

Delivering Value to Our Community

Transforming Commissioning and Procurement

Procurement Strategy 2013-2015

Thurrock. A place of **opportunity**, **enterprise** and **excellence**, where **individuals**, **communities and businesses** flourish.

Thurrock – a place of Ambition, Enterprise and Opportunity

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Foreword by Councillor John Kent

Thurrock Council spends almost £170 million a year which is with more than 5,500 suppliers/providers.

We are aware that we are spending the public's money and how important it is to ensure that all our spending decisions deliver value for money in the services we deliver to our local community.

All councils face another tough few years so we need to plan our acquisitions carefully to achieve the outcomes we want.

As well as controlling costs, the Council should deliver "social value", ensuring what is commissioned has a direct benefit to the local community – including such things as the use of local and small businesses, the voluntary sector and the creation of local apprenticeships.

The Council's vision for the way it will spend and account for our expenditure in the coming years is clear – they will fulfil cost efficiency while actively contributing to the fulfilment of the policy aims set out in the Thurrock Community Strategy.

- The new Procurement Strategy sets out in broad terms:
- How the Council intends to make its vision for procurement and commissioning in Thurrock a reality;
- The themes that will ensure it happens
- How it will make sure expenditure is well managed, fully transparent and delivers social value



Councillor John Kent

Leader, Thurrock Council

We want Thurrock to be at the dynamic heart of the Thames Gateway, a place of ambition, enterprise and opportunity, where communities and businesses flourish

We will:

1. Improve the education and skills of local people
2. Encourage and promote job creation and economic prosperity
3. Ensure a safe, clean and green environment
4. Provide and commission high quality and accessible services that meet, wherever possible, individual needs
5. Build pride, respect and responsibility in Thurrock's communities and its residents

Our aim is to become a confident, well managed and influential council regarded by residents, peers and partners as ambitious for the people of Thurrock and totally focussed on meeting their current and future aspirations.

The One Minute Summary

The Council's expenditure with its suppliers / providers shapes core services and the outcomes achieved. It covers:

- **Key infrastructure for Thurrock**, such as all buildings, roads, schools, social housing and communications
- **Community services**, such as elderly care provision, street cleansing, waste disposal, libraries, and leisure facilities
- **Supporting equipment and services**, such as translation services, technology, books and equipment and materials to maintain the infrastructure
- **Utilities**, such as electricity, gas and water

Managing this expenditure involves a lot of people in the Council and is often complex given the huge range of services and goods that it buys each year.

The Council is also in a regulated sector, which means that it has to comply with laws and regulations laid down by both the UK Government and the European Union.

Although the Council knows what it wants by way of the outcomes it achieves, the social policies it applies and the type of suppliers / providers with which it wishes to work, no one person or department can be expected to understand how it must fit together.

This is why we have a procurement strategy to:

- Give a clear direction for fulfilling the Council's vision and goals for strategic procurement and commissioning
- Contribute to the financial health of the Council by delivering sustainable cashable savings
- Linking commissioning and procurement to other "social value" policies such as economic regeneration, financial control, and sustainability
- Set out our policies and priorities for delivering outcome improvements and best value
- Show how we intend to work with our partners in the local community, in the private sector, in other councils and the NHS

This strategy is our statement to everyone in the Council and beyond as to where we want to be with commissioning and procurement and how we intend to get there.

Our common vision is:

"We want to commission, acquire and manage our third party expenditure so that it achieves optimum cost efficiency while actively contributing to the fulfilment of the policy aims set out in the Thurrock Community Strategy"

We shall make our vision a reality by fulfilling six goals:

- Dynamic links to other Council policies and objectives, particularly the *Thurrock Community Strategy and Corporate Plan and Medium Term Financial Strategy (2012-15)*
- Sound governance, transparency, accountability and probity with proportionality in our control processes
- A unified approach to managing the activities in the commercial cycle and in engagement with markets and suppliers
- Working with other public sector partners including other local authorities, the Procurement Agency for Essex (PAE) and Improvement East (IE)
- Exploiting our technology investments for reporting and savings capture
- Making the most of our people, upskilling and building an in-house strategic procurement and commissioning team

Each of these six goals is supported by a statement setting out where the Council wishes to be in 2015.

