

# **Halton Borough Council**

## **Procurement Strategy**

**2013-2016**

# Procurement Strategy

Halton Borough Council 2013-2016

## Foreword

As a Council, we spend considerable sums of money on contracts; supplies and services; premises and transport with third parties. As well as making sure that we secure value for money when procuring goods, works and services, we also have a duty to use our purchasing power to help in the delivery of our wider corporate priorities of; A Healthy Halton; Employment, Learning and Skills in Halton; A Safer Halton; Halton's Children and Young People; Environment and Regeneration which is underpinned by our sixth priority; Halton and Corporate Effectiveness and Business Efficiency.

Procurement can directly support us to develop and grow social value, by investing in our communities, particularly our business community, both by seeking to measure the added value from buying local but more importantly ensuring our business community is trained and supported in procurement practice and has every opportunity to trade with us by demonstrating complete transparency of opportunity.

An effective Procurement Strategy will support our change and transformation agenda and our commitment to transform services in order to meet the financial

challenges that we all face. This Strategy sets out how effective procurement has already helped to deliver efficiencies and savings and how we will continue to use procurement to identify future savings. We will continue to work collaboratively to take advantage of the savings that procuring across a larger footprint with our partners can generate. Of course, none of this will happen without the support, involvement and commitment of all services across the Council, the businesses community and partners. It is only through this support and active engagement that the potential benefits of this Strategy will be realised for Halton.

I support and commend this Strategy as a reflection of the excellent development in the first three years of the Procurement Division, with it operating strategically at the centre of our organisation but also in continuing to drive change, lead improvement and most importantly to help us tackle our financial challenges and deliver the best for Halton communities.

I would also like to thank the Business Efficiency Board for the work and support it provides to this very important area of the Council's activities.



Cllr Mike Wharton, Executive Member  
for Resources

# Procurement Strategy

Halton Borough Council 2013-2016

## Purpose

The purpose of the strategy is to take Halton forward in a structured and planned approach in order to maximise efficiencies from savings and cost reduction through embedded, improved procurement processes. Together with developing wider alignment and collaborative activity with public sector partners in order to deliver benefits from regional economies of scale.

## Vision

To continue to secure full compliance internally with the Council's procurement rules and processes; to work together with public sector partners and the business community to develop innovative procurement solutions that deliver quality, value for money goods, works and services and deliver broader social value as well as securing further opportunities to trade and share robust practices and success.

## Context

Halton Borough Council (HBC) has historically spent over £90 million on goods, works and services that contribute to the delivery of services to the residents of Halton. The grant reduction programme initiated by the Government has had a massive impact

upon the Council, with Government grant reductions of approximately 30% since 2010.

These severe reductions in funding come at a time when the demand for Council services has never been greater. With an ageing population and an increasing number of looked after children, social care spend is growing. The economic downturn is also creating pressure on vital income budgets. With funding cuts of this magnitude it is not possible to simply tighten our belts.

We will need to rethink the services we deliver; ensuring that they are both cost effective, maintain or improve quality and that they address the needs of the residents of Halton at a time when every pound spent must deliver real value. Effective procurement has therefore never been more important. We need to spend money only on things that deliver real value to the people of Halton.

Improved Procurement will help us to deliver our strategic priorities:

- A Healthy Halton
- Employment, Learning and Skills in Halton
- A Safer Halton
- Halton's Children and Young People
- Environment and Regeneration in Halton
- Corporate Effectiveness and Business Efficiency

Our overall aim for Corporate Effectiveness and Business Efficiency is to deliver continued and positive

improvement on the quality of life in communities of Halton through the efficient use of the Council's resources.

All procurement must demonstrate a commitment to the principles of EU law underpinning all spend decisions in order to maintain transparency, fairness and to support the development of our local economy.

### **Key Objectives**

A Commercial Procurement approach will support the delivery of the Council priorities by implementing the following key objectives:

- Avoid spending on things we want rather than on what we need
- Achieve excellent value for money whilst maintaining quality
- Supporting the local economy, business and voluntary sector through transparency of opportunity support and education
- Collaborating with other public sector organisations to ensure maximum benefit for Halton and the wider region from joint procurement
- Developing trading opportunities to secure income and by sharing robust practices and delivering services to other public sector organisations

### **"New Ways for Halton"**

This strategy continues with the new approach developed and adopted during the past three years; this responds to the growing challenges faced by the Council. It represents a significant departure from the more traditional public sector procurement

approaches, to a more commercial approach embracing the Social Value agenda, grounded in compliance and has been nationally recognised by Department for Communities and Local Government (DCLG) with the Council being recognised as one of the 'Best Councils to do Business With', May 2013.

