

REPORT TO: Business Efficiency Board
DATE: 18 November 2015
REPORTING OFFICER: Strategic Director – Community and Resources
PORTFOLIO: Resources
SUBJECT: Procurement Strategy 2013-2016 - Update
WARD(S) Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of the report is to provide an update on progress with implementation of the Council's Procurement Strategy 2013-2016, including targets and measurements, as at 31st October 2015.

2.0 RECOMMENDATION: That

- i) that the content and position statement regarding progress towards targets and measures are noted; and**
- ii) the Board approve the creation of a strategy for 2016-2019 to be drafted for approval by June 2016.**

3.0 SUPPORTING INFORMATION

Background

3.1 The Council's Procurement Strategy 2013-16 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.

3.2 Halton continues to deliver savings from procurement as it moves into the final year of the three year strategy. The continued success have been delivered by full category management across all spend of the Council, where every opportunity has been sought to aggregate spend activity into contract arrangements. We have established robust controls driving full compliance and our ways of working already ensure full compliance with the new EU Public Contract Regulations 2015 (PCRs2015).

3.3 Risk Based Sourcing

The Council's approach of Risk Based Sourcing (RBS) continues to

bring process efficiency such as reducing officer time on procurement, speed of contract award and delivers full transparency. It also delivers benefits to the business community, in terms of quick and simplified ways to market which are open and transparent for all. This continues to deliver reductions in cost for client departments in their contract award values, as spending decisions are fully market tested.

- 3.4 This approach brings the best deal to the table, takes account of risk, and assesses and evaluates on both price and quality. This ensures the Council continues to receive high quality services and doesn't compromise on price. This has provided the 'vehicle for change' and allowed the Procurement Team to cover all procurement across the Council.

Key Highlights

- 3.5
- The Risk Based Sourcing approach has delivered 10% cost reductions on average.
 - Through the introduction of process efficiencies it has been possible to reduce the Procurement Division's numbers.
 - All external spending by the Council is captured within the procurement processes, totalling around £93m.
 - Category management is operated, which identifies similar categories of spend for which aggregate contracts are sought in order to obtain lower costs.
 - Transparency of opportunity is maximised by advertising all opportunities on the Chest for spend above £1,000.
 - Risk assessment is applied at the commencement of procurement activity. This allows an assessment to be undertaken based upon risk rather than value, and thereby approach the market to secure the best deal in terms of both price and quality.
 - The Social Value Framework is applied wherever possible. To date this has been applied to twenty procurement exercises and there is a rolling programme to maximise Social Value gain where we can and to capture and quantify this gain for Halton.
 - 87% of the Council's spend is in contracts with SMEs nationally.

External Partners

- 3.6 The Procurement Division continues to work with other public sector

partners, by leading, guiding, aligning processes, rules and practices. This has proved successful both in terms of income generation and assisting other organisations to benefit from our expertise of improved commercial procurement practice. It has also helped to build stronger relationships, particularly with Halton CCG and our neighbouring councils.

Regional Approach

- 3.7 The Local Government Association produced a National Procurement Strategy for Local Government in 2014 (www.local.gov.uk/web/lg-procurement). This outlines four key areas of which Partnership and Collaboration is at the forefront to deliver further cash savings. As part of the Council's current strategy item 5a is to "Review our relationship with the Merseyside Procurement Partnership". This review is a key driver for the Council in terms of identifying further opportunities for procurement savings.
- 3.8 It would be possible to gain economies of scale through working with neighbouring Councils to procure on a larger scale and thereby achieve improved contract prices. But also to undertaking contract reviews and enter into dialogue with existing suppliers operating across a number of councils, to secure improved prices.
- 3.9 A more formal working relationship within the Liverpool City Region, with one or more partners, will enable us in having greater influence within the market and thereby negotiating better contract prices.
- 3.10 Work is underway within the Liverpool City Region to explore the scope for collaboration through shared services. One of the key workstreams being considering is procurement and an Outline Business Case is currently being prepared to assess what potential opportunities may exist.

