

NORTHUMBERLAND

Northumberland County Council

Commercial

Strategy

Region

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1 Introduction

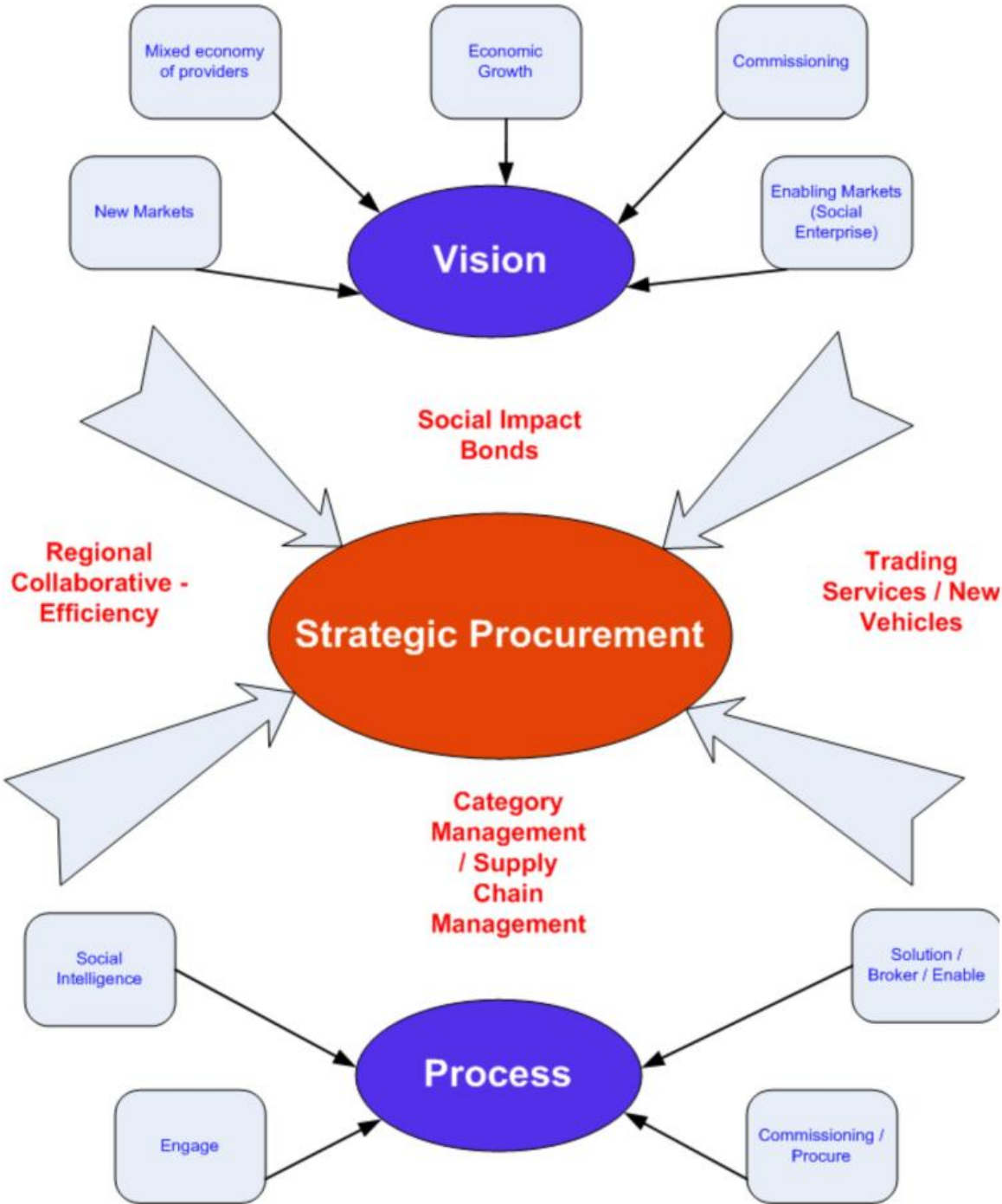
1 Introduction

The County Council has a strong and ambitious vision for Northumberland which is aimed at ensuring that we can lead Northumberland to a greater future. However the Council, like many other public bodies also has some significant challenges ahead. In particular the need to continue to deliver services with decreasing available public sector funding will require us to be smarter in the way we commission our services.

Furthermore the Council wants to ensure that we lead the way on addressing the issues of climate change and move Northumberland to a low carbon economy; attracting and growing new enterprise to provide high quality jobs to sustain our economy and reduce our reliance on public sector employment; to narrow the gap that exists between our poorest and wealthiest communities; providing economic opportunities for all residents so they can continue to live and work in the county; providing the infrastructure to ensure that every resident is able to access services, regardless of where they live; providing affordable homes for everyone in attractive neighbourhoods; developing more community spirit and cohesion by helping residents to have more say in what they need and what happens in their communities.

Therefore a radical shift in our commissioning approach is required if we are going to continue to support local communities, develop the economy and deliver high quality services; and at the same time manage a challenging financial climate. All of this confirms that we need to be smarter in the way we commission and use our resources and use our role as a commissioner to create different models of delivering services which fundamentally deliver economic, social and environmental well-being for all communities in Northumberland.

We do not have a 'one size fits' all philosophy to meet these challenges and therefore our commissioning and procurement strategy outlines our approach to secure a mixed economy in the way we commission service delivery in Northumberland. This strategy therefore outlines our vision for commissioning and procurement across the Council, the new strategic approaches we want to introduce into our commissioning framework and outlines the process of how we will achieve this.



2 Vision

We believe that the way we commission services in Northumberland will act as a powerful lever to meet a number of our strategic aims. Fundamentally our vision for commissioning is to use our approach to support the strategic aims of the Council as outlined below:

Grow Northumberland's Economy

The way we commission and procure services can act as a powerful lever to assist in our aspiration to grow Northumberland's economy and rebalance the economy away from the public and traditional sectors to new and emerging markets. By taking a longer-term and strategic approach we will aim to grow the range and the viability of the supply network within Northumberland. This will be achieved by entering into dialogue with the market much earlier in the commissioning cycle and also by providing skills and support so that the local economy can respond to our needs and work with us in co-creating new models and services altogether. We will also work collaboratively with the regional and national market, together with other public sector commissioners, to encourage the market to shift operations and supply chains to our area. Finally we want to fully explore a range of commercial opportunities that the Council can take advantage of, which will further create new economic opportunities for the county.

Respect and Enhance our Environment

A key element of our economic strategy is to shift Northumberland to a low carbon economy and to enable the Council to enter into a range of emerging markets relating to renewable energy, environmental services and managing the effects of climate change. We will therefore commission new service delivery models with partners which will enable us to both enter into this market and will also use our strategic economic development and planning powers to support businesses in Northumberland to take full advantage of these opportunities. We will also ensure that sustainability considerations form part of all our commissioning and procurement decisions through ensuring that local supply chains are encouraged and used as much as possible and by ensuring that the market adheres to our corporate policies on environmental management and climate change.

Empower our Residents, Families and Communities

Where there are local opportunities for changes in the way services are configured, we will support and develop the market to respond to these challenges and enable them to provide services or initiatives on our behalf. This will not only engender community cohesion and community led intervention, it will help with job creation in Northumberland. We will therefore work to enable and develop the entire market in Northumberland i.e. social enterprises and other not-for profit organisations, parish and town and Councils, small and medium size enterprises and the private sector to create new models and new organisations for the delivery of services in local communities.

Promote Health and Well-Being

Our commissioning approach will focus on ensuring that services focus on promoting the health and wellbeing of all our citizens and communities. In particular we will focus on preventative services and early intervention so that those most vulnerable are supported before more complex issues are allowed to develop and we will also target resources to those who need to be safeguarded and protected.

