

Procurement and Commissioning Strategy 2018

Background and Context

The Herefordshire Council vision is that people, organisations and businesses working together to bring sustainable prosperity and well-being for all, in the outstanding natural environment of Herefordshire. To support this vision, the council aim to be an ***“Innovative, agile commissioning organisation that secures better outcomes by commissioning the right services from the right provider, at the right time and at the right price”***.

Herefordshire Council needs to constantly strive to identify and implement effective and efficient ways to deliver its corporate plan priorities to:

- Enable residents to live safe, healthy and independent lives
- Keep children and young people safe and give them a great start in life
- Support the growth of our economy
- Secure better services, quality of life and value for money

The strategy focuses on meeting local needs and delivering value for money. It sets out how the council will provide and arrange innovative and flexible, quality goods and services that are responsive to the needs of communities and deliver optimum value for money. The outcomes we are aiming to achieve are:

- To create the maximum benefit from public money
- To achieve cost savings through the use of shared services, outsourcing opportunities and a reduction in the use of consultants
- Delivery of value-for-money services with a modern diverse workforce.
- To demonstrate how we have considered economic, social and environmental wellbeing in the provision of our services.

Success of this strategy will depend on the effective underpinning of the following key principles and behaviours:

- Support the council’s aim to be a strategic commissioning organisation
- Member and officer commitment to excellent commissioning and procurement practice
- Help align commissioning, decommissioning and procurement strategies across all service areas and promote this as a driver for transformational change
- Recognition council-wide of the role of strategic procurement and commissioning in delivering improvement and efficiency
- Put the needs and talents of service users, residents and community groups at the heart of its decision making
- Encourage long term and collaborative service planning of commissioning, decommissioning and procurement of projects
- Promote market development and market shaping to meet the future needs of the council
- Positively contribute to delivering value-for-money and efficiency improvements through procurement of excellent and cost effective services, giving consideration to how wider social, economic and environmental benefits can be secured.
- Drive value for money through the life of contracts by effective service planning, robust contract monitoring and management, and timely preparation for new procurement and re-procurement and co-production activity.
- Support from key internal functions throughout the procurement and commissioning cycle, e.g. legal services
- Resourcing and prioritisation of projects by client services/directorates
- Improved project management of projects
- Embed forward planning by directorates and service areas

- Effective balancing of policy objectives and cost reduction targets
- Achievement of public sector equality duty by using purchasing power as a way to advance equality and, where appropriate, achieve wider social benefits, such as creating training or employment opportunities
- Be flexible in using innovation and best practice, including the appropriate use of new technology and improved business processes, to achieve value-for-money.

What is procurement and commissioning?

Commissioning and procurement are the processes for deciding how to use the total resources available in order to improve outcomes and purchase goods and services in the most efficient, effective, equitable and sustainable way.

“Procurement is the process of acquiring, goods, works and services, covering both acquisition from third parties and in-house providers. The process spans the whole cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical ‘make or buy’ decision which may result in the provision of services in-house in appropriate circumstances”. (Source: National Procurement Strategy for Local Government).

The word commissioning means different things to different people. It is therefore important to state clearly the definition of commissioning as used within this strategy and accepted throughout Herefordshire Council.

“Commissioning is the process to meet local need which involves both specifying and securing good quality provision. The services must be cost effective and provide value for money. Commissioning includes monitoring and evaluating services provided in order to ascertain their impact on improvement, and applies to all services within Herefordshire Council”.

