

REPORT TO: Business Efficiency Board

DATE: 11th June 2014

REPORTING OFFICER: Strategic Director, Policy and Resources

SUBJECT: 2013-16 Procurement Strategy Update

PORTFOLIO: Resources

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to provide the Board with an update regarding progress with the Council's Procurement Strategy 2013-16 targets and performance measures.

2.0 RECOMMENDATION: It is recommended that the report and position statement, 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 was implemented from June 2013 following its approval by the Board. The first half yearly report was presented to Members on 27th November 2014.

Progress to Date

3.2 The Council continues to deliver savings from procurement year on year. What has underpinned this success is having a centralised team working across all spend areas of the Council and utilising the Risk Based Sourcing (RBS) approach for spend below EU financial thresholds.

3.3 RBS brings process efficiency such as reducing officer time, speed of contract award and delivers full transparency. It also delivers benefits to 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 costs, as spending decisions are fully market tested. This brings the best deal to the table, takes account of risk, assesses and evaluates on price and quality to ensure the Council maintains a high level of service excellence and doesn't compromise on price.

3.4 Following a successful year in 2013, with the Council's commercial procurement concept being recognised nationally by being awarded "Outstanding Achievement in Procurement" from the Society of Procurement

Officers (SOPO) and a “Good Council to do Business With” by the Cabinet Office. The Council also presented evidence at a House of Commons Select Committee in October 2013, for the inquiry into local government procurement. There has since been a published report of the findings (see link below), which references the Council on a number of occasions and shows how its concepts and improvements are being recognised as best practice nationally.

[Report: Local government procurement \(PDF\)](#)

Extract from: House of Commons CLG Committee - Local Government Procurement (sixth report of session 2013-14) 13th March 2014;

Page 63: ‘Conclusion - This report makes a wide range of recommendations for improving local authority culture and processes in recognition that procurement should not be seen as a niche function conducted in silos, rather as an activity central to delivering high value cost effective services to communities’

‘Key areas for the sector to focus on are;

- ‘Improving collaboration across councils;*
- Spreading best practice on how to maximise social, economic and environmental impact of procurement;*
- Developing streamlined processes to minimise costs to councils and suppliers and potential suppliers;*
- Managing complex contracts to secure better value;*
- Reduce the risks to service delivery and the likelihood of fraud; and skills development particularly of new commercial skills for an increasingly complex procurement landscape’*

- 3.5 These key areas identified by the Select Committee Inquiry confirm that the Council’s approach has been appropriate and is delivering savings as well as wider social value gains.
- 3.6 They highlighted the need to improve collaboration across the sector and the Council’s Procurement Division is already sharing knowledge, concepts and expertise by delivering consultancy support in two other Councils; Sefton MBC and Cheshire East Council as well as delivering a procurement support service to Halton Clinical Commissioning Group.
- 3.7 These three support service commissions are delivering much needed income into the Council and are growing regional relationships with partner organisations which could lead to wider collaborative procurement relationships.

Looking Forward

- 3.8 Over the next two years this commercial approach to procurement will continue, underpinned by six key Building Blocks as follows;

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

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 Board and reporting half yearly against this strategy.

Demand Management

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

- 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
- 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 to further build capacity within the wider workforce

Market Engagement/Supplier Relationship Management (SRM)

The Council will continue to develop 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. A review will commence of current supplier relationships in order to review overall

commercial business relationships, contractual arrangements, specifications, rates and expected outputs to mutually agree benefits which may 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 via the Efficiency Programme has been established to undertake a structured review of Supplier Relationships (SRR) by reviewing contracts in terms of content, terms, clauses, value, actual cost, opt out clauses etc. as a pilot. Findings will be shared with the Programme Board in order to assess the risks and opportunities as we move this forward and consider a cross-Council approach.
- 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. Working with the Halton and St Helens VCA to develop a Star Standard Foundation award to 'pre-qualify' voluntary organisations as a 'fast track' route into bidding for contracts below the EU financial thresholds.
- Progressing the Social Value agenda with partner Councils. Sefton MBC in particular wish to seek ways of using procurement methods to capture value that works within the legal boundaries. This is linking with Employment, Learning and Skills colleagues in order to support delivery of targeted improvements as well as wider supply chain gains from the local business communities.

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 two neighbouring Councils (Sefton MBC and Cheshire East Council) and could grow across the region and beyond. This will be delivered through:

- Reviewing relationships with other Councils and public sector organisations in order to seek opportunities to work more closely to gain economies of scale.
- Further strengthening relationships with Clinical Commissioning Groups to secure future trading relationships
- In addition, as outlined in the Strategy, the Procurement Division is 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 and allow the Council to partner with other organisations to procure together.

