



Commissioning and Procurement Strategy 2013 - 2016

1. INTRODUCTION

The Council sees Commissioning and Procurement as a key enabling function to support the Council deliver value for money and contribute to the achievement of its strategic objectives and deliver safe and quality outcomes for the people it serves.

The Council has a long established approach of encouraging a mixed economy of service delivery options using a combination of direct service delivery, partnership working and the use of third party suppliers including the private sector, social enterprise and voluntary and community organisations (VCO).

The Council spends in the region of £130m per year on the procurement of revenue funded goods and services from third party suppliers and a further £50m on Capital funded works from third party suppliers.¹ This strategy focuses on the Council's priorities and plans to ensure value for money from this expenditure.

The Council understands that the procurement of goods and services has a major impact on a wide range of stakeholders and aims to work in partnership with customers, suppliers and other stakeholders to deliver value for money and safe and quality outcomes. In accordance with the Council's social, environmental and local economic development policies and values.

The strategy also aims to build on existing good practice and policy and seeks to further improve its procurement activity to support these wider objectives.

¹Most recent full spend analysis of expenditure, November 2009 to October 2010

2. THE RELATIONSHIP BETWEEN COMMISSIONING AND PROCUREMENT

There is currently inconsistency in the use of the terms “Procurement” and “Commissioning” in the public sector. Some commentators argue that the terms are interchangeable, others that there are clear differences between the two.

For the purpose of this strategy document the following working definitions are used:

Commissioning

“The process by which public bodies decide how to spend their money to get the best possible services for people. Commissioning involves anticipating future needs and expectations rather than simply reacting to present demand.”²

Commissioning refers to the strategic planning of services throughout the Council. The term is most often used in relation to services in the health and social care areas, although it is a process that is employed by all Council’s services. Generally, service plans across the Council are developed through the commissioning process and each service plan is, in effect, a commissioning plan for that service.

In the context of this strategy, the commissioning/strategic service planning approach is used across all of the Council’s services as the Council’s preferred service planning approach.

Service/Commissioning Plans therefore identify the objectives that the Council intends to achieve over a defined time period and sets out the chosen delivery methods to achieve those objectives. In practice, the Council engages in joint planning with other bodies and in addition to the Council’s own service/commissioning plans these often form part of wider joint commissioning plans such as the Local Transport Plan, Public Health Plan, Mental Health Plan, and the Cultural Strategy.

The Council’s current Corporate Planning Process³ identifies three types of service plan currently in use:

- **Directorate and service plans** are created annually to convert spending programmes into operational business plans for individual services, considering their aims and how they support equalities and environmental sustainability

² Amended version of NCVO definition

³ See service planning diagram Appendix 1

- **Statutory plans and strategies** reflect the breadth of services the Council provides or has involvement in and are developed to translate aims into specific spending programmes, targets and actions
- **Partnership plans** such as the rolling three year Community Safety Plan set out the way that partners (including RBC) will meet the local priorities by delivering local solutions

In commissioning terms, each of these is a form of commissioning plan.

Service Delivery Options

Delivery methods identified in commissioning plans fall into one of the following categories:

- **Direct Service Provision** - objectives delivered by employing staff and owning assets directly. Direct services can also be delivered on a shared basis with other public bodies.
- **Services Provided by Third Party suppliers** - objectives delivered by external organisations either purchased under contract or supported by grant aid.
- **Brokerage** - objectives delivered by actively supporting service users to directly secure services themselves from a suitable provider
- **Stimulating others to provide services or facilities** - objectives delivered by others without direct involvement, but encouraged and facilitated by the Council.
- **Decommissioning** - inevitably, as needs and objectives change, some activities within the previous delivery plans are planned to cease when no longer required for future plans. Decommissioning existing patterns of service is often an essential part of the process of innovation where a different, more effective solution. Decommissioning is not a simple decision to cease an activity, but part of the cycle of change.

Commissioning decisions cover the full range of service provision options and does not automatically imply a preference for outsourcing or delivery by third party providers.

