

REPORT TO: Business Efficiency Board

DATE: 27 November 2013

REPORTING OFFICER: Strategic Director, Policy and Resources

SUBJECT: Procurement Strategy 2013-2016 Bi-annual report

PORTFOLIO: Resources

WARD(S): Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to update Business Efficiency Board as required on the Council's Procurement Strategy 2013-2016 targets and measurements.

2.0 RECOMMENDATION: That the content and position statement regarding progress with meeting targets and measures be noted.

3.0 SUPPORTING INFORMATION

3.1 The Council's Procurement Strategy provides a structured approach to procurement, in order to ensure efficient processes are followed which will deliver reduced costs whilst maintaining or improving service delivery. The Procurement Strategy commenced rollout from June 2013 once approval was granted by the Board.

3.2 The Story so far

Halton continues to deliver savings from procurement year on year. What has underpinned our success is the central team working across all spend areas of the Council and utilising our innovative Risk Based Sourcing (RBS) approach for spend below EU financial thresholds. All spend above £1K will go via the Chest for sourcing.

This brings process efficiency such as reducing officer time, speed of contract award and delivers full transparency as well as delivers benefits the business community in terms of a quick and simplified way to market which is open and transparent for all. This also brings identified reduction in cost as most spend now passes via the procurement Division to be sourced via the Chest. This brings the best deal to the table, takes account of risk, assesses and evaluate on price and quality to ensure we maintain high service excellence and we don't compromise on price.

Our commercial concept has been again recognised nationally with Halton BC being awarded 'Outstanding Achievement in Procurement' from Society of Procurement Officers (SOPO) 11th November 2013. Our Head of Procurement was invited to deliver evidence at a Select Committee in the House of Commons on 28th October 2013 for the inquiry into local government procurement.

We are also trading our services into other public sector bodies such as Sefton MBC who have engaged with us to align their whole procurement approach with ours. This could lead to a more collaborative approach to procurement and deliver greater efficiencies and savings by procuring together. We are also delivering a pilot to Halton Clinical Commissioning Group (HCCG) who are delighted with the process and effectiveness of our procurement and have already seen savings in excess of £120K from three tender exercises. We hope to secure these relationships and others to develop an income stream from 14/15.

3.3 Forwards look 2013 and beyond

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:

- A work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners has now been established and will drive a 'root and branch' review of all Council contracts.
- 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

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
- In addition to this as outlined in the Strategy, Halton Procurement Division are leading a proactive approach to capturing all opportunities by using the Category Management concept and undertaking a full review of spend in order to secure all spend via the Division. This will highlight opportunity, bring economies of scale within the organisation and allow us to partner with other organisations to procure together.

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 (This is currently being rolled out by our P2P team)

3.4 The Strategy contained targets and measures table, (see below). This contains a summary of our position in Halton as at November 2013 as a bi-annual review.

4.1 POLICY IMPLICATIONS

4.1 None.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Procurement Strategy is designed to improve procurement practice across the Council, in order to reduce costs associated with procurement processes and to realise budget savings from more robust procurement activity. This supports the achievement of all of the Council's priorities.

7.0 RISK ANALYSIS

7.1 Given the financial constraints facing the Council, failure to identify and realise savings from more robust procurement practice may result in the Council not achieving budget savings targets. The Procurement Strategy and procedures surrounding it are designed to ensure that efficient procurement practices are operated across the Council.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1 There are no background papers under the meaning of the Act.

