

**REPORT TO:** Business Efficiency Board

**DATE:** 23 November 2016

**REPORTING OFFICER:** Strategic Director – Enterprise, Community & Resources

**SUBJECT:** Procurement Strategy 2016-19 – Progress Review

## **1.0 PURPOSE OF THE REPORT**

1.1 To present an update on progress with delivery of the Council's Procurement Strategy 2016-19 as at 31<sup>st</sup> October 2016.

**2.0 RECOMMENDATION: That progress with delivery of the Council's Procurement Strategy 2016-19 as set out in the report, be noted.**

## **3.0 SUPPORTING INFORMATION**

3.1 The Council's Procurement Strategy 2016-2019 was approved by the Board in June 2016. The Strategy follows the format commended by the Local Government Association's "National Procurement Strategy for Local Government in England 2014". This is underpinned by four key areas:

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

3.2 Appendix 1 presents progress as at 31<sup>st</sup> October 2016, with delivery of the Procurement Strategy in each of these four areas and the fourteen sub-areas contained within them, along with a Red, Amber, and Green rating of their current status.

3.3 The Council has made significant progress over the past few years, in terms of ensuring procurement is recognised as a strategic function, operates across the whole organisation and delivers cash savings and cost reductions. As a result the Council has received a number of national awards and gained recognition as finalists in two further award events during 2016. Halton's risk based model of procurement is seen as being at the forefront nationally, for its development and delivery of a high performing, streamlined, and efficient approach to procurement.

3.4 The Public Services (Social Value) Act 2012 requires public authorities to have regard to economic, social and environmental wellbeing in connection with public services contracts within the meaning of Public Contract Regulations 2015. Halton has embraced this requirement by placing Social Value into all its procurement activities, where relevant and proportionate.

- 3.5 In June 2015 the Council approved a Social Value Framework for Procurement, underpinned by a Charter and Policy. This has been utilised to date in 24 procurement exercises, the outcomes of which are outlined in Appendix 2.
- 3.6 During the past few months, Halton has been heavily involved in the development of the National Social Value Toolkit, alongside the Cabinet Office and a number of public sector bodies, which was launched on 13<sup>th</sup> September 2016.
- 3.7 The Council's contribution nationally to the development of social value improvement through procurement was recognised at the recent Northern Enterprise Conference. Halton's approach has also been referenced in the following national publications;
- Social Enterprise UK – “The Social Value Difference in Health and Care Commissioning” (Halton was one of the first pilots of the national programme working with Halton Clinical Commissioning Group, SEUK, Institute of Voluntary Action Research and the Department of Health).
  - Social Value Portal – “Bridging the Gap” – A Good Practice Guide for Making the Most of the Social Value Act (This publication links to the Social Value Toolkit).
  - Bate, Bells and Braithwaite (Legal Practice) “The Art of the Possible – Public Procurement”.
- 3.8 Halton continues to work with neighbouring councils and Halton CCG, providing direct procurement support, training, peer-reviews and leadership in delivering commercial procurement improvement.

#### **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 Division delivers improved procurement practices across the Council, to reduce costs associated with undertaking procurement, but also to realise significant savings from more robust procurement activity. This helps to secure funding towards delivery of all of the Council's priorities.

#### **7.0 RISK ANALYSIS**

7.1 Given the financial pressures facing the Council, implementation of the Procurement Strategy will help to identify and realise savings from more robust procurement practices and will also protect the Council from challenges to its procurement activities.



