

REPORT TO: Business Efficiency Board
DATE: 28 September 2011
REPORTING OFFICER: Strategic Director – Policy and Resources
SUBJECT: Procurement Strategy Half Year Review.

1.0 PURPOSE OF THE REPORT:

1.1 To inform the Board of progress made to date against the Procurement Strategy approved from April 2011.

2.0 RECOMMENDATION:

2.1 **The board is asked to note the progress to date.**

3.0 SUPPORTING INFORMATION:

3.1 Progress Overview:

The Procurement Strategy was launched April 2011 following the approval from Business Efficiency Board earlier in the year. The Procurement Division was established in April 2010 has been able to demonstrate considerable progress both externally with our business community in Halton and internally in terms of driving change within Halton Borough Council.

The attached Appendix B shows the Delivery Plan which demonstrates the improvements made over the past few months, the amber elements are work in progress. The plan outlines how we will deliver these elements in the future. Appendix A shows the SPTF Sustainable Procurement Task Force which was a Body created by Government to define a set of Levels for each Local Authority to benchmark itself against and to progress towards Level 5 where sustainable practice was not just embedded but was enhanced and lead in terms of people, policy, procurement process, engaging suppliers and measuring results. We have benchmarked ourselves as Level 3 as progress has been made and will report on progress as we move towards Level 4 or beyond.

Appendix C is a glossary of terms to support Members in elements of this report.

3.2 Business Community Support:

The business engagement commenced as our first priority with a Launch event in November 2010 “Improved Ways of Trading with Halton” in conjunction with Halton Chamber of Commerce and Enterprise. This consisted of a presentation to local businesses from Head of Procurement, Leader and Deputy Leader of the Council, Strategic Director for Policy & Resources in support Chief Executive of Halton Chamber of Commerce & Enterprise.

Following this successful launch the team delivered a series of workshops to the business community across Halton covering ‘The Chest’ E Portal system which is being rolled out across the Council for all sourcing and tendering of goods, works and services above the value of £1K. The workshops continued with registration and use of ‘The Chest’; PQQ training and Halton’s standard documentation and approach. We hosted a ‘Meet the buyer’ event focussing on the Building Schools for the Future (BSF) project working collaboratively with the Halton Together Partnership (HTP) who were awarded the BSF contract for Halton. Overall we engaged with 349 Halton businesses.

3.3 Business Engagement Improvement:

The percentage of local spend was 19% of our revenue influential spend in 2009/10 (before the Procurement Division was established). This increased to 20% in 2010/11 although we do recognise from a smaller overall spend of the Council due to budget reductions.

Increased registration of local businesses on ‘The Chest’ has increased by 83% since July 2010 to date. The greatest impact was when we undertook the Launch “New Ways of Trading with Halton” and conducted workshops on registering and using ‘The Chest’, PQQ training and Meet the Buyer events during November 2010 to March 2011. Businesses have embraced this opportunity to trade with Halton via ‘The Chest’.

A recording of 30% of our spending since April 2010 was awarded to local businesses where ‘The Chest’ was used for Request for Quotes (RFQ) for spending under the value of £50K and 38% was awarded to local businesses when ‘The Chest’ was used for Tenders for spending above £50K. All Council contracts are now visible on ‘The Chest’/Vault in order to demonstrate full transparency of contracting activity for Halton BC. Whilst this shows an improvement of our local spend with sourcing/tendering via ‘The Chest’ we aspire to becoming amongst the best in the North West.

Building Schools for the Future (BSF) project has a Key Performance Indicator in the contract for the Consortia to ‘recycle the Halton £’. We are supporting the Consortia to advertise all sub contracting opportunities via ‘The Chest’ (Sub Contractor Module) and the impact of award of contracts to local businesses is being monitored monthly. We are also working with them to develop and support the business community, through meet the buyer events and joint presentations/briefings on opportunities.

