



Commissioning & Commercial Strategy

2013-2016

V 3.1

04/Mar/2013

CONTENTS:	Page
• Foreword.....	3
• Glossary of Terms.....	4
 SECTION A – VISION	
• Herefordshire Commissioning Vision.....	5
• Introduction.....	5
• Purpose.....	5
• Commissioning Principles & Hallmarks.....	6
• Commercial Landscape.....	7
 SECTION B – COMMISSIONING, PROCUREMENT & CONTRACT MANAGEMENT	
• Strategic Commissioning.....	7
• Strategic Procurement.....	10
• Contract Management & Supplier Relationship Management.....	14
• Savings Policy & Benefits Realisation.....	15
• Sustainable Procurement.....	16
• Income, Charging and Traded Services.....	17
• Legal and Statutory Obligations.....	17
 SECTION C – COMMERCIAL ROLES	
• The role of the Commissioning & Commercial Board.....	18
• The role of Commercial Services.....	19
 SECTION D – DELIVERY PLAN	
• Strategic Commissioning Delivery Plan.....	21
• Commercial Delivery Plan.....	23

Foreword

Herefordshire Council faces unprecedented financial challenges as a result of reducing budgets and increasing demand; it therefore, needs to constantly strive to identify and implement more effective and efficient ways to deliver better outcomes for its residents and users of services whilst also seeking to maximise opportunities to support the local economy.

To support this objective the Council has set the vision to become a **Commissioning Organisation** that regularly challenges the services it provides and the delivery vehicles used to provide them.

The Council spends approximately £130m per year with external suppliers in revenue and capital expenditure and has the responsibility to use this money in the most effective way to achieve its objectives and desired outcomes.

This Commissioning and Commercial Strategy creates the framework in which the Council will work to turn its ambition into practice. This Strategy aims to;

- Support the Council's transition to be a strategic commissioning authority.
- Secure Member and Officer commitment to excellent Commissioning and Commercial practice.
- put the needs of service users, residents and community groups at the heart of its decision making;
- Help align commissioning, decommissioning and commercial strategies across all service areas and promote this as a driver for transformational change.
- Promote the Council as an enabler and commissioner of services that challenges existing methods of service delivery.
- Encourage long term service planning of commissioning, decommissioning and procurement projects.
- Promote market development & 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.
- Continue to drive value for money through the life of contacts by effective service planning and robust contract monitoring and management.
- Support the Council's objective to develop new service delivery models through engagement with parish councils and community groups.
- Promote responsible and sustainable procurement that balances and supports the Council's local economic, social, and environmental priorities

I look forward to the aims of this Strategy becoming embedded in our Organisation and thus, help develop a sustainable future for public services across Herefordshire.

.....
Councillor John Jarvis - Leader of the Council

Glossary of Terms

Commissioning and Decommissioning –the strategic planning process to decide how to use and prioritise the total resources available to deliver better outcomes in the most efficient, effective, equitable and sustainable way.

Commissioning Organisation – as defined in the Commissioning Vision in Section A

Commissioning Plans/Intentions – sets out the aims of the services, the outcomes sought, mechanism for delivery, i.e. in-house provision, contracted services, devolved responsibility.

Category Management - a strategic approach which groups together products and services that have similar supply chain characteristics into categories. These categories undergo regular commercial reviews to determine the categories' growth, structure, profitability, trends and future opportunities as a means of identifying ways to strategically manage or re-engineer the supply markets.

Contract Management - Contract management (and Supplier Relationship Management) is the on-going monitoring and management of contracts entered into with suppliers or partners for the provision of works, goods or services. It also includes the pursuit of increased benefits and value from supply arrangements by maximising leverage across multiple contracts, driving service improvement and exploiting innovation over the lifetime of the applicable contract(s).

Delivery Plans – the detailed document that sets out the specific projects required to meet the aims of the strategy and enables monitoring and management of those projects.

Expenditure / Spend - payment for goods, services or works. Expenditure can either be capital or revenue. Expenditure can be also result from a grant.

Outcome - the effect brought about by the work undertaken by the council and its partners

Procurement - It is the whole process of acquisition from third parties and covers goods, services and works projects. This process spans the whole life-cycle from the initial concept, and definition of business need through to the end of the useful life of an asset, or end of service contract and is generally covered by EU procurement regulations.

Sustainability - In the context of procurement, it is the process of purchasing goods and services that takes into account the social, economic and environmental impact that such purchasing has on people and communities whilst still achieving value for money.

Value for Money - The optimum combination of whole life costs and benefits to meet the customer's requirement.

Vulnerable People - a person (children, young people, adults) who is in receipt of, or may be in need of, community care services by reason of mental or other disability, age or illness and who or may be unable to take care of him or herself, or unable to protect him or herself against significant harm or exploitation

SECTION A – VISION

HEREFORDSHIRE COMMISSIONING VISION

It is Herefordshire Council's vision 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”*.

Introduction

The Council's Corporate Plan 2013-2015 includes the strategic priorities of **supporting residents to remain independent and lead fulfilling lives**, and also **create and maintain a successful economy**, the Council's Strategic Commissioning and Commercial activity is a key enabler to realise these priorities.

This strategy aims to ensure that the needs of residents, service users and community groups are at the very heart of the council's decision making and the services it provides. It also reinforces the Council's objective to deliver better outcomes through a mixed economy of in-house and external service provision including private business, voluntary sector and social enterprise.

The Council has established a Commissioning and Commercial Board which will support, challenge and facilitate the substantial organisational development required to realise these strategic objectives. In addition, through the development of a small core, strategic Commercial Services function the authority will use these specialist commercial resources to develop its commercial capability and capacity to drive improved commercial performance across the organisation. Furthermore, where feasible the council will seek to use its procurement spend to drive strategies that support the social, economic and environmental wellbeing of the county of Herefordshire.

