

GS19 – Procurement Vision & Strategy

Document control

Version	Date	Author(s)	Notes on Revisions
1.4	Sep 19	SH	Change of job titles, inclusion of soft copy contracts where possible, inclusion of advertising contracts on contracts finder
1.5	Jan 22	SH	Inclusion of Sustainability and use of local suppliers in line with Torbay CWB. Removal of mention of OJEU

Owner	SLT Lead	Author	Frequency of review	Next review date	Approval Committee	Last approval Committee Date	Date of last EIA
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*Every two years or whenever legislation or key funder's or grant providers policies or guidance notes change

A holistic approach to procurement which embraces not only the need to ensure value for money, quality and whole-life cost (best value) but also considers: the impact of acquiring goods, services and works in supporting the local economy; sustainability and the environment; and equality and diversity. The college also adheres to the public sector regulations principals and aims of equal treatment, non-discrimination, mutual recognition, proportionality & transparency. All procurement activities must be compliant with the latest legislation or key funder's or grant providers policies or guidance notes

Strategy

Procurement is the whole life cycle process of acquisition of goods, services and works from third parties, beginning when a potential requirement is identified and ending with the conclusion of a service contract or ultimate disposal of an asset. The Government considers procurement as one of the main sources of efficiency savings in the public sector.

The aims of the Strategy are:

- a clear lead from governors and senior managers in improving procurement;
- information to use to decide on the most appropriate methods of procurement;
- making the most of opportunities for collaboration both within and beyond the college;
- robust processes and good supplier management;
- ensure "best value" in procurement;
- ensuring compliance with public sector regulations and other procurement regulations, where applicable

- consideration of sustainability in all procurement activities
- procuring from local suppliers, where it is appropriate to do so.

The College is one of the anchor institutions of the Torbay CWB Procurement sub-group. The aims of the group are to encourage the use of local suppliers where possible.

Best Value

The established definition of Value for Money (VFM) is the relationship between economy, efficiency and effectiveness.

“Best Value” should not be judged on the basis of the cheapest initial price, but also on quality, and the overall whole life cost to the College. This means that, in anticipating the price to pay, we should consider aspects such as maintenance, support costs, buy back values, design, delivery, and reliability. Factors such as these may justify a higher initial cost in the expectation of lower whole life costs. In major purchases or projects this may include preliminary business cases and discounted cash flow calculations. “Best Value” can be achieved through:

- competition;
- improved supply chain management;
- supplier partnership working;
- group purchasing by aggregating the organisations spend for structured discounts; and
- for low value items, spot purchasing.

The method used will be determined by the college level of delegated authority, the Financial Regulations and the assessed risk (the risk is the threat a poor procurement route poses to the organisation).

Sustainability and the Environment

Efficiency is an essential feature of college spending: college money must be well spent and not wasted. Better purchasing and the delivery of better services are an essential feature of achieving efficiency gains in economic, environmental and social terms. Wherever possible goods and services will be purchased that support the local economy and local employment, that can be manufactured, used and disposed of in an environmentally responsible way and will avoid contracting with suppliers that willfully and avoidably damage the environment or local economy. With regard to the environment, College purchasing choices will favour products showing clear environmental advantages unless there are significant reasons for not doing so. Specifications should meet and where appropriate exceed the standards required by legislation.

Improving the professionalism of purchasing activity across the college and the more widespread use of whole-life costing will go some way to achieving this. We also need to examine ways to stimulate and enable whole-life accounting – where expenditure looks to achieve the best outcome for the college overall, irrespective of when or where costs and benefits fall.

Sustainable procurement – embedding sustainable development considerations into spending and investment decisions across the college – offers many opportunities including:

- avoiding adverse environmental impacts arising on the college estate and in the supply-chain by, for example, reducing waste and emissions;
- making more efficient use of college resources, for example through reduced energy consumption and reduced packaging;
- stimulating the market to innovate and to produce more cost effective and sustainable options, and;

- setting an example for the local community and demonstrating that the college is serious about sustainable development.
- Ensuring contracts are electronically signed and that no hard copies are printed, where this is possible to do so.

Responsibility

All members of the College Leadership Team are responsible for ensuring that the principles set out in the document are rigorously applied by all staff involved in procurement and other activities of the College. The Director of Finance and Funding has overall responsibility for ensuring that the Policy and Strategy are implemented.

