

CORPORATE AND COMMUNITIES OVERVIEW AND SCRUTINY PANEL 13 MARCH 2019

COMMISSIONING AND COMMERCIAL UPDATE

Summary

1. This report is an update on progress since the Overview and Scrutiny Panel meeting dated 23 October 2018. Good progress has been made in the development of our approach to Commissioning and Procurement activities and the skills to support them.

Background

2. At the meeting of the Scrutiny Panel in October 2018, several topics were explored including definitions and processes associated with commissioning and procurement. This stimulated a wide-ranging discussion about how the Council currently administers its external spend - from the high number of small contracts in place and the limitations of the tools currently used to manage these contracts through to the decision process to outsource and insource services and how improvements to services are monitored following implementation of these decisions. The panel also stated that they wish to be involved in the procurement strategy development and have sight of the commissioning project plan.

3. The Council's Procurement Code describes the procurement processes that must be followed. The Procurement Strategy describes what the approach the Council wants to adopt, and the outcomes expected through procurement activity. The strategy is currently being updated to reflect the Council's priorities and social value requirements.

Purpose of the Meeting

4. The Panel is asked to:

(a) Consider the information contained within the report and advise on key information required in future updates.

5. Since the meeting of the Scrutiny Panel in October 2018, the Commercial Team has been progressing the development of the function. The initiatives will build on the themes discussed in October by improving the commerciality of the organisation and the effectiveness and efficiency of our processes with the subsequent reduction in spend. These proposals are outlined below:

Proposals: To introduce

- A new Procurement Strategy and Procurement Code
- A Category Management Approach - managing our Council-wide spend profile to maximise market opportunities and working closely with Commissioners, ensuring we achieve best value for services we provide
- Ongoing development of the commissioning approach and close integration between commissioners and commercial team to underpin category management
- A Centralised Buying Team - tail spend control to deliver savings on high volume low value procurement.
- Commercial Management Information Reporting – the provision of information that will drive decisions and track progress including spend analysis

6. The table below outlines the proposals in more detail:

| Team | Business Changes | Benefits |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Commercial and Commissioning Board | <ul style="list-style-type: none"> • strategic view of commissioning and commissioned services • review of complex exemptions to the procurement code | <ul style="list-style-type: none"> • priorities identified and acted upon • focused resource • best in class approach to commissioning |
| Category Management Team | <ul style="list-style-type: none"> • commerciality introduced to directorate management teams through presence of highly trained and experienced commercial staff • understanding and development of market • supplier management and programme of supplier/contract performance reviews • opportunities for collaboration with partners identified • opportunities to reduce spend and increase income identified and pursued • team to manage strategic contracts | <ul style="list-style-type: none"> • reduction in spend • effective commissioning and procurement delivering best value • all contracts held by council known • contract terms enforced • contracts reviewed to improve performance/reduce costs where applicable |
| Central Buying Team | <ul style="list-style-type: none"> • source all goods and services between £1k-£5k applying rigorous competition • source all goods and services between £5k-£25k using Request for Quotation process on In-Tend (procurement e-portal) • identify opportunities for aggregation | <ul style="list-style-type: none"> • regain control over tail spend • efficient procurement processes applied, appropriate to value and nature of contract • competition applied to reduce spend • compliance with procurement code |

| Team | Business Changes | Benefits |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Commercial Reporting | <ul style="list-style-type: none"> • manage back office P card spend • develop and manage catalogues and preferred supplier lists • act as a help-desk to other purchasers(requisitioners) around the organisation • manage and maintain contracts register in In-tend • manage exemption requests | <ul style="list-style-type: none"> • forward planning • spend linked to contracts • control on spend • effective decision making • timely action |
| | <ul style="list-style-type: none"> • all contract data to be held within the Intend System • live commercial dashboards available across the organisation (drawing data from e5 and Intend and generating reports in Power BI) performance against specific targets reported e.g. No PO No Pay | |

As well as changes to processes and systems, this transformation will require organisational redesign which will need to align to the overall Council Redesign.

New Procurement Strategy and Procurement Code

7. The Current Procurement Strategy is being rewritten focusing on addressing the Council's priorities from commissioning activities. It will focus on the Council's need to use its spending power wisely and strategically to:

- Maximise value for money
- Achieve continuous improvement in the way services are delivered
- Secure savings through more effective procurement
- Secure Social Value

8. Procurement is an integral part of commissioning and essentially is the physical activities involved in sourcing, engaging and managing spend with suppliers and providers. This will be informed and influenced by the approach that the Council takes to its commissioning.

