



Eastleigh Borough Council

Procurement Code of Practice

October 2006

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PROCUREMENT CODE OF PRACTICE

1 Purpose and Scope

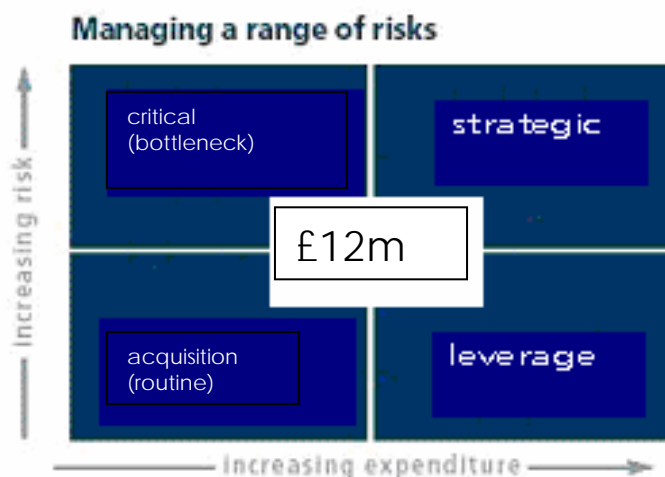
- 1.1 The over-arching principles in the Corporate Procurement Strategy are the framework for the policy and procedures contained in this document.
- 1.2 Buyers must of course adhere to the Council's Standing Orders and Financial Regulations ([attach hyperlink](#)) at all times.
- 1.3 This document provides guidance to the devolved network of buyers in the Council on the practical application of the Procurement Strategy and its link to Standing Orders and Financial Regulations.

2 Spend Analysis

- 2.1 The Procurement Officer in collaboration with the Financial Services unit analyses expenditure annually between revenue, capital (equipment) and capital (projects). The analysis informs the risk analysis and compliance with Council rules and regulations, and provides data for performance management.

3 Risk Analysis

- 3.1 The risk / profile analysis of the expenditure in the matrix below influence the policy and procedures that apply to a purchase. Definitions of the terms used in the matrix can be found in the following link ([insert link to Boston Matrix Definitions](#)). In the matrix, the figure of £12m is what the Council spends each year on purchasing from suppliers.



- 3.2 To assess the risk of a purchase (vertical axis of matrix), buyers need to consider the number of potential suppliers, the importance of the expenditure to the supplier, the impact on the local economy (including on small and medium-sized enterprises and the voluntary and

community sector), sustainability issues (whole life costs associated with social, environmental and economic factors) and the risk to Council services associated with failure to supply. The following table provides a guide to risk evaluation:

<u>Nature of risk</u>	<u>Value</u>	<u>Points</u>	<u>Value</u>	<u>Points</u>	<u>Value</u>	<u>Points</u>
<u>Number of potential suppliers</u>	<u>< 4</u>	<u>10</u>	<u>4–10</u>	<u>3</u>	<u>> 10</u>	<u>0</u>
<u>Importance of Council's expenditure</u>	<u>low</u>	<u>5</u>	<u>medium</u>	<u>3</u>	<u>high</u>	<u>0</u>
<u>Impact on local economy</u>	<u>high</u>	<u>10</u>	<u>medium</u>	<u>5</u>	<u>low</u>	<u>0</u>
<u>Sustainability issues</u>	<u>high</u>	<u>10</u>	<u>medium</u>	<u>5</u>	<u>low</u>	<u>0</u>
<u>Risk associated with failure to supply</u>	<u>high</u>	<u>15</u>	<u>medium</u>	<u>8</u>	<u>low</u>	<u>0</u>

If the risk assessment is above 35, the procurement is on the bottleneck or strategic row of the matrix.

- 3.3 To assess the expenditure level (horizontal axis of matrix) buyers should consider the opportunity of increasing leverage on suppliers by aggregating expenditure corporately in the Council or with other public sector agencies. This includes taking advantage of existing highly leveraged contracts in the wider public sector. It is permissible to 'piggyback' on such contracts without going through the Council's own tendering procedures. This means that routine purchases can be made more cheaply by joining a larger contract which already exists in the wider public sector.

As a general guide, where expenditure exceeds £35,000 a year (through aggregation at a corporate level within the Council or as part of a wider public sector contract) then the procurement is on the leverage or strategic side of the matrix.