This document is subsidiary to the College's financial regulations which, in the event of a discrepancy, take precedence.

Due Diligence

The risks associated with all new contracts should be considered. Due Diligence is always carried out as part of the procurement process. Depending on the complexity of the contract there may be few minor risks or many major risks and due diligence itself will allow the college to:

- identify and prioritise any risks;
- draw up contingency to mitigate risk where appropriate;
- identify triggers to alert if things are starting to go wrong; and
- prevent occurrences or minimise the impact if they do happen.

The most common elements of risk in a contract are:

- delivery of the outputs;
- meeting the standards expected;
- staying within the contract price; and
- the contractor failing to complete the contract.

The amount and level of risk involved will vary depending on each contract, how important the outputs are to the College and the potential for damage to reputation if things go wrong. Appropriate due diligence will be undertaken and the majority of the contracts can be reviewed to reflect individual contracts and purchases including size and complexity. Risks can be greatly reduced by the use of a recognised public sector compliant framework where rigorous supplier assessment has been carried out.

Business Cases

A Business Case presented and approved by the senior management team is required for all new or one off procurements estimated to be over £30,000 excluding VAT and should cover:

- background, need and strategic fit;
- benefits to be derived, financial and intangible plus measurement criteria;
- deliverables expected for example what is to be supplied/delivered in terms of goods or services, to whom and by when; an initial specification would be appropriate at this stage;
- key milestones and the contract management arrangements;
- assessment of the current supply market and alternatives considered including a 'do nothing' option and the consequences of adopting that approach;
- risk assessment;
- how evaluation of the tenders will be handled;

The business case should be more extensive for major purchases or projects and should include cash calculations where appropriate. All tenders, including those whose value is over the procurement threshold, should be approved by the Director of Finance and Funding and will either be managed by the Procurement Lead or by a nominated Project Manager.

Achieving Best Value and Sustainability

In order to achieve Best Value and sustainability the College will:

- Integrate Best Value and sustainability principles within existing management, planning and review processes – including procurement – in ways that can be demonstrated to external observers.
- Set targets and monitor their achievement.
- Undertake studies on areas of activity identified as worthy of review.
- Where appropriate, benchmark the College's activities against other similar activities and organisations.
- Adopt other recognised good practice.
- Respond to opportunities to enhance the Best Value and sustainability of activities.
- Ensure that all members of staff recognise the need and know either how to or who to ask to ensure Best Value and sustainability for the institution as part of their routine activities.

Procurement Objectives and Principles

The objectives and principles governing college procurement are as follows:

Security of supply

The College's supply requirements must be met in order to deliver goods or a service. There may be circumstances where other objectives and principles described below have to be sacrificed in order to obtain necessary supplies in the required timescale. In these circumstances the authority of the Principalship will be required if normal purchasing procedures are not to be adhered to (Dispensation).

Best Value Approach to Procurement

Obtaining Best Value essentially means market competition must be used between different suppliers in order to achieve the most advantageous combination of cost, quality, fitness for purpose, timeliness and convenience. In order to promote competition between suppliers it is necessary to:

- Identify a suitable number of competitive suppliers. The College would be unlikely to obtain value for money if only one supplier is approached;
- Do not exclude suppliers without good reason;
- Be a good customer so that competitive suppliers will want to do repeat business with the College;
- Consolidate a large number of low value supplies into larger framework agreements or call off contracts in order to obtain bulk discounts. It is more cost effective to use existing contracts and agreements set up by purchasing consortia (such as, the Crown Commercial Service or the Crescent Purchasing Consortium) or other Public Sector purchasing agencies;
- Consider use of South Devon College frameworks or other procurement methods as suitable/appropriate for the type of goods/services being purchased – any such methods to be agreed by the Director of Finance and Funding.
- Regularly test for Best Value by retendering services, typically every three years;

- Best Value will not be achieved if a small saving is obtained at the expense of severe inconvenience – delay or complicated and risky delivery arrangements;
- All Staff should refer to the Contracts Register or the South Devon College Supplier List to establish if a contract is in place before placing a Purchase Order to ensure best value is achieved.