3 Strategic Commissioning and Procurement

3 Strategic Commissioning and Procurement

Traditionally commissioning and procurement are related to determining whether it was more cost effective to provide services directly or to procure an external organisation to provide services on behalf of the local authority i.e. a Make or Buy Decision.

However, commissioning should be seen as the entire process of assessing need based on sound social intelligence, prioritising areas for review based on this need, determining the most appropriate solution to addressing need and then delivering the new commissioning option. It also refers to the ongoing monitoring and review of outcomes and the impacts derived from these commissioning decisions.

When identifying commissioning solutions we will encourage a mixed economy in the way our services are delivered. We will therefore explore a whole range of options and apply the most appropriate solution for each particular circumstance. The range of options will therefore include:

- Stop altogether-Decommission
- Doing it ourselves-service redesign/integration
- Buying it ourselves-traditional procurement/strategic partnerships, category management
- Doing it with others-sharing our services with other organisations and creating new models with partners altogether
- Doing it for other's-entering into new trading opportunities
- Buying it with others-collaborative procurement arrangements, national frameworks

Decommissioning

One commissioning option that is often ignored is decommissioning a service altogether. Whilst this does highlight some difficult issues it is an option that should be seriously considered particularly in light of the current financial climate. Where this is considered other options of delivering the service i.e. through a new social enterprise will also be considered.

Service Redesign

As part of the Council's transformation agenda there is an increasing need to ensure that front line services are integrated as far as possible, designed around the needs of customers whilst at the same time reducing the cost of service delivery. This will inevitably lead to redesigning the existing service structure and will therefore form a significant part of future commissioning activity.

Buying it Ourselves

Significant benefits can be achieved if we take a far more strategic approach to the way we procure and commission services. The approach we wish to move to is a category management approach. This involves individual members of the Commercial Team gaining a thorough understanding from each service area about what the requirements are for procurement under key categories of procurement activity i.e.

- Construction and Engineering
- Social Care
- Professional Services
- ICT and telephony
- Office Materials
- VCS and Social Enterprise

The category managers will then lead the dialogue and procurement process with the market and supply chains for each category area culminating in pre-negotiated arrangements. Where possible local suppliers will be engaged and enabled to respond to our requirements. Category managers will therefore follow the business partner model that HR, ICT and Finance have adopted but the approach will focus on working across the whole Council on key categories of procurement as opposed to having a relationship at the business unit level.

The benefits of this approach centre on creating greater certainty for markets which lead to reduced prices and has the potential for supply chains to be relocated to Northumberland thereby supporting the local economy and improving service delivery. The benefit to services will be reduced prices, and therefore savings, as well as receiving a customer focused and responsive service. To be successful, services and the category managers need to work closely with each other to ensure that the services do take full advantage of these new frameworks whilst at the same time ensuring they feel they receive an added value service from the Commercial Team.

In addition to the category management approach the Council may also wish to explore the potential to enter into a strategic partnership with another organisation. A number of authorities have undertaken major outsourcing deals with the private sector. This may bring added benefits of introducing new technology to deliver improvements and efficiencies or enable the Council to take advantage of existing external infrastructure which could deliver further cost reductions.

However, it could be argued that through its transformation programme, the Council can make cost reductions without the need to bring in an external partner. Careful risk assessment and option appraisal exercises need to be undertaken before any proposals to move to the development of strategic partnership are approved.

Doing it with Others

Partnership working will continue to be an important vehicle for the Council in its strategic commissioning and delivery of services. The advent of key policy changes nationally such as place based budgeting, changes to local health commissioning and the introduction of Local Enterprise Partnerships highlight the importance of working in genuine partnership with others.

We will therefore develop partnership working by exploring the potential to commission and share services with partners and other bodies e.g. other Councils, NHS organisations, GPs, Police, Central Government departments etc. Our focus will be aimed at reducing duplication between organisations, removing bureaucracies and commissioning services around citizens' needs and places; as opposed to the needs of organisations.

Furthermore we will explore options of certain services being delivered which span two or more organisations. This will bring obvious efficiencies through economies of scale but effective delivery of such arrangements require mature and effective partnerships between organisations particularly with issues relating to accountability, apportionment of costs, distribution of savings etc. We will therefore examine carefully the suitability of any potential partnerships as part of any strategic option appraisal in the future.

In other circumstance we want to work with others e.g. local businesses, parish and town Councils, social enterprises etc to co-create new models of service delivery altogether. In particular we want to explore new mechanisms to enable new models to be developed. In this approach the local authority will use the wide range of data and information it has, to identify a particular issue that needs addressing. Rather than identify the solution, the local authority will identify the required outcome and then enter into dialogue with the market about what the potential solutions could be. This process will lead to a defined proposal which has been developed from the market place where a new service could be developed to deliver the required outcome. The local authority will then work with the market to create a new entity that will deliver the new service on our behalf.

For example, the Council and its partners may identify a package of social issues which also represent a significant cost e.g. Youth Offending, Young People being out of education, employment and training, Drug and Alcohol Abuse etc. Rather than re-commissioning the existing services to support these young people, the Council will seek proposals from the market to come up with innovative solutions to these issues which meet a reduction in these issues and also identify where costs will be reduced.

The financing of the new service could come from a social impact bond. This is a new financing mechanism where one part of the state identifies a cost saving for another part of the state. The short term investment is secured from a third party such as a community foundation but this is underwritten by the treasury since the proposal would lead to an overall reduction to the state's costs. The Council would then facilitate the creation of new organisation such as a social enterprise to deliver the new service which would be financed through the social impact bond. This new model would bring about a number of benefits. It promotes a focus on outcomes, encourages innovation, it reduces the short term pressure on public sector finances, delivers overall savings and develops local markets. The Council has currently been selected as a pilot authority to work with DCLG on the development of social impact bonds and supporting social enterprise and this has potential therefore to become a major strand of our commissioning activity in the future.

Buying it with Others

We will fully explore the potential of collaborating on strategic procurement projects with other local authorities and partner organisations. By working with other commissioners and procuring bodies there is significant potential to reduce costs. This will be achieved through developing the category management approach at the regional level where analysis of expenditure and service needs will be analysed and then be used to manage the market and supply chains much more effectively at the regional and national level.

Do it for Others

The Council wants to fully develop its abilities to trade and create companies to create income streams for the Council; and also to create new employment and training opportunities for Northumberland. A particular area where we wish to explore trading further is through the development of new vehicles such as an Energy Services Company (ESCO). The emphasis of these companies would be to provide a range of related services including local renewable generation projects, carbon off-setting schemes, carbon management consultancy services and support to home owners to reduce carbon emissions but with the focus being around creating a whole community solution to carbon management.