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)

3.9 The Strategy contained targets and measures, in respect of which the latest position is presented in the Appendix below.

4.0 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 – June 2014

Building Block	Method	Progress as at June 2014 (end of year 1 – 2013-16)
<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 was invited and attended the House of Commons Select Committee Public Inquiry in October 2013 to provide evidence as part of a Local Government inquiry into procurement. See the link below to the findings (issued March 2014). Report: Local government procurement (PDF) 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>	<ol style="list-style-type: none"> 1. The Council continues to review its Constitution annually and Procurement are represented on the working group along with Legal and Audit. 2. Executive Board has highlighted that there is an increase of waiver reports for approval and the annual Constitution review was approved in April 2014 and contains some changes to Procurement Standing Orders to support this request: <p>1.8.1 Updated - Value Threshold increased from £20,000 to £50,000 – Chief Executive approval for emergencies over £50K.</p> <p>1.8.2 Updated - Value Threshold increased for Emergency and Non- Emergency Waivers from moved from: £5,000 to £50,000. (merged 1.8.2 and 1.8.3) - The Divisional Manager may take such action and elements of Standing Orders shall be waived to the extent necessary to give effect to such action. Every use of this Standing Order shall be approved in writing by the Head of Procurement, who will report annually on such waivers to the Executive Board.</p>

Building Block	Method	Progress as at June 2014 (end of year 1 – 2013-16)
	<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 13/14:</p> <ul style="list-style-type: none"> • 22 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) in excess of £400k to date. • This streamlined process allows speed to market, simplified processes for the business community to benefit from. <p>Effective from 17.04.2014 - EU member states have 2 years to implement into legislation, UK Govt have indicated they intend to aim for early adoption by the end of 2014.</p> <p>Key areas of change:</p> <ul style="list-style-type: none"> • Pre-Procurement issues • Choice of procedures – New rules on negotiation and a new procedure for Innovation Partnerships • Abolition to Part A and Part B services – light-touch regime for social, health and other specified services. • Advertising – Mandatory requirements for notices in electronic format • Selection Stage – discretionary ground for exclusion have been expanded to include poor performance of previous public contracts • New European Single Procurement Document (ESPD) is to be introduced • Award Criteria – Most Economically Advantageous Tender (MEAT) price or cost, i.e life cycle costing • Shorter statutory time limits • Frameworks – specific provision for authorities to be clearly identified in the call for competition • Incorporation of In-house (Teckal) and Inter-Authority co-operation exemptions. Modification of contracts during their term - Material Change (presstext) • New class of reserved contracts – limit participation for specified health, social and cultural
	<p>c. Maintain risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds.</p>	<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. This concept is now being aligned into a couple of neighbour Councils and Halton Clinical Commissioning Group, with a number of other local public sector partners considering this award winning concept also.</p>

Building Block	Method	Progress as at June 2014 (end of year 1 – 2013-16)
	<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>	<p>Compliance has continued to improve and our final approach is to drive category management i.e. where we work across the whole Council spend in categories to capture opportunity to deliver full compliance, improvement and deliver further savings/cost avoidance. Leading to driving ALL spend above £1K via the Chest.</p> <p>This is being led as a work stream across the whole Procurement Division all team members have their own categories and we envisage an update report on its success for the next bi-annual report in November 2014.</p> <p>See 5.a. for examples.</p>
	<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</p>	<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 during 13/14:</p> <p>Peer Coaching Service - Risk Assessment Budget - £60,000 Lowest Quote - £65,900 BAFO - -£6,250 Final Cost - £59,650</p> <p>Client Caseload Information System - Risk Assessment Budget - £150,000 Lowest Quote - £115,162 BAFO - -£1,399 Final Cost - £113,763</p>
	<p>f. Continue with the scrutiny role by Business Efficiency Board (BEB) and report biannually against this strategy</p>	<p>This report evidences the bi-annual reporting of the strategy for scrutiny by BEB.</p>

Building Block	Method	Progress as at June 2014 (end of year 1 – 2013-16)
<p>3. Demand Management The Council will continue to secure improvement in procurement in engagement by securing full compliance with Standing Orders</p>	<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>	<p>The Procurement Division have invested time in 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 including Micro (below 10 employees) 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>
	<p>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</p>	<p>May 2014 Success: Two officers successfully gained CIPS level 4 (Vicky Tiernan and Kelly Black)</p> <p>Qualified - May 2014: CIPS Level 6 – 1 qualified CIPS Level 5 – 0 qualified CIPS Level 4 – 3(2) qualified (KS – left employment)</p> <p>Studying – May 2014: CIPS Level 6 - 4 working towards CIPS Level 5 - 4 working towards CIPS Level 4 - 1 working towards</p>
	<p>c. Continuation of a communication and education strategy internally to up-skill and educate the wider workforce</p>	<p>We have continued to support client departments with improving their procurement practices. This can be evidenced by further increase in activity, savings being delivered and compliance being strengthened.</p>

