

Sustainable Strategic Commissioning and Procurement Strategy

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1. Council Vision and Strategic Context

Strategic Context

The purpose of the Sustainable Commissioning and Procurement Strategy is to define a strategic approach to the way in which we commission and procure goods, services and works and to lay down a series of policy principles that guide all related activity. The Council and the city have established a number of guiding principles which are referred to below.

Hull: A Smart Energy City

Hull's location, economic size, and its manufacturing and industrial endowment, provide a real opportunity for sustainable economic growth related to renewable energy. As a result, Hull City Council has a vision to become a *Smart Energy City* through:

- Energy Production
- Energy Conservation
- Energy Future Proofing

This will allow Hull City Council to work towards the following broad aims:

- To become the Renewable Energy Capital
- To become the National Centre for Green Education and Skills
- To become a top-5 carbon sustainable economy
- To enable people in Hull to lead green lives

Humber Local Enterprise Partnership and City Deal

The Humber Local Enterprise Partnership (LEP) has established three Strategic Priorities to:

- Co-ordinate public and private sector activity targeted at growing our three key growth sectors (renewable energy, ports and logistics, and chemicals);
- Lead on 16-19 and adult skills strategy, particularly in relation to the key sectors listed above; and
- Take responsibility for the 'Humber business brand'

The focus on the Humber LEP is to attract large top tier manufacturing companies in the renewable energy sector together with their supply chains into the following key strategic locations:

- Green Port Hull (Alexandra Dock)
- Queen Elizabeth Dock, Hull
- Able Marine Energy Park (southern part), North Lincolnshire

Within this context it is important to consider the major benefits that a City Deal could offer to Hull through capitalising on the economic worth of the entire region.

Public Health in Hull

In April 2013 the Council will take on responsibility for the delivery of Public Health. The Health and Well being Board will become an Executive Committee of the Council bringing together decision making between the Council and Health. The Shadow Health and Wellbeing Board are required to have regard to the need to reduce health inequalities and have established the following nine strategic priorities for its activity:

1. The promotion of healthy lifestyles for Children and Young People
2. Early Years development (under fives)
3. The promotion of emotional health and well being to reduce substance misuse
4. The promotion of health literacy to increase awareness of the causes of disease
5. Early diagnosis of cancer and coronary disease
6. Equality of access to services
7. Re-ablement to support people to live safely at home
8. Support to people living with dementia to enable them to live within the community
9. Support for carers to help them to provide care for an older person or a person with a disability

Hull as a destination

Hull City Council has an important role to play in shaping our City as an overall offer. This will be achieved through working towards the following broad aims:

- To promote Tourism that supports the socio-economic needs of the area and the principles of sustainability
- Increasing visitor numbers
- Increasing visitor spend

Challenge

The incorporation of mechanisms to provide constructive challenge to commissioning partnerships over the best delivery models, which are transparent to providers and delivery agents about the cost and performance of public services and:

- 1- Encourage strategic development of social enterprise
- 2- Draw on the expertise of the third sector
- 3- Promote market development of user led organisation and smaller business models
- 4- Protect volunteers and carers rights
- 5- Better use social capital
- 6- Incorporate the concept of social value

People

The Hull community and its citizens will remain the top priority of the council. Our plans and policies aim to deliver better services through greater support of the local community and a focus on environmental outcomes and renewable energy.

In the current economic climate, reducing the rate of unemployment is a key strategic aim of Hull City Council. The Council is focused on creating new jobs, and stimulating economic growth in sectors such as retail and leisure.

There is a recognised need to engage with the community to involve citizens, businesses, service providers and service users in the development of services that meet a wide range of needs and shape the local environment and infrastructure across the City.