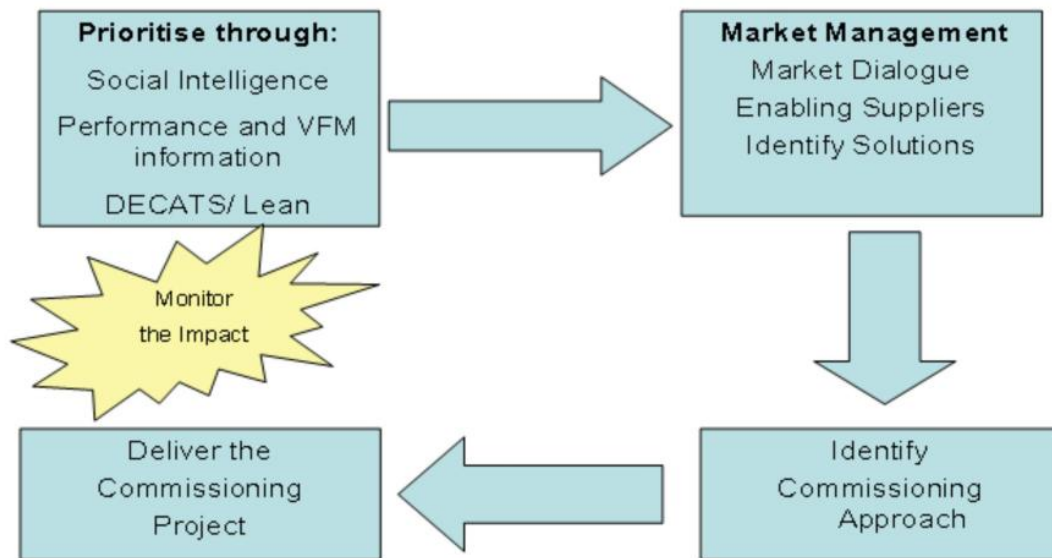
4 The Commissioning Process

4 The Commissioning Process

It is very important that the Council strategically manages the market when it is undertaking major procurement activity and also needs to provide direction and leadership as a client. It is suggested the following process is undertaken to enable this to be delivered.

1. Prioritise areas for service review based on the data, social intelligence and information to hand e.g. DECATS, VFM assessment, Performance Reviews, External Inspections, Customer Feedback, analysis of spend by category etc. Specific external bodies may also assist with this provided it is made clear that their involvement is without prejudice with regard to future potential procurement activity.
2. Develop a programme of strategic service reviews and map existing planned procurement activity.
3. Start dialogue with the market for the relevant services to understand potential solutions, current supply and potential options for delivery
4. Engage and enable the market to prepare them to respond to the commission in the future
5. Outline specific outcomes/ outputs required to be delivered from the procurement
6. Select preferred commissioning/ procurement strategy e.g.
 - Decommission altogether
 - Re-design the service
 - Buy-it ourselves through tendering but through a category management approach
 - Share the service with others
 - Create a new service model altogether
 - Buy-it with others through collaborative arrangements
 - Move the operation into a trading vehicle (may also require tendering)
7. Determine the type of partner required
8. Go to market / commission

NB. This is not meant to cover all procurement activity across the whole Council, this approach relates to strategic procurement activity. Where discrete service areas have identified the need to procure a specific partner then this process should not prevent them doing so. However the benefit of this process is that with time all potential procurement activity will be mapped and managed in a co-ordinated fashion so that maximum benefit is derived for the Council.



Summary of Revised Commissioning Approach

5 Governance and Delivery

The Constitution – Procurement

The procurement of goods, services and works is governed by the Constitution and the Finance and Contract Rules. These rules provide regulation on:

- The allocation of responsibility and scheme of delegation
- The procedures for tendering
- The submission of quotations and tenders together with the award of contracts.

Constitution also outlines the Codes of Conduct for Elected Members and Officers. The Constitution allocates specific responsibilities to the s151 and Monitoring Officers who have specific duties regarding the provision of advice and on the lawfulness of procurement activity undertaken by the council. The Corporate Director of Finance under Section 151 of the Local Government Act 1972 has a statutory responsibility to ensure that adequate arrangements are made for the proper administration of the Council's financial affairs. The procurement of goods, services and works for the Council must follow all appropriate legislation and the Finance and Contract Rules of the Constitution.

The Monitoring Officer will ensure lawfulness and fairness of decision making. After consulting with the head of paid service and chief finance officer, the monitoring officer will report to the full Council or to the Executive in relation to an Executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

The County Council

Northumberland County Council consists of 67 Members. There is no one party in overall control and the Liberal Democrat Group operate as a minority administration. The Council has a number of specific functions, including

- Setting the annual budget and Council tax
- Approving the policy framework
- Agreeing the Constitution and making amendments as necessary
- Agreeing the decisions of the Executive and Committees where they do not have delegated powers.

It also offers an opportunity for promoting accountability by allowing for the questioning of Leader and Executive Members, as well as the presenting of petitions. Normally individual activity would not be monitored by the County Council but it will have an interest in ensuring that all procurement is governed appropriately.

The Executive

The Executive is the part of the Council which is responsible for the implementation of Council policy. The Executive is made up of up to ten Councillors. The Leader of the Council appoints the Members of the Executive. When major decisions are to be discussed or made, these are published in the Executive's forward plan in so far as they can be anticipated. If these major decisions are to be discussed with Council officers at a meeting of the Executive, this will generally be open for the public to attend except where personal or confidential matters are being discussed.

The Executive has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

The Executive determines the broad shape of the Capital Plan setting out budget allocations to meet key objectives. The Executive also approves and monitors specific schemes with a value of over £250,000. All specific procurement activity will either be approved or monitored by the Executive depending on its nature and value.

Procurement Working Group

The Procurement Working Group is made up of cross-party representation from Elected Members and the Executive Member for Corporate Services. It has been established to provide a scrutiny and overview function of the way the Council commissions and procures services within Northumberland.

Workforce Matters

The Council will consult with Trade Unions on all major procurements where applicable. As a key role in options appraisals, engagement with service users, community organisations and Trade Union Representatives will be essential; particularly if 'deconstruction' of a service is under examination for outsourcing or market testing purposes, in order to assess the detailed implications.

Where there is a genuine service transfer and TUPE (The Transfer of Undertakings (Protection of Employment) Regulations 2006) Northumberland County Council will comply and will ensure that any contractor will comply with the Code of Practice on Workforce Matters in Local Authority Service (the Code) by the Office of the Deputy Prime Minister (OPDM) Circular 3/ 03 Annex D – available from Communities and Local Government.

Schools

Schools are locally managed and, as such the procurement elements of their budgets are devolved to individual schools. They must however comply with the relevant sections of the Constitution. While a range of Service Level Agreements have been developed, the Commercial Team is also able to offer objective advice to schools.

Voluntary and Community Sector Innovation Group

To assist the council in the delivery of its overall strategy in relation to commissioning and procurement, an innovation group has been established made up of representatives from a range of Voluntary and Community Sector organisations. The group will assist the council in the delivery of specific projects such as the development of social impact bonds but will also assist the council in the development of procurement activities, specifications and tender evaluations to ensure that activity is configured in such a way that doesn't hinder VCS organisations.

Commercial and Property Services

Corporate Procurement sits within the Local Services Group under the Corporate Director of Local Services, and the Head of Commercial and Property Services. The commercial team will be adopting the category management approach to procurement which groups together products and services that have similar supply chain characteristics into categories. These categories undergo regular commercial reviews to determine the categories' growth, structure, profitability, trends and future opportunities as a means of identifying ways to strategically manage or re-engineer the supply markets.