3. PROCUREMENT

Procurement is process of securing the supply of goods and services from external suppliers that the Council requires in order to meet its overall objectives. Broadly speaking these are either:

- Services and public facilities identified through commissioning plans to be sourced from external providers

or

- Goods and services needed to support the delivery of directly provided services and the Council's wider community leadership function.

The Council recognises procurement as a specialist activity within the overall commissioning process. Given the scale of this activity, this strategy has been developed to identify the specific objectives that the procurement function should achieve.

The strategy also identifies resources, processes and governance arrangements needed to ensure those objectives are met.

The diagram at appendix 2 identifies those parts of the commissioning process that the Procurement Strategy addresses.

4. PROCUREMENT POLICY

Vision

To support the delivery of the Council's Vision for Reading and Strategic Objectives through a strategic and systematic approach to procurement, including contract and supplier management, of works, goods and services delivered by external suppliers.

Aims and Objectives

- To enable Reading Borough Council to maximise and make best use of the opportunities which might be available to it, either internally or externally, to achieve Best Value and efficiency in service delivery and reduce expenditure wherever consistent with the Council's aims and objectives
- To improve the efficiency and effectiveness of its procurement processes to focus resources on front line service delivery to customers
- To maintain and improve the value for money of what is procured from third party suppliers and partners
- To ensure that the Council develops and maintains the skills, capability and commitment of its staff to provide a high quality procurement service.
- To ensure that appropriate plans, performance indicators and reporting arrangements are in place for both strategic and operational procurement activity.
- To minimise the risk of challenges to EU procurement processes by adhering to Public Contract Regulations and case law, thus preventing extra expense and delay to the Council's business and inefficient use of the Council's resources

Principles

The Council aims to achieve best value and value for money through:

- **Lawful, co-ordinated, consistent, and effective procurement activity across the Council following good practice**
- **Collaboration with other bodies where efficiencies or better outcomes can be achieved**
- **Developing professional and competent procurement skills throughout the organisation through efficient processes**

- **Transparency of processes and decision making**
- **Allocating resources and designing processes that are efficient and proportionate to the risks and potential benefits**
- **Consultation with stakeholders, suppliers and customers, both internal and external to the Council**
- **Working within the limitations of the Public Contracts Regulations and relevant case law, encouraging a diverse supplier base and to support smaller business and third sector organisations to access opportunities to supply to the Council**
- **A commitment to setting appropriate quality standards and active monitoring and management of intended outcomes.**
- **Promoting sustainable economic development**
- **Promoting social value, equality and diversity objectives including the Council's policy on the promotion of the Reading Living Wage**

CURRENT PROCUREMENT ACTIVITY

The most recent comprehensive spend analysis was conducted in Spring 2011. This identified the following key categories of spend:

REVENUE BUDGET

Per Annum

<p>Low Spend, High Complexity/Risk</p> <p>Insurance (£1.2m) Voluntary Sector Grants (£2.2m) Consultancy & Professional Services (£2.4m) Legal Services (£1.5m) Temp. Accommodation (£1.4m) Parking Enforcement (£2.2m) Theatres (£2.2m) Fleet contracts (£1.2m)</p>	<p>High Spend, High Complexity/Risk</p> <p>Social and Community Care Services (£47.8m) Education Services (£5.7m) ICT services (£8.7m) Waste Management (£7m) Public and Client Transport (£9.6m) Housing Management (5.9m)</p>
<p>Low Spend, Low Complexity/Risk</p> <p>Design and Print (£1.1m) Energy (£1m)</p>	<p>High Spend, Low complexity/Risk</p> <p>Temporary Agency Staff (£2.5m) Building maintenance /FM (£10.8m)</p>

CAPITAL ANALYSIS

Capital spending can be analysed using the same broad groupings although there is greater variation from year to year in the goods and services purchased. The large majority of third party expenditure related to works projects and their associated cost. A smaller proportion related to the acquisition of equipment or other assets that have a long life, so do not feature in every annual budget. The analysis below shows the main categories of spend that feature regularly in the capital programme.