### **Achievements to Date**

During the first three years The Council has committed to driving organisational change through procurement and recognised the value of what a commercial approach can bring.

Following the establishment of a central procurement division and placing this at the heart of the organisation, we have continually challenged our rules, processes, practices and compliance in order to improve efficiencies through a more efficient approach and removing all unnecessary activities:

The Council has:

- Committed to publishing all procurement opportunities via The Chest (The Councils e-tendering system) from £1000 upwards;
- Removed Pre-Qualification Questionnaire (PQQ) for all procurement below EU value thresholds
- Implemented a risk based sourcing approach for all procurement below EU value thresholds which significantly simplifies process thus leading to time and cost efficiencies

throughout the whole organisation and for businesses

- Delivered a strong range of engagement with SME's to show we are 'Open for Business' in order to encourage and support businesses leading to successful contract awards
- Social Value consideration sits at the heart of our procurement planning as we aim to gain added value from procurement through securing employment, learning and skills outcomes as well as local supply chain engagement by our larger contractors
- Commenced a journey to develop aligned procurement processes with public sector partners in order to secure joint planning with the aim to deliver further significant savings by using the economies of scale this brings

### Achievements to Date at May 2013

Chest Registration	We have moved from 279 to 650 registrations from July 2010 to May 2013
Savings	Annual targets achieved 2010 - 11 £600K 2011 - 12 £1m 2012 - 13 £1m
Business Engagement	From November 2010 to May 2013 400+ businesses attended our Procurement Workshops
Internal Workshops	During 2012 we trained 300+ HBC Officers via Procurement Workshops
Cost Avoidance	During 2012-13 we evidenced that reductions in costs of around 10% achieved

	from spend sourced via The Chest
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### The Commercial Approach

Over the next three years we will continue with this commercial approach to procurement underpinned by six key Building Blocks.

#### 1. Organisation

Halton continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities. This will be delivered through:

- Support from Elected Members, Business Efficiency Board and Management Team

#### 2. Governance and Process

The Council will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices. This will be delivered through:

- An Annual review of Procurement Standing Orders
- Continuing to ensure procurement practices are efficient and remove any unnecessary activity for spend below EU value Thresholds
- Maintaining a risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds
- Ensuring we strive to push all spend above £1,000 via The Chest
- Deploying a Best and Final Offer (BAFO) approach where possible, to ensure we take every opportunity to drive the price down whilst maintaining quality in a

controlled and fully auditable environment

- Continue with the scrutiny role performed by the Business Efficiency Board (BEB) and report biannually against this strategy

### **3. Demand Management**

The Council will continue to secure improvement in procurement engagement by securing full compliance with Standing Orders delivered through:

- Continuous review of our spend analysis, which will aid procurement planning across the organisation and with public sector partners to identify opportunities, prioritisation and to secure savings
- Further development of the capacity and capability of the Procurement Division through training and study Chartered Institute of Purchase and Supply (CIPS). This will ensure the Division is educated and skilled to manage procurement demand
- Continuation of a communication and education strategy internally to up-skill and educate the wider workforce

### **4. Market Engagement/Supplier Relationship Management (SRM)**

The Council will continue to develop further its relationships with the business Community and Voluntary Sector both locally and SMEs nationally in order to support local economic gains and investment into the SME market. We will also commence a review through of current supplier

relationships in order to review overall commercial business relationships, contractual arrangements, specifications, rates and expected outputs to mutually agree benefits which will result in savings for the Council as the customer. This will deliver greater value, meet strategic objectives and add Social Value. This will have greater leverage if we work with public sector partners. This will be delivered through:

- Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners
- Continuing with SME and Community and Voluntary Sector engagement both locally and regionally in order to train, support and develop a 2-way approach where we learn together and to underpin SRM
- Supporting the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement (Appendix A)

### **5. Category Management**

The Council will continue with a Category Management approach to procurement by aligning business requirements across the organisation. It will continue to work with wider public sector partners in order to gain greater leverage, add value and maximise savings. This work has commenced with the alignment of procurement processes with a couple of neighbour Councils and could grow

across the region and beyond. This will be delivered through:

- Reviewing our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton; Sefton; Liverpool; St Helens; Knowsley; Wirral; CW&C; Mersey Travel and Mersey Fire & Rescue. Re-establish with partners the commitment, purpose, accountability of this regional work stream in order to progress a category management approach based around geography rather than organisation. Plus the consideration to align processes and rules in order to take a regional approach together.
- Further strengthening our relationship with Clinical Commissioning Groups to secure future trading relationships