1. About this Strategy

This section sets out the scope of this strategy and summarises why managing commissioning and procurement is important to the quality of outcomes that the Council achieves and the costs that it pays.

1.1 What it covers – the scope

Thurrock Council spends nearly £170 million on a wide range of services and goods from its suppliers and providers. Whatever it acquires goes through a cycle of activities that is common to organisations in all sectors. This cycle is known as the commercial cycle, see Figure 1.

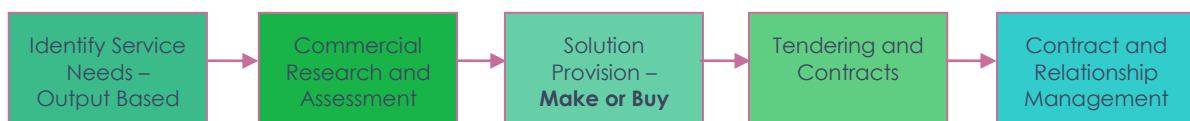


Figure 1 – Main activities in the Commercial Cycle

We describe the different activities that go on in this cycle in various ways, depending on who undertakes them. Commissioning and strategic procurement are the most commonly used terms although there are many others.

The difference between all the things that we acquire is how much time and effort we put into each activity in the commercial cycle. For most routine or low value services and products it is usually a case of obtaining the right requirement at the best price with the minimum of administration. For complex, or high value services or products, we do a lot more to ensure that we get the right outcomes while minimising our costs. We also need to understand the consequences of the decisions that we take as they can have a clear impact on:

- the local community
- our suppliers and the markets in which they trade
- our legal obligations nationally and internationally (e.g. the European Union)

Only by managing the commercial cycle activities in a unified and proportionate way can we be sure that we will:

- get the right outcomes
- control our costs
- ensure our contracts are legally compliant and managed

By doing this, we can help keep Council tax low and make our budgets stretch further to meet local community needs.

This strategy sets out how we intend to manage the expenditure that goes through the commercial cycle each year so that we deliver the right financial and social outcomes. This strategy applies to whole commercial cycle, so we have not differentiated between who is currently responsible for the main activities within the cycle and how they are undertaken.

1.2 Why procurement is important

Our third party expenditure is crucial to the way we deliver our core services and the outcomes that we achieve. It covers:

- **Key infrastructure for Thurrock**, such as all buildings, roads, schools, social housing and communications
- **Community services**, such as elderly care provision, street cleansing, waste disposal, libraries, and leisure facilities
- **Supporting equipment and services**, such as translation services, technology, books and equipment and materials to maintain the infrastructure
- **Utilities**, such as electricity, gas and water

These things link directly to other policies against which the Council performance is ultimately measured. These include:

- **Service Outcomes** – the quality and frequency of what is delivered to local people set against increasing demand in many areas and changing demographics
- **Restricting Council Tax Increases** – the delivery of cashable savings to help to limit council tax increases, and operating within a decreased central government financial settlement
- **Use of Resources** – the funding of new projects and improvements from within constrained budgets while maintaining and improving standards in areas such as elderly care provision and educating our young people
- **Local Economy** – the amount of money spent with suppliers / providers in the local economy through a coordinated and consistent approach to local businesses and the voluntary sector (social enterprises / charities etc)
- **Sustainability** – the way in which our suppliers use scarce natural resources and their impact on the environment and the health and well being of people across the world

1.3 Why we need a Strategy

Managing the commercial cycle involves a lot of people in the Council and is often complex where multi million pound programmes are involved.

The Council also operates in a regulated sector, which means that it has to comply with laws and regulations laid down by both the UK Government and the European Union. We have summarised these at Appendix A.