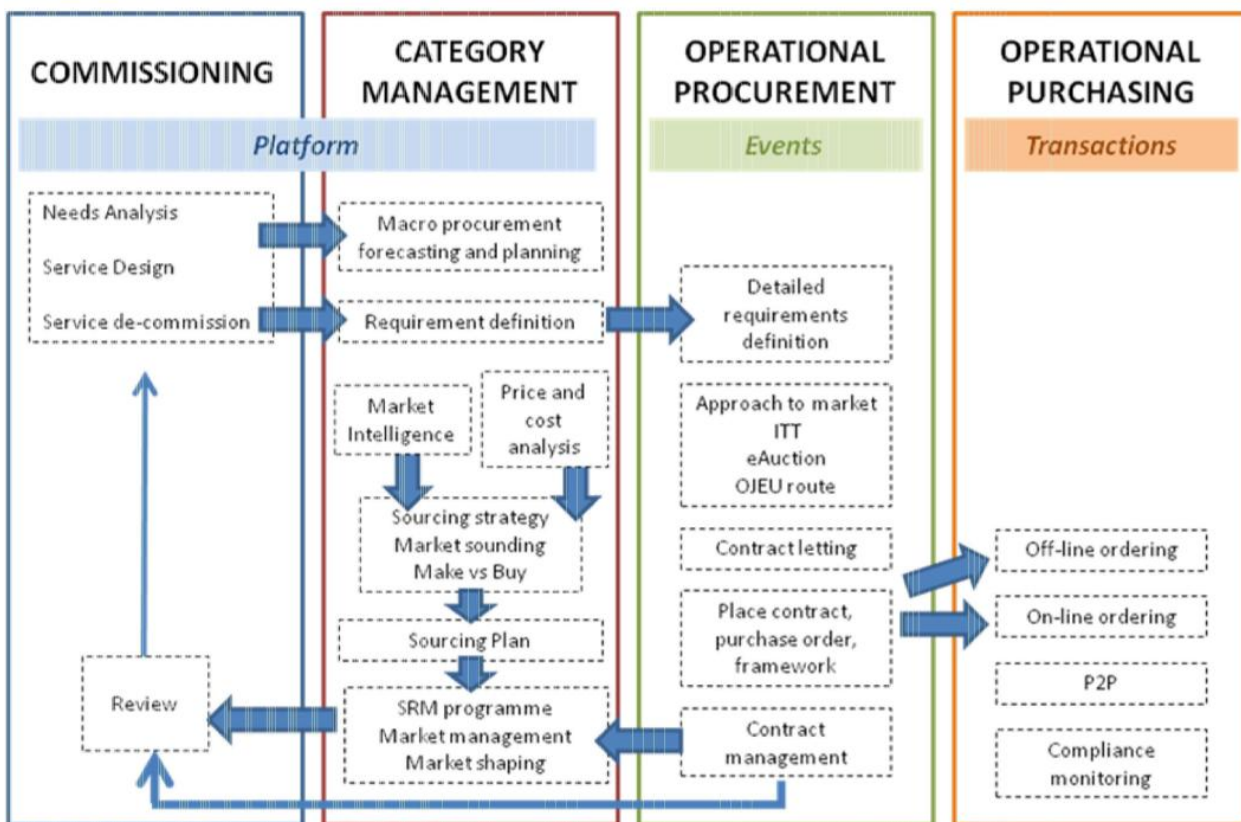
Category management involves individual members of the Commercial Team working alongside the client and supplier base to gain a thorough understanding from each service area about what the requirements are for procurement under key categories of procurement activity i.e.

- Social Care and Health
- Engineering and Construction
- ICT and telephony
- Professional Services
- Office Equipment and materials
- VCS and Social Enterprise

The category managers will then lead the dialogue and procurement process with the market and supply chains for each category area culminating in pre-negotiated arrangements. Where possible local suppliers will be engaged and enabled to respond to our requirements. Category managers will therefore follow the business partner model that HR, ICT and Finance have adopted but the approach will focus on working across the whole Council on key categories of procurement as opposed to having a relationship at the business unit level. Category managers oversee all activities and apply sound commercial principles to optimise value and at the same time allow suppliers a fair profit as a means of minimising supply risk.

The diagram below outlines how category management supplements strategic commissioning to provide greater commercial outcome by combining a deep understanding of supply markets, their structure, cost drivers and market intelligence to produce a sourcing strategy that meets commissioning requirements. It also engages with supply markets in a market sounding exercise to ensure that suppliers are properly briefed and motivated to deliver the commercial outcome needed. This process requires commissioning, procurement and contracting activities to be coordinated in both the planning and execution stages if customer needs are to be met at lowest cost and supply markets managed, formed and shaped to meet both current and future needs.

[Please click here for further information.](#)



6 Commissioning / Procurement Programme

Category	2010/11	2011/12	2012/13
Social Care and Health	Social Impact Bond research for vulnerable young people –linked to VCS/ Social Enterprise	Social Care (Children & Adult Services) – Review of future development and arrangements for joint commissioning	Integrated commissioning social care and health with GP consortia, Acute Trusts etc
Engineering, Construction and Facilities Management	Depots/ Stores and Materials	Design and Build Partner for Highways and Construction Planned and Reactive Maintenance Statutory Testing Design and Engineering Services Land Development Partner Facilities Management delivery model <i>(NB configuration of the above will depend on market soundings)</i>	
Energy and Environmental Services	Energy Supply Procurement	Energy and Environmental Services Company or Social Enterprise to generate, distribute and retail heat and power and provide environmental services.	

			Fleet Provision.	
ICT and Telephony	Managed Print ICT Infrastructure (Phase 1)		ICT Infrastructure (Phase 2)	
Professional Services	Agency Staff framework Professional Services framework contract			
Office Equipment and materials	Detailed Analysis		Implementation of new category management approach	
VCS and Social Enterprise	Social Impact Bond Development			

7 Procurement Policy

The procurement policy is aimed at ensuring that where possible value for money achieved by identifying the most advantageous balance of achieving wellbeing, service quality and cost (including whole life costs).

To achieve this all procurement activity;

- Must comply with the finance and contract rules of Northumberland County Council and within the confines of the Public Contract Regulations 2006.
- Should be undertaken with the highest standards of openness, integrity, transparency, probity and accountability.
- Risks associated with procurement shall be identified, assessed and minimised.
- Procurement activity will take due regard to all equality and diversity issues.
- Procurement activities should take into account the effect on the local economy and supporting the well-being of Northumberland's citizens and communities
- All procurement shall have due regard to issues around socially responsible procurement.
- All procurement that has the potential for staff transfers will follow the requirements of Transfer of Undertaking Protection of Employment Regulations 1981 (TUPE) and the Code of Practice on Workforce Matters.

Through the category management approach the Commercial Team will support services to ensure that these issues are fully addressed in any procurement activity. The category management approach will over time seek to minimise individual procurement activity but where this is required for operational reasons, services should follow these guidelines:

- Any spend up to £15,000 should wherever possible should be directed through corporately agreed contracts and frameworks.
- Any spend between £15,000 and up to £25,000 should be based on at least 2 quotations that have been received and recorded in writing.
- Any spend over £25,000 and up to £50,000 should be based on 3 written quotations that have been received and recorded in writing.
- Any spend above £50k but below the EU threshold should be discussed with the Commercial Team to determine the appropriate procurement procedure.

(The above figures were endorsed recently by a bench marking exercise undertaken regionally)

- Spend over the EU Thresholds as at 1st January 2010 for supplies and services £156,442 and works £3,927,260, must follow a formal tender process carried out in consultation with the Commercial Team.

