

## Procurement strategy – September 2015

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### 1. Background

Where we need to acquire goods, services or works that either cannot be provided in house or can be provided more cost-effectively than by engaging direct employees we procure those from external providers (which may be a contractor, third sector supplier or another public sector body). Procurement is the process that we use to acquire such goods, services and works from those external providers. Whilst responsibility for procurements with a contract value of less than £50,000 secondary and £20,000 <sup>1</sup>primary reside in each school (as well as the Trust), the Trust recognises that to ensure compliance to Public Contracts Regulations 2015 the contract value for all procurements of a similar nature across the Trust may have to be taken into consideration. The word 'may' is used because the regulations in relation to aggregation allow a certain amount of pragmatism as follows:

*6 (3) Where a contracting authority is comprised of separate operational units, account shall be taken of the total estimated value for all those units.*

*6 (4) But where a separate operational unit is independently responsible for its procurement, the values may be estimated at the level of unit in question.*

The post of Procurement Manager for the Trust is now filled, which will enable a more planned approach to procurement activity across the organisation. This approach will help the Trust and its schools meet their responsibilities to secure procurement in line with regulations, good practice and the Trust's own procurement regulations<sup>2</sup>. Value for money is a key influencing factor in any procurement exercise, planned procurement is an enabler.

### What is procurement?

Procurement is different from buying. Buying is done on a day-to-day basis as required often from a contract put in place following a procurement process. Procurement is a strategic process that follows a clear pattern starting with identifying a need right through to reviewing the delivery of the contract and learning any lessons for future procurements.

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<sup>1</sup> Finance control manuals September 2015.

<sup>2</sup> Finance regulations – Procurement September 2015.

Competitive procurement remains the cornerstone of the Trust's procurement approach but there will be circumstances where a direct contract with a sole supplier may be appropriate.

## 2. The Trust's Vision and Strategic Priorities

The Procurement Strategy is aligned with the Trust's Strategic Vision and Priorities, key points related to Procurement as follows:

- We don't look to impose a corporate style or identity on schools.
- We believe our role is to help schools achieve excellence through the provision of support, advice and challenge of the highest quality.
- We are committed to a collaborative approach to our work, based on a shared understanding of what needs to be done, by whom and by when in order to maximise the impact of our work.
- We will always be open and honest in our communication and welcome feedback and we will always do what we said we will do.

## 3. Glossary

- CCC      Crown Commercial Services
- CPC      Crescent Purchasing Consortium
- EPM      Education Personnel Management
- ESPO     Eastern Shires Purchasing Organisation
- KPI      Key Performance Indicators
- RFP      Request for proposal
- VFM      Value for Money

## 4. Our Procurement Practices

Procurement practices are designed to enable the Trust and schools to procure what is needed to deliver the best services possible for the financial and other resources available. In particular the Trust recognizes that procurement must be carried out in accordance with the EFA Academies Finance Handbook which states:

*"Academy trusts must ensure that:*

- *spending has been for the purpose intended and there is probity in the use of public funds;*
- *spending decisions represent value for money, and are justified as such;*
- *internal delegation levels exist and are applied within the trust;*
- *a competitive tendering policy is in place and applied; and*
- *relevant professional advice is obtained where appropriate, including that of their external auditor where necessary."*

To meet these requirements together with those of the Public Contract Regulations 2015 the procurement strategy from September 2015 is to split the requirements into three distinct programmes, Local, Hub and Trust-wide.

- Local programmes are to meet the requirement of a single school and are likely to be of low value, generally less than £10,000.
- Hub programmes are to meet the requirements of two or more schools, however the expectation is they would meet the needs of a least a geographic hub, with aggregated spend in excess of £25,000.
- Trust-wide are to meet the requirements of all schools, two good examples being PS Financials and EPM.

The Trust Procurement Manager will manage Hub and Trust-wide programmes in partnership with schools, schools will manage Local programmes with advice from the Procurement Manager where needed.

## 5. Procurement Principles

We will continue to keep in mind the following principles:

1. That Trust- wide procurement will be undertaken where it is in the best interests of the school and the Trust and meets Value for Money objectives. Changes to Public Contracts regulations 2015, mean our best interests are now served by taking a Trust-wide (regional) approach more often. In establishing these principals we recognise Value for Money (VFM) is not necessarily about the lowest price, it's about getting the right balance between quality and cost and a widely accepted definition of VFM refers to three elements:
  - *Economy: Minimising the costs of resources used*
  - *Efficiency: Relationship between outputs and the resources used to produce them*
  - *Effectiveness: Extent to which objectives have been achieved*

The Trust confirms that the basic rules of procurement aim to ensure that public funds are spent openly and fairly, and make the most of the budgets, whilst protecting against legal challenges, financial penalties and damage to the reputation of both the schools and the Trust.