- 3.4 Buyers must check that contracts (including 'piggyback' contracts) demonstrate best value for the Council on a whole life basis, taking account of service, quality and other criteria pertinent to the supply in question.

The other criteria to use and their relative weightings will vary according to type of expenditure. In general, routine and leverage purchases will be awarded on the basis of lowest price. More complex (bottleneck and strategic or major project) purchases will be awarded on the basis of most economically advantageous tender, with specified weightings allocated to price and non-price criteria. A detailed description of the Council's tendering and evaluation procedure can be found in [\(insert link\)](#).

The outcome determines which procurement process to follow. Typical examples are given below:

Routine – e.g. protective clothing - choice of supplier determined at unit / service level. Price is the primary consideration.

Leverage – e.g. stationery – choice of supplier determined at corporate level. Price is the primary consideration.

Bottleneck – e.g. IT system maintenance – choice of supplier determined at unit / service level. Price and qualitative factors are the primary considerations.

Strategic / Major Project – e.g. grounds maintenance – choice of supplier determined at corporate level, often through tender and evaluation procedure. Qualitative factors are as important as price and must be evaluated using appropriate weightings for a range of price and non-price criteria.

- 3.5 The Procurement Officer provides guidance to units on use of the risk / profile matrix; can advise if the unit head is unsure where to place a category of expenditure in the matrix; and in particular, provides guidance on strategic / major project expenditure.

4 Collaborative (aggregated) procurement

- 4.1 At an operational level, collaborative procurement takes the form of:
- corporate buying at a Council level
 - joint procurement arrangements with neighbouring authorities
 - consortium procurement utilising existing contracts (including use of Marketplace - see Section 5).
- 4.2 At a strategic level, the Council has signed up to the South West Hampshire LIFT (Local Investment Finance Trust) as a vehicle for developing partnering arrangements in the key areas of building and construction.
- 4.3 Other strategic objectives for increased collaboration are to:
- develop the vision for shared services through the Hampshire and Isle of Wight Improvement Group
 - identify further opportunities to procure commodities through buying consortia such as the Central Buying Consortium
 - utilise the expertise within the South East Centre of Excellence .

5 Marketplace

- 5.1 The Council has joined the Hampshire IDeA Marketplace, alongside other district councils in Hampshire. This is a local variant of the national IDeA Marketplace. It offers members transparent and easy to use web-based access to suppliers via a dedicated portal.
- 5.2 By integrating Marketplace with the Council accounting system, the Council has fulfilled milestones in the National Procurement Strategy, in particular for e-procurement. It also achieves both cashable benefits (from the leveraged purchasing power) and efficiency benefits (arising from the e-procurement process and reduced need to tender independently for some types of routine expenditure). In general, the benefits of purchasing through Marketplace will be most tangible for 'routine' and 'leveraged' expenditure.
- 5.3 A number of contracts which have been negotiated by the wider public sector e.g. Office of Government Commerce (OGC buying.solutions), Central Buying Consortium, Eastern Shires Purchasing Organisation and others will be available via Marketplace. Marketplace content for such contracts will be managed by the authority responsible for its negotiation. At a local level, the Council will put other suppliers' contracts onto Marketplace following agreement with unit / service heads.

Suppliers on Marketplace will be described as preferred suppliers.

The types of expenditure / contracts on Marketplace will include revenue (stationery, paper, IT consumables, waste sacks, cleaning materials, wheeled bins, mobile phones, etc), capital equipment (IT hardware, copiers, vehicles, etc) and expenditure related to services (office cleaning, agency staff, etc).

- 5.4 Buyers must choose the Marketplace supplier(s) when buying goods or services for which a supplier is on the Marketplace. Buying from anyone who is not listed in Marketplace is non-compliant expenditure and must be approved by a unit head and reported to the Procurement Officer.

In the case of 'routine' and 'leveraged' expenditure, buyers must choose the lowest price available on Marketplace.

For a 'bottleneck' expenditure, the unit evaluate price and other factors to determine the appropriate supplier. The methodology must be clear and capable of ratification by audit.

For 'strategic / major project' expenditure, the evaluation criteria for choice of supplier must be derived from the specification of requirements and approved by the Programme Board unless specifically delegated to the project Board. If there is no Programme

Board, the criteria must be approved by Management Team or the Procurement Executive Group.

- 5.5 Where Marketplace lists no preferred supplier for a product or service, the unit / service head chooses the supplier in accordance with the Council Standing Orders and Financial Regulations. The buyer must tell the Procurement Officer so that the Marketplace may be updated.
- 5.6 Marketplace will be used to manage the supplier base and the compliance of Council buyers. The range of goods and services on it will grow over time.

