

REPORT TO: Business Efficiency Board
DATE: 3 June 2015
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.

Progress against key measures within the strategy is detailed in Appendix 1.

Progress to Date

3.2 In line with the aims of the strategy, the Council continues to deliver savings from procurement. The centralised model, working across all spend areas of the Council and utilising the Risk Based Sourcing (RBS) approach for spend below EU financial threshold, is serving the Council well.

3.3 The Public Contract Regulations 2015 and a number of public sector procurement reforms (the Lord Young Reforms) came into force in February 2015. These are largely in line with the model that Halton had already implemented and that formed the basis of the Procurement Strategy. Adoption of these has not proved a significant challenge.

3.4 The Division developed a Social Value Procurement Framework in 2014, and this has been applied to a number of contracts that have recently been awarded. Progress against this will be measured incrementally as outcomes are achieved and recorded.

- 3.5 The Division concluded the delivery of support service commissions Sefton MBC and Cheshire East Council; and continues to provide procurement support to Halton Clinical Commissioning Group. Relationships with partner organisations continue to grow.

Looking Forward

- 3.6 For the remaining duration of the strategy, the established commercial approach to procurement will continue, underpinned by six key Building Blocks outlined in the strategy;

- Organisation
- Governance and Process
- Demand Management
- Market Engagement/Supplier Relationship Management (SRM)
- Category Management
- Purchase to Pay/ e Procurement

- 3.7 The Procurement Division will continue to respond to opportunities to work collaboratively with other organisations to promote and embed the principles of efficient commercial procurement.

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.

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
<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 Public Contract Regulations 2015, came into effect from 26th February 2015, which implement Lord Young’s reforms as National Rules and are set out in Part 4 of the new Regulations, in particular there are new rules on:</p> <ul style="list-style-type: none"> • Advertising on Contracts Finder, and • Abolition of the Pre-Qualification Questionnaire below EU Threshold - £172,514 • Use of a Standard Questionnaire above EU Threshold <p>This reflects the Procurement Division’s Risk Based Sourcing (RBS) approach, primarily aimed at encouraging SME participation in simpler and a more consistent public procurement process.</p>
	<p>b. Implementation of Public Service (Social Value) Act, 2012</p>	<p>Following the approval of Halton’s Social Value Procurement Framework by Management Team and Executive Board, we continue to embed the Framework for opportunities that allow providers/suppliers to demonstrate wider community benefits from the delivery of their</p> <p>The Procurement Division will track all contracts where Social Value has been included either voluntarily, or within the Terms and Conditions of the contract. This applies to the following recently awarded contracts</p> <ul style="list-style-type: none"> • Property Consultancy • Security Services • Specialist Youth and Treatment Service • Floating Support Service • Housing Support Service for Single Homeless People

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
		<ul style="list-style-type: none"> • School Nursing Service • Youth Provision <p>A monitoring dashboard has been created for each contract, which allows for the measurement of social value outcomes in line with Halton's Sustainable Community Strategy(2011-2026) priorities</p> <p>As a consequence of the development Halton's Social Value Framework, the division has been asked to present at regional events on how it has been implemented</p>
<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>Member's approved the Council's Constitutional changes for 2015-16 on 15th April 2015, which included Procurement recommendations in relation to Contract Extensions approval.</p> <p>The new Contract Extension Approval Thresholds are set out below: Above £1 million – report to Executive Board Below £1 million – Operational and Head of Procurement</p> <p>This will reduce the number of auto-extensions being carried out, without conducting a pre-extension meeting, to ensure that we continue to achieve value for money.</p>
	<p>b. Continue to ensure procurement practices are efficient and remove any unnecessary</p>	<p>The Councils Procurement Division continues to ensure practices are efficient and the removal of financial thresholds below EU threshold level has resulted in efficiencies for the period April 2014 to Feb 2015:</p> <ul style="list-style-type: none"> • 14 procurement exercises undertaken as Requests for Quote rather than full tenders. This demonstrates a significant reduction of officer time as we are not bound by Public Contract Regulations (PCR) 2015