Purpose

This Commissioning and Commercial Strategy is the definitive statement of how the Council will manage its Commissioning, Decommissioning and Commercial activity. It aims to:

- provide a framework to support all areas of the Council in adopting a consistent, comprehensive and robust approach to commissioning, decommissioning and commercial activity and encourage long-term strategic planning;
- ensure all commissioning decisions are based on local need;
- ensure that both commissioning and decommissioning strategies are aligned and robustly manage transition and changes to different service delivery models
- promote commissioning, procurement and contract management as a driver for the transformation of council services and encourages challenge of existing methods of service delivery;
- positively contribute to delivering efficiency and quality improvements through commissioning of excellent and cost effective services;

- set out how we will work with partners to develop our strategic commissioning and commercial approach across service groups.
- promote responsible procurement that supports the council's social, economic and environment aims, including strategies to maximise the use of local suppliers, embed the use of apprentices as a condition of contracts and incorporate supply chain management expectations on major contractors such as short payment terms to subcontractors, etc.
- provide transparency on the Council's commissioning and commercial strategy, objectives and its plans to achieve these;
- Provide clarity around what is meant by commissioning, procurement and contract management;

Commissioning Principles & Hallmarks

Our strategic commissioning **principles** are at the heart of how we do business and deliver services in the future. In implementing this strategy we will also display the following **Hallmarks** of a Commissioning Organisation.

KEY COMMISSIONING PRINCIPLES

- **Outcomes** - we will focus on **Commissioning for Outcomes** rather than commissioning of services
- **Monitoring** – we will apply a robust contract and supplier monitoring and management regime to ensure benefits realisation and maximise continuous improvement
- **Self-reliance** – we will work with residents, service users, volunteers and voluntary groups, community bodies, business and our partners to help people to be more self-reliant, devolve services and build stronger communities,
- **Local delivery** – we will focus on community engagement, service delivery and public access in our nine localities, working with parish councils, local businesses and the third sector.
- **Valued Services** – we prioritise services that deliver outcomes for a better Herefordshire and focuses on vulnerable groups

COMMISSIONING HALLMARKS

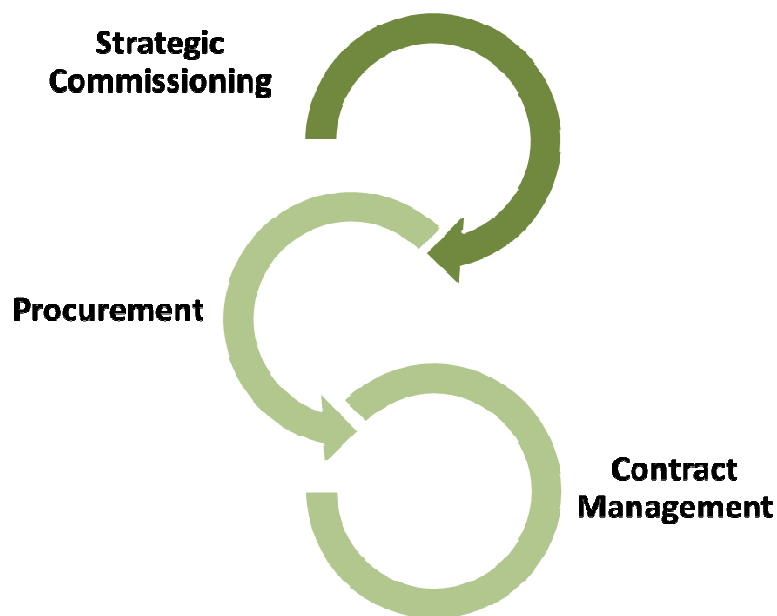
- We will employ a mixed economy of service provision ensuring use of the most appropriate delivery vehicle, whether in-house, third sector, private sector, public partnership.
- We will develop supply markets to meet changing demand which also supports a vibrant Herefordshire economy.
- We will develop and align combined Commissioning and Decommissioning plans for all Directorates which will confirm our commissioning intentions and required outcomes.
- We will maximise opportunities for efficiencies through increased collaboration
- We will ensure we base all our commissioning decisions on clear evidence of local need
- We will use evidence of best practice and innovation in service delivery
- We will develop our capability and capacity to commission strategically
- We will commission in partnership where this secures joint measurable outcomes
- We will ensure commissioned services are effective and provide value for money

The Commercial Landscape

This Strategy is designed to support the strategic objectives and aims of the Council and it requires the full and active support and engagement of Council Members and Senior Officers who will enable its delivery through clear prioritisation, policy alignment, effective governance and the resources and commitment to implement it.

This Strategy will be delivered in an increasingly complex commercial environment with the need to balance local, national and international regulation and diverse supply markets with the growing desire for localism and individual choice. The ambition is therefore to promote commercial agility and entrepreneurialism alongside appropriate governance, professionalism and responsibility.

SECTION B – COMMISSIONING, PROCUREMENT & CONTRACT MANAGEMENT



Strategic Commissioning

Commissioning and Decommissioning is the strategic planning process to decide how to use and prioritise the total resources available to deliver better outcomes in the most efficient, effective, equitable and sustainable way. This includes demand management, providing greater commercial (Make or Buy) challenge to both internal and external delivered services, exploiting innovation and maximising value through procurement activities.

It includes the Council’s strategic planning process used to identify and deliver its intended outcomes through either in-house or external delivery vehicles. The Commissioning of Outcomes represents a shift for the council and requires new and improved supply mechanisms to achieve intended objectives.

As detailed in diagram below (**Fig 2 – The Commissioning Cycle**) the Council will employ a structured approach to strategic commissioning.