Although the Council knows what it wants by way of the outcomes it achieves, the social policies it applies and the type of suppliers / providers with which it wishes to work, no one person or department can be expected to understand how it must fit together.

This is why we have a procurement strategy to:

- Give a clear direction for fulfilling the Council's vision and goals for strategic procurement and commissioning
- Contribute to the financial health of the Council by delivering sustainable cashable savings
- Linking commissioning and procurement to other "social value" policies such as economic regeneration, financial control, and sustainability
- Set out our policies and priorities for delivering outcome improvements and best value
- Show how we intend to work with our partners in the local community, in the private sector, in other councils and the NHS

This strategy is our statement to everyone in the Council and beyond as to where we want to be with commissioning and procurement and how we intend to get there.

1.4 Who owns the Strategy

The Procurement and Efficiency Management Board (PEMB) owns the strategy and is responsible for:

- Ensuring the policies in the strategy are promoted to, and acted upon, by all chief officers and their associated departments
- Reviewing progress with its implementation
- Overseeing the annual review process – see section 1.5
- Resolving any issues, or potential departures, from the agreed strategy

The Council has a Corporate Procurement Team run by Serco (formerly Vertex) since 2005. The Team provides advice and expertise to all Council service departments and staff responsible for undertaking transactional procurement activity on a day to day basis. They will be responsible for working with us to make this Strategy a reality and ensure that it stays relevant to fulfilling our vision.

1.5 How often it is changed – the review process

Commissioning and procurement is a dynamic activity with regular legal, policy, market and technological changes. This Strategy is designed to help us adapt to these changes as well as reflect the resource constraints in which we need to manage. Although it covers the period 2013-15, its content will be reviewed **annually** by PEMB to ensure that it continues to be relevant to the needs of the Council and the community that it serves.

The Council will ensure that this Strategy is publicised at all levels where procurement activity is undertaken. It is only through ownership by those involved in decision making across the commercial cycle that the main policies set out here will be successfully realised.

2. Our Transformation Plan for Procurement

This section sets out our vision for commissioning and procurement and how we intend to implement the six supporting Goals for transforming commissioning and procurement.

2.1 Our Vision and Goals for Procurement

The Council wants to ensure that we make the most of our expenditure by way of getting the right outcomes and the best possible cost. We also want to make certain that, wherever possible, the decisions that we take benefit the local community. This is known as “social value” and can include regeneration work and actively encouraging local businesses to become our suppliers either directly or as sub-contractors. We also need to ensure that we work with our suppliers to reduce costs and remove the opportunity for cost overruns and unforeseen cost increases.

Our Vision is:

“We want to commission, acquire and manage our third party expenditure so that it achieves optimum cost efficiency while actively contributing to the fulfilment of the policy aims set out in the Thurrock Community Strategy”

NB: For the purposes of clarification cost means the whole life cycle not just the initial price paid

We shall make our vision a reality by fulfilling six goals:

- Dynamic links to other Council policies and objectives, particularly the *Thurrock Community Strategy and Corporate Plan and Medium Term Financial Strategy (2012-15)*
- Sound governance, transparency, accountability and probity with proportionality in our control processes
- A unified approach to managing the activities in the commercial cycle and in engagement with markets and suppliers
- Working with other public sector partners including other local authorities, the Procurement Agency for Essex (PAE) and Improvement East (IE)
- Exploiting our technology investments for reporting and savings capture
- Making the most of our people, upskilling and building an in-house strategic procurement and commissioning team

2.2 Dynamic links to other Council policies and objectives

What this means

Procurement cannot be an isolated business function if it is to play a full part in the conduct of the Council’s day to day business. It needs to have two direct links with:

- the Council's financial goals as procurement should be contributing each year to delivering measurable cashable savings
- the Council's social goals here e.g. on economic regeneration and promoting the local economy as set out in the Thurrock Community Plan¹. This has been further strengthened by the recent social value² legislation which must be taken into account when planning all major acquisitions.