## **6. Purchase to Pay/ e Procurement**

The Council will continue with the development of Purchase to Pay (P2P) and e procurement solutions to control compliance within the organisation, improve payment terms in order to secure a seamless end-to-end process. This will be delivered through:

- Reviewing P2P processes to secure full compliance across the organisation
- Supporting business process improvement to enable early payments to SME's

# Procurement Strategy 2013-2016

## Targets and Measurements

Building Block	The What	Measure
<b>1. Organisation:</b> The Council continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities	a. Support from Elected Members, Business Efficiency Board and Management Team	<ul style="list-style-type: none"> <li>• Bi-annual progress report to BEB and Management Team</li> </ul>
<b>2. Governance and Process</b> The cOUNCIL will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices	a. Annual review of Procurement Standing Orders	<ul style="list-style-type: none"> <li>• Contribute annually to HBC Constitution Review</li> </ul>
	b. Continue to ensure procurement practices are efficient and remove any unnecessary activity for spend below EU value Thresholds	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Make recommendations to Executive Board as and when required for approval</li> </ul>
	c. Maintain risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds.	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> </ul>
	d. Ensure we strive to push all spend above £1,000 via The Chest (25% represents £5M of spend via the Chest (low value spend) – this delivers approximately £500K of cost reduction)	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team                      May 2013: 25% compliant (£5M of £22M)</li> </ul> <p><b>Target: May 2014 - 35%</b>  <b>May 2015 - 45%</b>  <b>May 2016 - 55%</b></p>
	e. Deploy a Best and Final Offer (BAFO) approach where possible, to ensure we take every opportunity to drive the price down whilst maintaining quality in a controlled and fully auditable environment	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> </ul>
	f. Continue with the scrutiny role by Business Efficiency Board (BEB) and report biannually against this strategy	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• BEB to make recommendations to Executive Board for approval</li> </ul>
<b>3. Demand Management</b> The Council will continue to secure improvement in procurement in engagement by securing full compliance with Standing Orders	a. Continuous review of spend analysis which will aid procurement planning across the organisation and with public sector partners to identify opportunities, prioritisation and to	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Continuous improvement of spend data (cleansing</li> </ul>



	secure savings	and accuracy) <ul style="list-style-type: none"> <li>Utilise spend data to inform Procurement Work plan</li> </ul>
	b. Continued development of the capacity and capability of the Procurement Division through training and study Chartered Institute of Purchase and Supply (CIPS) subject to available resources. This will ensure the division is educated and skilled to manage procurement demand	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul> <p><b>May 2013:</b>  CIPS Level 6 – 1 qualified  CIPS Level 4 – 1 qualified  CIPS Level 4 – 3 awaiting results</p> <p><b>Target: May 14:</b>  CIPS Level 7 - 1 working towards  CIPS Level 6 - 2 working towards  CIPS Level 5 - 3 working towards  CIPS Level 4 - 2 working towards</p> <p><b>May 15 &amp; 16:</b> monitor and report full achievement</p>
	c. Continuation of a communication and education strategy internally to up-skill and educate the wider workforce	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul> <p>May 2013: 300 staff attendance at workshops</p> <p><b>Target May 14/15/16:</b></p> <ul style="list-style-type: none"> <li>Increase number of events/attendance</li> </ul>
<p><b>4. Market Engagement/Supplier Relationship Management (SRM)</b></p> <p>Halton will commence a review through a structured approach to developing supplier relationships in order to review overall business relationships, contractual arrangements, specifications, rates and expected outputs in order to mutually agree benefits which will result in savings for the Council as the customer. This will deliver greater value, meet strategic objectives and add Social Value. This will have greater leverage if we work with public sector partners.</p>	a. Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners	<ul style="list-style-type: none"> <li>Seek approval from Efficiency Programme Board to place an SRM Review in Wave 5 Programme and report as required</li> </ul>
	b. Continuing with SME and Community and Voluntary Sector (CVS) engagement both locally and regionally in order to train, support and develop a 2-way approach where we learn together and to underpin SRM	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul> <p>May 2013:  400 businesses reached via workshops  Chest Registration increase from 279 to 650</p> <p><b>Target May 14 ( SME's and CV Sector):</b></p>