2. That procurement is straightforward: We will ensure procurement is as straightforward as possible for the Trust, schools and potential suppliers and to eliminate anything that does not add value to the procurement. Part of the procurement process may be to evaluate whether to employ colleagues to manage tasks versus outsourcing, cleaning and catering are good examples.
3. The Procurement Manager will provide support and advice to schools on procurement regulations to ensure the Trust meets its statutory obligations, as well as managing specific procurement programmes.
4. That procurement is carried out (and can be verified via audit) in line with our procurement regulations.

## 6. Delivering Trust-wide and Hub Procurement Strategy

The need to procure goods and services is initially identified at the budget planning stage. In future years the Procurement Manager will provide schools with an advice note regarding price indices and market trends for major items of spend, schools will share with the Procurement Manager their planned procurements for the coming year and any planned projects for succeeding years.

The procurement planning and outputs for year from 1<sup>st</sup> September 2015 are as follows:

1. To review 2014/5 spend by category and establish if similar activity is expected in 2015/6.
2. To establish which specific categories of spend collectively exceed the current EU level of £172,514<sup>3</sup> - now referred to as tier 1 category spend, examples:
  - a. Energy
  - b. Supply teaching
  - c. IT support
  - d. IT equipment
  - e. Facilities Management
3. To identify if schools are currently under contract for tier 1 spend and length of contract. If yes, are the contracts EU compliant – generally via purchasing consortia such as ESPO. If not compliant and coming towards end of contract term, and if greater VFM may be achieved, add to list for prioritisation.
4. To work together with schools and Trust board, establishing a list of tier 2 priorities, either at Hub or Trust-wide level. Priority to be given to categories/projects where greater VFM may be achieved and non-action would expose the Trust to challenge from either a procurement or health and safety perspective, examples:
  - Property maintenance, sometimes defined as FM
  - Grounds maintenance
  - Pupil support
5. In certain instances work together with Hubs to evaluate whether the best VFM solution for categories such as catering or cleaning are in-house or outsourced.
6. To review ongoing spend across the Trust on high transaction low value items such as stationery, now defined at tier 3. Establish if current arrangements provide best value.
7. To provide an outline schedule of specific procurement activities for action during the 2015/6 financial year to schools by 31<sup>st</sup> October.
8. To support Local Procurement, the Procurement Manager will provide information on a regular basis of the available framework agreements and online catalogues made available to the wider public sector by the various procurement organisations such as CPC, ESPO and CCC.

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<sup>3</sup> As at March 2015

## **7. Reporting**

The Trust are required to hold a register of all contracts with a value of over £10,000. A template will be circulated to all schools for completion. As new contracts are entered into, the Procurement Manager will be responsible for updating the register for centrally procured contracts and schools for locally procured. The resulting joint register is to be updated termly by both parties.

Public Contracts Regulation 2015 mandate that a short report be written at the end of every procurement over EU level. This is good practice for all procurements, indeed in most instances it is assumed that such a report is provided to the authoriser for signature. From 1<sup>st</sup> September 2015 a copy of such reports for spend above £10,000 together with original contract documents are to be forwarded to the Director of Finance and Operations for safe keeping.

## **8. Contract Management**

Letting a contract is the initial stage of a partnership between customer and contractor. If the contract is not managed on an ongoing basis it is likely we as the customers will become dissatisfied with the service over time.

At the time of defining the service or product required, performance measurements should be considered. These measurements will then be included in any RFP and resulting contract. Then on a regular basis relative to the value and frequency of the service, reviews of performance against KPI's and review meetings should be held with the contractor. These should provide opportunity to identify areas of best practice and address any shortfalls or areas of concern. For major contracts eg: catering one member of staff should be nominated as contract manager following contract award.

In some instances it is not easy to define performance measures or key performance indicators (KPI's) at the outset, for example recent Catering contracts. However it is recommended that meaningful measures are put in place within 3 months.

In the case of Hub or Trust-wide contracts the pragmatic approach is likely to be that an individual in each school manages the day-to-day contract, with termly reviews being held with all parties where practicable including a Trust representative. For the termly reviews to be effective an ongoing reporting mechanism will need to be developed between the schools and Trust.