One off items have not been included in the analysis, although this approach to categorisation is used on a project by project basis to help inform the appropriate procurement strategy for that item.

Values have not been assigned as amounts vary significantly from year to year depending on availability of finance.

Low Spend, High Complexity/Risk Consultancy/Design work relating to works contracts	High Spend, High Complexity/Risk Civil Engineering (Transport Infrastructure) Major Works Projects (e.g. New Civic refurbishment, School buildings)
Low Spend, Low Complexity/Risk	High Spend, Low complexity/Risk Building maintenance & improvement work

The Council adopts an approach of spend analysis and risk management to identify the most appropriate approach to different areas of spend,

The Council's approach to each of these four groups are:

1. High Spend, High Complexity/Risk

These spend areas are the highest priority for procurement and contract management resources. The Council needs to establish longer term, partnership type arrangements with contract management focused on service delivery, continuous improvement, innovation, strategic planning and cost efficiency. Reducing number of suppliers in these categories allows greater focus on creating value in the relationships although must be set at a level that allows for sufficient end-user choice, retain competitive pressure and avoid overdependence on individual suppliers.

2. High Spend, Low Complexity/Risk

The main focus in these spend areas is to use volume of business to attract low prices. This can be best achieved through aggregation of demand across the Council, collaboration with other public sector purchasers, use of framework agreements and driving value for money through standardising specification and requirements.

3. Low Spend, High Complexity/Risk

These spend areas have high risk where the consequence of supplier failure or poor performance may have significant negative impact on the Council's ability to deliver services. In these areas there are often few capable suppliers and finding alternative providers is difficult. The potential impact of supplier failure is significantly greater than the contract cost might indicate. The focus of procurement activity in this area is to select suppliers carefully, with focus on quality and continuity of supplies and services.

4. Low Spend, Low Complexity/Risk

This spend area has the vast majority of suppliers (more than 80%) but represent low overall spend. The focus of procurement activity with this group of suppliers is to ensure that the process of engaging and paying for goods and services is as efficient as possible. Reducing the total number of different suppliers, ensuring the procure to pay process is automated where possible and reducing the costs of processing paperwork are the main source of efficiency savings.

5. BUDGET STRATEGY

Over the coming three years the Council needs to identify at least £45m of savings from the Revenue budget. Currently the Council spends approximately £130m with third party providers.

Achievement of the required savings will require the Council to reduce the overall amount spent on procured goods and services. Commissioning Plans will identify which services are to be secured and will be the prime focus to identify how the overall savings targets will be achieved.

Commissioning decisions may lead to some savings opportunities to be achieved through procurement activity, alongside other savings opportunities through other means (such as decommissioning, directly delivering services differently and other options outlined in section 2 above).

Procurement savings will be achieved in a number of ways:

- Cost savings through competitive procurement exercises (tendering)
- Reviewing specifications to identify efficiency opportunities where changes in specified requirements can meet the Council's requirements in more efficient ways
- Revising service standards that are delivered through third party suppliers
- Eliminating waste in administrative processes (handling orders, invoices and payments etc)
- Challenging existing service levels to reduce high cost/low value elements
- Renegotiating long term contracts to reflect changing priorities, opportunities to achieve efficiencies and innovative ways of meeting the Council's objectives at lower cost.

The existing internal governance and oversight of procurement activity will be refocused to provide greater emphasis on achieving savings identified in commissioning plan, rather than concentrating on simply realising opportunities to reduce unit costs of existing procured goods and services.

The Council is committed to achieving value for money in all externally provided goods and service. Although achieving cost savings is an important part of this process, value for money is more than letting contracts at the lowest initial price. The Council accepts the definition of value for money as:

“ The optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user’s requirement.”⁴

Achieving value for money is also dependent on ensuring high quality goods and services. In the vast majority of cases, contracts will be established and managed on the basis of the best mix defined quality and cost. Contractor performance and achieving high quality outcomes remain a central priority.