6 Contracts Register

- 6.1 The Procurement Officer is responsible, in conjunction with all units, for the development and maintenance of a Council Contracts Register. The Contracts Register contains both current and potential future contracts and enables the Council to:
- ensure that contracts are entered on Marketplace
 - plan future workload - in particular, to ensure that enough time is allowed for a tender and evaluation procedure, especially where EU regulations apply
 - identify areas for collaboration with other public sector bodies. This applies in particular to routine and leveraged expenditure where Marketplace contracts might already exist
 - consider the best way of providing a service - in particular, to ensure that enough time is allowed to evaluate options for service provision as indicated in section 7 of the Procurement Strategy
 - ensure compliance with Standing Orders and Financial Regulations.
- 6.2 The Contracts Register is listed by service / unit. Maintenance of each unit's register is the responsibility of the appropriate unit head.
- 6.3 The Contracts Register will be published on the Council web-site to ensure that potential suppliers can identify opportunities to do business with the Council. In conjunction with the *Guide to Selling to the Council* it allows local suppliers and particularly small and medium enterprises to do business more effectively with the Council.

7 Capital Projects

- 7.1 Capital projects vary considerably in respect of value, risk, complexity, and potential impact upon the Council's reputation. The Council uses a modified version of Prince 2 Project Management methodology for managing projects ([link to Project Management](#)). A simplified version for low value, low risk projects will be adopted. It is the responsibility of the Project Board to determine, based on the risk profile of the project, the appropriate methodology to be followed. The risk profile can be

evaluated in accordance with 3.2 of this Code of Practice or using other factors pertinent to the project.

- 7.2 Having determined the appropriate project management methodology, the procurement procedures to be adopted for all capital programmes are determined by Standing Orders and Financial Regulations (including any requirement to follow EU regulations). The Procurement Officer provides guidance at the request of service unit heads or if he has any concerns about the process being followed.
- 7.3 A protocol regarding the financial management responsibilities of Project Managers is attached as appendix 1 (place in Project Management folder)

8 Exceptions

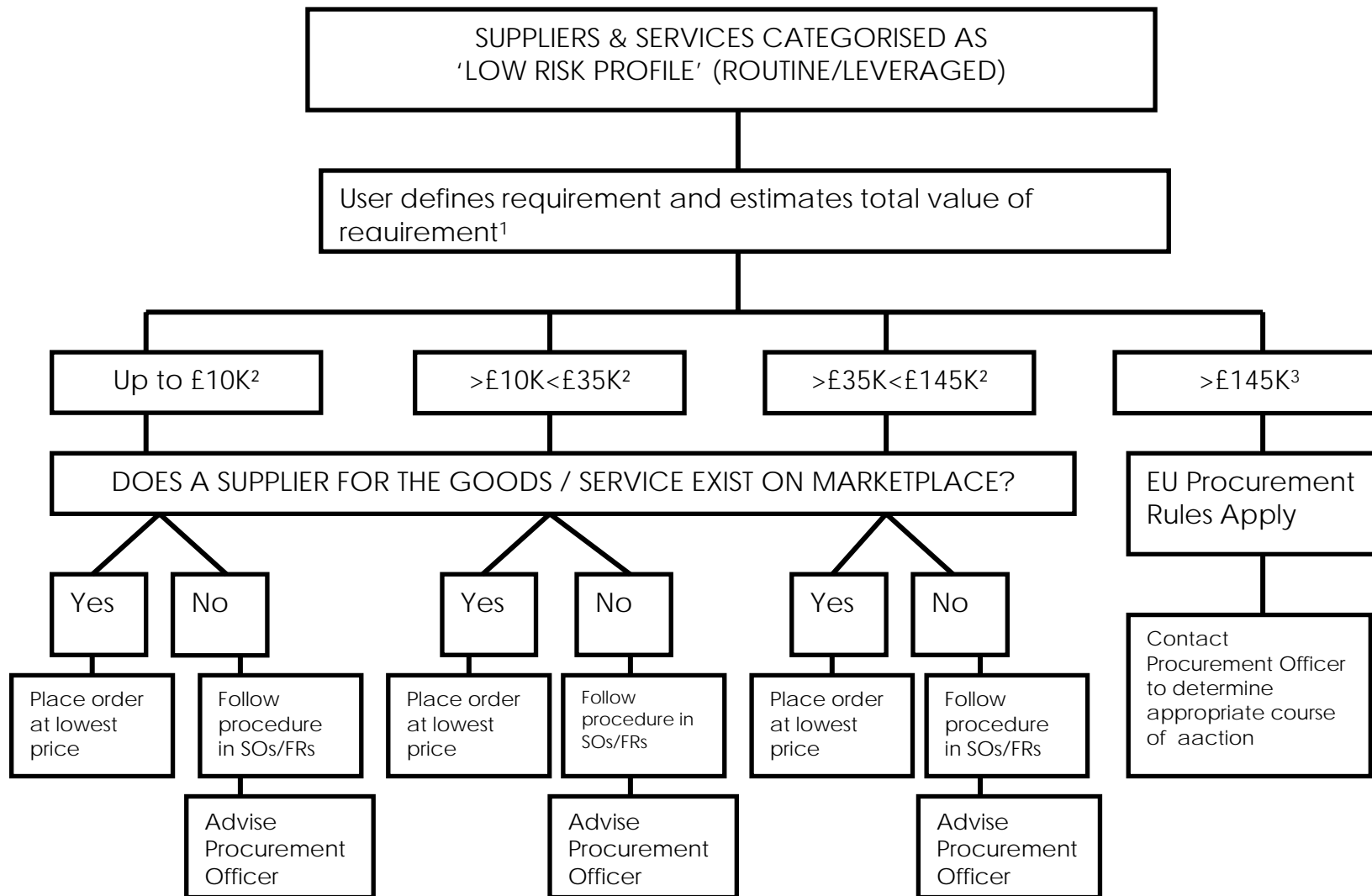
- 8.1 A limited number of exceptions to the devolved authority to commit expenditure applies to certain categories of spend:
- IT expenditure of all types (hardware, software, consumables) must be ordered through IT Dept.
 - Consultancy expenditure must be managed according to the protocol in appendix 2.

