

Strategic Procurement Strategy

2016- 2018

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1.0 FOREWORD

Good procurement processes have the power to transform public services, improve outcomes and make life better for residents. This Strategy is about making sure that every penny is spent wisely and that what we procure aligns to what our residents want. We are placing a renewed emphasis on using the purchasing power of the borough to deliver our priorities, boost the local economy and contribute to improving the economic and personal capacity of our residents.

We want to achieve significant savings through improved procurement and contract management. Collaboration is very much at the heart of this aim, both internally, utilising efficiencies through our shared service, oneSource, and externally with other Councils and public bodies. We will procure in innovative ways, which focus on residents, and spend public money in line with public expectations.

The Strategy will focus on:

- **Value for money;** through efficient contracts that deliver high quality goods and services at a competitive price.
- Using the Council's purchasing power to boost Havering's economy and long term economic **sustainability**, through maximising the opportunities for local businesses to provide services and helping ensure that where possible contractors actively seek to employ and train local residents.
- **Community benefit;** to ensure opportunities for local economic, social and environmental benefits are achieved through our contracts to meet local residents' priorities. The specification for our contracts can play a key part in helping to ensure contractors are fully contributing to delivering our vision for Havering.
- **Innovative and partnerships;** to ensure in the right circumstances, joint working can deliver efficient, cost effective, risk sharing solutions, and new and better models of service delivery. We are working to think about the different ways of providing and buying goods and services, so that we can continue to improve value for money while not reducing quality.

Above all the Council and its partners will work hard to drive up procurement efficiency so that the cost and quality of services we provide to our residents offers maximum value, is affordable and aligned to the priorities of our residents.

2.0 INTRODUCTION

This strategy seeks to modernise our procurement, introducing a more holistic programme that takes into account lessons learned in recent years. It will also address key issues and challenges likely to be faced over the next three years and is aligned to the overarching vision of the council and priorities as set out in the Corporate Plan.

The procurement strategy and Contract Procedure Rules (CPRs) together set out the council's attitude to procurement procedures and provide a clear mechanism for delivering value for money and legally-compliant contracts.

We aim to continue to achieve significant savings in the coming years through improved category and contract management. Collaboration is at the heart of much of this aim, both internally within commissioning functions and category services areas, utilising operational efficiencies through shared service of oneSource with London Borough of Newham, and externally with other councils, health partners and public bodies to procure in innovative ways. We want to streamline supply chains and deliver procurements which focus on residents' needs and are cost effective.

2.1 oneSource

In 2014 we launched oneSource, integrating corporate services with London Borough of Newham. By working in partnership with Newham we have increased operational procurement efficiency by building on the strengths of our previous team of procurement experts. We will continue to make use of technology and build strong internal and external customer experience and management.

Planned oneSource operational efficiencies will achieve savings through:

- A new shared service procurement team based on category management, eliminating duplication and working more efficiently.
- Generating income through plans to offer procurement services to external organisations.
- Maximising the effectiveness of available technologies through shared resourcing.
- Collaborative procurement, reducing cost through economies of scale.

3.0 THE FUNCTION OF STRATEGIC PROCUREMENT

The Strategic Procurement Unit (SPU) provides technical expertise and advice to service areas on delivering value in procurement. It supports, oversees and provides guidance to commissioning officers to ensure procurement of services and goods meets the wider sustainability goals of the Council, follows legal precedence and offers the Council best value.

SPU offers commercial expertise and knowledge and runs checkpoints to ensure strong procurement governance is in place. It also provides an overview to commissioning processes, spanning the whole life cycle from identification of needs through to the end of the useful life of a service or asset.

4.0 CORPORATE AND STATUTORY DUTIES

4.1 Contract Procedure Rules

The council's Contract Procedure Rules (CPRs) are mandatory and provide more specific guidance on how procurement and contract award procedures are governed and regulated. Together with this

strategy, the CPRs provide the governance framework and processes for letting and awarding council contracts.

4.2 EU Regulation and legislative changes

The EU Procurement Regulations apply to all forms of procurement, particularly in terms of transparency, and it is important that officers understand the constraints within which all procurement must be undertaken. The Strategic Procurement Unit will ensure that sufficient time and resources are allocated to undertake a robust and compliant process.