Fig 2 – The Commissioning Cycle

In employing this structured approach to commissioning the following key elements will apply:

- Commissioning and Decommissioning strategies will be jointly developed and aligned
- all four (Analyse, Plan, Do, Review) areas of the cycle are equally important;
- the activities follow sequentially;
- commissioning informs the procurement cycle;
- the procurement experience, combining market and supplier analysis and category management informs the on-going development and delivery of the Commissioning Strategies;
- there is an on-going dialogue with people who use, receive or are affected by local authority services as well as providers and the third sector;
- there is an on-going dialogue with people who use, receive or are affected by local authority services as well as providers and the third sector;
- Commissioning strategies include intended outcomes which are these measured / evidenced
- Commissioning strategies support and are aligned with Council's priorities
- the impact & relationship on other services inside and outside the Council are understood

Commissioning Plans

Using the Commissioning Cycle the Council will develop clear Commissioning Plans which sets out the authorities commissioning intentions. To aid the strategic planning process in developing these intentions the Council will use a range of analysis tools such as the Commissioning Framework (Appendix A), Lean and systems thinking techniques.

It is the Council's objective to use Strategic Commissioning, Decommissioning and Commercial (incorporating Procurement and Contract Management) activities, to secure superior quality and cost outcomes. This requires the effective execution of the Council's strategies using external suppliers and supply markets as partners to deliver its outcomes objectives. With significant levels of the Council's budget spent with external third parties, it is essential that it has a high degree of commercial skill, capacity and capability across the entire organisation. A key role of Commercial Services is to facilitate this substantial organisational development by embedding a framework of commissioning and commercial skills and tools to empower those responsible for delivering service outcomes through optimising the most effective and efficient supply solutions.

This will mean commissioning strategies will include ambitious targets that enable the council to deliver:

- a slimmer Council with a lower core cost base
- increased efficiencies and cashable savings and a strong and sustainable pipeline
- common, consistent and effective contract management practice across the organisation
- increased support for local SME's and voluntary sector organisations
- development of alternative service delivery models including devolving responsibilities of some services to Parish Councils and community groups.
- increased collaboration with other partners to maximise opportunities for economies of scale and reduce duplication
- improved commercial capability across the organisation
- the authority's wider social, economic and environmental objectives
- improved procurement productivity and effectiveness

Market Engagement and Market Development

A key dependency for the council in meeting its strategic commissioning objectives is to 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 intends 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

There are three key strands to this engagement and the council aims to:

- 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

The council will establish a programme of market engagement including Soft Market Testing; Pre-Tender communication and consultation; How to Tender workshops; Supply Chain Subcontractor events, Meet the Buyer events, etc.

a) Understanding the market

Improved commissioning and procurement requires a good understanding of what the market can provide. Through soft market testing, analysis and research of supply markets the council will aim to develop a good understanding of capability and capacity issues and maintain a dialogue with potential providers, including organisations from the community and voluntary sector. This will be aided by the Council's category management approach to market engagement and supplier and contract management. Through market analysis the Council will develop Category Management strategies for the goods, services and works it procures. The use of recognised strategic procurement tools such as the 'Kraljic Matrix' will allow the council to identify and develop its sourcing and relationship strategies dependant on spend, risk, complexity etc.

b) Market shaping

Effective commissioning also involves working closely with key stakeholders to help shape and develop the supply market so that it is best able to meet current and future needs of the council and the service users it supports. These 'needs' may be identified as a result of a strategic needs assessment such as '*Understanding Herefordshire*', a change in legislative and statutory obligations, or as a result of an unforeseen demand change. The council will aim to increase supplier diversity to maximise a competitive market that can supply the authority, meet service user requirements and provide value for money. The Council will engage and interact with the market to understand capacity and capability challenges and triggers that encourage operators in the market to bid for work with the Council. At the same time we need to ensure that our relationship with suppliers is mutually productive and that goals are shared. To encourage increased market competition the Council may explore opportunities to stimulate markets by awarding some contracts through grant aid funding.

c) Implementing market strategies

It is a strategic objective of the council to work with the market to implement and develop supply strategies that builds on robust contract management and supplier relationship management to deliver better outcomes to services users. These supply strategies will include the development of innovative, sustainable supply partnerships with suppliers in the public, private, social enterprise and voluntary sectors.

To support this work the council will also engage with key partners such as HALC, the Chamber, HVOSS, etc and may involve pump priming pilot projects or grant aid to stimulate markets and build greater capacity and capability that delivers improved effective and efficient supply options in the future.

Strategic Procurement

Where Commissioning Outcomes are delivered through third party providers the Council will apply Strategic Procurement. **Procurement** forms a stage of the commissioning cycle and represents one of the key ways in which the Council will deliver its commissioning intentions. It

is the whole process of acquisition from third parties and covers goods, services and works projects. This process spans the whole life-cycle from the initial concept and definition of business need through to the end of the useful life of an asset or end of service contract and is generally covered by EU procurement regulations.