9 Council Terms & Conditions

The Council's Procurement Executive Group agreed that the Council will attach its terms and conditions to all Purchase Orders raised and these will apply to contracts unless otherwise agreed. Agreement to vary or adopt supplier terms and conditions can be agreed only after consultation with Legal and Democratic Services.

10 Flowchart

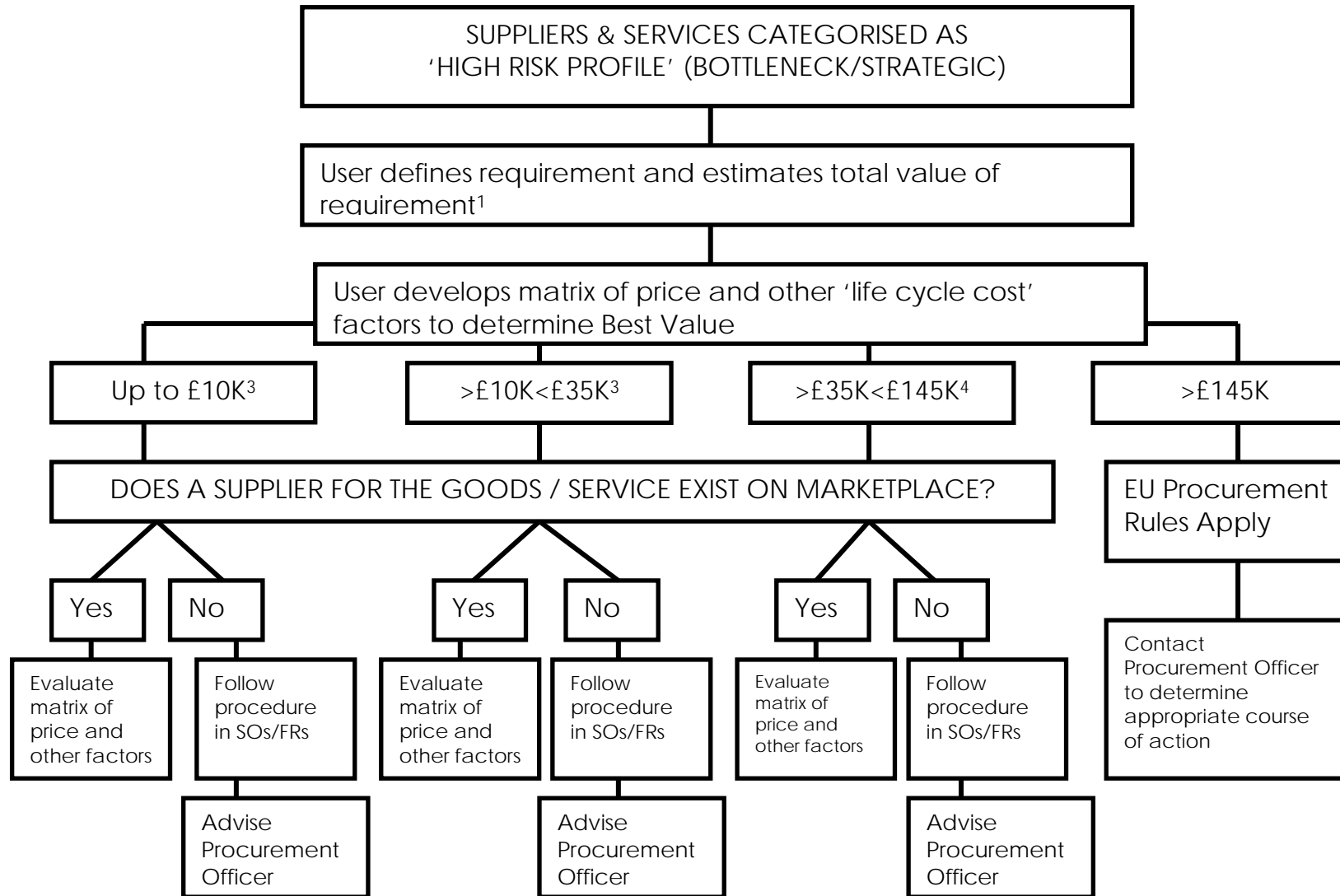
The procurement procedure is guided by this Code of Practice, the Procurement Strategy, Standing Orders, Financial Regulations and the Tender & Evaluation procedure. This flowchart should help users to determine the appropriate methodology:



Note 1 ~ Total value of requirement must be estimated at a Council corporate level for a 12 month period. Where a contract is to be placed for more than 12 months, the total value of requirements is defined as the value over the full contract period

Note 2 ~ These levels reflect the cut-off points in Standing Orders

Note 3 ~ This value is approximate only (varies according to Euro/Sterling exchange rate)



Note 3 ~ For expenditure up to £35K, the other factors used in the Best Value matrix should be simple (eg service, delivery, quality)

Note 4 ~ For expenditure > £35K, the other factors used in the Best Value matrix are likely to be more complex in nature (eg technical support, sustainability, impact on local economy, supplier reputation, etc)

11 Performance Management

11.1 Key performance indicators will be used to assess the effectiveness of the Code of Practice. These will be reported using the Council's performance management programme QPR.

11.2 A number of local performance indicators have been developed by Audit Commission/IDeA. The Council intends to adopt the following to measure its achievements:

- LIB/P5 – Aggregation – Percentage of corporate spend aggregated through **collaboration with other public sector organisations.**

11.3 The Council will measure success in achieving sustainable procurement using the following performance indicator:

- LIB/8 – Sustainable procurement – Percentage of framework agreements and contracts awarded following best practice on sustainable procurement.

11.4 The success of Marketplace will be measured by comparing pre- and post-implementation data against the following performance indicator:

- LIB/P20 – Commodity goods price comparison (for a basket of goods).

Any subsequent e-procurement solutions will include relevant procurement performance indicators from guidance issued by IDeA and the National e-Procurement Project.

11.5 Project management performance will be measured against the following indicator:

- LIB/P6 – Project Management – Percentage of medium and high-risk projects managed under a structured project management method.

11.6 Equalities and competition improvement will be measured by:

- agreeing a Concordat with small and medium-sized enterprises in conjunction with LIB/P33 – small and medium-sized enterprise satisfaction with the Council

11.7 The Council's overall performance on procurement and contract monitoring will be measured by:

- compliance with the Code of Practice (measured by the frequency and value of maverick or non-compliant spend)

Appendix 1

Note to Programme Boards

Capital Projects – Financial Management Responsibilities of Project Managers

A recent internal audit of a capital scheme identified a number of issues regarding the financial management responsibilities of CIP Project Managers that need to be reinforced by Programme Boards.