Where the estimated value of a proposed contract intended to be let by the council (or on its behalf) exceeds or is likely to exceed EU procurement thresholds (Supplies and Services, £164,176 (€209,000) and Works £4,104,394 (€5,225,000)), the contract must be procured in accordance with the EU Consolidated Procurement Directive (18/2005/EC) as included in the Public Contracts Regulations 2015 (as amended).

The Public Contracts Regulations 2015 abolished pre-qualification questionnaires (PQQs) for low-value contracts as part of the Government's drive to ensure that public sector procurement is more accessible to small businesses. This supports Havering's commitment to local enterprise and growth, and we are committed to ensuring that small businesses get a fair chance to bid for council contracts.

4.3 Public Services (Social Value) Act 2012 (the Act)

The Council has a statutory requirement for Service procurements with a value above the EU threshold to have regard as to how a procurement may improve economic, social and environmental (ESE) conditions. Consideration will be given in the pre-procurement phase to the requirements of the Act.

4.4 Localism Act 2011

In June 2012 the Localism Act 2011 came into force. This Act allows local communities and relevant bodies, including voluntary or community bodies, to have wider involvement in and greater power to challenge how local authorities provide and run services. This must be done in the form of an expression of interest which the relevant authority must consider. If the relevant authority agrees to accept the expression of interest, it must run a procurement exercise.

5.0 BUILDING ON OUR SUCESESSES

The Strategic Procurement Unit remains at the forefront of procurement across the UK following being shortlisted for the national 'Outstanding Savings Delivery' award in 2015, and the Head of Procurement being elected to the National Executive Committee.

5.1 Category Management

In 2014 a review of the Strategic Procurement Unit took place as a pre-cursor to the launch of oneSource shared service with Newham. This led to a restructure within the SPU and the creation of categories. Category Management will be a powerful method of supporting procurement activity against strategic business plans by service areas.

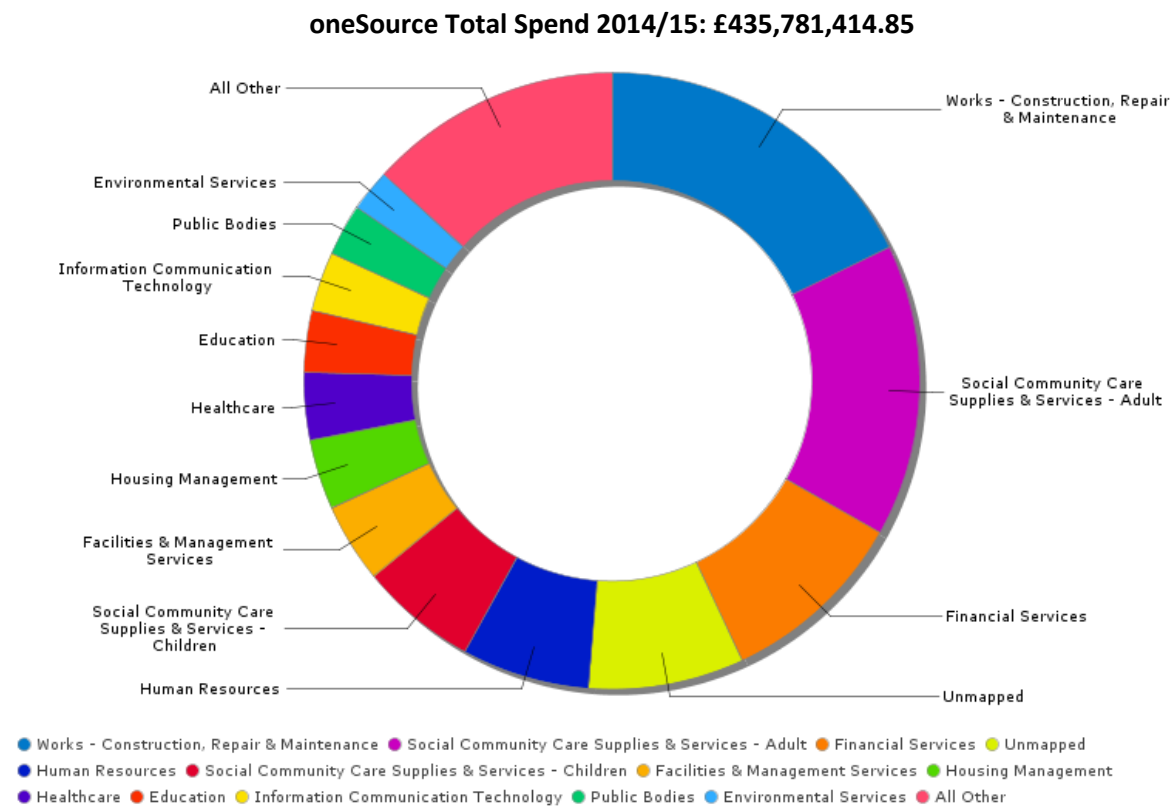
It will enable procurement teams to:

- Better understand wants and needs of the service areas and aligning these with council aims
- Develop a deeper understanding of suppliers and supply markets by category
- Creating and delivering forward category sourcing plans that align to council priorities and forward plans

- Ensure effective cross-functional and collaborative team working

5.2 Category by spend under oneSource

(Bravo Solutions data, 2014/15 spend analysis)



5.3 Procurement Governance

In October 2015 the pilot of a Checkpoint process was approved by CMT/CLT, to run for a 12 month period as part of the procurement governance process. Inclusion in the pilot is optional, but will be encouraged for all procurements of goods and services over the EU threshold (£164,176) and for works with a value of over £500,000.

The aim of Checkpoint is to ensure that service areas are aware of procurement processes at the inception stage of a procurement plan. This helps ensure compliance with procurement procedures throughout the process and puts the council in a stronger position to deliver value for money as officers are helped to evaluate all the options for service delivery.

Checkpoint 1 – Business Justification and Contracting Strategy

This is considered at the Business Case part of the Procurement Cycle.

Checkpoint 2 – Contract Award and Implementation

This is at the Award stage of the Procurement Cycle

Checkpoint 3 – Post Implementation

This is at the Contract Management stage of the process.

The SPU's category and forward plans enable the council to identify all its contracted commitments and are used to inform the Leader and Members of future expenditure and the opportunities to review this ahead of the Governance process.

Whilst the Checkpoint panel will consider all procurements above EU threshold for goods and services and above £500,000 for works, the Corporate Management Team (CMT) act as a pre-procurement gateway, reviewing all procurements over £500,000 and any procurement about which the Checkpoint panel has raised concerns.

Both the Checkpoint Panel and CMT are cross-directorate to ensure a wide range of knowledge is around the table. The Checkpoint Panel is chaired by the Head of Procurement and CMT by the Chief Executive. All procurements over £500,000 or that are regarded as a key decision also go through governance proceedings at the initiation point of a tender and at award stage.

5.4 Making use of up to date technology

The SPU currently use the following systems to ensure that all the council's procurement activity is recorded and provides value for money:

- Bravo Solutions - capitalSourcing
- Bravo Solutions – E Auctioning
- Bravo Solutions – Spend Analysis
- SProc.net –Dynamic Purchasing System
- OneOracle – Finance, iProcurement

Bravo Solutions capitalSourcing System

From April 2015 all procurements over £25,000 are managed through capitalSourcing. This system brings a number of benefits including greater transparency and reduced costs of administering procurements. One of the main advantages of using electronic tendering and procurement systems is the ability to speed up procurement and make use of shortened mandatory timescales. Moreover, the Public Contracts Regulations 2015 introduced a requirement for all contracting authorities to change from paper-based to e-procurement by October 2018. By adopting e-tendering and procurement in advance of that change, the council has put itself in the best position to ensure full compliance.

The system provides control and visibility of the full life-cycle of contracts, from tendering through to contract management and supplier performance appraisals. It supports upstream procurement activities such as identifying suitable suppliers, finding savings opportunities, quantifying and reducing supply risk, negotiating and managing contracts, tracking ongoing supplier and category-level performance and monitoring the overall success of the procurement function.

Additional benefits will be realised from close working with the Tri-Borough Councils who also use the Bravo Capital E Sourcing System, enabling the council to share best practice, support and lessons learnt with the Tri Borough Councils.

E-auction portal

An e-auction portal is also used to drive further cost reductions, allowing for dynamic negotiating on price as suppliers bid to improve their position relative to other suppliers. E-auctions do not compromise on quality thresholds achieved during the tender stage and therefore the final awarded supplier is awarded based on the quality standards specified from the outset.