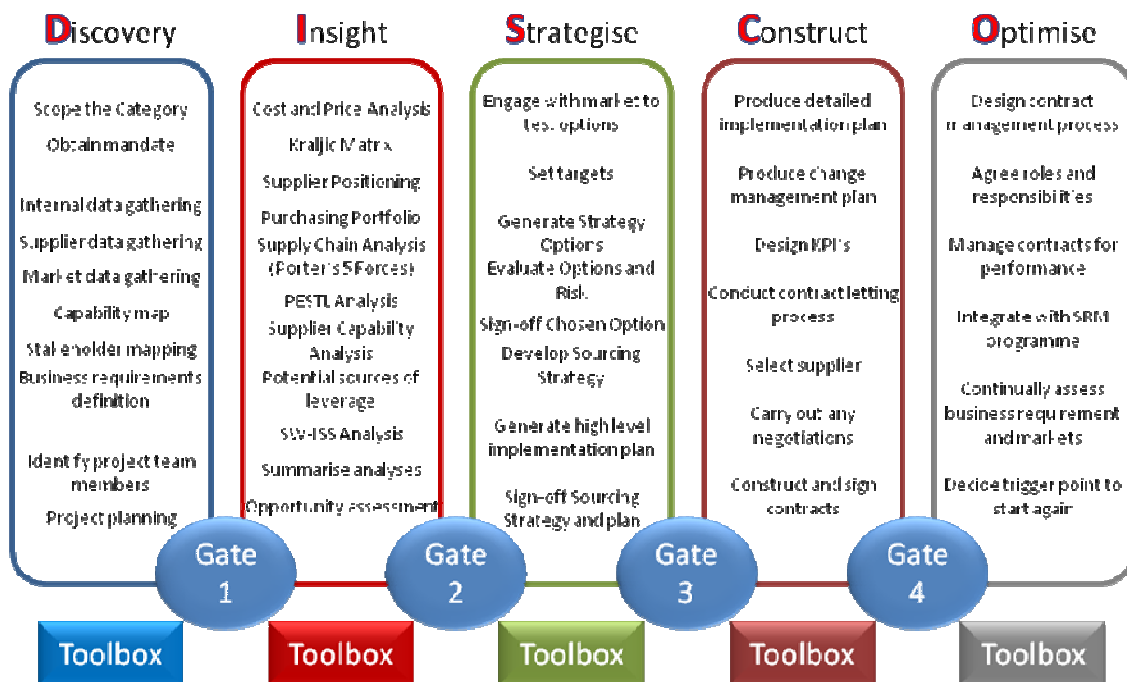
Efficient and effective **procurement** is a key vehicle in delivering value for money for the council. This strategy includes the establishment of a small, core Commercial Services function comprising of experienced commercial professionals to lead increased Commissioning and Commercial performance. To maximise benefits through its supply arrangements the Council will implement a **Category Management** approach to procurement.

Category Management

Category Management is a strategic approach which groups together products and services that have similar supply chain characteristics into categories. These categories undergo regular commercial reviews to determine the categories’ growth, structure, profitability, trends and future opportunities as a means of identifying ways to strategically manage or re-engineer the supply markets.

The Category Manager oversees all activities connected with this approach and applies sound commercial principles to optimise value and at the same time allow suppliers a fair profit as a means of minimising supply risk.

There are five key stages to category management which are shown in the diagram below.



- **Discovery**

This defines requirements by defining the service to be commissioned, the regulatory, legal, quality, service, cost and innovation needs that the sourcing strategy must meet.

It also covers aspects such as scoping the category, data gathering, understanding stakeholder and business requirements and obtaining a mandate and project approval.

- **Insight**

These are activities which lead to an understanding of the commercial levers available to the buyer. It covers aspects such as deep financial, supplier and market analysis, understanding strengths, weaknesses and issues in the supply market. It also establishes any quick wins.

- **Strategise**

This stage uses the intelligence gathered in the previous stages to generate, assess and test options for going to market. It leads to the setting of targets and creation of an agreed sourcing strategy and sourcing plans. Interventions that can be applied include supply chain re-engineering, cost down and cost out approaches, work process improvements and technical applications such as specification changes.

- **Construct**

The activities in this stage deliver a value added commercial solution. They cover planning and management of the implementation of contract letting including contract design.

- **Optimise**

The purpose of this stage is to unlock additional value outside of the contract through robust contract management and supplier relationship management. It covers the setting up and managing of post award relationships and performance, including continuous improvement.

The Council's Category Managers will oversee all activities connected with this approach and apply sound commercial principles to optimise value. Wider activities undertaken by the Category Managers include:

- Examining ways to avoid unnecessary spend;
- In/outsourcing the management of key spend areas;
- Standardising products/services where appropriate - bundling up similar services
- Minimising wastage;
- Effectively managing the supply chain; and
- Managing a portfolio of contracts throughout the lifetime of those contracts in order to ensure on-going performance and to maximise opportunities

In addition, the Council's **Category Management** approach is underpinned by three core building blocks;

- **Common Systems & Processes,**
- **Improved Management Information and Market Intelligence and**
- **Capacity and Capability Building**

- **Systems and Processes,**
 - **eProcurement** – The Council has established an eTendering 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.
 - **Contract Management** – 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 Management Information and Market Intelligence**
 - **Spend Analysis** – the Council has engaged *SPENDPRO*, a specialist Spend Analysis service provided by Trafford Council to help improve its expenditure intelligence. This service will enable the council to analyse its procurement spend to help develop Category Strategies, identify savings opportunities and monitor contract compliance.
 - **Market Intelligence** – through market engagement activity the council will increase its market intelligence to aid Market Development.
 - **Contract Register** – the council will maintain a robust Contracts Register which will support Contract Management and inform the Council’s Procurement Pipeline
 - **Procurement Pipeline** – The Council will maintain and develop a detailed procurement pipeline plan which will help inform procurement priorities and resource planning.

- **Capacity and Capability Building**

The Council will establish a 3 point training and development programme to improve its commercial capability to better meet strategic objectives.

 - **Commercial Awareness (Light)** – Commercial awareness training for officers across the council will be delivered to improve commercial awareness and decision making.
 - **Commercial Training** – a more advanced Commercial training programme for key stakeholders to ensure the aims of the Commissioning and Commercial Strategy is embedded and fully realised.
 - **Local Supply Market Training** – a series of ‘how to tender’ workshops to support local supply strategies and increase the opportunities for local suppliers to win public sector business.

This 3 point training programme will be further supported through the development of a Commercial Toolkit located on the council’s intranet site which will provide access to Contract Standing Orders, advice and guidance to provide continuous improvement and development across the authority.

Collaborative Procurement

The Council recognises that successful commissioning and procurement can develop and change supply markets and affect behaviours. To manage this effectively and maximise opportunities the Council will aim to collaborate with other partners such as other Local

Authorities, public sector partners and recognised Professional Buying Organisations. Potential benefits include:

- Aggregation of spend to produce economies of scale.
- Use of wider experience and greater expertise.
- Procurement efficiency (avoidance of duplication/multiple procurements).