Commissioning / Procurement	Description	When Applied
Restricted Procedure	A two part process where suppliers capabilities to provide the requirement are assessed in the first instance. Bidders successful in being selected to tender are invited to make a submission which will be evaluated against the award criteria.	The restricted procedure is used when a large number of participants are expected to express an interest in the opportunity.
Open Procedure	The open process allows all bidders that express an interest in the contract opportunity, to make a full tender submission. Submissions are still evaluated using selection and award criteria in 2 discrete stages. Stage one will see a business questionnaire around supplier's capabilities being assessed, before their tender returns are evaluated in line with the award criteria.	The open procedure is most commonly used when a limited number of bidders are expected to participate.
Negotiated Procedure	The negotiated procedure allows procuring officers to select one or more persons with whom to negotiate the terms of the contract. An advertisement / OJEU notice is usually required but, in certain circumstances, described in the regulations, the contract does not have to be advertised in the OJEU. An example is when for technical or artistic reasons or because of the protection of exclusive rights the contract can only be carried out by a particular person.	This procedure is most commonly used when irregular, unacceptable, no suitable supplier has been found by open or restricted tender procedure; where such procedures have resulted in no tender being received; where the required product is manufactured purely for research and development or experimental purpose; or where for technical or artistic reasons or the existence of exclusive rights, there is only one supplier.
Competitive Dialogue Procedure	This procedure sees the contracting authority entering into dialogue with bidders, following an OJEU notice and a selection process, to develop one or more suitable solutions for its requirements and on which chosen bidders will be invited to tender. During the process the outcome of the contract has been	The Competitive Dialogue Procedure is utilised for specialised procurement activity for the award of complex contracts, where there is a need for the contracting authorities to discuss all aspects of the proposed

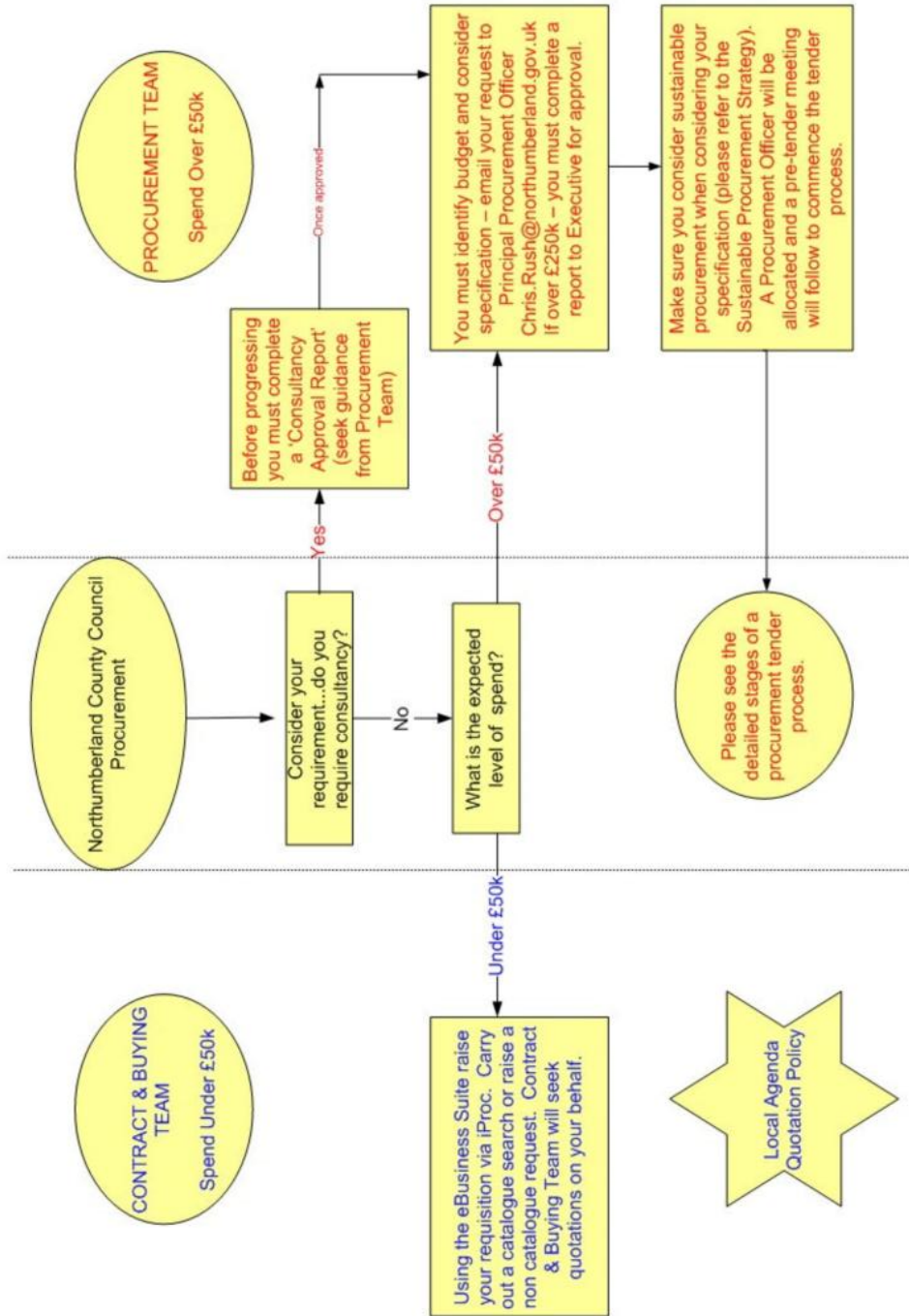
	defined but the contracting authority are open to ideas of how to reach the outcome providing the most economically advantageous tender.	contract with candidates. Such dialogue would not be possible under open and restricted procedures.
Frameworks	A framework agreement is an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.	Such agreements set out the terms and conditions for subsequent call-offs but place no obligations on the procurers to buy anything. Contracts are formed under the Regulations only when goods, works and services are called off under the agreement. Beneficial as authorities are not tied to the agreements, they are free to use the frameworks when they provide value for money, but to go elsewhere if they do not.
De-Commissioning / Enabling Alternative Options	One commissioning option that is often ignored is decommissioning a service altogether. Whilst this does highlight some difficult issues it is an option that should be seriously considered particularly in light of the current financial climate. The increased need to ensure that front line services are integrated as far as possible, designed around the needs of customers whilst at the same time reducing the cost of service delivery.	This will inevitably lead to redesigning the existing service structure and will therefore form a significant part of future commissioning activity.
Co creation	Local authority working with communities to establish new forms of public service delivery.	Local authority and the community might identify the need for a new service, the two parties work together to create new social enterprise to deliver the new service.

7 Procurement Policy

Furthermore Service Groups should remember:

- All procurement over £250,000 must be approved by the Executive (see Finance and Contract Rule 2.5).
- You must remember to allow sufficient time for the tender process – generally the whole process can take approx. 3-4 months.
- We follow EU rules for all procurement above £156,442 for goods and services and £3,927,260 for works (as at 01/01/10 – Public Contracts Regulations).
- Quotations for lower level spend will be sought by the Contract and Buying Team, in line with the requirements detailed in each requisition (Finance and Contract Rule 4.4).
- It is best practice for Northumberland County Council to seek at least 1 'local' quotation where appropriate. 'Local' defined as Northumberland First (North, West and South East Northumberland), then all NE and TD15 (including Newcastle upon Tyne, North Tyneside and Gateshead) postal codes to be considered ([see web link to map of postal codes](#)), followed by regional areas (Durham, Sunderland and Tees Valley). The Local Agenda Quotation Policy ensures that we consider 'local' quotations for spend under £50k.
- Consider the 3 elements of sustainable procurement (economic, social and environmental) when procuring goods and services. You should consider the [Council's Sustainable Procurement Policy](#).

Procurement Guidance for Directors and Heads of Service



8 Socially Responsible Procurement

As outlined previously the Council wants to ensure that it uses its commissioning and procurement power to promote the economic, social and environmental well being of Northumberland. It is therefore crucial that these issues are central ingredients to the Council's procurement activity in order to ensure this effect is positive.

This section of the strategy outlines the aims of procurement in relation to the social responsibility agenda. It relates to the areas of sustainability and the long-term effects of our procurement practices, environmental management, fair trade, equality and diversity, and supporting the local economy which also cover the Council's regeneration agenda.

Sustainability and Environmental Management

Sustainable procurement is defined in the Sustainable Procurement National Action Plan as:

“A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to not only to the procuring organisation, but also society and the economy, whilst minimising damage to the environment”.