Setting out and agreeing the commissioning approach is particularly important for joint working with partners and sectors of the community with whom the council work. Herefordshire’s ambition is to identify providers that can assist with transformation and securing services at better value. Therefore, the council will:

- Employ a mixed economy of service provision ensuring use of the most appropriate delivery vehicle, whether in-house, third sector, private sector or public partnership
- Develop supply markets to meet changing demand which also supports a vibrant Herefordshire economy
- Develop and align combined Commissioning and Decommissioning plans for all directorates which will confirm the commissioning intentions and required outcomes
- Maximise opportunities for efficiencies through increased collaboration
- Ensure all commissioning decisions are based on clear evidence of local need
- Use evidence of best practice and innovation in service delivery
- Develop capability and capacity to commission strategically
- Commission in partnership where this secures joint measurable outcomes
- Ensure commissioned services are effective and provide value for money
- Work to ensure a consistent commissioning approach develops across all commissioning teams

The council will explore “co-production” as part of the commissioning strategy. Co-production is where individuals such as “service users” influence the support and services they receive, or where groups of people get together to influence the way that services are designed, commissioned and delivered. It should also be used to determine individuals’ resources and strengths (as well as their needs) and how we might

harness those. Making sustainable savings means transforming services to make them more effective. This will only be achieved by engaging with service users and the groups that already have a close understanding of their needs and aspirations.

The commissioning cycle



Why is procurement and commissioning important?

“Procurement and commissioning is more than just obtaining the lowest possible price. It means making decisions that deliver the optimum value for money. As all departments depend on external organisations to provide goods, works, and services, it is important to maintain a clear strategy for selecting, receiving and managing these resources. By ensuring that public funds are spent appropriately and deliver value for money, the procurement and commissioning teams can assist the council in achieving a balanced budget”. Supporting Local Economies-Delivering Localism and Social Value

The Public Services (Social Value) Act 2012 came into effect on 31 January 2013. The purpose of the act is to require public authorities to have regard for economic, social and environmental wellbeing in connection with public services contracts and for connected purposes. Current Best Value statutory guidance already states that councils should consider these areas when considering overall value. Compliance with the duty

to secure best value under the Local Government Act 1999 now aligns with the requirements under the 2012 Act, irrespective of contract value or type of contract.

Councils are now required to consider, prior to undertaking the procurement process, how any service provision might improve the economic, social and environmental wellbeing of their areas. This applies to any services (whether or not covered by the Public Contracts Regulations 2015) as well as to the procurement of goods and public works. Councils must also consider how they can secure such improvements as part of the procurement process.

This is a far reaching act with no prescriptive way of measuring social value, therefore, to ensure an approach is consistent and appropriate, guidance will be provided for all commissioners detailing how social value will be built into the procurement process for relevant commissioned services provision including guidance for officers on how to include economic, social and environmental factors. The council is aware that social value can be delivered by all potential suppliers and providers and will engage with all sectors in the most appropriate way.

Procurement Aims

The council believes that the development of this strategy is a fundamental building block in its ambition to become an expert commissioner, with seven high level procurement and commissioning aims:

Procurement aim one – be an expert commissioner. Further develop processes and procedures that define the council's approach to commissioning and how social value will be measured. Being an expert commissioner will involve a continued cultural shift enabling better and new ways of working with the local communities, partner and service providers and will require commissioners to:

- ➔ Understand and challenge needs and priorities
- ➔ Challenge existing service models
- ➔ Decommission services if needed
- ➔ Focus on outcomes
- ➔ Commission in partnership
- ➔ Promote sustainable and responsible procurement
- ➔ Develop and shape a robust, innovative supply market.

To support this the council will establish a market development programme which through market analysis, engagement and development will develop key relationships with suppliers, service users, residents, volunteers, community groups, and other key partners, that are mutually beneficial, flexible, innovative and based on continuous improvement and financial savings. To meet these aims the council will continue to work with key partners and support organisations such as the Chamber of Commerce, Federation for Small Business, Herefordshire Association of Local Councils (HALC), voluntary sector support organisations, etc.

Main actions – Further develop processes and procedures that define the councils approach to commissioning and how social value will be measured.

- Develop the council's approach to commissioning to ensure consistency across services
- Develop a deep understanding of key markets
- Develop key strategies to engage and shape the market
- Work in partnership with suppliers and other stakeholders to implement strategies
- Provide commissioning guidance to address the challenges linked direct payments to individuals and level of support the council can provide
- Building sustainability in the voluntary, community and social enterprise sectors
- Commissioning plans to include review of alternative delivery and options appraisal evidencing that the chosen model best meets local needs and ensures value for money
- Undertaken timely procurement activity using the forward plan to help inform procurement priorities and resource planning.