It is recognised that the most effective collaborative procurement means starting early on with the commissioning planning process to enable potential collaborators to develop common service delivery mechanisms and specifications. With the aid of a robust long-term Commissioning Plan and procurement pipeline the council will engage in dialogue with other commissioning organisations and key supply market stakeholders to maximise collaboration opportunities.

Contract Management

Contract management (and Supplier Relationship Management) is the on-going monitoring and management of contracts entered into with suppliers or partners for the provision of works, goods or services. Contract management, and Supplier Relationship Management, includes the management and monitoring of supply arrangements to ensure compliance with contractual terms and conditions and the realisation of intended outcomes and benefits. It also includes the pursuit of increased benefits and value from supply arrangements by maximising leverage across multiple contracts, driving service improvement and exploiting innovation over the lifetime of the applicable contract(s).

The Council will develop and implement a single, common framework approach to Contract Management. Within the framework, contracts will be grouped into key classifications and the Council will act as an Intelligent Client to robustly managed subject to criteria such as spend, complexity, risks, market innovation, etc. 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;
- Development / facilitation of supply market collaboration and sustainability.
- The aims, ambitions and policies of the council are embed with its contractual arrangements to ensure that providers, as representatives of the council, uphold and enhanced the reputation of the authority.

The responsibility for undertaking contract management will rest with individual contract owners within each service area; support and guidance on using the Contract Management framework will be provided by Commercial Services. In addition, a network group of Contract Managers will be established within the Council to share best practice and support knowledge sharing and information exchange.

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. 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. This may be through share gain mechanism or total savings delivered back to the council.

Savings Policy and Benefits Realisations

In order to ensure robust financial and savings reporting, Commercial Services will develop and maintain a pipeline of initiatives and savings reporting that will continuously improve and track the value of services to the Council. For each initiative, a Project Charter will be created and signed off by Commercial Services, the Service Area lead and Finance at the project initiation stage. The Project Charter will set the scope, key objectives and costs which will support savings identified and benefits realisation. The identified benefits will be realised by using one or more of the following strategies:

Category Insight

- The use of a structured approach to develop a deep and shared insight of each expenditure category to drive new and better ways of working, reduce cost or price and reduce risk;
- The use of data analysis to understand cost and supply chain structures and seek cross organisational delivery solutions within the Council and externally.

Price

- The use of robust Commercial Strategies and effective competition to secure the best available price;
- The use of benchmarking to identify price reduction opportunities.

Cost out

- The use of contract management and supplier relationship management to reduce underlying cost or to increase productivity or innovation;
- The use of technology and innovation to simplify and reduce the cost of the procurement process itself (including Purchase to Pay (P2P) costs) and tendering costs borne by the Council and its suppliers.

Demand Management

- Enabling better use of demand management or seeking ways to reduce or modify how demand is fulfilled or if it can be eliminated;
- Working to identify and switch to lower cost / innovative service delivery solutions (e.g. by using the voluntary sector); or
- The identification and use of more sustainable alternatives.

Competition

- The use of real or perceived competition to increase performance and innovation, reduce price or cost;
- Working with the market to build capability and / or competitive pressure; and
- The selective use of e-auctions to increase competition.

Benefit Capture

The benefits arising from this Strategy can be financial or non-financial and will accrue to the respective service areas:

Financial benefits:

- such as savings can be tangible by reducing unit prices or by reducing demand (buying less); or
- intangible cost avoidance, for example by mitigating future price increases or by avoiding the risk (and cost) associated with legal challenge or supplier failure.

Non-financial benefits:

- can also be tangible, such as improved quality, reliability or speed to market or innovation; or
- intangible, for example by encouraging enterprise or the contribution of small businesses or third sector organisations.

Sustainable Procurement

Sustainable procurement is a key vehicle to promote and realise the Council's social, economic and environmental priorities. The Public Services (Social Value) Act 2012 now puts the obligation on public bodies to consider the social, economic and environmental benefits through its procurement of goods and services. Whilst the Act applies to above EU Thresholds the Council is supportive of the Act and where practical will seek to apply its principles across its procurement practices.

To ensure realisation of these aims and compliance with other legislative demands the Council will develop a Sustainable Procurement Framework that will support officers in embedding these considerations.

Furthermore, through its commissioning and commercial activity the council will develop strategies to support local suppliers to win council contracts. These will include:

- **Improved Awareness** – the council will maximise the use of its eTendering Portal as a 'one stop shop' of tender opportunities across the authority.
- **Supplier Training** – working with key partners such as the Chamber of Commerce and voluntary sector support organisations the council will provide a number of supplier training workshop including 'How to Tender' workshops and demonstrations of the eTendering process
- **Smaller Lots** – whilst mindful of collaborative options and economies of scale where feasible the council will tender for smaller lots to enable Local Small and Mediums sized Enterprises (SMEs) to bid for council which may otherwise be too large when grouped together in large contracts.
- **Simplify and Standardise** – the Council will seek to simplify and standardise its tendering processes to reduce the burden of tendering organisations, this will include ensuring that processes and documentation are proportionate to the size of the contracts being tendered

Income, Charging and Traded Services

To maximise income, efficiencies and commercial performance across the Council, Commercial Services will work with stakeholders to ensure opportunities to secure income are constantly sought and exploited; that Charging Policies and Traded Services are in place and are based on a full cost recovery model and delivered with a clear customer service focus. Examples of income include exploiting advertisement opportunities through the council's assets and estate, e.g. buildings, roundabouts, website, etc. In addition, the council will work with its customers such as schools and community groups to ensure that it constantly develops its Traded Services 'offer' to ensure it meets the demands of its customers.