In addition, there is currently a need to help our citizens face immediate pressures, which will be achieved through the following:

- Reducing financial pressures
- Providing early support for priority families
- Safeguarding the most vulnerable
- Enabling people to have more choice and control
- Making universal services more accessible
- Improving early intervention and prevention
- Reducing unscheduled care
- Providing care closer to home
- Improved integration with health and wider partners at the point of delivery

Example: During 2012 the Council joined a consortium of local authorities assisting residents and small and medium sized enterprises to facilitate the collective purchase of energy

Equalities

Equality and cohesion are key priorities in commissioning and procurement activity, and will be addressed by:

- Building equality and diversity requirements into contract terms and conditions.
- Building equality and diversity requirements into all other standard commissioning and procurement documents.
- Providing workshops for potential bidders that include demonstrating the business case for equality and diversity.
- Providing workshops to assist Council officers in addressing equality and cohesion in commissioning and procurement activity.
- Monitoring contracts for compliance against equality standards.
- Where necessary evaluating the behaviours of tenderers in relation to application of equalities matters within their workforce, to meet the requirements of the Public Sector Equality Duty (PSED) under the Equality Act 2010.

Hull City Council has an ambitious vision, based on the key themes below. It is vital that the service directorates across the council, including Corporate Procurement, share this vision and work together to ensure it is achieved including Identifying and promoting opportunities that have a wider impact upon the community, such as collective purchasing and switching.



2. Definitions

Procurement is the process of acquiring goods, works and services. The process spans the whole cycle, from identification of needs through to the end of a services contract or the end of the useful life of an asset.

Commissioning is a whole service approach to the design, management, delivery and monitoring of a specialist service. It is an ongoing, cyclical process to secure the strategic development of services provided from public, private or voluntary organisations and involves planning, designing, and implementing the range of services that are required. It may be facilitated by procurement activity. It involves assessing and forecasting needs, links investment to agreed desired outcomes, considering options, planning the nature, range and quality of future services and working in partnership to put these in place.

Joint commissioning is where these actions are undertaken by two or more agencies working together, typically health and local government, and often from a pooled or aligned budget.

Sustainable commissioning and procurement involves organisations meeting their needs for goods, works and services in a way that achieves value for money on a whole life basis, in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment. It means using our buying power to purchase products and services which have positive social, economic and environmental impacts and taking these impacts into account at the beginning of the procurement process

Social Value is a way of thinking how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract

3. Aims

Hull City Council must leverage the full potential of the procurement discipline to drive local growth and community benefits, drive greater efficiency and improve service delivery. To enable this, a Corporate Procurement and Commissioning Strategy has been developed to underpin procurement activity and work towards the following aims:

- Ensuring the evolving needs of the community inform procurement decision making
- challenging 'accepted thinking', and encouraging innovation about the right way to meet community needs.
- Designing and delivering appropriate services to meet community needs, utilising the full capabilities of in-house services, market providers, and voluntary and community groups including local user led organisations.
- implementing best practice that leverages the scale of the Council to deliver value for money, takes into account social, environmental and economic considerations and positively contributes towards the development of the local economy

- using procurement to deliver the objectives of the green agenda and contribute to making Hull the Smart Energy City
- actively encouraging a diverse range of suppliers to participate in procurement and commissioning activity to promote a competitive marketplace and innovation
- supporting the growth and development of local suppliers
- embracing regional procurement where collaboration is consistent with the aims of the overarching strategy
- maintaining ethical standards and ensuring legal compliance and risk mitigation

4. Leadership and Governance

Members and Officers both have important roles in ensuring an effective approach to procurement. Elected Members

Elected members set the Council's Policy Framework and Budget. Procurement falls within the portfolios of the Leader and Deputy Leader and they are accountable for ensuring adherence to the principles within the agreed Corporate Procurement and Commissioning Strategy including:.

- Providing strategic direction and agreeing the parameters within which procurement activity takes place;
- Ensuring key decisions arising from procurement activity are made for clear and transparent reasons;
- Providing strategic leadership to enable barriers to the implementation of procurement initiatives to be addressed;
- Developing budgets and savings targets which accurately reflect the potential outcomes arising from procurement activity across the council.

