4.6 Through active contract management SDNPA will continue to engage with suppliers during the term of the contract

#### **5. Sustainability**

- 5.1 It is not enough to include sustainability as part of the evaluation criteria. Allowing bidders to present their own initiatives is unlikely to drive an increase in sustainability.
- 5.2 Sustainability will be considered for each contract as part of the objective setting process in the development of the sourcing strategy. The objective setting will be carried out using a balanced scorecard process as follows;

COST	PERFORMANCE
INTERNAL PROCESS	SUSTAINABILITY

- 5.3 There are three types of sustainability that can be considered within the Public Procurement Rules; social, economic and environmental, all of which feature in the ambitions of the National Park Authority.
- 5.4 Environmental Considerations – These can be met through the output of the supplier, by stipulating the type of materials and the content of those materials that he provides under the contract. Examples of this might be in recycled paper, energy efficient electrical devices or timber from FSG approved sources. Environmental considerations can also be taken into account with regard to the supplier's inputs; how he goes about his own business in terms of the working methods he uses, how he sources materials and his own practices for specifying sub-contractors.
- 5.5 Economic Considerations – This is about the local economy and not specifically about local suppliers. While it is not legal to specify local suppliers, it is possible to examine the contributions that a supplier might make to the local economy as a result of winning a particular contract, through sourcing, recruitment, training etc

- 5.6 Social Considerations – are very similar to economic and again it is possible to examine in some contracts, what a supplier can contribute to the social wellbeing of a community as a result of winning a contract. This can range from recruiting long term unemployed to providing legacy plant or equipment to the local community
- 5.7 Objectives for sustainability, once market tested for realism and affordability, will feature within the selection and award criteria within the Invitation to Tender
- 6. Resources**
- 6.1 The changes to the procurement process will be broadly resource neutral, with staff members spending more time on developing their specifications and managing on-going contracts but saving time on the administration of the tender process.
- 7. Risk management**
- 7.1 Each procurement exercise carries a number of risks. Procurement risks are normally categorized as follows;
- 7.2 Commercial Risk – That either the price objectives aren't achieved up front or there are other costs that arise during the contract that diminish the overall benefits.
- 7.3 Technical Risk – This concerns the difficulty in being able to specify the desired outcome and on the market being able to deliver to the specification
- 7.4 Performance Risk – This concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits.
- 7.5 Contractual Risk – This covers things like being able to remedy the shortcomings in the contractors' performance without severely damaging the contract and about avoiding reliance on the contracted supplier as the contract develops.
- 7.6 Risks will be analysed as part of the sourcing strategy and steps will be taken to mitigate those through specification, selection, award and management actions.
- 8. Human Rights, Equalities, Health and Safety**
- 8.1 There are no implications arising from this report.
- 9. External Consultees**
- 9.1 None

**HÉLÈNE ROSSITER**  
**Director of Corporate Services**

Contact Officer:	Alan Brough, Finance and Procurement Manager
Tel:	01730 811742
email:	alan.brough@southdowns.gov.uk
Appendices	The Procurement Journey Diagram
SDNPA Consultees	Chief Executive Officer, Director of Corporate Services, Director of Planning, Director of Strategy and Partnerships, Head of Operations, Deputy Chief Finance Officer