Legal and Statutory Obligations

In accordance with its legal and statutory obligations the Council, through this strategy the council will comply its own Contract Procedure Rules together with the following legislation in delivering its social, economic and environmental **priorities**:

National Health Service Act 2006

Public Contracts Regulations 2006 (as amended) Equalities Act 2010

Localism Act 2011

Health and Social Care Act 2012

Public Services (Social Value) Act 2012

SECTION C – COMMERCIAL ROLES

The role of the Commissioning & Commercial Board

The Commissioning and Commercial Board (CCB) has been established to review, challenge and assure major commercial projects. The CCB is an internal group chaired by the Deputy Chief Executive and comprises of key stakeholders from across the authority involved in commissioning and commercial activity. The CCB will critically review all major commissioning and commercial projects of significant spend, complexity and risk and as a guide will focus on requirements with a spend impact of more than £500k and will take a risk based approach in terms of the level of scrutiny it will apply during the project lifecycle. The Commercial Board uses the 'gated' Commercial Project process outlined below (Fig 3.0) to track projects

COMMERCIAL BOARD - STATUS OF PROJECTS AS AT 7 APRIL 2010												
GATE 1		GATE 2		GATE 3		GATE 4		GATE 5		ANNUAL SPEND £M	TARGET SAVINGS £000	SAVINGS %
TOTAL										£0.0	£0	
WHAT IS THE OPPORTUNITY?		DO YOU HAVE A STRONG BUSINESS CASE?		DO YOU HAVE A STRONG COMMERCIAL CASE?		DO YOU HAVE A STRONG DELIVERY ROUTE?		SHOULD WE AWARD THE CONTRACT?				
EVIDENCE REQUIRED												
Mandate	Commissioning need		Commercial options		Procurement route		ITT evaluation report					
Budget	Assessment of opportunity		Assessment of options		Tender documents		Confirmed financial benefits					
Definition of benefits	Business requirements		Preferred option & reasons		KPIs or SLA		Updated fallback					
Measurement methodology	Confirmation of benefits		Fallback option		Draft contract		Implementation plan					
Resources	Confirmation of resources		Action plan		Implementation plan		SRM plan					
Timing plan	Issues / Risks		Contract management process		Trigger details for re-start							
OUTPUT DOCUMENT												
STATEMENT OF OPPORTUNITY / PROBLEM DEFINITION		BUSINESS CASE		COMMERCIAL STRATEGY		PROCUREMENT STRATEGY OR IMPLEMENTATION PLAN		CONTRACT				
ID	PROJECT									ANNUAL SPEND £M	TARGET SAVINGS £000	SAVINGS %
AFW01	Project name	Date entered gate										
AFW02	Project name											

Fig 3.0 – Commissioning & Commercial Board Gateway

The Commissioning & Commercial Board will:

- ensure that prior to any decision to make a commitment which will impact on the Council's expenditure or income that a clear business need has been identified and that both a sound commissioning and commercial strategy is in place to ensure that the optimum value for money is delivered, supply risk is managed and Service objectives are met;
- ensure that the Council has an overview of all commercial activity in order to support achievement of corporate objectives for commissioning and procurement
- ensure that the aims and objectives of the commissioning and commercial strategies are met
- carry out gateway reviews during the lifecycle of business activities to ensure that they can proceed to their next stage
- decide whether or not financial commitments have met the requirements of each gate and so can proceed to the next stage of the lifecycle

The role of Commercial Services

The role of Commercial Services is to develop commissioning and commercial excellence across the Council and enable the organisation to fulfil its commercial objectives. This requires influence across the commissioning and commercial cycle and the engagement of multiple stakeholders who retain overall accountability for commercial outcomes and value for money.

To deliver this objective, Commercial Services will work with key stakeholders to support Strategic and Tactical Commissioning across the Council, embed a Category Management approach to Procurement, plus, implement and coordinate a robust Contract Monitoring and Management methodology.

Category Management aligns market and supplier knowledge with service area portfolios. This model provides greater flexibility, allocates greater resource to strategic and category based activity and contract management. It maximises opportunities to secure economies of scale, exploit innovation and drive continuous improvement.

To maximise opportunities, embed specialisms and develop key relationships the structure of the Commercial Services includes 3 x Category Managers. Whilst typically each Category Manager will focus on specific categories within each of the council's three Directorates the roles will take a council-wide, holistic approach and therefore lead cross-cutting category strategies across the organisation. To further support these objectives and the overall performance of Commercial Services additional resources will be provided from a range of options:

- Hoople – a small Procurement Team within Hoople provides operational support to Commercial Services, namely 1) eProcurement systems and spend analysis and 2) tendering management processes. To further aid Commercial Services the structure of the Hoople Procurement Team has been aligned to mirror the Category Management structure of Commercial Services.
- Interim Resources – additional, specialist resources will be recruited on an ad-hoc basis to support specific project when required.
- Collaboration – the council will seek to maximise greater collaboration across directorates and with other public or private partners to deliver improved benefits and efficiencies where opportunities arise.

The chart below, see Fig 4.0, provides the structure of Commercial Services, incorporating Hoople Procurement Team, detailing the Category Management priorities and the cross-cutting underpinning building blocks of 1) Systems & Processes, 2) Information and 3) Capacity & Capability Building.