Health and Well Being Board

Public health functions formerly undertaken by the Primary Care Trust together with the funding and contracts that supported those functions are being transferred to the Council to be undertaken through the Board.

The Board is responsible for developing a Health and Wellbeing Strategy based upon the Joint Strategic Needs Assessment and measuring success. An Outcomes Framework is used to determine local priorities and to measure success within the five domains of:

1. Health protection and resilience
2. Tackling the wider determinants of ill health
3. Promoting healthy choices and healthy lifestyle
4. Preventing ill health
5. Focusing on premature mortality and the health of the most vulnerable

The Chair of the Health and Well Being Board is responsible for ensuring that decisions made through the Health and Wellbeing Board are consistent with the Corporate Procurement and Commissioning Strategy.

A new social enterprise, Healthwatch, will as a voting member of the Board represent service users. Healthwatch will ensure that the interests of service users are effectively represented to the Health and Wellbeing Board.

The Clinical Commissioning Group is a member of the Board and is taking over overall commissioning responsibilities from the Primary Care Trusts with the exception of Public Health. The Clinical Commissioning Group have identified the following four key policy areas within their Procurement Strategy where they have selected a partnership approach

with the Council using joint commissioning as the preferred route to achieve improved health outcomes:

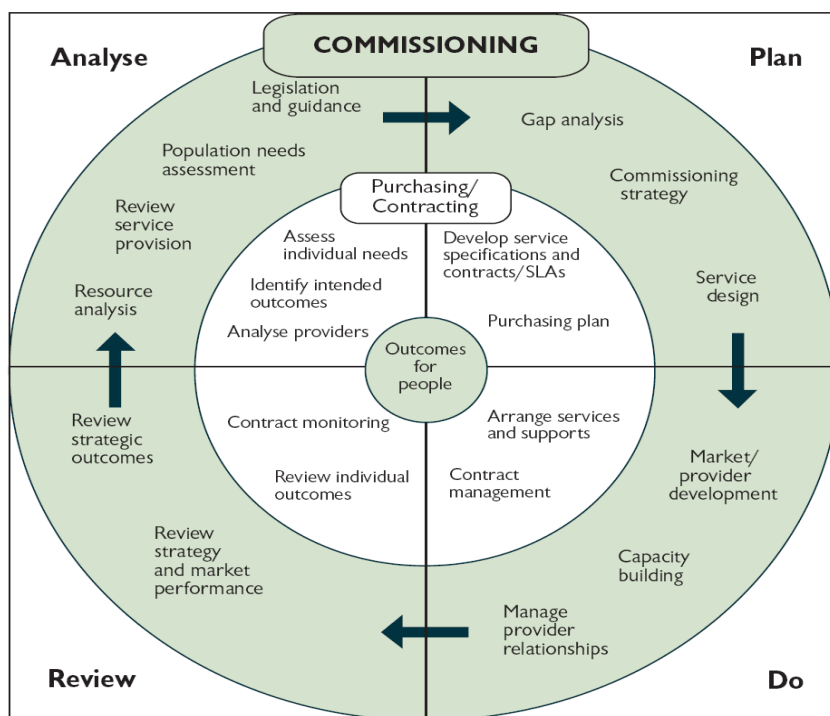
- Mental Health
- Children, Young People and Maternity Services
- Public Health
- Integration of Adult Social Care re-ablement of older people

Joint Strategic Commissioning Group (Health CCG)

The Joint Strategic Commissioning Group (Health CCG) will make co-ordinated strategic commissioning decisions which will improve outcomes for children, young people, adults and older people by working with and through those who provide.

The group brings together professionals across Housing, Health and Care to ensure the best use of funds when scoping, developing or reviewing the need for a service. This Joint Commissioning Group form when reviewing a specific contract service provision.