6. PREVIOUS STRATEGIES & ACHIEVEMENTS

Reading Borough Council has previously agreed procurement strategies in 2004 and 2008. Over the past 8 years the Council has embedded a number of key processes and achievements:

Collaboration with other bodies where efficiencies or better outcomes can be achieved

- Adopted the IESE (formerly SECE) Major Projects Framework for Major Capital Building Schemes
- Established a partnership with Hampshire County Council to provide high quality specialist construction related technical services
- Worked with 10 other South Eastern authorities to establish a framework agreement for Independent Foster Care Agencies creating savings of £200,000 p.a.
- Worked with the other Berkshire Local Authorities to implement the Tier 2 Construction Frameworks for minor works schemes
- Lead the establishment of a collaborative contract with Wokingham BC, West Berkshire Council and Berkshire West PCT to contract for a new Carers Information and Advice contract to replace
- Engaged actively in the Thames valley Procurement Forum and jointly funded the Berkshire Procurement and Shared Services Unit (BPSSU)

Developing professional and competent procurement skills throughout the organisation through efficient processes

- Carried out a major review of Procurement, Commissioning Contracting and Contract Management to create a plan for Procurement Category Hubs across the Council

⁴ HM Treasury – Value for Money Assessment Guide

- Commissioned the CIPS accredited “Certificate in Public Procurement Programme” to 24 staff throughout the Council (completion due February 2013)

Transparency of processes and decision making

- Created information for suppliers on the RBC website setting out advice to suppliers
- Advertise all competitive contract opportunities worth £20,000 or more and amended the Contracts Procedure Rules to reduce the threshold for advertising contracts from £50,000 to £20,000.

Allocating resources and designing processes that are efficient and proportionate to the risks and potential benefits

- Contracts procedure rules adopt a proportionate approach to the procurement process ensuring resources required from both suppliers and buying officers reflect risks and potential benefits.
- Successfully delivered high value and high risk procurement exercises such as the ICT Managed Services Contract using the Competitive Dialogue Procedure and the £40m Junction 11 Improvement Works contract on time and within budget.

Consultation with stakeholders, suppliers and customers, both internal and external to the Council

- Procurement and Commissioning staff routinely attend Voluntary Sector Compact Meetings
- Developed routine use of pre procurement phase consultation events with both potential providers and service users to help develop service specifications

Working within the limitations of the Public Contracts Regulations and relevant case law, encouraging a diverse supplier base and to support smaller business and third sector organisations to access opportunities to supply to the Council

- Awarded the Federation of Small Businesses (FSB) “Small Business Friendly Procurement Award” in 2007 in recognition of small business friendly procurement practices and processes
- Signed up to the Small Business Friendly Concordat
- Provided presentation to the Thames Valley FSB to improve understanding of the public procurement process
- Provided a free 2 day training course for potential suppliers in 2011 to develop capacity and understanding of the procurement process

- Worked with the voluntary sector compact group to review standard procurement documents to identify potential improvements to process to provide a “level playing field” for smaller VCOs.
- Introduced shorter payment terms for small businesses.

Promoting sustainable economic development

- Introduced assessment of environmental impacts for all relevant contracts
- Commissioned one day training for procurement staff in environmental procurement as part of the “Certificate in Public Contracting” course

Promoting social value, equality and diversity objectives

- Introduced assessment of equalities record of suppliers at the selection stage for all tendered contracts
- Piloted the inclusion of social value evaluation criteria where appropriate in major tender exercises

Savings Delivery

Major procurement exercises have continued to deliver significant savings when contracts are relet. Major savings achieved through procurement for major contracts let over the past 18 months recently include:

Contract	Saving p.a.
ICT Managed Services	£600,000
Temporary Agency Staff	£180,000
Independent Foster Care Agencies	£200,000
Waste Haulage	£100,000

Savings are also delivered through partnership working with major suppliers. Encouraging innovation and exploring opportunities for further efficiencies have achieved the following savings:

Contract	Saving p.a.
Mobile Communications	£66,000
Temporary Agency Staff (pre- tender savings)	£80,000 (one-off)