Procurement aim two - efficient and effective procurement. Ensuring the council achieves maximum value from every pound that is spent through best value and innovative procurement practice; a consistent approach to commissioning; a clearly identified and practised savings strategy and the continued implementation of a category management approach to procurement.

Main actions – Be flexible in using innovation and best practice, including the appropriate use of new technology and improved business processes, to achieve value for money:

- Maximum use of the council has established an eProcurement solution that provides a one-stop-shop for advertising and managing the council's tender opportunities. This will provide greater visibility of council business and reduced transaction costs.
- As the council operates in an increasingly complex environment with a mixture of delivery options, it is essential that it acts as an 'Intelligent Client'. To support this, the council will implement a single approach to contract management and supplier relationship management across the organisation to maximize benefits realisation from its contractual arrangements. In taking a common principles approach to contract and supplier management the council will build greater knowledge and resilience to contract management across the authority.
- Improved use of the council's financial systems will enable the council to analyse its procurement spend to help develop Category Strategies, identify savings opportunities and monitor contract compliance. Each procurement and commissioning team will undertake spend analysis to ensure that all goods/services deliver value for money.
- The council will maintain a robust Contracts Register which will support contract management and inform the council's timely undertaking of procurement activity and help inform procurement priorities and resource planning.

Procurement aim three - training and development. The key to effective procurement is to have staff that are suitably trained and appropriately qualified. The expertise needed will clearly depend on the level and complexity of the procurement activity being carried out. The council has embedded arrangements for personal development and performance review (PPDP). These regular discussions between employees and their manager consider individual performance against agreed objectives. Procurement training and development needs will be reviewed, as appropriate, and an individual personal development plan will be developed.

Main actions – To ensure there is a structured and responsive approach to training and development for all officers with procurement responsibilities across the council

- Support procurement staff to study Chartered Institute of Procurement and Supply qualifications (CIPS) where appropriate
- Maintain and support procurement and commercial training for council staff with any procurement or commissioning responsibilities
- Undertake e-tender portal training and roll out all modules of the eProcurement software.

Procurement aim four - improvement. Seeking new ways to develop and improve the council's procurement and commissioning activities, and exploring how those activities can deliver the council's wider ambitions, including working with partners and other sectors to develop strong operational practices.

It is recognised that activities of the council have an effect on the society in which it work, and that developments in society affect ability to work successfully. The council are committed to achieving environmental, social and economic aims that tackle these effects.

Main actions – Seeking new ways to develop and improve the council's procurement and commissioning activities, and exploring how those activities can deliver the council's wider ambitions.

- Support the council's priority to secure better services, quality of life and value for money by promoting the use of local goods and services within the parameters of procurement legislation
- Review the structure of procurement and commissioning within Herefordshire Council to create efficiencies, maximise synergy and ensure consistency of practice.
- Recruit, retain and motivate high quality staff, ensuring that they are trained and developed so as to maximise their ability and performance.
- Be open, transparent and accountable regarding performance.
- Work in partnership to make better use of resources, including sharing premise costs through co-location of services and local solutions for community used facilities such as libraries.
- Consider opportunities to develop projects that can generate income for the council

Procurement aim five - supplier and contract management. The Council will develop and implement a single, common framework approach to contract management. The responsibility for undertaking contract management will rest with individual contract owners within each service area. Through the contract award process and subsequent contract monitoring and management the council will embed mechanisms to constantly review the scope of delivery and the outcomes sought in order to ensure the council is flexible and agile to meet the changes needs of its residents and service groups. The overall governance of the council's contract management practices will include:

- ➔ Overall monitoring and risk reporting of suppliers and contract management, in particular for the council's most critical external supply relationships
- ➔ Maintenance of a central contract and supplier register
- ➔ Provision of strategic and commercial advice to service areas in relation to contract or supplier relationship management.