		<ul style="list-style-type: none"> <li>• Increase number of events/attendance - %</li> <li>• Increase Chest Registration - %</li> <li>• Increase procurement activity - %</li> <li>• Increase award of contracts - %</li> </ul> <p><b>May 15 &amp; 16:</b> review improvement and set new targets</p>
	c. Support the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Report via ELS team to LCR Group</li> </ul> <p><b>Target: May 14:</b></p> <ol style="list-style-type: none"> <li>Make contracts more accessible to local suppliers especially SME's</li> <li>Encourage local Businesses to make quality submissions</li> <li>Promote use by contractors of local supply chains</li> <li>Promote apprenticeships, jobs for unemployed-training by prime contractors and their supply chain</li> </ol> <p><b>May 15 &amp; 16:</b> review improvement and set new targets (Measurement is set by LCR Employment, Learning and Skills Group)</p>
<p><b>5. Category Management</b></p> <p>The Council will continue with a Category Management approach to procurement by aligning business requirements across the organisation. It will continue to work with wider public sector partners in order to gain greater leverage, add value and maximise savings as we are too small to do this alone.</p>	a. Review our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton; Sefton; Liverpool; St Helens; Knowsley; Wirral; CW&C; Mersey Travel and Mersey Fire & Rescue. Re-establish with partners the commitment, purpose, accountability of this regional work stream in order to progress a category management approach based around geography rather than organisation.	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Seek approval and guidance from Chief Finance Officers (CFOs) Group on strengthening our cross partner relationship aligned processes, and a more structured approach to collaborative working</li> <li>• Report to CFO's improvement and savings achieved (Target to be agreed by CFOs)</li> </ul>
	b. Further strengthen our relationship with Clinical Commissioning Groups to secure future trading relationships	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> </ul> <p><b>Target May 2014:</b></p> <ul style="list-style-type: none"> <li>• Secure additional trading relationships with CCG's</li> </ul> <p><b>May 15 &amp; 16:</b> Monitor contract and increase trading</p>

<p><b>6. Purchase to Pay/ e Procurement</b> Halton will continue with the development of P2P and e procurement solutions to control compliance within the organisation, improve payment terms to secure a seamless end-to-end process.</p>	<p>a. Review P2P processes to secure full compliance across the organisation</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Continue to improve Agresso functionality to aid procurement improvement</li> <li>• Review 'Green Slip' process with the P2P team</li> </ul>
	<p>b. Support business process improvement to enable early payments to SME's</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Review Pilot and consider full implementation</li> </ul>



# Charter for Employment and Skills through Procurement.

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## Introduction

Liverpool City Region Employment and Skills Steering Group have developed this charter in conjunction with the Merseyside Procurement Partnership (MPP). MPP is a collaborative approach to procurement across key public services within the Liverpool City Region and beyond, aimed at maximising value for money, ensuring quality and best practice.

## Our Goals

We recognise:

- That we share a common goal to support employment rates and workforce skills in our communities.
- The power of our procurement spend, together with that of other public sector organisations across the City Region, our contractors and their supply chains should be used to sustain and support employments and skills.

## Our Commitments

We will aim to:

- Act in a coordinated and consistent manner using our collective buying power to secure employment and skills wherever they may be delivered across the Regional economy.
- Encourage other public sector bodies, our contractors and their supply chains in using their buying power to pursue these aims and
- Work with employment and skills agencies, education institutions, training providers and our communities to enable people across the Liverpool City Region and beyond to maximise opportunities.