7. PRIORITIES FOR DEVELOPMENT

Internal Factors

The internal review of Procurement activity carried out last year identified a number of areas where there remains significant challenges in delivering the highest possible standards of procurement. Although there have been significant progress over the past 8 years, there are also some significant areas of improvement required. There are also significant changes and developments in the external environment that require appropriate responses. The main areas identified are:

- **Contract management** is less well developed than initial procurement. The Council does not have an agreed framework for managing existing contracts. As a result, practice is inconsistent, and in some areas effectively absent. Developing a suitable framework for contract management and developing the skills and resources is a key priority. In any given year, procurement activity will affect a small proportion of external spend - most contracts run for periods between three and twenty five years, with longer contract terms being common for high value and high risk contracts. Developing the capacity to actively manage continuous improvement, and to delivery efficiency savings will inevitably depend on the contract and supplier management process.
- **Scarcity of Specialist Resource.** As the application of specialist procurement skills becomes more widespread, existing resources are coming under increased pressure. This requires the Council to develop both the skills of existing staff engaged in procurement activity, but also to review and address the number of posts where specialist procurement skills are a required competence. Increasing the availability of these skills will be addressed by the ongoing development of job roles, supported by internal and external training. The development of a suitable career grade structure to develop transferability of skills within the Council, and to establish a structure to facilitate the development of a career structure and development path for staff at all levels of the procurement function across the Council.
- **Forward Planning.** The Council needs to improve the process of forward planning to ensure that major procurement exercises are adequately resourced and opportunities for improvements are fully considered at the planning stage. Some innovative opportunities may take up to 2 years to plan and implement and in some circumstances, opportunities to collaborate with other bodies, or to reconfigure services, have not been fully exploited owing to lack of time. Training has been commissioned to include

project planning and to develop greater awareness of pre-procurement assessment of opportunities,

- **Increased risk of challenge.** The legal framework changed significantly as a result of regulation changes in 2009. The effect of the changes has led to greater incentives for unsuccessful tenderers to challenge procurement decisions. The changes have resulted in procurement exercises becoming more complex, taking more time and resource to plan and execute.

External Factors

Over the coming three years a number of changes in the external environment will create further pressures on the procurement function which will need to be addressed:

- **Personalisation in service delivery.** The change to personal budgets and self directed support in social care will radically change the pattern of services that the Council purchases. New models of contracting will be delivered, and the increase in approaches such as brokerage will also change what is procured and how.
- **Right to Challenge.** The recently introduced “Right to Challenge” may lead to an increase in procurement activity, and may require significant reconfiguration of existing services to accommodate changes to existing directly delivered services where a procurement must be carried out that covers a part of a current service. Such procurements will, by definition, be reactive. Developing the systems and capacity to respond to such applications must be created.
- **Role of Voluntary sector.** The change in externally provided services arising from the personalisation agenda is likely to pose challenges to the existing business models of a number of voluntary organisations. The community right to challenge may also provide opportunities for the voluntary sector to seek to deliver services currently delivered in-house. The Council is strongly committed to supporting a healthy local voluntary sector and needs to monitor the effect of these changes and may need to provide specific support to local organisations to maintain their capacity to compete effectively in competitive exercises. The Council has recently reinstated a formal grants application process which forms a key part of the overall procurement strategy for the Council.

- **The Public Services (Social Value) Act 2012.** This act places a duty on local authorities, at the ‘pre-procurement’ phase of procuring services to consider how what is being procured might improve the economic, social and environmental well-being of their areas; and how they might secure that improvement in the procurement process itself as long as such action is relevant to what is being procured, and is considered to be proportionate.

The new act creates no new powers, but requires a more systematic approach to the exercise of existing powers. Failure to comply with this duty creates a further risk to the success of procurement exercises. This reinforces the need to strengthen the pre-procurement planning phase. Further work will to be undertaken to set out the Council’s approach to the exercise of this duty and to consider the Council’s priorities when exercising the exiting powers.