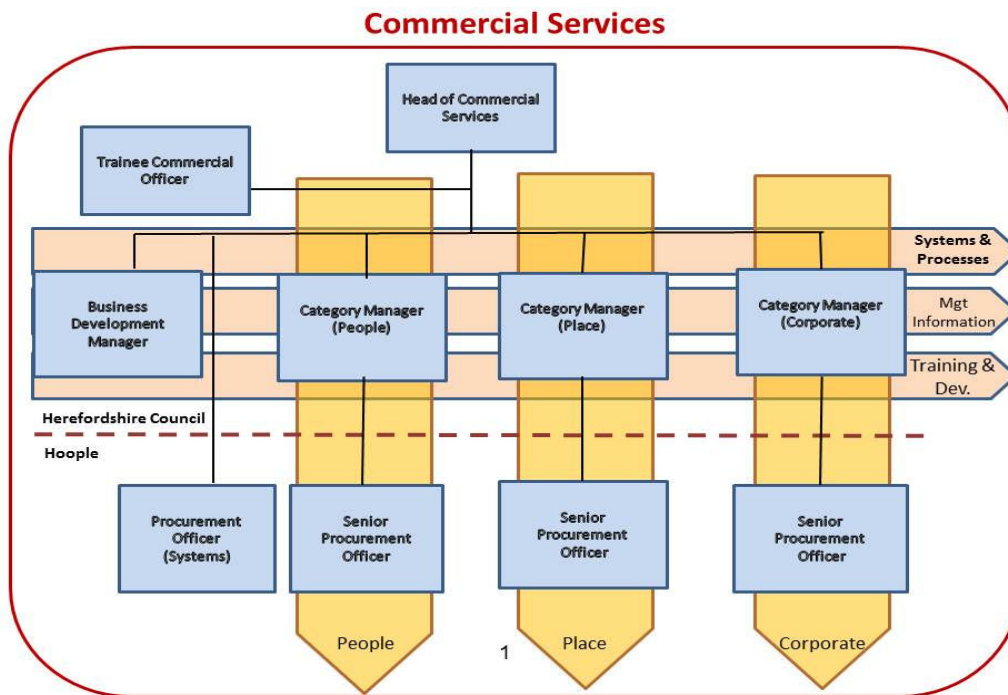


Fig 4.0 – Commercial Services structure

SECTION D – Delivery Plans

This section sets out the Council’s key actions and priorities in delivering its Commissioning and Commercial objectives. These actions fall into two key parts:

- Delivering the Council’s objectives in becoming a Commissioning Organisation
- Delivering the Council’s key Commercial priorities over the next three years

Strategic Commissioning Priorities 13/14 to 15/16

Strategic Priorities	Who	Objectives 12/13	Objectives 13/14	Objectives 14/15
All commissioning decisions are based on clear evidence of local need.	Service Leads, CCB, Commercial Services	<ul style="list-style-type: none"> Ensure demand intelligence such as Understanding Herefordshire is embedded and influences commissioning decisions. 	<ul style="list-style-type: none"> Ensure demand intelligence such as Understanding Herefordshire is embedded and influences commissioning decisions. 	<ul style="list-style-type: none"> Ensure demand intelligence such as Understanding Herefordshire is embedded and influences commissioning decisions.
Commissioning (and decommissioning) plans are developed for all Directorates	People and Place Commissioning Assistant Directors, Service Leads, Commercial Services	Commissioning Intentions developed for all Directorates.	Commissioning Strategies developed for all Directorates key services	Commissioning Intentions and Commissioning Strategies reviewed and updated where appropriate.
We will explore opportunities to commission collaboratively with key partners including other local authorities or public sector bodies where improved outcomes are available	Commissioning Assistant Directors, Service Leads, Commercial Services	Core networks are developed and exploited to maximise improved outcomes and deliver efficiencies. E.g; collaborative commissioning and procurement groups, ADASS, etc	Core networks are developed and exploited to maximise improved outcomes and deliver efficiencies. E.g; collaborative commissioning and procurement groups, ADASS, etc	Core networks are developed and exploited to maximise improved outcomes and deliver efficiencies. E.g; collaborative commissioning and procurement groups, ADASS, etc

Strategic Priorities	Who	Objectives 12/13	Objectives 13/14	Objectives 14/15
<ul style="list-style-type: none"> We will improve our capability and capacity to commission strategically 	Service Leads, CCB, Commercial Services	Build on the Commissioning Framework to develop a Commissioning Toolkit to support better commissioning activity and roll out across the council through targeted training workshops	Review and develop the Commissioning toolkit to secured improved outcomes	As per 13/14 objectives
We will test all in-house provision against the market	Commissioning Assistant Directors, Service Leads, Commercial Services	Through the Root and Branch Programme and other initiatives in-house services will be tested against the market		
We will work with key partners to develop local supply markets capable of meet the council's future commissioning needs.	Commissioning Assistant Directors, Service Leads, Commercial Services	<ul style="list-style-type: none"> Work with Parish Councils, Community Groups, the Chamber of Commerce and HVOSS to develop and deliver a robust engagement programme to support the development of local supply markets. Provide a series of How to Tender workshops to support for SME/Third 	<ul style="list-style-type: none"> Rolling programme of 12/13 objectives 	<ul style="list-style-type: none"> Rolling programme of 12/13 objectives

Strategic Priorities	Who	Objectives 12/13	Objectives 13/14	Objectives 14/15
		sector organisations <ul style="list-style-type: none"> • Develop SME/Third Sector communication forums (face to face and virtual) • Encourage key suppliers to adopt SME friendly practices 		

Strategic Commercial Priorities 13/14 to 15/16

This strategy also sets out a Top 10 Commercial priorities for the Council which are to be undertaken in collaboration with Service Directorates and Commercial Services over the next 3 years. These priorities are influenced by factors such as statutory requirements (e.g., Public Health), the Root and Branch Review Programme (e.g. Transportation), Contractual timings (e.g. Streetscene), commercial category opportunities (Shaw, Homecare, etc) plus organisational development needs.

