

**Procurement Strategy**

**2014-2016**

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## **Procurement Strategy**

**Sefton Council 2014-2016**

### **Foreword**

**Cllr Paul Tweed, Cabinet Member for Corporate Services and Performance**

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## **Purpose**

The purpose of the strategy is to take Sefton forward in a structured and planned approach in order to maximise efficiencies from savings and cost reduction through embedded, improved procurement processes. This will include developing wider alignment and collaborative activity with public sector partners in order to deliver benefits from regional economies of scale.

## **Vision**

To continue to secure full compliance internally with the Council's procurement rules and processes; to work together with public sector partners and the business community to develop innovative procurement solutions that deliver quality, value for money goods, works and services and deliver broader social value as well as securing further opportunities to trade and share robust practices and success.

## **Context**

Sefton Council has historically spent over £11 million per annum on supplies and services alone that contribute to the delivery of services to the residents of Sefton. The grant reduction programme initiated by the Government has had a massive impact upon the Council, with substantial Government grant reductions since 2010. These severe reductions in funding come at a time when the demand for Council services has never been greater. Social care spend is growing and the economic downturn is also creating pressure on vital income budgets. With funding cuts of this magnitude it is not possible to simply tighten our belts.

We will need to rethink the services we deliver; ensuring that they are both cost effective, maintain or improve quality and that they address the needs of the residents of Sefton at a time when every pound spent must deliver real value. Effective procurement has therefore never been more important. We need to spend money only on things that deliver real value to the people of Sefton.

Improved Procurement will help us to deliver our strategic priorities including delivering continued and positive improvement on the quality of life in communities of Sefton through the efficient use of the Council's resources.

All procurement must demonstrate a commitment to the principles of EU law underpinning all spend decisions in order to maintain transparency, fairness and to support the development of our local economy.

### **Key Objectives**

A Commercial Procurement approach will support the delivery of the Council priorities by implementing the following key objectives:

- Avoid spending on things we want rather than on what we need
- Achieve excellent value for money whilst maintaining quality
- Supporting the local economy, business and voluntary sector through transparency of opportunity support and education
- Collaborating with other public sector organisations to ensure maximum benefit for Sefton and the wider region from joint procurement

### **A new approach for Sefton**

This strategy marks a new approach for Sefton; this responds to the growing challenges faced by the Council. It represents a significant departure from the more traditional public sector procurement approaches, to a more commercial approach embracing the Social Value agenda, and aims to make Sefton a good Council to do business with.

### **What we aim to do**

The Council is committed to driving organisational change through procurement and the value of what a commercial approach can bring has been recognised.

As part of a review of our processes we have challenged our rules, processes, practices and compliance in order to improve efficiencies through a more efficient approach and removing all unnecessary activities:

The Council has:

- Committed to publishing all procurement opportunities via The Chest (The Councils e-tendering system) from £1000 upwards;
- Created the option of removing Pre-Qualification Questionnaire (PQQ) for all procurement below EU value thresholds
- Implemented a risk based sourcing approach for all procurement below EU value thresholds which significantly simplifies process thus leading to time and cost efficiencies throughout the whole organisation and for businesses
- Plan to deliver a strong range of engagement with SME's and the Community and Voluntary Sector (CVS), in partnership with InvestSefton (the Council's business support and inward investment service, to show we are 'Open for Business' in order to encourage and support businesses leading to successful contract awards. This includes aligning business support with contract renewal cycles, Meet the Buyer and Meet the Supplier Days.
- Social Value consideration sits at the heart of our procurement planning as we aim to gain added value from procurement through securing employment, learning and skills outcomes as well as local supply chain engagement by working proactively with our larger contractors and suppliers to maximise opportunities at 1<sup>st</sup> and 2<sup>nd</sup> tier levels in the supply chain.
- Develop a clear understanding between the council and our suppliers to achieve Social Value, and co-operate with us to ensure that we can assess their compliance through targeted employment and training and local supply arrangements.
- Commenced a journey to develop aligned procurement processes with public sector partners in order to secure joint planning with the aim to deliver further significant savings by using the economies of scale this brings

## **The Commercial Approach**

Over the next three years we will continue with this commercial approach to procurement underpinned by six key Building Blocks.

### **1. Organisation**

Sefton continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities. This will be delivered through support from Elected Members, Cabinet and SLT.

## **2. Governance and Process**

The Council will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices. This will be delivered through:

- A review of Contract Procedure Rules
- Continuing to ensure procurement practices are efficient and remove any unnecessary activity for spend below EU value Thresholds
- Maintaining a risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds
- Ensuring we strive to push all spend above £1,000 via The Chest
- Deploying a Best and Final Offer (BAFO) approach where possible, to ensure we take every opportunity to drive the price down whilst maintaining quality in a controlled and fully auditable environment
- Establish a scrutiny role performed by Overview and Scrutiny (Performance and Corporate Services) and report biannually against this strategy.