## **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 2016-19 – Progress as at 30<sup>th</sup> October 2016

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 <sup>th</sup> October 2016
Making Savings	Category Management		<ul style="list-style-type: none"> <li>• Maximising the value of spend</li> <li>• Using standard specifications</li> <li>• Spend and supplier analysis</li> <li>• Holistic approach across the organisation</li> <li>• Regional approach across LCR</li> </ul>	<ul style="list-style-type: none"> <li>• Full category management approach deployed across the whole team. Maintain this approach by using standard specifications and continue to analyse spend and supplier data.</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented and being maintained.</li> </ul>
	Contract Management		<ul style="list-style-type: none"> <li>• Define category management roles for Procurement and client departments/ checklist</li> <li>• Demonstrate the effectiveness from contracts (terms &amp; conditions)</li> <li>• Develop supplier relationships to maximise outputs from contracts</li> <li>• Increase on-contract spend (reduce maverick spend)</li> <li>• Spend visibility</li> <li>• Contract register – contract visibility</li> <li>• Don't 'let and forget'</li> <li>• Commercial procurement approach</li> <li>• Apply Supplier Relationship Review ie. contract re-negotiation</li> </ul>	<ul style="list-style-type: none"> <li>• Checklist established and deployed</li> <li>• Supplier Relationship Review impact</li> <li>• KPIs delivery</li> <li>• Added value (rebates gained etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Need to record and monitor cost avoidance from improved contract management - work in progress.</li> </ul>



Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 <sup>th</sup> October 2016
	Partnering and Collaboration	?	<p>Development of an LCR Procurement ‘virtual hub’ where partners will work together in a more structured and planned way to secure economies of scale through procuring together as contracts expire.</p> <p>This is a pilot project and will provide evidence of how the concept delivers in order to consider a shared service relationship in the future.</p> <p>The basis of commencement is to ensure:</p> <ul style="list-style-type: none"> <li>• Achievement of savings and benefits</li> <li>• Deliver economies of scale</li> <li>• Maximise opportunities</li> <li>• Secure performance</li> <li>• Provide functional resilience</li> </ul> <p>Which include the consideration of:</p> <ul style="list-style-type: none"> <li>• Full category management</li> <li>• An overarching strategy</li> <li>• Clear defined targets</li> <li>• Formal agreement between partners</li> <li>• Commitment to ‘one way’ processes and practices</li> </ul> <p>Wider consideration needs to include:</p> <ul style="list-style-type: none"> <li>• SME and VCSE engagement</li> <li>• Contract award to LCR</li> <li>• Social Value gains in LCR</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborative activities</li> <li>• Savings</li> <li>• Process Efficiencies</li> <li>• SME, VCSE engagement</li> <li>• Social Value gains</li> <li>• KPIs/Targets to be set by the project board.</li> </ul>	<ul style="list-style-type: none"> <li>• Halton’s Head of Procurement nominated as project lead.</li> <li>• Support provided from Halton’s Procurement Team.</li> <li>• Project group formed from all partner organisations</li> <li>• Contract data collated across 6 partners via the Chest.</li> <li>• Cleansing activity undertaken to reduce contract data set to: <ul style="list-style-type: none"> <li>- contracts expiring during 2017</li> <li>- categories of spend reduced from 158 to 82</li> <li>- resulting cleansed value £296m</li> <li>- 339 individual contracts Net steps;</li> </ul> </li> <li>• Selection of 6 pilot categories to procure collaboratively</li> <li>• Social Value assessed across the 6 partners to try and establish a ‘one way’ approach across LCR</li> </ul>