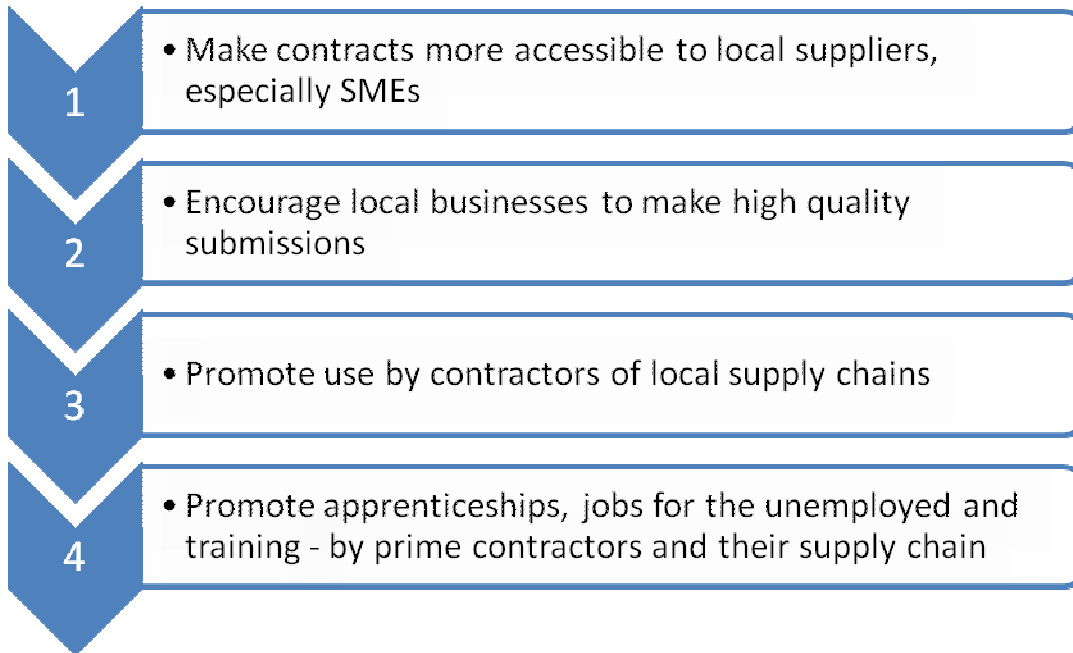


# Charter for Employment and Skills through Procurement.

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## Context

We are committed to a broader four step approach adopted by the Liverpool City Region's Employment & Skills Board to maximise the positive impact made by public sector procurement on the Regional economy:



To support these steps we will:

- Share best practice in wider procurement matters in order to support employment and skills.
- Take steps to ensure that we maximise opportunities for the Region's suppliers to access and bid for our opportunities, including SMEs and social enterprises.
- Consider where and how procurement activities will support and improve economic, social and environmental well-being within the region, whilst taking account of Procurement Contract Regulations.
- Engage with the local business community to promote the procurement process within our organisations and learn from such engagement
- Assist LCR Employment & Skills Group to signpost our suppliers to access support and funding that may be available to help them recruit and train their workforce, including apprenticeships and work experience.
- Promote and encourage sub-contracting and supply chain opportunities within the Region where appropriate.

# Charter for Employment and Skills through Procurement.

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## Specific actions 2013-14

- Make more suppliers aware of our opportunities.
- Share best practice in wider procurement matters in order to support employment and skills.
- Support and improve economic, social and environmental well-being within the region.
- Engage with the local business community to promote the procurement process.
- Signpost our suppliers to access support and funding that may be available to help them recruit and train their workforce
- Promote and encourage sub-contracting and supply chain opportunities within the Region where appropriate.

## Measures

- Measure the number of suppliers registered on the Chest.
- Measure the number opportunities published via the Chest.
- Measure the number of businesses that we engage with and through what mechanism.

## Appendix B

### GLOSSARY OF PROCUREMENT TERMS USE IN THIS STRATEGY

**Aggregation** value p.a. multiplied by the proposed length of contract term including extensions. (You must include partner organisation values).

**Agreement** the current financial system between the parties, another word for a contract.

#### **Benchmarking**

Comparison of performance against other providers of similar services, particularly those recognised as adopting best practice.

**Best and Final Offer (BAFO)** from participating suppliers a further BAFO on price only. This supersedes the original price submission.

**Best Practice** effective and desirable method of carrying out a function or process derived from experience rather than theory

**Best Value** attempts to secure continuous improvement in the exercise of an Authority's functions, having regard to a combination of economy, efficiency and effectiveness as required by the Local Government Act 1999; the relationship between worth and cost.

**Contract** agreement made between two or more parties, which is intended to be enforceable at law through to payment, and to contract management.

**EU Financial Thresholds** Regulations (PCR) 2006 stimulate financial thresholds for goods, works and services where there is a requirement to follow the principles of EU PCR 2006.

**KPI** Performance Indicator. KPI's are tools that help us to measure the performance of suppliers against their contractual obligations

**Pre-qualification Questionnaire (PQQ)** Companies that wish to be considered for a procurement activity. The purpose is to assess the company's general suitability in terms of financial and economic standing, technical capability and experience, quality assurance, health and safety procedures, environmental issues and equalities considerations.

#### **Quality**

The level of fitness for purpose which is specified for or achieved for any goods, works or services

#### **Risk**

The probability of an unwanted event occurring and its subsequent impact.

#### **Risk Based Sourcing (RBS)**

The process of establishing potential suppliers of specified goods, works or services below EU financial thresholds

#### **SME**

Small and Medium Size Enterprise. Used in context, this may indicate navigation away from larger global companies.

#### **Soft Market Testing**

The process of engaging the open supply market prior to procurement.

#### **Sustainability**

The social, economic and environmental issues that could o be considered in a procurement exercise

**Whole Life Costs** consideration of all relevant costs and revenues associated with the acquisition and ownership.