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	activity for spend below EU value Thresholds	<ul style="list-style-type: none"> • 6% of tender value saved per exercise has resulted in process efficiency savings (officer time) in excess of £107,553 to date. • This streamlined process allows a faster route to market and simplified processes for the business community to benefit from. <p>The New Public Contract Regulations come into effect from 26th February 2015, and include National Rules (Reg 105 to 113), which implement reforms proposed by Lord Young,</p> <p>Upon examination, the new directive, combined with Lord Young's reforms do not pose a particular challenge to the innovative procurement processes that are already embedded within Halton.</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 £1000 via the Chest in order to drive transparency and fair and equal opportunity to the business community.</p> <p>This concept is compliant with the new Public Procurement Regulations 2015 and Transparency Code 2014</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	<p>Category Management has improved visibility of the following:</p> <ul style="list-style-type: none"> • Council Contracts: May 14, 189 published, May 15: 235 published • Contract Extensions

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	approximately £500K of cost reduction)	
	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>We continue to deploy BAFO as part of our procurement practice as and when appropriate.</p> <p>A notable example of success during the last quarter of 14/15 is the Health and Wellbeing for young offenders across Halton and Warrington – 13%</p>
	f. Continue with the scrutiny role by Business Efficiency Board (BEB) and report biannually against this strategy	This report evidences the bi-annual reporting of the strategy for scrutiny by Business Efficiency Board.
<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	<p>The Procurement Division continues to invest time in maintaining an accurate profile of our spend with the council's finance system, this is influenced by:</p> <ul style="list-style-type: none"> • Accurate Categorisation and Coding • New Supplier Set Up Forms • Contract Register

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
	and with public sector partners to identify opportunities, prioritisation and to secure savings	<ul style="list-style-type: none"> • Category Management • SME Profile – Includes Micro – below 10 employees and local postcode. <p>This allows us to report accurately on our data in terms of Spend, Savings and SME engagement.</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>Qualified - October 2014: CIPS Level 6 – 1 qualified CIPS Level 5 – 2 qualified (2 have now left the council – Feb, March 2015) CIPS Level 4 – 1 qualified</p> <p>Studying – October 2014: CIPS Level 6 - 3 working towards CIPS Level 5 - 1 working towards CIPS Level 4 - 2 working towards</p>
	<p>c. Continuation of a communication and education</p>	<p>Further internal workshops are to be planned for the second half of this year to inform Internal Officers of recent changes to:</p> <ul style="list-style-type: none"> • Constitution – Procurement Standing Orders

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	strategy internally to up-skill and educate the wider workforce	<ul style="list-style-type: none"> • Public Contract Regulations 2015 • Transparency Code 2014 • Social Value Act 2012
<p>4. Market Engagement/Supplier Relationship Review (SRR) 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>A pilot workstream has been delivered jointly by the Efficiency and Procurement functions.</p> <p>A small number of the Council's external contracts have been selected on a pilot basis to be examined in order to establish the potential for efficiencies within existing contracts.</p> <p>This has led to a process being developed that will be rolled out over the coming months to systematically challenge contracts in-term.</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-</p>	<p>Our relationship with Halton and St Helens VCA continues to grow and we have implemented the 'Star Standard', a pre-qualification process for the sector, applicable to opportunities below the EU Value Threshold. This is designed to eliminate the duplication of resubmitting essential organisational information during the procurement process.</p> <p>A local voluntary Sector Organisation who has achieved the 'Star Standard' has recently been successful in bidding for work using our new process.</p> <p>The Procurement Division have delivered two successful external supplier</p>