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 <sup>th</sup> October 2016
	Performance monitoring and Transparency		<ul style="list-style-type: none"> <li>• Effective by sharing commercial and performance data</li> <li>• Compliance with the Transparency code</li> <li>• Built in risk and evaluation assessment</li> <li>• Open up markets for local, SMEs and VCSE's to run services or manage assets</li> </ul>	<ul style="list-style-type: none"> <li>• Compliant with Transparency Code</li> <li>• Commitment to all spend via Chest above £1K</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented and being maintained</li> </ul>
	Demand Management		<ul style="list-style-type: none"> <li>• Reduce overall costs</li> <li>• Reduce oversupply</li> <li>• Supply and demand – relevant and proportionate</li> </ul>	<ul style="list-style-type: none"> <li>• All procurement via procurement team over £1K and Chest.</li> <li>• Procurement part of the commissioning process.</li> <li>• Category management in place to allow review and scrutiny of spend across the whole Council</li> </ul>	<ul style="list-style-type: none"> <li>• Visibility of spend, scrutiny, challenge and control maintained.</li> </ul>
	Risk Management		<ul style="list-style-type: none"> <li>• Identify and reduce fraudulent procurement practices (pre and post procurement and through supply chain)</li> <li>• Pre procurement controls</li> <li>• Post procurement (contract management)</li> <li>• Supplier relationships</li> <li>• Supply chain</li> </ul>	<p>All procurement over £1K go via the procurement team and Chest.</p> <ul style="list-style-type: none"> <li>• 'Funnel' – captures orders without a contract to allow intervention.</li> <li>• Segregation of role from commissioners/buyers</li> <li>• Review to check spend is as procured</li> <li>• Contract register linked to Agresso</li> <li>• New supplier setup managed by Procurement Team</li> <li>• Accounting codes tied to contracted suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented and being maintained.</li> </ul>

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 <sup>th</sup> October 2016
Supporting Local Economies	Improving access for SME's and VCSE's		<ul style="list-style-type: none"> <li>• Chest registration</li> <li>• Transparency of opportunity</li> <li>• Innovation</li> <li>• Supply chains</li> <li>• KPI monitoring via contract management</li> </ul>	<ul style="list-style-type: none"> <li>• Chest registration: Currently 875 local business registered (279 in July 2011)</li> <li>• SME's with a contract 2014/15: 87%</li> <li>• SMEs with a contract 2015/16: 87%</li> <li>• Halton local spend – 13/14 20% and 25% 15/16.</li> </ul>	<ul style="list-style-type: none"> <li>• Chest Registration - Chest system upgrade at the time of reporting therefore no data available for this report.</li> </ul> <p>Due to be reported June 2017 (12 month statistic):</p> <ul style="list-style-type: none"> <li>• SMEs with a contract 16/17.</li> <li>• Halton local spend 16/17.</li> </ul>
	Economic, Environmental and social value criteria in all contracts		<ul style="list-style-type: none"> <li>• Drive into all procurement where appropriate and proportionate.</li> <li>• Ensure SV features as part of the selection and award criteria.</li> <li>• Contract Management function to capture outcomes.</li> </ul>	<p>Measures as at March 2016. Planned activity:</p> <ul style="list-style-type: none"> <li>• Training for BEB 2016</li> <li>• Further training across the Council 2016</li> <li>• Apply SV to all procurement where appropriate and in a proportionate manner.</li> <li>• Capture a sample of SV gains.</li> <li>• Develop metrics to convert the SV gains/£</li> </ul>	<ul style="list-style-type: none"> <li>• See Appendix 2 for Social Value opportunities and achievements</li> <li>• Training for BEB 23<sup>rd</sup> November 2016.</li> </ul>
Leadership	Commitment from the top		Councillor Champion Driver to implement Policy	<ul style="list-style-type: none"> <li>• In place (Cllr Wharton – Resources Portfolio Holder)</li> <li>• Reporting to BEB Bi-Annually.</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> <li>• Bi-Annual reporting to BEB</li> </ul>

Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 <sup>th</sup> October 2016
	Commissioning	✓	Procurement and Commissioners working adopting aligned practices	<ul style="list-style-type: none"> <li>Procurement seen as part of the commissioning process</li> </ul>	<ul style="list-style-type: none"> <li>Relationships developed</li> </ul>
Modernising Procurement	Commercialisation and Income Generation	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="background-color: #90EE90; border: 1px solid black; padding: 2px; margin-bottom: 2px;">✓</div> <div style="background-color: #FFFF00; border: 1px solid black; padding: 2px;">?</div> </div>	<ul style="list-style-type: none"> <li>Commercial training for officers.</li> <li>Realise benefits from all funding streams.</li> <li>Income generation from contracts.</li> </ul>	<ul style="list-style-type: none"> <li>Category management drives aggregation and allows us to maximise benefits from all funding streams – more regional collaborative procurement with partners will enable this on an LCR 'footprint'</li> <li>Contracts are continuing to be 'commercialised' and gains captured and monitored as part of the contract management function. E.g. rebates/ shared gains with partners or contractor. Work in progress.</li> </ul>	<ul style="list-style-type: none"> <li>Training scope being developed (LGA/YPO) – No further information to date?</li> <li>Example gains from contract management to be reported - reporting/collating of data not yet in place. (Category Managers work in progress).</li> </ul>
	Supplier Innovation	?	<ul style="list-style-type: none"> <li>Use more outcome based specifications to allow innovation.</li> <li>Pre-procurement market engagement</li> </ul>	<ul style="list-style-type: none"> <li>A relatively new concept and one which is being developed where appropriate.</li> <li>Deliver more market engagement at the pre procurement stage.</li> <li>Monitor the impact and gains from this in terms of VFM (price and quality)</li> <li>Report SV gains.</li> </ul>	<ul style="list-style-type: none"> <li>Impact and measurement of gains recording method not yet in place. Early stages of development.</li> </ul>



Key Areas	Sub Areas	Progress	LGA Recommendation and/or HBC Approach:	Planned Actions	Progress as at 30 <sup>th</sup> October 2016
	e-Procurement		<ul style="list-style-type: none"> <li>• Chest use – open competition</li> <li>• E-invoicing – scan and data capture</li> <li>• Improving early payment options – accelerated payments</li> <li>• Information access – audit trail</li> <li>• Improving cash-flow for suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• We push all spend above £1K through the Chest. We actively encourage and support registration.</li> <li>• We offer e-invoicing through the contract.</li> <li>• Halton has an Early Payment Scheme in place</li> </ul>	<ul style="list-style-type: none"> <li>• On-going</li> </ul>
	New EU Directives (2015)		Ensure the application of PCRs2015 make processes quicker, simpler and less costly to run.	<p>Full compliance in place.</p> <ul style="list-style-type: none"> <li>• Training across the Council planned May 2016.</li> </ul> <p>Our processes in Halton BC were streamlined ahead of the PCR 2015. Two ways of working – above EU and below (Risk Based sourcing). Efficiencies have been significantly delivered to date and can be evidenced by the reduction in head-count in the procurement division.</p>	<ul style="list-style-type: none"> <li>• Deliver training – across the Council to bespoke groups.</li> <li>• Circulated email updates to all HBC on PCRs 2015.</li> </ul>