Areas for further improvement are to encourage all businesses in Halton to register on 'The Chest' and to fully embed 'The Chest' into practice within the Council to ensure complete transparency.

3.4 Internal Change:

The focus of the Procurement Division has since moved into internal change and challenge and has commenced a programme by reviewing the Council's Procurement Standing Orders and has gained approval from Full Council in July 2011 for a significant change to our internal rules. This change has pushed our financial thresholds to match the EU thresholds in order to allow us to use quotations and advanced quotations (Mini tender exercises) based around risk to procure goods and services up to £156,442 and works £3,927,260 (current EU threshold requiring a formal tender exercise).

Since the approval of the Procurement Standing Order change we have delivered presentations to the three Directorate Leadership teams. The next stage of internal change will be to deliver a series of "building" workshops to engage with the wider workforce to educate and support officers who engage with procurement activity from £1k upwards to understand the new rules and ways of working. The workshops will cover:

- Procurement Standing Order change July 2011.
- 'The Chest' and how it improves sourcing quotes and managing the tender process.
- RFQ and ARFQs a risk based approach to procurement.
- Standard documents for PQQ and ITT.
- Contracts, extensions and variations.
- Planning your procurement in terms of time, options and opportunity to save money.
- And how the Procurement Team can support all spend activity.

This new way of working allows us to push more quotations via 'The Chest' which develops further transparency in opportunity for businesses. It also reduces time for both Council officers but also the business community by reducing bureaucracy in process of tendering that was not adding value compared to the time involved and 'hoop jumping' required by all parties.

The Standing Order change also brings about benefits to businesses in terms of a simplified process, time saved and a quicker turnaround to quotations being sourced for officers to make buying decisions. The team will be coaching businesses in this new approach over the next few months in partnership with Halton Chamber of Commerce & Enterprise.

3.5 Savings:

The Procurement Division has secured and realised savings of £600K in 11/12. We are now working towards 12/13 targets but are also developing a traded

service to schools as we have an income target for 12/13 in addition to a procurement saving target.

3.6 School Trading – Procurement Service Level Agreement (SLA)

Following a pilot this year with six schools the team have demonstrated how we can support schools in their procurement practice. We have undertaken a pilot, supporting the Head teachers and Bursars with spending/procurement processes, sourcing and achieving savings.

The evidence from the pilot undoubtedly demonstrated how schools can improve their procurement practice considerably, how they can use the Procurement Team both for robust advice and guidance but also to source their goods, works and services via 'The Chest' system. This has been highly successful and has brought about savings across a number of categories of spend as well as guiding schools to access corporate contracts and frameworks. Part of this work involved a 'health check' on school spending and it has evidenced that there are many opportunities for collaboration school to school where joint procurement would bring savings. This service will be offered as a buy-back SLA this year for commencement April 2012.

The team will be delivering a series of workshops to school Governors in November 2011 and will be hosting a trade fair and presenting to Head teachers on Service Level Agreements (SLA) from across Halton Council on 6th October 2011. This event is open to Governors, Head teachers and school Bursars/Administrators.

4.0 POLICY IMPLICATIONS

4.1 None identified at this stage.

5.0 OTHER IMPLICATIONS

5.1 None identified at this stage.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Procurement Division is designed to improve procurement practice across the Council to reduce costs associated with procurement but also to realise significant savings from more robust procurement activity. This affects all of the Council's priorities.

7.0 RISK ANALYSIS

7.1 Given the financial constraints facing the Council in the immediate and medium terms, failure to identify and realise savings from more robust procurement practice may result in financial pressures to the Council not being met. This could result in services being underfunded, with departments unable to meet the costs of staff and other resources required to deliver to the community of Halton.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None identified at this stage.

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

9.1 None under the meaning of the Act.

APPENDIX A: Sustainability Flexible Framework (SPTF)

APPENDIX B: Procurement Strategy Delivery Plan

APPENDIX C: Glossary of Terms