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	<p>way approach where we learn together and to underpin SRM</p>	<p>engagement workshops in the Borough:</p> <p>3rd December 2014 – Runcorn – Attendees 49 12th January 2015 – Widnes – Attendees 46</p> <p>Further supplier workshops are to be planned for the second half of this year to inform suppliers of recent changes to Procurement Rules, Legislation and process:</p> <ul style="list-style-type: none"> • Constitution – Procurement Standing Orders • Public Contract Regulations 2015 • Transparency Code 2014 • Social Value Act 2012 <p>Statistical information:</p> <p>1. The Chest Supplier Registration: May 2015: 914 (327% improvement since July 2010 and recent supplier engagement workshops)</p> <p>2. Local SME Registration – Oct 2014 (*stats only recorded since Sept 2014)</p> <table border="1" data-bbox="1115 1129 2101 1316"> <thead> <tr> <th></th> <th>Oct 2014</th> <th>April 2015</th> <th>% increase</th> </tr> </thead> <tbody> <tr> <td>*Micro – (0 - 10 employees)</td> <td>74</td> <td>82</td> <td>9 %</td> </tr> <tr> <td>Small – (10 – 50 employees)</td> <td>55</td> <td>60</td> <td>9 %</td> </tr> <tr> <td>Medium – (50 – 250 employees)</td> <td>65</td> <td>69</td> <td>0.5 %</td> </tr> <tr> <td>Large – (above 250 employees)</td> <td>63</td> <td>72</td> <td>9 %</td> </tr> </tbody> </table>		Oct 2014	April 2015	% increase	*Micro – (0 - 10 employees)	74	82	9 %	Small – (10 – 50 employees)	55	60	9 %	Medium – (50 – 250 employees)	65	69	0.5 %	Large – (above 250 employees)	63	72	9 %
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		<p>3. Spend with National SMEs (report run annually) 12/13 - 89% of our influential spend of £74M. 13/14 – 88% of our influential spend of £90M (indicates constant) 14/15 – 87% of our influential spend of £93M</p> <p>4. Breakdown of National SME Suppliers:</p> <table data-bbox="1120 566 2016 750"> <thead> <tr> <th>(Period April to March)</th> <th>2013/14</th> <th>2014/15</th> </tr> </thead> <tbody> <tr> <td>Micro (0- 10 employees) -</td> <td>29 (2%)*</td> <td>230 (10%)</td> </tr> <tr> <td>Small (10 to 50 employees) –</td> <td>1670 (67%)</td> <td>1249 (57%)</td> </tr> <tr> <td>Medium (50 to 250 employees) –</td> <td>482 (20%)</td> <td>441 (20%)</td> </tr> <tr> <td>Large – (above 250 employees) –</td> <td>298 (12%)</td> <td>284 (13%)</td> </tr> </tbody> </table>	(Period April to March)	2013/14	2014/15	Micro (0- 10 employees) -	29 (2%)*	230 (10%)	Small (10 to 50 employees) –	1670 (67%)	1249 (57%)	Medium (50 to 250 employees) –	482 (20%)	441 (20%)	Large – (above 250 employees) –	298 (12%)	284 (13%)
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	<p>c. Support the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement</p>	<p>Halton continues to use the LCR Charter for Employment, Learning and Skills through Procurement in opportunities, wherever possible or appropriate</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</p>	<p>a. Review our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton; Sefton;</p>	<p>We are continuing to review our regional relationship, particularly now that other organisations are aligning their processes and practices with Halton’s i.e Sefton and Cheshire East.</p> <p>Halton’s Procurement Division have recently worked collaboratively with Manchester CC, Cumbria, Trafford and St. Helens to lead on the re-tender for the North West Regions Electronic Tendering Portal for 41 Local Authorities.</p>															

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<p>leverage, add value and maximise savings as we are too small to do this alone.</p>	<p>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>The incumbent supplier Due North was the successful bidder and has been awarded the contract, which will commence 1st August 2015 for 4 years, with a 4 year extension option.</p> <p>Collaboration with the Merseyside Procurement Partnership has been undertaken for the following contracts:</p> <ul style="list-style-type: none"> • E-Tendering – The Chest
	<p>b. Further strengthen our relationship with Clinical Commissioning Groups to secure future trading relationships</p>	<p>We continue to provide procurement support to Halton Clinical Commissioning Group (HCCG), which is proving successful.</p> <p>We have effectively developed a Provider Assessment Process (PAP) for HCCG, which has replaced the NHS England ‘Any Qualified Provider’ (AQP) online assessment. This has been used for the supply of Ear Nose and Throat Provision achieving exceptional quality providers. As this proved so successful</p>

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		<p>we have completed a second PAP for ENT provision at the request of Halton CCG which has led to further income generation for the Council.</p> <p>Following a successful bid, the team has recently completed a PAP for a new Minor Eye Conditions (MEC) service on behalf of St Helens and Halton CCG's. The Council has received positive feedback on the work completed and as above this has generated income.</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>The Procurement Division are working closely with the Councils P2P team to identify suitable suppliers who can pay via Procurement Card. This method removes the traditional paper trail for invoicing and reduces the payment time to SME's.</p> <p>This method has been very successful within our Catering Category with 4 new suppliers set up to make payments via this efficient method.</p> <p>Efficiency savings can be made from reduced resource time processing paper invoices (non-cashable) and savings received from a rebate in line with the value of transactions made via the Procurement Card (cashable).</p>
	<p>b. Support business process improvement to enable early payments to SME's</p>	<p>The new Public Contract Regulations 2015, National Rules now require that all suppliers are paid within 30 days.</p>