- 1 Project Managers are accountable for the finances of their project. This includes where consultants or agents are used to deliver the project the accountability still rests with the Project Manager. Where consultants or agents are used they should be informed of the Council's procedures, including:
 - The requirements of the Council's Financial Regulations in respect of contracts and authorising/ approving expenditure
 - Reporting requirements in respect of costs, time and risk.
 - Council's requirement in terms of information needed for the Final Accounts process
- 2 It is for the Project Manager to ensure that they obtain timely and accurate management and financial information to enable them to manage the Project (if in doubt, their support accountant advises on availability and style of reports).
- 3 Any claim, or notice of claim, against the Council:
 - exceeding £2000 must be considered by the Head of Legal and Democratic Services before the Project Manager can agree to it being paid
 - exceeding £5000 must also be considered by the Chief Executive and Asst Chief Executive (CFO).

Appendix 2

Protocol on the use of Consultants

- 1 This protocol should be used in conjunction with the Council's Contract Standing Orders and Financial Regulations.
- 2 The protocol set out below should be followed when engaging the services of consultants, whatever the value of the fee payable.
- 3 Approval
 - 3.1 Ensure adequate budgetary provision has been approved to cover the cost of the consultancy.
 - 3.2 For contracts over £35,000, the prior approval of the Council, Cabinet, or appropriate Committee shall be required prior to the placing of a contract with a person or firm providing professional services as stated in the Council's Standing Order para.58.1.
- 4 Tendering
 - 4.1 Competitive tendering should be undertaken for contracts over the value of £35,000. The Council must be able to demonstrate that the contract price was not above market price and represented best value for money. – Quality is a legitimate factor. Ensure that the method of selecting the consultant is documented. For those contracts under £35,000, tender procedures do not apply as stated in the Council's Contract Standing Orders, but 'service unit heads are required to have due regard to the cost and benefit to the Authority of such arrangements.'
- 5 Written contract/agreement
 - 5.1 A written contract/agreement should be put in place before any work is undertaken.
 - 5.2 It must specify the total extent of work to be undertaken and what the fees will be, including the expenses. It must not be open-ended. Try to get fees agreed for the works as a whole, not a daily rate.
 - 5.3 It must be ensured that the Council's terms and conditions for consultancy services apply.
 - 5.4 It should specify
 - Full details of the consultancy and the Council Officer with overall responsibility for managing the outcome of the consultancy work.
 - The work to be undertaken
 - The fees, and how they are to be paid

- Expenses that are to be reimbursed, and at what rates. Alternatively the price could be all-inclusive and no expenses paid.
- Project schedule and milestones
- The process for the authorisation of variations and any claims against the Council (e.g Loss & Expense)
- Reporting arrangements
- The Council's requirements in terms of Financial Regulations and Contract Standing Orders
- Sign off procedures
- Arbitration/termination arrangements

6 Monitoring Progress

6.1 **There must always be a named Council officer who has overall responsibility for managing the outcome of a consultancy contract. This cannot be delegated to the consultant.** In some cases the consultant may be named in the contract as the Council's 'agent. In this case, the consultant may issue contract instructions, but these must be authorised by the Council officer with overall responsibility for managing the contract.

6.2 **The named officer has the following responsibilities: -**

- Management of the Consultant
Ensure that all work undertaken by the consultant is necessary and given prior approval
- Project Management
Includes drawing up terms of reference for the project, meeting the consultant on a regular basis to identify risks and resolve any issues related to project tasks.
- Contract Management
Ensuring that the initial agreement is properly approved and that tendering procedures have been followed as appropriate.

Ensuring that payments made under the contract are correct and authorised by him/her, and that proper documentation is maintained. Authorisation cannot be delegated to the consultant.

Monitoring progress against contract

Ensuring that any variations to the contract are approved by him/her and issued.

Ensuring that the Consultant is aware of the need to comply with EU regulations and the Council's Standing Orders and Financial Regulations and ensure that these have been followed.

Reporting as appropriate to Management Team and/or Committee.

Budgetary Control

Regular, (at least monthly) monitoring should be made of payments against budget for all payments in respect to the contract – including payments made to consultants and contractors.

The relevant reports should be made and approvals sought for any extra budget provision promptly.

Payments must only be made for completed and approved work. The consultants' fees should not be fully paid until after the final account for the contract has been audited, or if no audit is required, until the contract has been satisfactorily completed.

7 Evaluation of the project upon completion.

7.1 Project evaluation should include

- Was the project completed on time and within budget
- Were the project objectives achieved
- Was the quality of the work satisfactory
- Description of any problems.
- Assessment of the consultant

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