One Oracle

The One Oracle programme is working towards establishing a shared service between Newham and Havering Councils under oneSource. Six other London Boroughs have adopted a common ERP (Enterprise Resource Planning) system for finance/procurement transactional processing and HR transactional processing services which maximises benefits using Oracle E-Business Suite Release 12.

Havering was a founding borough of the One Oracle programme and has been prominent in bringing on new boroughs such as Newham to improve the economies of scale of the programme.

The programme will deliver cost and efficiency savings, achieved through centralised back-office functions using a single integrated system. The new system also has improved functionality, providing a joined-up view of information, reporting and aligning and adopting standardised processes. For SPU, better procurement categorisation will be captured against spend for forward planning and category management. Contracting strategies will be formulated based on versatile reporting from the single integrated One Oracle system.

Dynamic Purchasing System (DPS)

We have implemented a Dynamic Purchasing System in the borough. This is an electronic system for setting up and maintaining a list of providers from whom the Council can purchase works, goods and services as and when required. The advantage of a DPS is that it is open throughout its duration for the admission of any provider which satisfies the selection criteria and submits an indicative tender which complies with the service specification, encouraging engagement with new suppliers and SMEs at any time.

Dynamic Purchasing Systems were introduced by the Public Sector Contracts Regulations 2006 and are further developed in Directive 2014/24/EU of which was transposed into UK law through the Public Contracts Regulations 2015.

5.5 Electronic Payment Methods

As well as making use of technology to record procurement activity, there is a general channel shift in the way that we spend the Council's money, moving away from traditional manual payments and invoices towards a suite of electronic payment methods. Working with Exchequer and Transactional Services, the SPU will continue to drive progress in this area and will use its position to embed the use of electronic payment methods as standard across all contracts.

5.6 Collaborative working and partnerships

In addition to working within a shared service under oneSource, the council continues to drive collaborative working across London. The SPU works with the wider public sector, facilitating and leading forums and partnership working such as the Contracts Register User Group and Procurement Across London (PAL). These help drive savings and efficiencies through London-wide procurements with a joint approach, and sharing knowledge and best practice

6.0 STRATEGIC PROCUREMENT VISION, AIMS AND OBJECTIVES

6.1 Procurement Vision

Our overriding aim in setting this strategy is to get "more value from every pound spent", be that in cashable returns or better outcomes from our procurement spend. The £120m we spend in Havering each year supports and helps to deliver the council's vision, puts residents first and is commercially focused. Achieving ways in which we can drive down costs must be a key outcome from our procurement activity. We will ensure that all contracts awarded achieve the best possible value for money without compromising on quality or innovation.

We will ensure that all contracts are procured through effective and efficient procurement practice, are tailored to the requirements of the people who use the service and fully comply with national and EU legislation.

There are four key strategic aims to the council's Procurement Vision.

6.2 STRATEGIC AIM 1: Value for Money

Every penny spent on supplies, services or works for the community must deliver the best possible value. We need to continually make sure that the money we spend is put to the best possible use, whether that is achieved by better management of our existing contracts or by more commercially-lead decisions on proposed procurements. Improved procurement processes will not only help the council meet its ambitious procurement savings target but will also ensure the correct procedures are in place to achieve its required outcomes.

Value for money does not simply mean procuring goods and services at the cheapest rate available, but securing the 'most economically advantageous tender' – that which delivers good quality outcomes at the most reasonable price.

Supplier Review

A large proportion of our contracts were negotiated and agreed before the current economic difficulties and budget constraints. This means that we will be reviewing arrangements to test if they are still appropriate and continue to be affordable. This will ensure that money is being spent wisely and investment is being made in those services that the Council agree is the highest priority. Where the opportunities exist, we will work with other like-minded local authorities and partnerships to get the benefits resulting from increased purchasing power and influence.

Consolidation of suppliers

An exercise will be carried out to see if we can reduce the number of suppliers we deal with. This will enable us to provide a smaller number of suppliers with more volume and scale to obtain better prices and greater value for money, and will cost less to manage. However, whilst this should deliver greater economies and efficiencies, we are mindful of the tension this may create with the commitment to develop and increase local enterprise solutions to our supply needs.