Why it is important

Financial and social policies always need to be considered at the planning stage of any major acquisition. This allows progress to be measured while allowing prospective bidders the potential to support these policies through their tenders. For example, local businesses will be encouraged to bid directly for council business for smaller contracts but also team up with external bidders for larger contractors acting as sub-contractors. Either way this will lead to expenditure staying in the local economy.

Where we are at today

While the Council has acknowledged these policy links in the past they have not been formalised or consistently applied by service departments when commissioning new activities, or by Serco when conducting procurement exercises.

Where we want to be in 2015

We want:

- The requirements to promote businesses / providers in the local economy and other important policy considerations to be an integral part of any procurement exercise over £100k full life contract value, excluding corporate categories such as Utilities and Office Supplies
- The impact and potential for economic regeneration, sustainability and other social value considerations to be agreed for each major acquisition as a part of the pre market test planning process so that these can be identified at source and measured through procurement and the contract management stages

How we plan to get there and measure our success

We plan to:

- Develop a suitable process and supporting templates so that an **acquisition plan** can be prepared at least six months before any new commissioning activity / contract renewal. This will include an assessment of all policy areas set out above [*Measure – Acquisition Plan in place by June 2013*]
- Ensure that an up-to-date policy and plan for identifying and communicating with potential interested local businesses / providers is in place and that all bidders are

¹ The second strategic objective

² Public Services (Social Value) 2012 Act came into force on 1st February 2013

asked how they would propose to use local businesses as a part of their tender response [*Measure – Policy and Plan in place by September 2013*]

- Ensure that future iterations on the Community Plan and Corporate Plan contain express cross references to this strategy and the expected contribution from commissioning and procurement activities. [*Measure – Links made*]

2.3 Sound Governance and Proportionality

What this means

UK public sector organisations must be totally open in their dealings with all suppliers and providers. The Council does this by applying four basic principles to the way in which it undertakes its procurement and commissioning activities:

Transparency – The reasons for all decisions in the commercial cycle must be clear for all to see and all transactions over £500 need to be published

Accountability – Public bodies are accountable for the decisions they make when spending public monies

Probity – All potential suppliers / providers involved in any acquisition must be treated fairly, with no one being treated either more or less favourably than any others and any potential conflicts of interest are avoided

Proportionality - The requirements made of potential suppliers throughout the commercial cycle must be on a scale which is consistent with the type and size of the contract opportunity and the commercial risk attached to it should it fail for whatever reason.

These values are captured in the Council's Contract Procedure Rules and financial regulations.

Why it is important

The Council is regulated and is subject to strict rules as to what it can and cannot do without incurring significant financial penalties. Having the right governance and good practices in place can also help in reducing cost and maximising budgets.

Where we are at today

The Council tightened up on its governance processes following a critical review of its contracting and commissioning procedures by the Audit Commission in 2009. The current rules are detailed, but potentially top heavy in that they reflect a 'one-size fits all' approach and do not always deliver proportionality. Also, they do not reflect the realities of the Council's category or transactional profiles.

Where we want to be in 2015

We want:

- The Council's governance regulations for commissioning and procurement to

underpin the need for strong control but also reflect proportionality based on expenditure profiles and transactional volumes

- All low value and routine expenditure items to be fully automated wherever possible
- The amount of regulation required to reflect the realities, maturity, risk and value of expenditure categories
- Contract regulations that are easy to understand and apply and which are written in plain language

How we plan to get there and measure our success

We plan to:

- Undertake a thorough review of our contract regulations to maintain strong governance but reflect the realities of our procurement profile [*Measure – Review undertaken and updated regulations written in plain language in place by September 2013*]
- Develop a Low Value Strategy for eliminating / automating low value transactions [*Measure – Low Value Strategy in place and implemented –in place by September 2013*]
- Investigate the use of procurement approval delegations linked to factors such as risk and presence of pre-approved contracts as another means of delivering proportionality [*Measure – Procurement approval delegations in place for departments meeting pre-agreed criteria by September 2013*]

2.4 Integrated Approach to Managing the Commercial Cycle

What this means

All the business activities and roles associated with the commercial cycle are linked with many interdependencies and complexities. Suppliers and providers when engaging with the Council invariably pool their resources and knowledge in order to secure contracts and exercise maximum influence. The Council's organisational structure tends to lead to fragmentation as activities are undertaken by different people in different departments. This is about ensuring collectively that the Council is also capable of managing the whole commercial cycle in an integrated way.