Priority areas are likely to include detailed outcomes to be achieved in:

- Training and skills development for staff working on Council contracts
 - Promotion of the Council’s Living Wage Policy and, where appropriate, require the application of the Council’s low pay policy to staff working for the Council’s contractors
 - Achieving the Council’s Zero carbon targets
 - Meeting the objectives of the Council’s Sustainable Community Strategies
- **New procurement regulations.** In December 2011 the EU Commission announced proposals to reform the current legal framework for public procurement. The changes are intend to support the following objectives:
 - to simplify rules and procedures and make them more flexible
 - increased recourse to negotiation, thus enabling the contracting authorities to purchase goods and services which are better tailored to their needs at the best price
 - the extension of electronic communication in public procurement, since it offers an essential means of simplifying public tendering
 - a cut in the administrative burden, including the number of documents required from economic operators, thereby making their lives easier
 - encourage access to public procurement for SMEs: through measures to cut the administrative burden and strong incentives to divide tenders into lots and limit the financial capacity requirements for the submission of a tender

- ensure greater consideration for social and environmental criteria such as life-cycle costs or the integration of vulnerable and disadvantaged persons, thereby helping to achieve the objectives of the Europe 2020 Strategy

It is anticipated that the new regulations will take effect in 2014.

8. PROCUREMENT PLAN 2013-2016

Taking into account the priorities for development identified above, and the requirements of the budget strategy, the medium term improvement plan is set out below. This headline plan covers the three year duration of the strategy with detailed annual plans to be adopted for each of the coming three financial years.

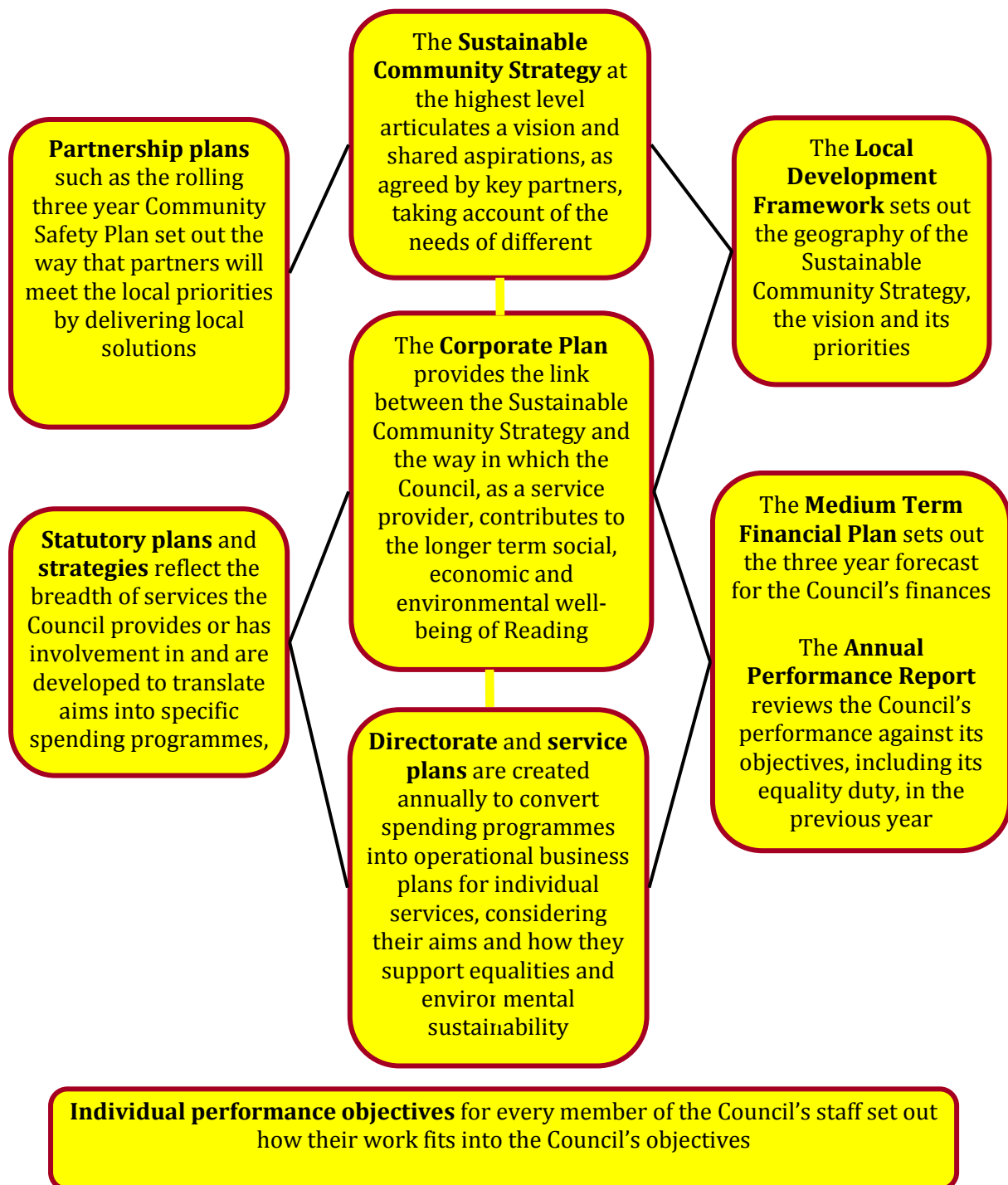
SKILLS AND CAPACITY			
Action	Target date	Responsibility	Success Factors
Implement appropriate staffing structures in line with PIP recommendations and emerging Council Structure	FY 2013/4	Directors	High Risk spend areas supported by identified procurement category hub personnel
Deliver Certificate In Public Contracting programme	January 2013	CPU/Training	Completion by 20+ participants
Design and Implement Training and Development Plan and Procurement Career Grade Structure	FY 2013/4	CPU / HR Unit	Agreed Procurement Job Role Matrix covering all services
PROCESSES AND SYSTEMS			
Assess business case for e-procurement tools	2013/4	CPU	Decision taken based on cost benefit analysis
Assess business case for corporate contract management database	2013	CPU	Decision taken based on cost benefit analysis
Develop Gateway Process - Business Case phase	2013	CPU/Savings Group	Develop and Implement
Develop Gateway Process - Major Project Procurement PID phase	2014	CPU/Savings Group	Develop and Implement
Develop Gateway Process - Major Project Contract Review phase	2015	CPU/Savings Group	Develop and Implement
Develop Programme Management framework for Major Procurements	2014	CPU/Savings Group/Business Improvement Team	Develop and Implement
Purchase to Pay Review	2015	CPU/Oracle Team/Payments Team	Targets for efficiency improvements set and achieved.