Furthermore to secure increasing value through its contracts, the council will embed requirements for providers to drive increased efficiencies and savings through continuous improvement that results in reduced contract rates and costs; getting more value for the same amount of money is as good a way of raising efficiency as saving money. This may be through share gain mechanism or total savings delivered back to the council.

The council recognise that engaging with and understanding the market are important arrangements in managing a mixed range of suppliers. Performance, efficiency and value for money can be improved through a diverse and competitive supply chain.

Procurement legislation does not allow the council to favour small or local businesses over others, however, the council will work to develop the approach to building stronger relationships with local businesses and suppliers and look to develop the e-procurement portal to enable quick quotes from the registered supply base which includes local suppliers.

Main actions – To spend public funds wisely and to develop strategic supplier relationships, through:

- Undertake annual spend analysis allowing
- development of supplier relationships and supplier rationalisation
- Review long term contracts on a risk basis to ensure the best commercial terms are being received
- Review contract performance management toolkit
- Develop the approach to, and engagement with, local businesses and suppliers
- Establish a 'quick quote' system via the e-portal.

Procurement aim six - governance and sustainability. Ensuring the council has appropriate and proportionate controls, systems and standards to manage the procurement timetable, risk, information governance, and to comply with legal requirements. Procurement activities will be carried out within the context of:

- EU Public Procurement Regulations – as a current member of the European Union, the UK is subject to the EU Public Procurement Regulations. They set out procedures for the tendering, evaluation and award of contracts for works, services and supplies
- Financial procedure rules – aim to ensure that the council manages its affairs with high standards of financial integrity and accountability and have an appropriate balance between sensible caution, creativity and innovation as well as meeting statutory duties
- Contract procedure rules – provide the legal and procedural framework for the procurement of works, goods and services. These form part of the council’s constitution
- Contract guidance - details the correct practice in implementing the councils contract procedure rules, compliance with other council strategies and best practice in relation to procurement arrangements
- Codes of Conduct – set out guidelines for employees and members to help maintain and improve standards and to protect them from misunderstanding and criticism. They cover areas such as personal interests and the separation of roles during tendering
- Equality and Diversity – to promote procurement practices and policies which contribute to priorities on equality and diversity by providing information on equality issues and making sure all tenders are treated equally. Equality policies show the council’s commitment to robust equalities recording and monitoring, and the advancement of equality of opportunity for all. This ensures full compliance with the Equality Act 2010
- Information Governance - ensures the council and its contractors comply with the relevant information and data governance policies and standards, including the data protection act.

Main actions - To will ensure that suitable controls are in place to maintain a consistent high standards whilst continuing to manage our risks and opportunities.

- Carry out a review of all procurement and commissioning policies and procedures which will include the council’s contracting rules
- Ensure there is effective risk management of major contracts by identifying risks at the earliest stage
- Be transparent over full costs of the contract, including agreement over financial benefits such as property arrangements
- Ensure compliance with the council’s procurement and governance standards, controls and procedures through a cyclical programme of Internal Audit work.
- Regular value for money reviews of all major contracts.

Procurement aim seven - working with other councils, public and third sector organisations.

Collaboration can result in increased performance and cost effectiveness. The council will identify and promote the use of framework agreements where appropriate to reduce the amount of work needed by the procurement and commissioning teams. A framework agreement is “an agreement or other arrangement between one or more contracting authorities (e.g. councils) and one or more economic operators (e.g. provider) which establishes the terms (in particular the terms as to price and, where appropriate, quantity) under which the economic operator will enter into one or more contracts with a contracting authority in the period during which the framework agreement applies”. The council uses frameworks regionally to procure social care and nationally for areas such as ICT. We will encourage the council's supply chain in joining other markets such as the Government Procurement Service e-marketplace and buying consortium frameworks.

Main actions – We will collaborate with a range of organisations to meet joint agendas and combine spend leading to improved value for money and more efficient working.

- Research and use appropriate government and other frameworks to minimise the use of resources and to achieve value for money
- Work in partnership with other local authorities or appropriate organisations to develop bespoke frameworks where existing frameworks do not exist or meet requirements.