## Appendix 2

### Procurement Opportunities Containing Social Value

	Contract	Above EU	Below EU	Annual Value £*	Contract Term	Local Provider	SME	Social Value Weighting
1	Property Consultancy	✓		350,000	3+1		✓	3.0%
2	Security Services (1) <i>terminated to be replaced with 21</i>	✓		750,000	3+1	✓		1.8%
3	Specialist Youth Treatment Services	✓		195,000	2+3			5.0%
4	Floating Support Services	✓		400,000	5		✓	4.0%
5	Housing Support Service for Single Homeless People Brennan Lodge (1) <i>terminated to be replaced with 20</i>	✓		224,000	3+1+1			4.0%
6	Corporate Print and Design Services	✓		60,000	2+2			5.0%
7	Supported Accommodation for Vulnerable Adults <i>(Framework there will be several providers)</i>	✓		4,500,000	3+1			5.0%
8	Youth Provision	✓		950,000	3+2			5.0%
9	Housing Related Support for Grangeway Court	✓		800,000	5		✓	8.0%
10	Housing Related Support for Halton Lodge YMCA	✓		1,400,000	2+1+1		✓	8.0%
11	School Nursing Service	✓		1,000,000	4			4.0%
12	Level 3 Healthy Weight Management Services	✓		200,000	3+2			5.0%
13	Early Help, Employment, Debt and Benefits Advice Service		✓	66,000	3.5	✓	✓	20.0%
14	Specialist Substance Misuse Service for Adults	✓		1,500,000	4			4.0%
15	Domestic Abuse Service for Children and their Families	✓		160,000	1+1+1			5.0%
16	U8 Play Services for Disabled Children		✓	8,500	1	✓	✓	10.0%
17	Property Term Maintenance Lot 1 Lot 2 Lot 3	✓		1,630,000 180,000 800,000 650,000	3+1			2.0% 2.0% 2.0%
18	SEND Mediation, Disagreement and Resolution Services		✓	15,000	2		✓	5.0%
19	Group Mindfulness Life Coaching		✓	40,000	1		✓	10.0%
20	Housing Related Support Brennan Lodge (2)	✓		325,102	2+2			4.0%
21	Security Services (2)	✓		465,000	3+1			2.0%
22	SLT (Communication)	✓						
23	Waste Reception (10 Lots)	✓		500,000	2+2			5.0%
24	Children's Rights and Advocacy and Independent Visitors	✓						
	<b>Average Weighting</b>							<b>6.0%</b>

\*Indicative Values      Note items 21-24 - tenders/opportunities currently progressing

## SOCIAL VALUE ACHIEVEMENTS

Indicators	Nov-15	Jan-16	Apr-16	Jul-16	Totals
Work Placements created including Social Work	6	14	5	5	<b>30</b>
Employment opportunities created and or secured	13	25	14	25	<b>77</b>
Work Placement days	232	65	54	48	<b>399</b>
Apprenticeship Opportunities		2	1	1	<b>4</b>
Sponsorships provided in the Borough		6	1	***	<b>7</b>
Individuals with disabilities securing employment	0	2	1	***	<b>3</b>
Welfare Rights surgeries provided	15	15	0		<b>30</b>
Young people receiving First Aid Training	37	22	61	59	<b>179</b>
Young people recruited into service providers	8	0	0	0	<b>8</b>
Local businesses providing either work experience, legal advice and or customer services training		8	12	*	<b>20</b>
Volunteers in recovery providing support to schools		15	18	4	<b>37</b>
Activity programmes including lifestyle, housekeeping and service user participation		41	54	*	<b>95</b>
Volunteer befrienders trained		4	5	*	<b>9</b>
Additional Income secured for Halton Floating Support Service Users	£73,583	£44,240	£30,848	£25,136	<b>£173,807</b>
Money deployed for Halton service users from a providers Emergency Fund	£465	£336	£135	£0	<b>£936</b>
Service users benefiting from a providers Emergency Fund	11	87	4	0	<b>102</b>
Investment Pledge for Halton Communities		£3,007.00	£3,508.89	***	<b>£6,515.89</b>
Winter Warmth Packs provided**		45			<b>45</b>
Christmas Packs provided**		37			<b>37</b>
Organised Community Events**		1			<b>1</b>

<b>Indicators</b>	<b>Nov-15</b>	<b>Jan-16</b>	<b>Apr-16</b>	<b>Jul-16</b>	<b>Totals</b>
Local schools supported with careers advice and mock interviews	4	0	0	***	4
Senior staff management hours donated to support local community groups and partnerships		91	72	65	228
Volunteering opportunities created for parents with young children to increase employability		2	2	3	7
"Shopping on a Healthier Budget" sessions provided		4	3	2	9
Additional income secured for Halton families to help reduce child poverty		£78,006	£57,760	£45,000	£180,766
NEW - local community venues being utilised by providers				1 (8 times)	8
NEW - Volunteers created and trained				4	4
NEW - safe storage of medicines lock boxes provided to local residents				41	41
NEW - Volunteer health champions recruited and trained to provide peer support				2	2

\*\* Seasonal only

\* Contract Terminated

\*\*\* Outstanding reports