Procurement encompasses:

- Defining the requirement
- Developing the business case
- Defining the approach
- Researching the supply market
- Undertaking competitive procurement
- Awarding and implementing the contract

- Managing the contract and the supplier
- Review of contract delivery and lessons learnt.

9. The procurement vision is to drive procurement excellence through developing an open, challenging and pro-active culture and deploying effective strategies to source the right service from the right provider at the right cost.

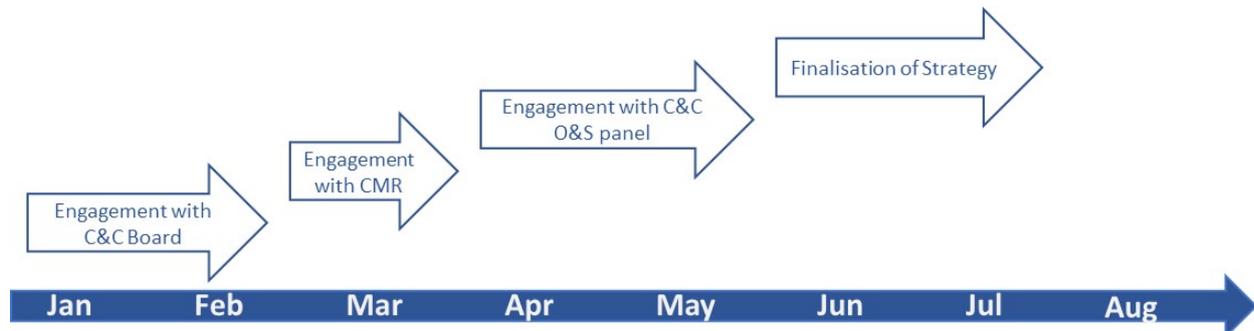
10. The procurement objectives are to:

- Meet commercial needs in a way that achieves value for money on a whole life basis, generating benefits to the Council, its communities and local economy, while minimising the damage to the environment
- Develop and evaluate alternative and innovative models for service delivery including arm's length companies, staff spins outs etc.
- Manage all of procurement activities using the principles of category management to leverage spend through aggregation & standardisation
- Manage supply markets and key suppliers through effective deployment of supplier and contract management
- Explore and maximise the opportunities for partnering and collaboration across the public, private and third sectors
- Develop procurement staff into highly motivated, well respected specialists, delivering excellent service, best value for money and sustainable cost savings
- Ensure the Council is recognised by suppliers and providers, as one that they want to work with rather than must work with
- Deploy effective processes and robust option appraisals to meet our ambitions. and ensure all our procurement complies with UK and EU legislation.

11. In working towards the vision and pursuing the objectives, the benefits of the activities will be felt by all the Council's stakeholders - Community, Suppliers & Providers, Elected Members, Strategic Commissioners and staff. In particular:

- New ways of procuring requirements
- Better value for money
- Innovation
- Accessibility
- Clear access channels
- Easier to find opportunities
- Targeted support to local supply base
- Better information
- Specific support to local businesses
- Cost savings
- Easy to find supply solutions
- Fewer supply issues
- Simplified processes
- Professional delivery
- New skills
- New ways of working
- New toolsets and access to Commercial Management Information

12. The Corporate and Communities Overview & Scrutiny Panel will be invited to input to the development of the Procurement Strategy. The indicative timeline for the development is as follows:



Commissioning Plan

13. The work to validate our contract data is ongoing throughout March and is being used to populate the Contract Management functionality within Intend. This will allow the development of a robust commissioning plan based on contract liquidity which, in turn, will facilitate the team in meeting peaks and troughs of procurement activity throughout the year.

14. The team remain outward looking and have visited several other authorities' procurement teams seeking best practice and we continue to work with partners to explore joint opportunities for savings e.g. STP.

Building Team Capability

15. There is significant focus on developing the team and there are currently five staff who have Chartered Institute of Procurement & Supply (CIPS) qualifications and nine staff within the commercial team are currently undertaking CIPS training. Development in Six Sigma (LEAN) is also programmed for the wider team.

Conclusion

16. Good progress has been made in improving our approach to Commissioning and Procurement activities and developing the skills, processes and systems to support them.

Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report: Report to Corporate and Communities Panel 23 October 2018 available [here](#)

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