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| MEETING: | CABINET |
| DATE: | 22 JULY 2010 |
| TITLE OF REPORT: | JOINT COMMERCIAL STRATEGY |
| PORTFOLIO AREA: | CORPORATE & CUSTOMER SERVICES AND HUMAN RESOURCES |

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To invite Cabinet to consider a Joint Commercial Strategy for Herefordshire Public Services (HPS).

Key Decision

This is not a Key Decision:

Recommendation

THAT Cabinet: Recommends the approval of the Joint Commercial Strategy for Herefordshire Public Services

Key Points Summary

- Procurement in various forms is taking place across the Partnership in many areas, but there is no overall strategy for this, or co-ordination of effort. To address this, a Joint Procurement Strategy was commissioned and it has been agreed to establish a Procurement Centre of Expertise as part of the Shared Services Programme
- The proposal is that we agree a *Joint Commercial Strategy* for HPS, which is broader than the traditional and narrower view of Procurement. This will enable a focus on all aspects of the Commissioning Cycle. A draft Commercial Strategy, produced by our interim consultant, Steve Carter, is attached. This has been produced following many interviews with employees and senior managers involved in commissioning and procurement across the Council, NHSH and Hereford Hospitals Trust (HHT). It has also been agreed by the Joint Management Team for submission to Cabinet and NHS Herefordshire Board
- The Strategy will form part of the HPS Transformation Programme, supporting delivery of the work streams on *Streamlining the Business* and *Better Services*. It will also support our Efficiency Programme and savings targets, where the need for additional commercial skills is emerging as a high priority

Further information on the subject of this report is available from
Dean Taylor, Deputy Chief Executive on (01432) 261855

- The Strategy is clear that there is a substantial opportunity to achieve savings and service improvements from our Third Party Spend by adopting a different approach to how we commission, procure and contract manage. In short, a more commercial approach that focuses on market development, supplier relationships and constant challenge about the value we are achieving from external spend
- To drive delivery and provide essential commercial expertise, we need to establish a corporate hub (Centre of Expertise or similar). However, it is clear that we do not currently have the commercial expertise in house to deliver the Commercial Strategy (particularly the early and intense work on delivering savings). We will buy in interim skills and knowledge on a return on investment basis. The interim resource will also be tasked with establishing the Centre of Expertise, bringing people together and ensuring knowledge transfer so we can be self sufficient in the medium term
- We will produce robust Business Cases for each Category of spend; including resources required and benefits realisation. Strong and effective programme governance and reporting arrangements will be put in place to underpin successful delivery. To support the change, a cross service Commercial Board will be established to own the delivery of the agreed programme of activity
- Finally, introducing new commercial approach will challenge existing ways of working and long held professional beliefs about how we commission and procure services and commodities – this will need leadership across HPS to ensure that the changes required are supported by senior managers across the organisation

Alternative Options

- 1 We can adopt a different Commercial Strategy and different priorities. It is not considered however that we do not agree a Commercial Strategy at all, given the significant opportunities that exist for savings and service improvements.

Reasons for Recommendations

- 2 HPS needs to agree a Commercial Strategy as part of our overall Transformation Programme. This will provide the framework for us to implement core processes and capabilities in the areas of: defining our requirements, category management, supplier relationship, market development, contract negotiation and contract management. Implementation will enable HPS to reduce third party spend and deliver better outcomes for our residents.

Introduction and Background

3. This report invites Cabinet to agree a Commercial Strategy for Herefordshire Public Services. The Strategy has been produced by Steve Carter, an interim Procurement Specialist, who has been working with HPS for the past three months. It builds on an initial Joint Procurement Strategy produced earlier this year. The strategy has also been produced for HHT, who are considering their engagement in this and the proposed Centre of Expertise.

Key Considerations

- 4 The draft Commercial Strategy is attached. The key recommendations in the Strategy are:
 - *To adopt the Commercial Strategy as the basis of the future approach across HPS (and HHT subject to their engagement) to managing all commercial activity and third party spend*

- *The remit of the Procurement Centre of Expertise be expanded to include all commercial matters and be renamed the Commercial Centre of Expertise;*
- *The basis for achieving HPS commercial objectives be an effective combination of category and commercial management, a supplier relationship management programme and enhanced contract management;*
- *All Commissioning activity be required to adopt and integrate with Centre of Expertise processes and ways of working;*
- *The Centre of Expertise to be the custodians of all commercial processes; and*
- *The Centre of Expertise to work with Commissioners and local Procurement to set commercial strategy, set commercial targets and monitor HPS-wide achievement of those targets*

Community Impact

- 5 HPS spends significant sums of money with local suppliers. The Commercial Strategy will help us to develop existing relationships and to develop new market opportunities for services within Herefordshire. A key principle is that we need to ensure that our commissioning requirements for services and commodities are informed by appropriate customer and community engagement. This follows best practice commissioning principles, including those set out in World Class Commissioning.

Financial Implications

- 6 It is estimated that we spend £440m per year across the three organisations on third party spend. The Strategy sets out an opportunity to save between £3-5m over the next two years. Business Cases setting out the full costs and benefits of each Category of Spend will be required. The cost of setting up the Centre of Expertise will be assessed. This will be based upon bringing together existing resources and people engaged in this activity and augmenting this with time limited external support. Costs will be from existing budgets, subject to additional external costs that will be met from the savings on a return on investment basis.

Legal Implications

- 7 None.

Risk Management

- 8 Risk Registers will be put in place for the Commercial Strategy and for each project.

Consultees

- 9 Managers across Herefordshire Public Services and Hereford Hospitals Trust; the Joint Management Team.

Appendices

- Appendix 1: Joint Commercial Strategy

Background Papers

None.