Why it is important

A fragmented approach to managing the cycle is serious, as it exposes the Council to risks and potential loss including:

- Activities not being undertaken properly or not at all

- Added cost through ‘market conditioning’³ and ‘scope creep’⁴
- Inability to plan and control an acquisition – particularly if done in a reactive mode
- Inconsistency to the application of policies
- Missing out on potential savings or alternative means of securing the same or improved outcomes at less cost
- An inward focus on managing internal relationships, particularly the one with Serco, rather than external one (i.e. suppliers and markets)

Where we are at today

Activities within the cycle are not managed in a unified way. Too many contracts are renewed without proper planning and the focus is on internal relationships and ‘getting through the procurement hurdle’. Remedying this situation is a main plank for transforming procurement at the Council. This is particularly important as procurement must deliver £0.75 million cashable savings in 2013/14.

Where we want to be in 2015

We want:

- A clear, well defined and managed process for ensuring that the Council has full visibility of the whole commercial cycle for all major acquisitions and is able to exercise maximum leverage and influence on markets and suppliers/providers
- An easy way to identify and capture savings from each major acquisition at the outset and ensure successful contract management to its conclusion
- Cascading delegations to free up resources in order to provide more focus of scarce commercial resources onto higher value / higher risk acquisitions
- To be successful in meeting our savings targets

How we plan to get there and measure our success

We plan to:

- Create the necessary procedures to provide a ‘cradle to grave’ procurement plan for each major acquisition’ [*Measure – Implemented model procurement plan by September 2013*]
- Change the Terms of Reference for our current PEMB so that they are responsible for reviewing, approving and managing each procurement plan [*Measure - Amended PEMB TORs by April 2013*]
- Use the PEMB to identify a single savings target at the outset for each procurement

³ Buying what we think we need rather than what we actually need as a result of active selling

⁴ Broadening the requirement in order to charge the Council more money

plan [*Measure – Implemented model procurement plan by June 2013*]

- Use information that we have derived about our third party spend to segment our expenditure by category, risk and optimum means of market engagement⁵ [*Measure – Category Plans being introduced starting September 2013*]

2.5 Effective engagement with Serco and working with other public bodies

What this means

The provision of procurement services to the Council is governed by a long term partnership agreement signed in 2005 between the Council and Serco for thirteen services of which property and procurement services⁶ is just one. It is essential that we make the most of that contractual relationship.

There is a strong case for working with other public sector organisations when it comes to the purchase of certain expenditure categories, particularly those which are ‘non-core’ with a view to driving down costs or making the requirement more attractive to new suppliers / providers. It can also help to strengthen our negotiation position when dealing with large contractors that are common to other public bodies.

Why this is important

Making the most of any partnership is sensible when the partner in question is responsible for the delivery of multiple services on behalf of the Council. Putting aside the rest of the portfolio, the Council has outsourced the transactional element of its procurement responsibilities to Serco and it is in the interest of both parties that the relationship delivers benefits to both sides.

Local authorities and public organisations across the UK are now actively collaborating to;

- Streamline service delivery
- Achieve economies of scale and reduce unit costs
- Share capacity and knowledge
- Save time, effort and resources

The Essex local authorities recognised the value of procurement collaboration in 2004 having formed the PAE, a model which has subsequently been adopted in other parts of the UK.