Building Block	Method	Progress as at June 2014 (end of year 1 – 2013-16)
<p>4. Market Engagement/Supplier Relationship Review (SRR)</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>	<p>a. Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners</p>	<p>Supplier Relationship Review has been established as a work stream as part of the Efficiency Programme. 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. Pilot due to complete in June 2014 reporting to Business Efficiency Board for consideration of risks and opportunities and a wider commencement of contract review across the Council.</p>
	<p>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</p>	<p>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 in participating with this opportunity.</p> <p>A presentation was delivered to the regional leads of VCAs and the Halton and St Helens VCA sector in December 2013.</p> <p>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 Standard. This project is in development.</p> <ol style="list-style-type: none"> 1. Chest Registration increase <ul style="list-style-type: none"> July 2010: 279 May 2013: 650 Oct 2013: 749 Mar 2014: 787 (282% improvement since July 2010) 2. RFQ Activity as at May 2013: 50 – as at Oct 2013: 119 - as at Mar 14: 234 3. RFQ Awards as at May 2013: 22 – as at Oct 2013: 46 - as at Mar 14: 123 <ul style="list-style-type: none"> • Demonstrates the increase of activity

		<p>4. Spend with SMEs for 2012/13 89% of our influential spend of £74M.</p> <ul style="list-style-type: none"> • 13/14 – 88% of our influential spend of £90M (shows that this is a constant) <p>As at May 2014 - Breakdown of SME spend: Micro (0- 10 employees) - 29 (2%) Particularly of interest of the Select Committee S Small (10 to 50 employees) – 1670 (67%) M Medium (50 to 250 employees) – 482 (20%) L Large – (above 250 employees) – 298 (12%)</p> <ul style="list-style-type: none"> • Micros are a new reporting measure from 2013/14
	<p>c. Support the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement</p>	<p>As at May 14:</p> <ol style="list-style-type: none"> Make contracts more accessible to local suppliers especially SME's Encourage local Businesses to make quality submissions Promote use by contractors of local supply chains Promote apprenticeships, jobs for unemployed-training by prime contractors and their supply chain. <p>The region hasn't really made collective progress here but we are striving in Halton to continue with more RBS, to consider the measurement of supply chains, Social Value gains and employment, Learning and skills that can be gained through procurement. (a, b, c, d). This work is being developed with our Halton E,L,S colleagues as well as sharing ideas/concepts with Sefton MBC procurement and Halton into Jobs/Economic Regenerations colleagues.</p>
<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 partners in order to gain greater leverage, add value and maximise savings as we are too small to do this alone.</p>	<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</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>We have commenced a whole team approach to category management by using our cleansed spend data. It has identified 936 suppliers with a contract and we are auditing this to proactively seek to create procurement exercises and to establish more contractual arrangements where they don't exist across the Council. (In relation to 2.d).</p> <p>The team have completed post accuracy checks on a number of categories which have identified future opportunities, quick wins and influenced increased visibility of existing contracts on our contract register.</p>

	order to progress a category management approach based around geography rather than organisation.	<p>Examples of quick wins identified:</p> <table border="1"> <thead> <tr> <th></th> <th>Value p/a</th> <th>Indicative Savings p/a</th> </tr> </thead> <tbody> <tr> <td>Asbestos Consultancy</td> <td>£37,000</td> <td>£10,000</td> </tr> <tr> <td>Roller Shutters</td> <td>£30,000</td> <td>£5,000</td> </tr> <tr> <td>Air Conditioning Inspections</td> <td>£3,000</td> <td>£2,000</td> </tr> </tbody> </table>		Value p/a	Indicative Savings p/a	Asbestos Consultancy	£37,000	£10,000	Roller Shutters	£30,000	£5,000	Air Conditioning Inspections	£3,000	£2,000
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	b. Further strengthen our relationship with Clinical Commissioning Groups to secure future trading relationships	<p>We are currently delivering a procurement pilot to Halton Clinical Commissioning Group (HCCG) 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 have secured an extension to this pilot into 14/15 and hope to secure a contract from April 2015 with HCCG.</p> <p>We do have continued interest from other CCGs and we have secured a pilot with two other CCGs in conjunction with HCCG which we hope to lead into a wider longer term contractual relationship and a possible collaborative approach across the three CCGs.</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.	a. Review P2P processes to secure full compliance across the organisation	We work closely with the P2P team to ensure our processes support each other and drive compliance.												
	b. Support business process improvement to enable early payments to SME's	This work stream is part of the Audit and Operational Finance Division.												