Procurement Strategy 2013-2016

Targets and Measurements

Bi-Annual Report – November 2013

Building Block	The What	Report Nov 2013
<p>1. Organisation: The Council continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities</p>	<p>a. Support from Elected Members, Business Efficiency Board and Management Team</p>	<p>The Council continues to fully support the Procurement Strategy and this strategic function remains at the centre of our activities. Our commercial concept has also been recognised Nationally. Examples:</p> <ol style="list-style-type: none"> 1. Halton BC being invited to provide evidence to the Select Committee as part of a Local Government inquiry into procurement, this was done in written form and Lorraine Cox was invited to attend at the House of Commons to present the evidence at the Public Inquiry on 28th October 2013. http://www.parliamentlive.tv/Main/Player.aspx?meetingId=14047 2. Halton BC (Procurement Division) was awarded Outstanding Achievement in Procurement Award by Society of Procurement Officers (SOPO – National Body Public Sector). 11th November 2013.
<p>2. Governance and Process The Council will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices</p>	<p>a. Annual review of Procurement Standing Orders</p>	<p>The Council continues to review its Constitution annually and Procurement are represented on the working group along with Legal and Audit.</p> <ol style="list-style-type: none"> 1. Executive Board has highlighted that there is an increase of waiver reports for approval and have asked that we review the Waiver elements of Standing Orders. (report to follow)
	<p>b. Continue to ensure procurement practices are efficient and remove any unnecessary activity for spend below EU value Thresholds</p>	<p>The Councils Procurement Division continues to ensure practices are efficient and the removal of financial thresholds below EU thresholds has allowed in 12/13:</p> <ul style="list-style-type: none"> • 53 procurement exercises to be undertaken as Requests for Quote rather than full tenders • This demonstrates a significant reduction of officer time as we are not bound by PCR 2006 • 6% of tender value saved per exercise has resulted in process efficiency savings (officer time) of £289K to date. • This streamlined process allows speed to market, simplified processes for the business community to benefit from. <p>For information; EU Directive is under review and there are a number of areas that may change in due course:</p>

		<p>Removal of separate part A and B exclusions, Shorter timescales for procurement processes, past performance can be included in evaluation criteria, Self-certification by suppliers via e-certis, award criteria base on Most Economic Advantageous Tender (MEAT) and not Lowest price, modifications to existing contracts – negotiation as long as it isn't a material change to the original contract advertised.</p> <p>Proposed for June 2014: Abolition on Part A and Part B service distinction, but a new approach to the procurement of social, health and education services.</p> <p>Other areas are being considered which we will inform Members as and when it becomes clearer.</p>
	c. Maintain risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds.	<p>The Procurement Division are continuing to drive compliance with Procurement Standing Orders to push all spend above £1K via the Chest in order to drive transparency and fair and equal opportunity to the business community.</p> <p>The approach is being upheld as exemplar nationally by SOPO and was a point of interest at the Public Inquiry Select Committee hearing 28th October 2013.</p> <p>We have engaged with Sefton MBC who intend aligning their procurement practices, processes, rules etc. to ours as they value the impact sourcing risk based brings to their organisation.</p>
	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)	<p>Target: May 2014 - 35% May 2015 - 45% May 2016 - 55%</p> <p>Annual report to be provided on May 2014.</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	<p>BAFO has been established as part of our procurement practice and we have been monitoring the impact since May 2013 via our newly installed web based processes.</p> <p>Examples of success:</p> <ol style="list-style-type: none"> 1. Wifi Project – winner £51,303. BAFO brought a saving of £4,478. 2. Weed spraying – winner £43,810. BAFO brought £3,586.

	controlled and fully auditable environment	
	f. Continue with the scrutiny role by Business Efficiency Board (BEB) and report biannually against this strategy	<p>BEB scrutinised two tenders:</p> <ul style="list-style-type: none"> Residual Waste tender – Tender undertaken twice; first time this was abandoned due to unsustainable bid and second process also abandoned because the bid submitted was in excess of current contractual arrangement. Local Bus Routes tender continued to award. <p>Lessons learned: now operating as one group rather than two. A deeper understanding was gained by Members due to the risk and the legal advice to abandon the R/W tender.</p> <p>Currently the BEB are scrutinising Domiciliary Care tender, seal on the Chest to be opened by Portfolio Holder 15th November in order to allow evaluation of the tenders submitted. Bio Mass Request for Quote. 5 quotes received, evaluation has been undertaken by the client department and specialist consultants. Client department currently reviewing the quote submissions.</p>
<p>3. Demand Management The Council will continue to secure improvement in procurement in engagement by securing full compliance with Standing Orders</p>	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 secure savings	<p>The Procurement Division have invest time into cleansing data both on the Chest as well as Agresso our financial system to ensure:</p> <p>Categorisation of businesses is accurate i.e. SMEs and local suppliers via postcode. This allows us to report accurately on our data in terms of SME engagement and spend.</p> <p>Our spend data now forms a full part of work planning for the team as we have developed category management approach (see below) by using the data to show historic spend, value, supplier and category, measured against compliance with Procurement Standing Orders, in order to deliver full compliance and to capture all spend via the Chest above £1K.</p>
	b. Continued development of the capacity and capability of the Procurement Division through training and study Chartered Institute of Purchase	<p>Success since May 13: MSJ and KB have successfully gained CIPS Level 4</p> <p>Current position May 2013: CIPS Level 6 – 1 qualified CIPS Level 5 – 0 qualified</p>