Also, an analysis of the Council’s 2011/12 expenditure data showed significant overlap of suppliers and expenditure categories with other local authorities including Southend BC, LB

⁵ This will mean identifying whether the category is best acquired directly by the Council or through an arrangement with another public body including the PAE, Improvement East or procurement consortia such as GPS, ESPO, Pro5

⁶ Property and engineering services although brigaded with procurement, was subsequently sub-contracted to Europa by Serco although they act as the prime contractor.

Barking and Dagenham and LB Havering. Working with other willing partners can deliver significant benefits to the Council through the ability to shape markets, achieve better outcomes and remove cost / duplication of effort.

Where we are at today

Serco is responsible for the all formalised ordering and the tendering and contracts element of the commercial cycle and has historically worked to that understanding. This includes complying with all the Council's rules and regulations and exerting strong process controls to ensure financial and legal compliance. There is some uncertainty as to the scope of the procurement service beyond the day to day work. At the time of preparing this Strategy, no formal service level agreement (SLA) was in place setting out what the Council can expect from Serco in terms of turn-around-times.

The Council did not join the PAE. However, in recent years it has become much more active in collaborative public sector activity in the region being involved both in the Procurement East Network (PEN) run by Improvement East and also the PAE. The current corporate procurement team (Serco) is also keen to encourage cross authority working as they see the benefits of extricating the Council from the purchase of tactical / routine commodities so that they can refocus on the high value / high risk requirements which rightly should command more attention.

Where we want to be in 2015

We want:

- The Serco partnership for procurement to be working effectively with good all round relationships
- Clarity as to who is responsible for which activity, and when, in our relationship with Serco
- Target service response and turn-around-times in our dealings with Serco to be published through a Service Level Agreement with the Council
- Full collaborative engagement for procurement with regional and sub-regional partners and other public sector organisations where it is advantageous to do so.
- Knowledge of, and access to, proven framework contracts for routine / low risk categories
- Ability to direct our internal resources to managing those areas of expenditure which are of high importance for the Council in terms of outcomes, potential risk and value

How we plan to get there and measure our success

We plan to:

- Update the 2005 output specification for procurement to provide clarity on our relationship with Serco. This will include assigning roles and responsibilities at each stage of the commercial cycle to either Serco or the Council to remove ambiguity and misunderstanding as to what is and what is not within scope [*Measure - Updated*]

output specification for the Serco contract by June 2013]

- Introduce a Service Level Agreement (SLA) for all those procurement activities deemed to be provided by Serco [*Measure – SLA drawn up and in place by June 2013*]
- Create an internal ‘intelligent client’ to ensure that the SLA is discharged accordingly and those activities in the commercial cycle assigned to the Council are managed [*Measure - Intelligent client in post by June 2013*]
- Undertake an optimum engagement analysis of our third party expenditure portfolio which will allow us to establish where the optimum engagement is likely to be for each expenditure category and which organisations might be best suited to assist us in our goals. The list of potential organisations to include Government Procurement Service (GPS), PAE, Braintree Hub, ESPO, Improvement East and the Pro5 Group [*Measure – Analysis completed by June 2013*]

2.6 Exploitation of Technology for control and savings capture

What this means

Access to good quality and reliable information is crucial to managing the commercial cycle and the associated decision taking. The Council has already invested a lot of resources into acquiring new technology, so that people can do their job quickly and effectively.

If properly configured, such systems should also capture the information needed to plan future acquisitions, identify opportunities for savings delivery and capture information to show where savings have been achieved.

Technology can be expensive, especially when the cost of maintaining and upgrading is taken into account. Therefore, it needs to pay its way (commonly known as Return on Investment) and be used to its full capability.

However, technology is only as good as the people using it. If they are not properly trained or lack the skills to use or interpret the information it generates the investment will fail.