## **3. Demand Management**

The Council will continue to secure improvement in procurement engagement by securing full compliance with Contract Procedure Rules delivered through:

- Continuous review of our spend analysis, which will aid procurement planning across the organisation and with public sector partners to identify opportunities, prioritisation and to secure savings
- Further development of the capacity and capability of the Procurement Division through training This will ensure the Team is educated and skilled to manage procurement demand

- Continuation of a communication and education strategy internally to up-skill and educate the wider workforce

#### **4. Market Engagement/Supplier Relationship Management (SRM)**

The Council will continue to develop further its relationships with the business, Community and Voluntary Sector both in the Liverpool City Region (LCR) locally and SMEs nationally in order to support local economic gains and investment into the SME market. This will deliver greater value, meet strategic objectives and add Social Value. This will have greater leverage if we work with public sector partners. This will be delivered through:

- Development of a workstream to undertake a structured review of SRM across the organisation and where possible with public sector partners
- Continuing with SME and Community and Voluntary Sector engagement both in the LCR and regionally in order to train, support and develop a 2-way approach where we learn together and to underpin SRM
- Consolidation of the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement (Appendix A) into a Sefton process, which sets out arrangements for how we will achieve maximum impact in terms of employment & skills for Sefton residents
- Working proactively with our larger contractors and suppliers, to identify and maximise Social Value in securing supply chain, employment, learning and skills outcomes at 1<sup>st</sup> and 2<sup>nd</sup> tier levels in the supply chain.
- Deliver a strong range of engagement with SME's and Community and Voluntary Sector (CVS) organisations in partnership with InvestSefton, to show we are 'Open for Business' in order to encourage and support businesses leading to successful contract awards.

#### **5. Category Management**

The Council will continue to work with wider public sector partners in order to gain greater leverage, add value and maximise savings. This work has commenced with the alignment of procurement processes with a couple of neighbouring Councils and could grow across the region and beyond. This will be delivered through:

- Reviewing our relationship with the Merseyside Procurement Partnership (MPP)
  - Members: Halton; Sefton; Liverpool; St Helens; Knowsley; Wirral; CW&C; Mersey Travel and Mersey Fire & Rescue. Re-establish with partners the commitment, purpose, accountability of this regional work stream in order to progress a category management approach based around geography rather than organisation. Plus the consideration to align processes and rules in order to take a regional approach together.

## **6. Purchase to Pay/ e Procurement**

The Council will develop Purchase to Pay (P2P) and e procurement solutions to control compliance within the organisation, improve payment terms in order to secure a seamless end-to-end process. This will be delivered through:

- Reviewing P2P processes to secure full compliance across the organisation
- Supporting business process improvement to enable early payments to SME's and Community and Voluntary Sector (CVS) suppliers.



## Procurement Strategy 2014-2016

### Targets and Measurements

Building Block	The What	Measure
<b>1. Organisation:</b> The Council continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities	a. Support from Elected Members, Scrutiny and SLT	<ul style="list-style-type: none"> <li>• Bi-annual progress report to Scrutiny and SLT</li> </ul>
<b>2. Governance and Process</b> The Council will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices	a. Review of Contract Procedure Rules	<ul style="list-style-type: none"> <li>• Effective Contract Procedure Rules that assist the Council and businesses.</li> </ul>
	b. Continue to ensure procurement practices are efficient and remove any unnecessary activity for spend below EU value Thresholds	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> <li>• Make recommendations to Cabinet as and when required for approval</li> </ul>
	c. Maintain risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds.	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>
	d. Ensure we strive to push all spend above £1,000 via The Chest	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>
	e. Deploy a Best and Final Offer (BAFO) approach where possible, to ensure we take every opportunity to drive the price down whilst maintaining quality in a controlled and fully auditable environment	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>

	f. Continue with the scrutiny role and report biannually against this strategy	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> <li>• Scrutiny make recommendations to Cabinet for approval</li> </ul>
<b>3. Demand Management</b> The Council will continue to secure improvement in procurement in engagement by securing full compliance with Contract Procedure Rules	a. Continuous review of spend analysis which will aid procurement planning across the organisation and with public sector partners to identify opportunities, prioritisation and to secure savings	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> <li>• Continuous improvement of spend data (cleansing and accuracy)</li> <li>• Utilise spend data to inform Procurement Workplan</li> </ul>
	b. Continued development of the capacity and capability of the Procurement Team through training subject to available resources. This will ensure the team is educated and skilled to manage procurement demand	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>
	c. Continuation of a communication and education strategy internally to up-skill and educate the wider workforce	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>
<b>4. Market Engagement/Supplier Relationship Management (SRM)</b> Sefton will commence a review through a structured approach to developing supplier relationships in order to review overall business relationships, contractual arrangements, specifications, rates and expected outputs in order to mutually agree benefits which will result in savings for the Council as the customer. This will deliver greater value, meet strategic	a. Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners, and in particular with InvestSefton  b. Activities to support priority actions in the emerging LCR Enterprise Strategy.	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>