Footnote:

Sustainable Procurement should consider the environmental, social and economic consequences of: Design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain.

Sustainable procurement must encompass the whole life costs of the project. When considering procurement options the Council is committed to ensuring that whole life decisions should involve more than the initial procurement costs or even costs over the life of the building, other asset or product.

As our procurement activities, and those of our suppliers, affect the local environment and have an influence on whether we achieve our sustainable and environmental aims, it is crucial that all procurement activity throughout the Council contributes positively towards this priority. See the [Northumberland County Council's Sustainable Procurement Policy](#).

Equality and Diversity

The Equality Act contains a specific measure on procurement, making provision: “to enable duties to be imposed in relation to the exercise of public procurement functions”. The decision to strengthen procurement requirements was based on evidence. This showed that government intervention is necessary to ‘encourage’ and ‘enable’ public authorities to use their procurement activities to further equality objectives.

The Act seeks to invoke a cultural shift in how public authorities pursue equality objectives through their procurement activities.

Amendment to the Local Government Act 1988 – Local authorities are explicitly permitted to take non-commercial matters into account during the procurement process, when they consider it is ‘necessary’ or ‘expedient’ to do so. This is in order to comply with the Single Equality Duty. The new Single Equality Duty on public authorities aims to consolidate the three existing public duties on race, disability and gender. Additionally, it covers age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The new duty, like the three duties before it, requires public authorities to ‘have due regard’ to:

- Eliminate unlawful discrimination
- Advance equality of opportunity
- Foster good relations when exercising their functions.

Public bodies will be asked to use public procurement to contribute to the delivery of their equality objectives under the Equality Duty. Contracting authorities will need to:

- Include how they will ensure that equality factors are considered as part of their public procurement activities to help contribute to the delivery of those objectives, when setting out their equality objectives and the steps they intend to take to achieve them
- Consider the use of equality-related award criteria where they relate to the subject matter of the contract and are proportionate
- Consider incorporating equality-related contract conditions where they relate to the performance of the contract and are proportionate.

Taking account of the above, it is important to ensure that prospective suppliers meet the Council’s equality requirements, that they can demonstrate and understand their responsibilities, and that they operate in accordance with equality legislation. This information can be obtained from prospective suppliers by the means of a pre-qualification questionnaire (PQQ) or as part of the tender documentation.

The Council aims to open up as many opportunities to all organisations including Small and Medium-sized enterprises (SME’s), businesses owned by people from Black, Asian and Minority Ethnic (BAME) groups, by women and by disabled people and social enterprises as is practical.

If equality is a fundamental requirement of the contract, then it would be advisable to request that the supplier provides substantial evidence, such as an additional statement that outlines how the supplier in question approaches quality within the supply chain.

[Northumberland County Council's Equality and Diversity web page](#)

[Link to the Government Equality Office web page](#)

Supporting the Local Economy

Local Authorities are large spenders of money; procuring goods, services and works to deliver services to their citizens. Since 2004, the Council has been undertaking local supplier benchmarking through a mechanism known as Local Multiplier 3 (LM3) which enables the Council to identify levels of spend and the impacts of such spend on its local economy.

8 Socially Responsible Procurement

Work has continued within Northumberland over the years, taking local supplier support to the next level and pro-actively supporting the local supply base through an initiative widely known as 'Raising the Game'. We have been running quarterly workshops on how to do business, and we continue to support suppliers and run workshops as and when appropriate. As a result of the supplier engagement workshops, we now have a Local Agenda Quotation Policy. This enables us to know our 'local' supply base, give them opportunities and encourage quotations for spend under £50K.

We acknowledge there is a need to encourage a mixed range of suppliers to help stimulate a varied and competitive marketplace. This includes understanding the suppliers' perspective and marketing our services to suppliers. We also need a varied and competitive supply base to help improve value for money and to develop suppliers to meet new or emerging needs.

The market includes procurement from small and medium-sized enterprises (SME's), social enterprises, and voluntary and community organisations and the County Council recognises the need to work with strategic partners to establish the contribution that these suppliers can play in the supply chain.

Procurement legislation restricts the Council's ability to favour local businesses / organisations, however, there are numerous ways in which it can support the local agenda:

- Providing information about future procurement, activity, and advertising tenders on the Council web site,
- Carrying out supplier engagement workshops and events as and when appropriate, entering into dialogue with the market much earlier in the commissioning cycle and also by providing skills and support so that the local economy can respond to our needs and work with us in co-creating new models and services altogether.
- Packaging contracts in a manner, where possible, introducing social clauses and dividing into lots to encourage the following to tender:
 - Local and regional companies
 - Small and medium sized enterprises
 - Newly formed businesses
 - The voluntary and community sector
- Maintaining a supplier directory for lower level spend (under £50k) which works alongside our Local Agenda Quotation Policy.
- Work collaboratively with the regional and national market, together with other public sector commissioners, to encourage the market to shift operations and supply chains to our area.
- Explore a range of commercial opportunities that the Council can take advantage of, which will further create new economic opportunities for the county.

A recent initiative called the Procurement Centre offers guidance and advice to businesses and organisations in Northumberland. Linking business opportunities from public sector organisations to relevant suppliers, helping suppliers understand the processes that the public sector operates and help with completing tender or quotation documents. For more information regarding the Procurement Centre please visit the web page www.go-tenders.co.uk

Within the Commercial Team we now ensure that as part of constructive feedback, we encourage businesses and organisations in Northumberland who have not been successful during the procurement process, to contact the Procurement Centre for support and advice.

Fair Trade

Fair Trade refers to the social movement that promotes social economic and environmental standards in the purchasing of goods from developing countries. Fair Trade refers to the certification and labelling system that ensures this. Supporting Fair Trade promotes awareness of the Council's wider economic, social and environmental impacts and demonstrates a commitment to corporate social responsibility.

One important objective is to ensure that excluded/disadvantaged producers are able to access international markets, are paid a fair price for their products and are provided with decent working conditions during production. Fair Trade also seeks to promote environmentally sustainable practices and develop long term economic trading relationships. Traders are encouraged to buy as directly from producers as possible and supply chains are kept as transparent as possible.

So in simple terms producers in developing countries are paid a fair price for their products; in turn their workers are paid a living wage – an amount capable of sustaining basic needs, including food, shelter, education and health services.

By purchasing a Fair Trade product or by stocking and promoting Fair Trade; product lines, consumers and businesses give communities the chance of an economic, environmental and socially sustainable future.

Politically, Fair Trade forms part of the Government's commitment to promote and support ethical trading (falling within the Government's 2003 Public Sector Food Procurement Initiative).

The County Council recognises the importance of Fair Trade and to increase the awareness of Fair Trade, as from 1st August 2010 all Council meetings are provided with only Fair Trade refreshments. Fair Trade chocolate bars along with hot and cold beverages are also available in the County Hall restaurant.

It is the remit of the Corporate Performance Team with support from the Commercial Team to enable Northumberland County Council to become a Fair Trade Authority. Northumberland County Council also aims to continue supporting towns in Northumberland to achieve and retain status as Fair Trade Towns.

Northumberland County Council was instrumental in a collaborative project with: Newcastle City Council, Cumbria County Council, Carlisle City Council, Fair Trade representatives from the towns of Haltwhistle, Hexham, Brampton, Carlisle, Keswick and private businesses, in successfully achieving a Fair Trade resolution along the extent of the Hadrian Wall Heritage's authority in February 2010. This was the first Fair Trade World Heritage Site and the first Fair Trade National Trail. [See the web page www.fairtradehadrianswall.co.uk](http://www.fairtradehadrianswall.co.uk) [for more info](#)

[The Fair Trade web site has more general information www.fairtrade.org.uk](http://www.fairtrade.org.uk)

9 Contract Management

Effective contract management is a vital and often neglected part of the procurement process. In many people's minds, procurement ends when the contract is awarded but it is essential that pro-active and professional contract management takes place, as even the best specified and procured contracts can fail to deliver what was expected of them.