Why it is important

Using technology in the commercial cycle is important for many reasons including to:

- Allow people to manage individual acquisition exercises at every stage thorough to outcomes
- Measure and monitor performance
- Support the budgeting and payments process
- Capture savings, track costs and minimise financial loss
- Automate paper transactions to save time and money

- Provide information to plan ahead, negotiate with suppliers / providers and secure good outcomes
- Help make information easily available to the public to support transparency

Where we are at today

The Council has made a lot of investments in technology to support the commercial cycle. This includes:

- Ordering and invoice payments
 - management reporting – what we have spent money on and with whom
 - automation of transactions
 - supplier self service
 - BIP suite to support:
 - Register of contracts
 - Electronic tendering
 - Quotations
- Various operational systems in service departments with commercial functionality which support order / delivery management

Although the Council has acquired and implemented the technology, there is significant room for improvement in the frequency and way we use it and making the most of its full potential. This is particularly important if the procurement function is to be able to deliver cashable savings from 2013/14 which is the current plan

Systems are not highly regarded or utilised with many people questioning why information is stored, and the value it brings to day-to-day management. This can easily lead to poor system utilisation and the capture of inaccurate data.

Where we want to be in 2015

We want:

- Low value and routine transactions fully automated with no human intervention wherever possible
- On line access to real time expenditure reports on who we have spent money with, on what (by category) and over what time period
- Easily accessible contracts register which is up-to-date, complete and visible internally and by the public
- The ability to plan ahead for our major acquisitions including contract renewals so that we can evaluate options, organise our resources and manage suppliers pro-actively
- A modern 'self service' approach to procurement, being able to access involves information on-line supported by procedures and rules which are written in plain language and directly proportionate to risk
- Electronic quotations for below tender requirements
- Training for using Oracle I Procure and the Contracts Register so that people know why the system exists, its benefits to the Council and the person using it and its functional /reporting capabilities

How we plan to get there and measure our success

We plan to:

- Develop a subsidiary procurement systems strategy which provides a clear understanding of essential information requirements for managing the commercial cycle across the Council. [*Measure - subsidiary procurement systems strategy in place by June 2013*]
- Make full use of our investment in Oracle I-Procure especially its automation and reporting capability by setting up a systems group reporting to the PEMB [*Measure – group set up and requirement statement produced. Group set up by April 2013*]
- Work with like minded authorities to drive up data standards, including building on our ProClass work [*Measure - Council using embedded ProClass functionality and engagement with local government data bodies. ProClass worked signed off by May 2013*]
- Make full use of our Contracts Register including investigating options to make it proactive for planning purposes [*Measure - Contracts register fully up-to-date and used by all service departments, section in Procurement Systems Strategy addressing Contracts Register and BIP system by June 2013*]
- Provide proper training / briefing sessions for all people that need to use our systems for any aspect in relation to the commercial cycle [*Measure – as for systems group*]

2.7 Making the most of our people – getting it right operationally

What this means

The ability to make this Strategy work and ensure that commissioning and procurement is done effectively will be determined by the quality of people that are involved and the skills and knowledge that they possess. While having the necessary tools to do the job, usually access to appropriate technology and use of clear and streamlined procedures, are important, people skills remain paramount.

This is even more so, given the Council's intention to deliver the strategic procurement role as an in-house activity and introduce savings targets from 2013/14 onwards.

This means that not only must future operational structures be right but a programme of upskilling and skills transfer must also be present if success is to be achieved.

Why this is important

Recruiting and retaining good quality people with commercial skills and knowledge is not cheap. Many local authorities understandably struggle to pay market rates and often are required to use interims / consultants as a means to fill gaps.

The scale and range of the Council's third party expenditure lends itself to a targeted approach which allows budget holders to have greater control of cost control and expenditure, particularly for routine and transactional categories while giving priority to the higher value / higher risk spend categories.

Providing access to professional skills programmes supports:

- Better management of contracts and supplier relationship
- Better informed negotiations with suppliers and problem resolution
- Improved management and decision making
- Risk reduction caused by unforeseen errors
- Potential to improve the quality of some posts

Where we are at today

Serco is responsible for the all formalised ordering and the tendering and contracts element of the commercial cycle and has historically worked to that understanding. This includes complying with all the Council's rules and regulations and exerting strong process controls to ensure financial and legal compliance. The service departments are responsible for all other aspects of the commercial cycle.