Sustainable Approach to Procurement

Public sector procurement rules allow sustainability to be taken into account in certain circumstances provided it is relevant to the procurement and applied in a non- discriminatory and transparent way.

~~For lower value procurement it is more straight-forward to include~~ Sustainability should always be as a considered and this needs to be stated in all advertisements and tender documentation.

Sustainability can be incorporated in the following ways:

- When requirements are specified where it is consistent with achieving Best Value (after allowing for likely disposal costs, for example) more environmentally friendly materials can be specified. Insisting on energy generated from renewable sources or ethical investments could also be consistent.
- When suppliers are selected. Suppliers can be vetted for sustainability practices in areas carbon footprint / trading and recycling.
- Use of local services, labour and skills such as holding an employment and skills plan in larger contracts or an expectation or an expectation for use of employees or subcontractors within a defined area.
- Include local suppliers where ever possible in open tenders and quotations, and for purchases below ~~£2,000 in value~~. the procurement thresholds.

Minimal Bureaucracy

A certain amount of bureaucracy is likely to be involved in procurement in order to ensure compliance, fair competition and transparency in the selection of suppliers. However, the College recognises that for low value purchases in particular or purchases where convenience is at a premium or there is little scope for meaningful competition, this can be disproportionate to the saving achieved. Therefore, in many cases, low value items (not covered by contracts) should be purchased using College Purchasing Cards (separate guidance is available from the Finance Department).

The College aims to minimise the bureaucracy involved in procuring goods where a formal ordering process is required by making the maximum use of internet based e- procurement technologies.

Conflict of Interest

The following factors should never influence procurement decisions:

- Personal relationships with suppliers or their staff.
- Gifts from suppliers.
- The nationality of the supplier, provided they are in the EU (this is an EU requirement).

A flow chart showing how different types of purchasing decision are to be made is found in Appendix A.

Legality

Procurement, particularly in the public sector, is subject to a number of rules, regulations and legislation to ensure that tax payers' money is not wasted. In general these rules require the College to use competition to achieve the best value for money. Where procurement is likely to be near or above the thresholds or over a period of 3 years the aggregated contract value is estimated as near above the threshold then the College is legally bound to ensure the procurement meets EU regulations. Such an exercise can take time to plan and should not be entered into on limited timescales. All EU tenders should be managed by the Procurement **Lead**

When the contract value is over £25K inclusive of VAT, then the contract to be tendered should be advertised on Contracts Finder (<https://www.gov.uk/contracts-finder>) where it is appropriate to do so. This advertises the contract throughout the UK.

Where procurement activities are funded by bodies who have their own procurement guidance, these will take precedence. Where other procurement regulations are applicable, the Procurement Lead should be consulted in advance of a procurement route being agreed or procurement taking place to ensure compliance to regulations is assured.

All suppliers to the College will be made aware of and supplied with the College Terms and Conditions of trading.

All Procurement and Contract Documentation will be held in accordance with the College Destruction and Retention Policy.

Roles and Guidelines for Specific Types of Procurement

The College does not have a central purchasing function. However, the Finance Department oversees the operation of purchasing systems and compliance with this policy and detailed procedures for different types of procurement. However, responsibility for most procurement is devolved to Service Managers and Assistant Principals (with support available from Finance as required).

It is essential that there is adequate separation of duties in all procurement matters. At least two members of College staff should be involved from the ordering stage to the authorisation to pay stage and this must be evidenced on the paper documentation or electronic records.

Sources of Further Help

Specialist help with procurement can be obtained from the following sources:

- The Procurement Lead, in the College's Finance department.
- The Finance and Funding Director
- Crescent Purchasing Consortium (CPC).
- The Crown Commercial Service (CCS).

College Procurement Training

All staff will be offered procurement training, before they are given access to the devolved purchasing system (as either a Purchase Order inputter or authoriser), on both the overall procurement approach and how it fits with Financial Procedures and Procurement Strategy.

Other linked Policies / Strategies / Documents:

- Equality & Diversity Policies, Schemes and Action Plans
- Sustainability Policy
- Green Travel Plan
- Financial Regulations
- IT Strategy

- Project Management
- Capital Bids Process
- Business Case Development

Appendix A Procurement Decision Flow Chart