The level and type of contract management will vary depending on the nature of the contract, but can range from regular meetings with suppliers through to more formal contract monitoring against targets and performance indicators.

For more information on our Contract Management policy please see following:

[Web Link to Northumberland County Council Contract Management](#)

The Finance and Contract Rules form part of the overall framework of the Council. Details of how contracts may be entered into and the terms and conditions that should be incorporated into contracts are contained within the Finance and Contract Rules.

Contract management is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract. Correctly entering into a contract is however only part of the process of ensuring value for money. The procurement process will deliver a contract which has the potential to deliver that which it set out to deliver. The actual outcome(s) delivered are however, dependent upon the contract being managed appropriately.

Good contract management needs to be built into the contracting process right from the start and will also involve aiming for continuous improvement in performance over the life of the contract. The Commercial Team will advise on the steps that need to be taken to implement good contract management during the procurement process.

Contract management must take into account the Council's corporate values and must therefore include, where relevant, policies relevant to sustainability, equalities and diversity, economic regeneration, environmental management and community engagement.

We plan to introduce generalised operating procedures for service groups on contract management, as each contract will vary, and a schedule of review meetings need to involve appropriate attendees.

10 e-Procurement

e-Procurement relates to 'doing business' electronically, i.e. undertaking the procure to pay process electronically, including the electronic management of all procurement activities and the use of information and communications technology, it is the use of web communications to 'e-enable' the Council's procurement processes and strategy, and part of the wider 'e-commerce' revolution.

Over the past few years e-auctions have begun to transform the way local authorities are able to award contracts for goods and services. Authorities working collaboratively to run e-auctions have been able to achieve significant savings against previous spend by awarding new contracts. Northumberland County Council will continue to support regional e-auction activity to maximise savings.

A key element in successful take up of e-Procurement is the supplier community, including SME's. Supplier adoption therefore is crucial and an area of this strategy will include working with suppliers to help them become 'e-enabled'.

e-Procurement Processes

ORACLE e-Business Suite was implemented throughout the Authority during 2004. Where appropriate e-Business Suite is utilised for all spend within the Authority.

The iProcurement module of eBusiness Suite provides officers across the County Council with access to contracted goods via the internal marketplace. This allows the Council to increase the usage of contracted items and reduce areas of maverick spend.

The implementation of e-Business Suite has also provided the Council with the ability to access data in relation to the Councils procurement spend and actively performance manage this data.

The ordering of goods and services from set contracts and frameworks will be increased via the e Market place self service system (IProc) ensuring best value and contract compliance. It is planned that this will encompass far reaching categories such as Highways and construction and not just the usual areas such as office stationary and janitorial materials this will provide both transactional and resource savings.

Internet and Intranet Development

In April 2006 National e-Service Delivery Standards were published in order to help local authorities to provide efficient and consistent levels of service. One of the key standards identified is 'ICT Architecture Management' which identifies the technology components necessary to deliver improved services and provide flexible, scalable solutions for the future.

The Council must provide the business community with a level of information specifically related to Procurement.

- How to do Business with the Council Guidance
- Corporate Procurement Strategy
- List of Opportunities
- Adverts for current tenders

Purchase Cards

Purchase cards are similar to standard credit cards, but have added functionality, that allows the card spend to be minimised to predefined areas of spend; financial limit per transaction and monthly financial limit. Although the use of purchase cards is few and far between at Northumberland County Council, times they are used would be for purchase of low value, high volume goods and services. However, it is imperative that the process cost involved in the input of transactions onto the General Ledger is taken into consideration. Proper internal controls must accompany the introduction of such purchase cards, including financial limits. The Contract and Buying Team are the main holders of such cards.

Electronic Tendering and Quotations

NEPO manage the electronic tendering system which is a one-stop shop source for all tendering and quotation opportunities within the Council. Suppliers must register on the electronic tendering system to do business with Northumberland County Council www.nepoportal.org Suppliers are able to download tender documentation directly from the site and submit tenders electronically with complete confidence of security. The tenders are then opened electronically on the closing date by staff in Personnel. There are constant updates and improvements to the electronic tendering system which is provided by Due North. The current electronic tendering system is under review and will soon undergo a tendering process, with a view to implement a new updated system for 2012.

The benefits of using an e tendering system like pro contract include;

- Reduced tender cycle-time
- Faster response to questions and points of clarification during the tender period
- Reduction in the labour intensive tasks of receipt, recording and distribution of tender submissions
- Reduction of the paper trail on tendering exercises, reducing costs to both Councils and suppliers
- Improved audit trail increasing integrity and transparency of the tendering process

10 e-Procurement

The Council is also striving to set up more Framework Agreements to ensure aggregation of spend is carried out not just through departments, but across the Council as a whole.

Framework Agreements allow for multiple “call off” contracts from different users throughout the Council and can provide savings through economies of scale. Time efficiencies can also be generated as a full and lengthy tender exercise is not required to use the framework.

A good example of savings that can be achieved through frameworks are the newly established CDM ‘calls for further competition’ framework for Property Services, achieving estimated savings for the first year of £47k. Contractors are encouraged to reduce their tendered rates at each call off opportunity.

The Centralisation of Procurement in 2007 was followed by a further split to form two procurement teams. The Tender Team – Procurement (responsible for managing general procurement and the tender process for all procurement over £50k); and the Contract and Buying Team as part of a larger Transactions Team (for quotations and managing orders under £50k).

There is still change planned over the next three years. For example the introduction of the Quotations and Local Agenda Policy - [Click here to view full report](#)

11 Glossary of Terms

Accreditation	External recognition that you meet certain standards. This can be general (for example, your quality assurance system if you have one), or specific to a particular activity such as aspects of health care.
Added Value	Features and benefits that you offer which exceed the specification for the contract.
Audit Trail	System or paper generated evidence showing how and why and by whom certain processes and functions were carried out.
Award	The issue of an order or contract to a supplier.
Best Practice	The most effective and desirable method of carrying out a function or process derived from experience rather than theory.
Bid	A formal proposal to supply goods or services at a specified price, usually describing how the contract requirements will be met.
Black Minority Ethnic (BME)	Term often used with equality.
Business Case	A document setting out the information a manager needs before deciding whether to support a proposed project, before significant resources are committed to its development. The core of the business case is an assessment of the costs and benefits of proceeding with a project.
Call Off Contract	An enabling agreement with one or more suppliers for a defined range of works, goods, or services covering terms and conditions (including price) which users 'call off' to meet their requirements.
Charitable	In England and Wales, charitable purposes are defined as being: <ul style="list-style-type: none"> • The relief of financial hardship • The advancement of education • The advancement of religion • Certain other purposes for the benefit of the community.
Co-Financing Organisation	A public sector intermediary body approved to act on behalf of a government office.