Strategic Priorities	Activity	Project Leads	Objectives 13/14	Objectives 14/15	Objectives 15/16
<p>1. Streetscene</p> <ul style="list-style-type: none"> • Public Realm • Ancillary Services <ul style="list-style-type: none"> • Building Services • Building Cleaning • Print Services • Courier Services <p>(Contractual value c£28m pa)</p>	<p>Retender of former Highways Strategic Partnership Contract</p>	<p>Assistant Director - Place Based Commissioning / Head of Commercial Services</p>	<ul style="list-style-type: none"> • Award new contracts to start 1st Sept 13. • Undertake a series of local subcontractor supply chain events in association with Chamber of Commerce to support the Public Realm tender process • Undertake a series of local supplier engagement events in association with the Chamber of Commerce and HVOSS for Ancillary Services. • 	<p>Embed robust Contract Management methodology to deliver projected benefits - £2m savings per annum</p>	<p>As per 14/15.</p>

Strategic Priorities	Activity	Project Leads	Objectives 13/14	Objectives 14/15	Objectives 15/16
<p>2. Transportation (Category spend c£6.8m pa)</p>	<p>A range of projects identified through Root & Branch including tender process for a new framework for passenger transport and a programme of events to develop market capabilities and capacity.</p>	<p>Head of Transportation / Head of Commercial Services</p>	<p>Award new Passenger Transport Framework Contract</p> <p>Undertake a series of procurement projects to secure efficiencies through transport procurement</p>	<p>Undertake a series of procurement projects to secure efficiencies through transport procurement</p>	<p>Undertake a series of procurement projects to secure efficiencies through transport procurement</p>
<p>3. Public Health – Transition of PH Services into the Council (Category value £6m pa)</p>	<ul style="list-style-type: none"> • Novate c35 contracts to the Council • Retender programme for c25 contracts. <p>(Resources delivered through 2FTE x 2 yrs fixed term contracts. Costs to be met by delivered savings).</p>	<p>Director of Public Health / Head of Commercial Services</p>	<p>Pre 13/14 - novate all contracts to the Council.</p> <p>Phase 1 – Tendering activity for c12 contracts</p>	<p>Phase 2 tendering activity C13 contracts.</p>	<p>Public Health’s commercial requirements, including Tender and Contract Management are incorporated into ‘Business as Usual’ Commercial practice.</p>

Strategic Priorities	Activity	Project Leads	Objectives 13/14	Objectives 14/15	Objectives 15/16
<p>4. Leisure Services – HALO. Challenge, shape and deliver new delivery models for Leisure Services in Herefordshire.</p> <p>Contract value £1.7m pa</p>	Explore service delivery options for delivery of Leisure services and retender project	Assistant Director - Place Based Commissioning / Head of Commercial Services	<ul style="list-style-type: none"> Analyse service delivery options for delivery of Leisure Services. 	Renegotiate or tender project for delivery of more cost effective Leisure Service delivery contract	<ul style="list-style-type: none"> Minimise service subsidy; maximise service outcomes
<p>5. Countywide Homecare supply model</p> <p>Contract value c£8m</p> <p>(Part of Adults Transformation Programme)</p>	Tender new model of service delivery to delivery service efficiencies	Assistant Directors - Adults / Head of Commercial Services	<ul style="list-style-type: none"> Complete in progress Tender project. Support implementation process. Embed robust Contract Management mechanisms 	<ul style="list-style-type: none"> N/A – New service embedded as business as usual 	<ul style="list-style-type: none"> N/A – New service embedded as business as usual
<p>6. Shaw Healthcare – 30year contract.</p> <p>Supplier spend - £3.5m pa</p> <p>(Part of Adults Transformation Programme)</p>	Initiate Supplier Relationship Programme to review and renegotiate terms to maximise efficiencies over contract term.	Assistant Directors - Adults / Head of Commercial Services	<ul style="list-style-type: none"> Initiate Supplier Relationship Programme to review and renegotiate terms to maximise efficiencies over contract term. 	New service embedded as business as usual	New service embedded as business as usual

Strategic Priorities	Activity	Project Leads	Objectives 13/14	Objectives 14/15	Objectives 15/16
7. Residential Care Category Management Programme (Part of Adults Transformation Programme)	Develop and implement Category Strategy	Assistant Directors - Adults / Head of Commercial Services	<ul style="list-style-type: none"> • Develop Category Strategy 	Implement Category and Strategies and employ robust contract management	Implement Category and Strategies and employ robust contract management
8. ICT Category Management Programme Category Spend - £4m pa	Collaborate with Hoople ICT Team to develop ICT Category Strategy	Service Manager – ICT Strategy and Commissioning / Head of Technology & Transformation (Hoople) / Head of Commercial Services	<ul style="list-style-type: none"> • Develop Category Strategy 	Implement Category and Strategies and employ robust contract management	Implement Category and Strategies and employ robust contract management
9. Develop/improve the consistency of contract management across the Council.	Identify suitable CM model. Roll out methodology. Train appropriate CM Managers. Maintain and develop a central	Commissioning & Commercial Board/ Commissioning Leads / Commercial Services/ Contract Managers.	<ul style="list-style-type: none"> • Identify A-class (High Risk / High Value Contracts) • Complete assessment of all A-class contracts. • Agree and undertake 	<ul style="list-style-type: none"> • Identify B-class Contracts • Complete assessment of all B-class contracts. • Use effective contract 	<ul style="list-style-type: none"> • Use effective contract management to contribute to target of 3% year on year savings

Strategic Priorities	Activity	Project Leads	Objectives 13/14	Objectives 14/15	Objectives 15/16
	contract management repository		programme of contract management audits for A-Class contracts. <ul style="list-style-type: none"> • Establish a community of practitioners/knowledge sharing • Deliver training to key officers. • Increase corporate awareness of Contract Management • Establish a common supplier performance reporting system 	management to contribute to target of 3% year on year savings	
10. Improve the commercial capability of the organisation	To develop and deliver a capacity and capability programme across the council	Commissioning Leads / Commercial Services/ Commercial Services / Hoople	<ul style="list-style-type: none"> • Establish a single savings sign off process and capture all 3rd party savings • Develop a range of training and support solutions to meet immediate gaps (Commissioners, 	<ul style="list-style-type: none"> • Create a Commercial Skills programme – consisting of a comprehensive range of commercial training/support solutions for staff 	<ul style="list-style-type: none"> • Develop an accredited training/skills development program for key practitioners

Strategic Priorities	Activity	Project Leads	Objectives 13/14	Objectives 14/15	Objectives 15/16
			Contract Managers, Members)	<ul style="list-style-type: none"> • Build/strengthen support networks to encourage professional learning, skills and knowledge transfer 	