2015/16 Progress to Date

- 3.11 During the current final year of the Procurement Strategy the focus is upon maintaining the Council's practices, continuing to retain full compliance, and delivering further savings through Risk Based Sourcing. In future the Council will possibly need to seek greater collaboration, in order to achieve economies of scale and continue to deliver savings on a significant scale. This approach will be reflected in the updated Strategy for 2016-2019.
- 3.12 Appendix 1 presents an update of progress against the targets and measures contained within the Procurement Strategy 2013-16.

2016 – 2019 Procurement Strategy

- 3.13 The Council's Procurement Strategy 2016-2019 will need to reflect

the changing local government landscape and the financial challenges being faced. The Strategy will be underpinned by the current national direction of travel as highlighted within the Local Government Association's (LGA) National Procurement Strategy referred to in paragraph 3.7 above.

3.14 The LGA's Strategy focuses upon four key areas;

- Making Savings
- Supporting Local Economies
- Leadership
- Modernising Procurement

3.15 Halton's approach is well developed in most of these areas and it can be clearly evidenced that the Council's procurement 'journey' over the past few years has been at the forefront of procurement developments nationally. The Council's current position by comparison to the LGA Strategy is as follows;

Category Management	Fully embedded within the procurement division work practices.
Partnering and Collaboration	This has been done historically on a voluntary basis and without a strategic vision or plan. The relationship with partners in being reviewed in order to explore the 'art of the possible' as a collective group.
Contract Management	The Procurement Division does undertake commercial contract management which involves; monitoring savings and contracts which drive work planning.
Performance & Transparency	We have exceptional spend data that provides us with robust intelligence that drives procurement work plans, aggregates spend opportunities, categorises supplier data and ensures we are fully compliant with the Transparency Code.
Risk Management	Our whole concept of procurement commences with a risk assessment, we have clear segregation of duties and we have been audited recently on Bid Rigging. We are due a visit from National Audit Office

	(NAO) visiting in November 2015 who is interested in our SME and Voluntary Community Social Enterprise sector (VCSE) work.
Demand Management	Worked closely to develop and educate commissioners and buyers in reviewing alternative ways to meet user needs in order to reduce costs and make savings.
Economic, Environmental and Social Value in all contracts	Work in progress – a Social Value (SV) Procurement Framework is in place. We also have a SV Policy and Charter which has been developed in conjunction with Halton CCG.
Improving access for SME's and VCSE's	Our statistics prove our business engagement campaign was robust, effective and on-going. We still have the challenge of increasing our local spend in Halton but with a more regional approach to procurement can only benefit Halton and LCR businesses/VCSE sector. We have a Social Value Procurement Framework in place now and we are applying this where appropriate.
A Single Cohesive Voice	We sign up to central government policy and recommendations and are ahead of the new PCRs2015.
Commitment from the Top	Absolutely in place in Halton BC.
Commissioning	We work across the whole council all spend all categories. Our relationship with commissioners and buyers is clear and robust.
Commercialisation and Income Generation	Our procurement approach is based on a commercial model; we have delivered income from 'selling' our award winning concepts to other public sector partners. We are developing ways of building in rebates into contracts and to add social

	value gains. Work in progress.
Supplier Innovation	Needs further development and more pre-procurement activity, such as meet the buyer events
E-Procurement	Continuous improvement remains at the forefront in terms of using e solutions, driving e payments into contracts etc.
New EU Directives	We are 'Ahead of the curve'!

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The Council's Procurement Strategy 2013-2016 supports the direction of travel for procurement improvement for Halton BC. Without this strategy the Council would not move forward and make savings through procurement which is fundamental as part of the overall Council's financial Plan.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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.

6.1 **Children & Young People in Halton**

6.2 **Employment, Learning & Skills in Halton**

6.3 **A Healthy Halton**

6.4 **A Safer Halton**

6.5 **Halton's Urban Renewal**

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

Document	Place of Inspection	Contact Officer
Procurement Strategy 2013-2016	Procurement Division, Kingsway House, Widnes	Lorraine Cox, Divisional Manager Procurement