	and Supply (CIPS) subject to available resources. This will ensure the division is educated and skilled to manage procurement demand	CIPS Level 4 – 2 qualified Studying: CIPS Level 6 - 2 working towards CIPS Level 5 - 2 working toward CIPS Level 4 - 4 working towards (2 new starters)
	c. Continuation of a communication and education strategy internally to up-skill and educate the wider workforce	Full year report to be presented in May 2014. Workshops for internal officers planned for Jan-Mar 2014.
4. Market Engagement/Supplier Relationship Management (SRM) 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.	a. Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners	Supplier Relationship Management Review has been established as a work stream as part of the Efficiency Programme. Due to commence shortly. We have selected a pilot cohort of contracts; buildings maintenance; electrical and mechanical term contracts; security contracts and leisure contract. This will be conducted by the procurement team with support from the Efficiency Programme and will entail a commercial ‘root and branch’ review leading to a findings report and possible supplier negotiation.
	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	New engagement has been established with Halton and St Helens VCA (Sally Yeoman) we intend reviewing their Star Standard to establish if this could be used as a PQQ substitute to quality assure and to capture local sector organisations to quote or tender. This is work in progress and St Helens MBC have expressed an interest is participating with this opportunity. A presentation has been delivered to the regional leads of VCAs and they were astounded as to the way Halton undertakes procurement and wish to be kept informed of further progress as they would like their Councils to adopt such practices. There is an intention to deliver workshops possibly across Halton and St Helens VCA community in order to educate and support on Halton’s procurement, the law, the Chest, and use of the Star

		<p>Standard</p> <p>Halton Chamber of Commerce and Enterprise. Ashley McDonald has joined their procurement working group. Findings show that only 12% of the Members are registered on the Chest. The Chamber intends campaigning to their members and we have supported this with Chest training to the Chamber team.</p> <ol style="list-style-type: none"> 1. Attendance at bespoke "Meet the Buyer" events: Constructionline – 200+ Businesses Mersey Gateway – 104 Businesses 2. Chest Registration increase July 2010: 279 May 2013: 650 Oct 2013: 749 3. RFQs as at May 2013: 50 – as at Oct 2013: 119 4. RFQ Awards as at May 2013: 22 – as at Oct 2013: 46 5. Spend with SMEs for 2012/13 89% of our influential spend of £74M. (13/14 – will be provided in May 2014) <p>Future targets May 2014 - to include a breakdown of SME spend, but into: Micro (0- 10 employees) - Particularly of interest of the Select Committee S Small (10 to 50 employees) M Medium (50 to 250 employees)</p>
	<p>c. Support the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement</p>	<p>Target: May 14:</p> <ol style="list-style-type: none"> a. Make contracts more accessible to local suppliers especially SME's b. Encourage local Businesses to make quality submissions c. Promote use by contractors of local supply chains d. Promote apprenticeships, jobs for unemployed-training by prime contractors and their supply chain.
<p>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</p>	<p>a. Review our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton;</p>	<p>We are continuing to review our regional relationship, particularly now we are aligning our processes and practices with Sefton MBC. Other regional partners have expressed an interest in our approach. Our future success will depend of growth of more collaborative tender exercises to gain economies of scale.</p>

<p>partners in order to gain greater leverage, add value and maximise savings as we are too small to do this alone.</p>	<p>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.</p>	<p>Team approach to category management has commenced by using our cleansed spend data to identify 936 suppliers to proactively seek to create procurement exercises and to establish more contractual arrangements across the Council. A report of findings will be presented in May 2014.</p>
	<p>b. Further strengthen our relationship with Clinical Commissioning Groups to secure future trading relationships</p>	<p>We are currently delivering a procurement pilot to Halton Clinical Commissioning Group which is proving highly successful and will aid wider category approach across partners to increase procurement efficiency and gain further economies of scale.</p> <p>We hope to secure a contract with HCCG for 2014.</p>
<p>6. Purchase to Pay/ e Procurement 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>	<p>We work closely with the P2P team to ensure our processes support each other and drive compliance.</p>
	<p>b. Support business process improvement to enable early payments to SME's</p>	<p>This work stream is part of the Audit and Operational Finance Division. Therefore will be monitored and reported by their Divisional Manager. Since August 2013 they have secured 24 supplier sign ups to the EPS. The Procurement Division have supported this project and are promoting this via the Chest and this is included in all RFQs and Tender documentation.</p>