<p>objectives and add Social Value. This will have greater leverage if we work with public sector partners.</p>		
	<p>c. Continuing with SME and Community and Voluntary Sector (CVS) engagement both in the LCR and regionally in order to train, support and develop a 2-way approach where we learn together and to underpin SRM</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>
	<p>d. Support the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul> <p><b>Target: May 15:</b></p> <ol style="list-style-type: none"> <li>a. Make contracts more accessible to local suppliers especially SME's</li> <li>b. Encourage local Businesses to make quality submissions</li> <li>c. Promote use by contractors of local supply chains</li> <li>d. Promote apprenticeships, jobs for unemployed-training by prime contractors and their supply chain</li> </ol> <p><b>May 16 &amp; 17:</b> review improvement and set new targets</p>
<p><b>5. Category Management</b> The Council will continue with a Category Management approach to procurement by aligning business requirements across the organisation. It will continue to work with wider public sector partners in order to gain greater leverage, add value and maximise</p>	<p>a. Review our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton; Sefton; Liverpool; St Helens; Knowsley; Wirral; CW&amp;C; Mersey Travel and Mersey Fire &amp; Rescue. Re-establish with partners the commitment, purpose, accountability</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>

<p>savings as we are too small to do this alone.</p>	<p>of this regional work stream in order to progress a category management approach based around geography rather than organisation.</p>	
<p><b>6. Purchase to Pay/ e Procurement</b> Sefton will continue with the development of P2P and e procurement solutions to control compliance within the organisation, improve payment terms to secure a seamless end-to-end process.</p>	<p>a. Review P2P processes to secure full compliance across the organisation</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> <li>• Continue to improve functionality to aid procurement improvement</li> </ul>
	<p>b. Support business process improvement to enable early payments to SME's and Community and Voluntary Suppliers</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to Scrutiny and SLT</li> </ul>

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### Introduction

Liverpool City Region Employment and Skills Steering Group have developed this charter in conjunction with the Merseyside Procurement Partnership (MPP). MPP is a collaborative approach to procurement across key public services within the Liverpool City Region and beyond, aimed at maximising value for money, ensuring quality and best practice.

### Our Goals

We recognise:

- That we share a common goal to support employment rates and workforce skills in our communities.
- The power of our procurement spend, together with that of other public sector organisations across the City Region, our contractors and their supply chains should be used to sustain and support employments and skills.

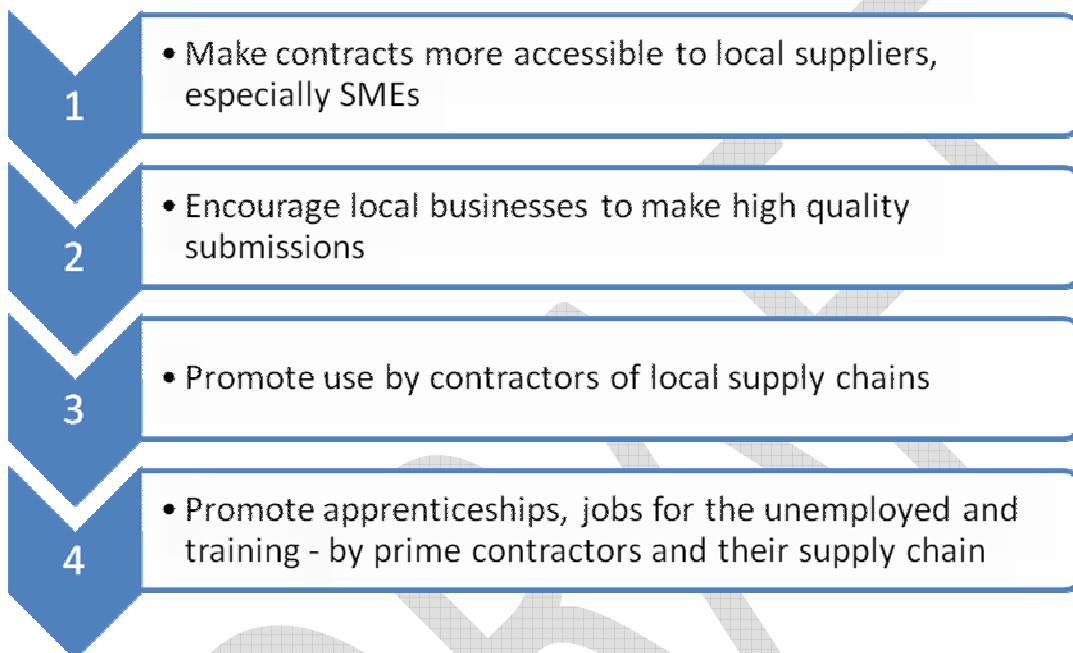
### Our Commitments

We will aim to:

- Act in a coordinated and consistent manner using our collective buying power to secure employment and skills wherever they may be delivered across the Regional economy.
- Encourage other public sector bodies, our contractors and their supply chains in using their buying power to pursue these aims and
- Work with employment and skills agencies, education institutions, training providers and our communities to enable people across the Liverpool City Region and beyond to maximise opportunities.

### Context

We are committed to a broader four step approach adopted by the Liverpool City Region's Employment & Skills Board to maximise the positive impact made by public sector procurement on the Regional economy:



To support these steps we will:

- Share best practice in wider procurement matters in order to support employment and skills.
- Take steps to ensure that we maximise opportunities for the Region's suppliers to access and bid for our opportunities, including SMEs and social enterprises.
- Consider where and how procurement activities will support and improve economic, social and environmental well-being within the region, whilst taking account of Procurement Contract Regulations.
- Engage with the local business community to promote the procurement process within our organisations and learn from such engagement
- Assist LCR Employment & Skills Group to signpost our suppliers to access support and funding that may be available to help them recruit and train their workforce, including apprenticeships and work experience.

- Promote and encourage sub-contracting and supply chain opportunities within the Region where appropriate.



## Charter for Employment and Skills through Procurement.

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### Specific actions

- Make more suppliers aware of our opportunities.
- Share best practice in wider procurement matters in order to support employment and skills.
- Support and improve economic, social and environmental well-being within the region.
- Engage with the local business community to promote the procurement process.
- Signpost our suppliers to access support and funding that may be available to help them recruit and train their workforce
- Promote and encourage sub-contracting and supply chain opportunities within the Region where appropriate.

### Measures

- Measure the number of suppliers registered on the Chest.
- Measure the number opportunities published via the Chest.
- Measure the number of businesses that we engage with and through what mechanism.

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## Appendix B

### GLOSSARY OF PROCUREMENT TERMS USE IN THIS STRATEGY

#### **Aggregation**

The total value p.a. multiplied by the proposed length of contract term including extensions. (You must include partner organisation values).

#### **Agreement**

The legally binding terms and conditions between the parties, another word for a contract.

#### **Benchmarking**

Comparison of performance against other providers of similar services, particularly those recognised as adopting best practice.

#### **Best and Final Offer (BAFO)**

Where the Council seeks from participating suppliers a further BAFO on price and final offer. This supersedes the original price submission.

#### **Best Practice**

The most effective and desirable method of carrying out a function or process derived from experience rather than theory

#### **Best Value**

Arrangements to secure continuous improvement in the exercise of an Authority's functions, having regard to a combination of economy, efficiency and effectiveness as required by the Local Government Act 1999; the relationship between worth and cost.

#### **Contract**

A binding agreement made between two or more parties, which is intended to be enforceable at law.

## **E-Procurement**

The use of electronic methods in every stage of the purchasing process from identification of requirement through to payment, and to contract management.

## **EU Financial Thresholds**

The Public Contract Regulations (PCR) 2006 stimulate financial thresholds for goods, works and services above which there is a requirement to follow the **procurement procedures of the European Contracts Directive as enacted in PCR.**

## **KPI**

Key Performance Indicator. KPI's are tools that help us to measure the performance of suppliers against their contractual obligations

## **Pre-Qualification Questionnaire (PQQ)**

A questionnaire completed by companies that wish to be considered for a procurement activity. The purpose is to assess the company's general suitability in terms of financial and economic standing, technical capability and experience, quality assurance, health and safety procedures, environmental issues and equalities considerations.

## **Quality**

The level of fitness for purpose which is specified for or achieved for any goods, works or services

## **Risk**

The probability of an unwanted event occurring and its subsequent impact.

## **Risk Based Sourcing (RBS)**

The process of establishing potential suppliers of specified goods, works or services below EU financial thresholds

**SME**

Small and Medium Size Enterprise. Used in context, this may indicate navigation away from larger global companies.

**Soft Market Testing**

The process of engaging the open supply market prior to procurement.

**Sustainability**

The social, economic and environmental issues that could be considered in a procurement exercise

**Whole Life Costs**

The systematic consideration of all relevant costs and revenues associated with the acquisition and ownership.

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