There is, however, a clear gap in managing the interface between traditional commissioning and procurement activities, as well as the strategic procurement work on wider policy delivery, planning and market shaping. The Council's aim is to move to a 'cradle to grave' approach over the next twelve months, starting at the specification development / market research stage and completing at the closure of contract.

The reliance on Serco to deliver transactional procurement has created an internal void in terms of the status of commercial awareness skills and techniques. There are few opportunities for commercial skills development, especially in key areas such as contract management, sourcing and research, demand management, and make or buy evaluations. Analysis also shows that there is considerable fragmentation of people undertaking commercial activities across service departments and little by way of formal upskilling. This makes effective engagement with suppliers and management of outcomes and costs difficult to achieve.

Where we want to be in 2015

We want:

- An effective structure in place for managing strategic procurement and commissioning which is able to deliver the goals and objectives of this strategy in full and provide a 'cradle to grave' approach
- A programme of cultural change management to help individuals acquire the skills needed to manage the planning, procurement and fulfilment of all major acquisitions
- In-house, modularised commercial awareness programmes to help those non specialist people working on any aspect of the commercial cycle develop the skills and knowledge to do a better job
- A half day basic procurement and commissioning induction programme for all new joiners to the Council

How we plan to get there and measure our success

We plan to:

- Create a new, in-house, **strategic** commissioning and procurement team designed to make our vision and this strategy a reality over the next two years [*Measure – new structure in place and operational for September 2013*]
- Identify key posts and individuals that would benefit from upskilling [*Measure – ensure current research is completed by June 2013*]
- Offer a rolling programme of in-house skills and knowledge transfer programmes [*Measure – programme on offer from June 2013*]
- Complete the survey undertaken already to identify all those posts involved in any activities connected with the commercial cycle so that we can understand where we need to increase skills and knowledge and allow us to draw up plans [*Measure - Set up survey and finish by May 2013*]

- Work with out HR colleagues to ensure that commissioning and procurement are covered in the Council's induction programme [*Measure – Work with HR colleagues and have programme in place by June 2013*]
- Ensure that a full programme to manage the organisational and cultural changes needed to make this strategy a reality is in place [*Measure – Work with HR colleagues and have change programme in place by June 2013*]

Appendix A – About Our Operating Environment

This appendix summarises the policy framework and expected ethos for those undertaking procurement and commissioning at the Council.

Public Procurement Policy

Public procurement operates in a regulated environment which is governed by legislation and policies set internationally by the European Union as well as by the UK Government.

- **Role of the European Union**

The EU Consolidated Public Procurement Directive was adopted into UK law on 31 January 2006. The Directive gives detailed instructions on how public procurement exercises should be carried out, and also identifies practices that are inappropriate. These instructions are complex, and continue to evolve through new case law. In December 2009, the Remedies Directive was also adopted into UK law and set out further procedures for handling public procurement exercises,

Broadly speaking, although the basic rules are unchanging, interpretation and case law are constantly evolving. This means the Council requires its procurement and commissioning staff to be well-informed and trained to minimise the risks of appointing ineffective suppliers and/or suffering legal challenges. Failure to adhere to the provision of the EU Directive can result in the Council becoming subject to Court action or enforcement action by the European Union.

- **Role of the UK Government**

The UK government frames legislation governing the way in which we live and work. As with all organisations, the Council and its suppliers / providers are expected to comply with appropriate legislation. The Council does not wish to appoint any suppliers / providers which knowingly fail to honour their legal obligations,

The central government department responsible for all 353 English local authorities is the Department of Communities and Local Government (CLG), CLG sometimes frames policies and Ministerial instructions in relation to procurement with which the Council is expected to comply⁷.

⁷ A recent example of this is the need to publish all transactions over £500. Other common laws which regularly apply to procurement and commissioning include the Freedom of Information Act 2000 and the Transfer Undertakings (Protection of Employment) Regulations 2006