Collaboration and leveraging scale

Havering is a member of East London Solutions, a group of 6 London Boroughs working together to establish collaborative efficiencies. We are also increasingly working with PAL to contract with London-wide agreements. By working together and looking at where there are "common" suppliers or needs for future supply we can ensure that we are getting the best deal and also leveraging the larger volume to get even better prices through increased purchasing power.

Governance

Improved category management will allow us to conduct sourcing initiatives by service area and better forward plan. A team of procurement professionals with expertise and knowledge around their specific sourcing category will ensure procurement plans continually capture the intended cost savings. We also have in place Checkpoint processes to ensure savings are realised and procurements are run correctly.

Structure and Systems

We are ensuring best value and good practice through using up-to-date procurement technology such as e-auctions and Dynamic Purchasing Systems. We will maximise use of electronic systems through implementing an electronic purchase to pay system, publishing payments made online and improving accessibility to our electronic tendering system to ensure it operates as an effective contract management tool as well as a procurement system.

Contract Management

A key part of the change towards delivering better value for money is to make sure that the council reaps the full benefit of goods and services that it has procured from third parties. This includes better monitoring and management of performance (including the delivery of community benefits) and, where performance is not being achieved, action and improvement plans will be put in place. Where suppliers do not improve, contracts will be re-tendered or prices adjusted as necessary. We will have a clear, commercially-led framework for contract management to assist those managing contracts on a day to day basis.

For these reasons a contract management strategy is being developed, to be read in conjunction with this procurement strategy, to make sure that, once awarded, contracts continue to deliver value for money and high-quality outcomes.

6.3 STRATEGIC AIM 2 - Economic Sustainability

Havering's existing small and medium enterprises can make significant contributions to community prosperity. The purchasing power of the council gives it a unique opportunity to support SMEs within the borough. Helping local businesses to compete for and win contracts to deliver goods and services to the council means that economic activity is kept within the community and also provides local SMEs with a wider market for their goods and services.

To further support the growth of this sector we will create a level playing field so local enterprises can compete on an equal footing when tendering (or quoting) for opportunities with the Council. In this way we will be better placed to meet the objectives of the Council's Economic Development Strategy and to build the capacity of the local employment, business and voluntary sectors to deliver more of the Council's supply needs and those of other organisations, both inside and outside the Borough.

The following principles will drive our future decisions on how to scope our procurements and how we will award contracts that support and maintain the local area and deliver economic benefits relevant to the procurement in hand. How we can deliver sustainability will vary dependant on the type of procurement and may change over time. We do not want to stifle innovation in this area, but as a minimum we will look for relevant contracts to deliver:

Stimulation/Creation of Supplier Base

Where appropriate, our procurements will be packaged to encourage expressions of interest from SME businesses and the third sector. We will also use the "small lots exemption" where the value, scope of work or geographical area of delivery allows us to, and provided that lots will deliver value for money.

Where services, suppliers, or works are not within the full EU regime, either because they are light touch regimes or below the threshold, we will explore how they can be packaged to encourage SMEs to tender, whilst at the same time ensuring transparency and value for money.

The introduction of Contracts Finder requires the council to advertise contract opportunities and awards above £25,000 on Contracts Finder. This will encourage engagement with SMEs and local suppliers and ensure transparency.

Energy Efficiency and Sustainability

Tender evaluation frameworks will place a greater emphasis on financial assessment, using whole-life cost methodology that results in whole-life value with clear links to community priorities. The

energy efficiency of products will be a fundamental criteria in evaluation. The council will use procurement opportunities to protect and improve the local environment and reduce the negative effect of the environment of the products and services that we use. The council faces various environmental risks and challenges and will use its procurement of goods, services and works to ensure reduced energy consumption and to create a cleaner, greener borough.

Equalities and Diversity

We will ensure our contractors understand and embrace the council's commitment to equality and celebration of diversity by requiring them to provide relevant method statements on how they will fulfil their statutory obligations and, where appropriate, agree key performance indicators so we can monitor their performance.

7.4 STRATEGIC AIM 3 - Community Benefit

The Council takes its responsibility to the economic, social and environmental well-being of the area very seriously and seeks the maximum community benefit throughout the procurement process. We also recognise that there will be occasions when we will have to work with our contractors to help them deliver the outcomes that we expect.