Commissioning	Another word for procurement, this means the process of buying or purchasing goods or services.
Contract	A binding agreement to perform a certain service or provide a certain product in exchange for valuable consideration, usually money.
Contract Notice	A notice published in OJEU, announcing a public sector organisations intention to let a contract for specific goods or services, and explaining the type of procurement process to be used.
Contracting Party	The leading organisations that have entered into contractual obligations. If you have a contract with a public sector organisation and you have sub-contracted some of the work to others, you are the contracting party, the sub-contractors are not.
Contractor	Someone (a person or entity) who enters into a binding agreement to perform a certain service or provide a certain product in exchange for valuable consideration, usually money.
Costs	The money spent on resources to deliver the service.
e-Auction	A tendering process where bidders go online and bid against each other live to offer the lowest price. Bidders will already have submitted technical details of their offer and will only be allowed to bid a price if their offer has met all the requirements.
Efficiency	Getting more out of your resources, could be doing: <ul style="list-style-type: none"> ● More with the same resources ● More with fewer resources ● The same with fewer resources
Equality	Equality is about making sure people are treated fairly and given fair chances. Equality is not about treating everyone in the same way, but it recognises that their needs are met in different ways.

11 Glossary of Terms

E-Tendering	Electronic system used to view and submit tenders. Public sector organisations use e-tendering systems, usually the same system such as the North East Purchasing Organisation (NEPO).
European Union Regulations (EU Regs)	There are rules and regulations set by the European Union with regard to procurement for public sector organisations – these rules and regulations are set to protect suppliers and must always be followed by all public sector organisations.
Evaluation	The process of assessing each bidders tender so as to be able to select the best option suitable to the requirements of the contract.
Feedback	Discussion with a public sector organisation to find the reasons for success or failure of a tender so as to learn how to respond effectively in future.
Framework Agreement	An arrangement where a purchaser selects suppliers and fixes terms and prices for a period in advance (often 3 years), and then calls on the suppliers to deliver as and when required. There is never a guarantee of work even if you are part of a framework agreement.
Full Cost Recovery	Covering all the costs of providing a service, including a suitable proportion of overhead costs.
Grant	Money provided by a public sector organisation to support a particular activity. Grants do not cover the entire cost of the activity. There will usually be conditions attached to the grant but it is important to understand a grant is NOT a Contract.
Invitation to Tender (ITT)	A formal communication from a public sector organisation to a supplier inviting it to submit a tender. The ITT will usually also include a specification for the contract, instructions for submitting the tender, and the terms and conditions, which will govern the contract once it is active.
Key Performance Indicator (KPI)	KPI's are tools that help the public sector to measure the performance of suppliers against their contractual obligations. KPI's are normally detailed in the service specification document.

Local Multiplier 3 (LM3)	Local multiplier 3 (often just referred to as LM3), is a benchmarking tool public sector organisations can use to measure the impact of their spend within the local economy. LM3 can be used within all businesses and organisations as a benchmarking tool.
Lot	Some contracts are divided into a number of parcels of work (called 'lots') and suppliers are invited to state whether they are bidding for the whole contract or just parts of it.
Method Statement	The document used in a tender process which sets out questions for the suppliers to answer which helps the purchaser or procurement officer to understand how the goods or services will be delivered.
Most Economically Advantageous Tender (MEAT)	This speaks for itself – in terms of elements such as price, delivery, date, quality, technical support and technical merit. To consider the tender that will bring the greatest benefit to the public sector organisation. Award criteria may embrace sustainability issues.
OJEU (Official Journal of the European Union)	The Official Journal of the European Union, where all contract notices must be published for tenders that fall within the European procurement laws.
Overheads	The indirect costs incurred in running a business. These include rent and rates, marketing and publicity, administrative and financial costs.
Partnership	A cooperative relationship between people or groups who agree to share responsibility for achieving some specific goal.
Performance	Delivery of goods or services, judged against the standard specified in a contract.
Private Finance Initiative (PFI)	A form of partnership between the private and public sector which is normally used for high risk / high value contracts, principally to raise money for higher value projects.
Public Private Partnership (PPP)	Very similar to PFI arrangement, but the aim is centred more on service delivery than finance.

11 Glossary of Terms

Prior Information Notice (PIN)	This gives advance notice that a contract may be advertised at some point – perhaps later in the year.
Pre-Qualification Questionnaire (PQQ)	A questionnaire used by public sector organisations to check the suitability of suppliers and shortlist the ones to be invited to tender.
Procurement	The process of buying goods and services.
Procurement Card	Like a credit or debit card, but for organisations rather than individuals. It allows purchasers to order and pay for goods and services in the same way.
Public Sector Organisation	A public sector organisation provides or manages public sector services for government.
Purchasing	The buying of goods and services.
Quality	Fitness for purpose when judged against the standards specified in the contract.
Quotation	A less formal written offer to supply goods or services, with the supplier offering the price. This is often used when considering lower value public sector procurement.
Request for Tender	Same as invitation to tender.
Request for Quotation (RFQ)	Just as it says – request for a quotation.
Resources	People, equipment, facilities, funding, or anything else required for the completion of an activity.
Selection Criteria	The factors that a public sector organisation will take into account when deciding which tender to accept. Usually some factors will count for more than others.
Service Level Agreement (SLA)	Like a contract, but often less formal, and not normally binding in law. Often used between 2 public sector organisations, or between 2 different departments of the same public sector organisation. A local authority may have SLA's set up by the computer department to provide computers and maintenance to all other departments within the whole authority.

Small Medium size Enterprise (SME)	Used in context, this may indicate navigation away from larger, global businesses / organisations. Can also refer to local businesses.
Specification	A description of the essential technical requirements for goods or services to be delivered under a contract, including the method for checking that the requirements have been met.
Sustainability	The environmental, social and economic issues to be considered in a procurement exercise.
the Transfer of Undertakings (Protection of Employment) Regulations (TUPE)	The purpose of TUPE is to preserve continuity of employment and to safeguard employment rights of all employees whose employment transfers to a new employer as a result of a relevant transfer.
Value for Money	Public sector organisations strive to achieve 'value for money' and this is not necessarily the lowest price.

12 Contacting Us

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Please contact us if you have any questions or comments about the strategy.

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13 Useful Websites

13 Useful Websites

- **Northumberland County Council**

www.northumberland.gov.uk

The role and objectives of the County Council can be found on the Council's web site listed above.

- **The Procurement Centre Project**

www.go-tenders.co.uk

The Procurement Centre offer a friendly, hands-on support service to businesses, social enterprises and community and voluntary groups in Northumberland who would like to win business from the public sector both locally and nationally.

- **North Eastern Purchasing Organisation (NEPO)**

www.nepoportal.org

In addition to its own procurement arrangements, the Council is a member of a local buying consortium called the North Eastern Purchasing Organisation (NEPO), where 12 of the region's local authorities have combined their purchasing power to negotiate joint contracts. The Council has successfully used NEPO's framework contracts for a variety of goods and services and this has enabled the Council to take advantage of the more competitive prices and terms under NEPO contracts and has provided cost benefits. We also use the ProContract electronic tendering system which is part of the NEPO portal.

- **Office of Government Commerce (OGC)**

www.ogc.gov.uk

The Office of Government Commerce (OGC) is an independent office of HM Treasury, established to help Government deliver best value from its spending. It promotes and fosters collaborative procurement across the public sector to deliver better value for money and better public services. As a Council we can take advantage of some national contracts via Buying Solutions, the executive agency of OGC. Buying Solutions (www.buyingsolutions.gov.uk), provides easy access to more than 500,000 products and services, through a range of frameworks as well as a number of managed services, including telecommunications, e-mail and web services, energy and eCommerce.

- **North East Improvement and Efficiency Partnership (NEIEP)**

www.northeastiep.gov.uk

The North East Regional Improvement & Efficiency Partnership (RIEP/NEIEP) is one of nine in England. The NEIEP is made up of all 12 North East Councils and 4 Fire & Rescue authorities. The RIEP is run for local authorities, by local authorities and Programme Boards are established, comprising the most senior Council and FRS officers in the region. Northumberland County Council procurement officers have an input to regional work and development regarding collaborative procurement.