POLICIES			
Community Right To Challenge	2013	CPU/HOLS	Process and Policy Agreed
Voluntary Sector -	January 2013	CPU/VSSU	Annual

Monitoring and reporting of spend			reporting established and kept updated
Sustainability	April 2013	CPU/ Sustainability Team	Climate Change Action Plan Chapter
Social Value Act	2013	CPU/Policy Team	Detailed outcomes identified and incorporated into relevant contracts
New Procurement Regulations	2014/5	CPU/Head of Democratic and Legal Services	Updated CPR. Training implemented
PERFORMANCE AND SAVINGS			
Establish Procurement Savings programme management approach	2012/3	CPU/Savings Group/Business Improvement Team	Savings Programme set 2013-15
Category Strategies	2014/5	CPU/ DESSH Commissioning Teams/Transport/ Building Services/	Strategies approved
CUSTOMERS			
Customer Feedback systems	2013/4	CPU	Systematic Feedback system implemented

APPENDIX 1 - RBC SERVICE PLANNING FRAMEWORK

Taken from the RBC Corporate Plan 2009-2012



APPENDIX 2 - ROLE OF PROCUREMENT WITHIN THE COMMISSIONING CYCLE

This flowchart represents the key elements of the commissioning process. The dark boxes identify those elements covered by the term “Procurement”. It is expected that staff with specialist procurement expertise will contribute to other commissioning tasks in addition to their procurement responsibilities.