We will maximise the delivery of legally-binding community benefits from our procurements, using contracts to deliver the best possible economic, social and health benefits for the borough. Obtaining these will require the council to take a more commercial and holistic approach to future procurements. Community benefits must be identified at the pre-procurement stage, with the minimum requirements accepted and priced for relevant tenders, key performance indicators requiring contractors to deliver their offer must be agreed and contractors obligated to report their performance against these.

Community benefits will be delivered and measured in a number of different ways:

Contract Opportunities

By incorporating specific economic benefits into our long term partnering arrangements we will enable supply chain opportunities to be maximised. Where appropriate and lawful, we will shape our demand for contractors in ways that support delivery by local enterprises.

Concessions

Where the council proposes to let a services contract as a concession then such arrangements would not be subject to the detailed EU procurement rules if let as a service concession. Such service concessions are subject to the usual rules under EU legislation in relation to prohibition of discrimination on grounds of nationality, free movement of goods, the freedom of establishment, and the freedom to provide services. However this approach offers more freedom with regard to some services and the council will consider the applicability of such arrangements when letting certain services that may be suited to smaller enterprises.

Creating Job Opportunities

We know we need to work hard with our contractors to establish the right mechanisms for ensuring contractors have access to local people looking for employment, training or apprenticeship opportunities. We must also develop appropriately skilled local employment and enterprise markets.

Creating a workforce

We need to ensure that we create opportunities through skill development and apprenticeship schemes. As well as asking bidders for pricing information to enable a Value for Money assessment

to be made on the provision of the benefit, the council may also, in relevant areas, specify for the provision of extra apprenticeships/traineeships in addition to the base specification to be drawn down by the Authority. We will work with our major contractors through formal contractual mechanisms to identify where we may establish a supply chain which can support the creation of job and training opportunities.

Community Engagement

Havering residents have told us that their top priority is reducing crime and antisocial behaviour, followed by maintaining roads and pavements. Other areas which matter to local people are keeping the borough clean, supporting local businesses and reducing traffic congestion. We need to harness our community engagement and use community events to engage with local residents about proposals in their area and reflect their priorities in future contracts. Wherever possible we will seek to identify sought-after community benefits by consulting with local Councillors in that community in the procurement process.

6.5 STRATEGIC AIM 4- Innovation and Partners

Havering welcomes innovative solutions to meet its service enhancement and delivery challenges. We recognise that joint working through partnerships, in the right circumstances, can deliver efficient, cost effective, risk sharing solutions, and new and better models of service delivery.

We know that there will be a growing need to identify ways of making significant savings and this will mean looking at innovative ways of working and creating collaborative arrangements and partnerships where this will deliver those savings. This will mean:

Integration of Shared Services with the London Borough of Newham under oneSource

oneSource provides shared back office support services for local government and other public services – helping make significant savings and work more efficiently as a single procurement unit. This innovative entity has already led to savings of £5.4m in the last financial year and continues to be at the forefront of efficient public sector procurement.

Using regional London-wide procurement alliances

We are a leading member of Procurement Across London (PAL) which comprises 32 boroughs and over 50 London-based national bodies and universities. This allows us to purchase a wide range of common products such as stationery, cleaning materials and furniture from frameworks available through PAL. We also make use of other sub-regional alliances of boroughs and continue to collaborate with other London boroughs to identify opportunities for cross-London collaboration and joint procurement and will continue to do so.

East London Solutions is a grouping of the 6 North East London Boroughs, looking at a range of activities for shared services including Procurement. Where appropriate the council will continue to work with ELS to realise the savings that collaborative procurement can bring.

Use of Cabinet Office and other established Frameworks

We will explore whether Government Frameworks or others such as those that can be accessed through Regional Improvement Efficiency Partnerships, the Homes & Communities Agency Buying Solutions etc., provide an appropriate route for our future procurements. Where we call off third parties' contracts we will ensure we are not paying more than we would as an isolated tender. The council has already started to make good use of available frameworks which will not only bring reduce the costs of contracts but also allow for a faster and lower cost procurement process.

In-house versus external providers

We must continue to deliver best value in our service provision by challenging whether internal or external providers better meet the Council's needs. Both in-house and external providers and contractors need to demonstrate value for money. Where there is a comparable external market capable of delivering services currently provided in-house, the in-house provision must be rigorously and regularly "market tested" to demonstrate it still provides the best value for money. However, for as long as in-house provision is proved to be better value for money, all our relevant service requirements must be channelled through that provider.

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