Figure 1: Joint Commissioning Model for Public Care



Value for Money Overview and Scrutiny Commission

Procurement falls within the responsibility of the Value for Money Overview and Scrutiny Commission. The Commission is responsible for:

- Assisting the development of the Budget and Policy Framework where it touches upon procurement activity
- Reviewing and scrutinising the performance of the Executive and officers of the Council in relation to procurement activity
- Reviewing and advising upon strategies and decisions coming before Cabinet for determination

- (d) Making recommendations for improvements to cabinet, the full Council and other public organisations.

Corporate Procurement is a regular agenda item at the commission and enables the commission to monitor and challenge the approach of Corporate Procurement.

Governance Operating Model

Effective procurement requires strong working relationships between service directorates and the Legal and Procurement Services established through confidence in the expert advice from those services working together to provide consistent and innovative guidance to client directorates. Bringing the two services together within one Service area has facilitated closer and shared working to achieve this aim. There is recognised to be a need for better engagement and more effective procurement planning and this strategy will support that approach.

Key elements will include:

- Strategic Leadership through the **Leader, Deputy Leader, Cabinet and the Chair of the Health and Well Being Board**
- Strategic oversight and review through the **Council's Corporate Strategy Team**
- **Identified Service Area Lead officers for Procurement and Commissioning** who are the point of engagement for Corporate Procurement and play an active role in procurement activity. This will involve working with Corporate Procurement to map future requirements, undertaking agreed procurement processes and encouraging compliance to Council frameworks and procurement policy.
- **Category Managers** for each key category area who will develop market intelligence for their category area to enable them to lead procurement activity within their category informed by a detailed knowledge of the issues that relate to that category and act as the single point of contact for procurement advice and support.
- A **Procurement Forward Plan** developed by the Category Managers and Service Area Leads working together
- A published and updated **Procurement Programme** developed by Category Managers and service Procurement and Commissioning Lead officers working together
- The development of an effective **suite of reports** upon the management and performance of existing contracts and the objectives of this strategy which are reported into Corporate Strategy Team.
- The assimilation of market intelligence to inform procurement activity supported through the establishment of a **SME Panel**.
- Use of the joint commissioning sub-groups who represent a group of professionals across Housing, Health and Care to ensure the best use of funds when developing a service
- Maintenance of regular reports into the **Value for Money Overview and Scrutiny Commission** which will enable progress against the objectives and aims of the strategy to be monitored and reviewed at the member level.

5. Challenges

Hull City Council is currently faced with the following challenges:

- Current budget forecasts indicate that there is a requirement to identify £2.5 million in procurement savings in financial year 2012/2013. This is on top of savings targets for each service directorate. In addition to this the Council has a budget deficit of £33 million in the next financial year. It is envisaged that this will only increase with the 2014 Comprehensive Spending Review, which is expected to bring tighter budget settlements than seen in recent years. This will require radical and wide ranging thinking around the services delivered by the Council.
- The economic climate has increased the mandate of corporate procurement functions to contribute to value delivery.
- In the face of greater budget reductions, citizens still expect the quality of public services to improve. In addition, there is a requirement to increase citizens' choice without losing the efficiencies of standardisation.
- Capacity and capability constraints across the council.
- Due to the continued economic downturn which is particularly prevalent in Hull the demand for public services is increasing.
- The increasing requirement to show transparency of spend and performance to demonstrate value for money and allow wider opportunities for providers.
- Establishing Hull as the *Smart Energy City*
- The sustainability agenda resulting in an increasing need to include economic, environmental and social outcomes in value for money decisions.
- A need to facilitate local growth and generate opportunities working together with local businesses in order to reduce the number of citizens receiving benefits payments and improve the quality of life for the City.
- An obligation to improve City Health Outcomes through integration of Public Health within the Local Authority.
- The Community Right to Challenge within the Localism Act 2011.

6. Strategic Commissioning and Procurement

The procurement function is increasingly viewed as a value creator in any business, capable of delivering cost reduction and enabling the development of new models of service delivery. Local government in particular is embracing a strategic approach to procurement as its ability to achieve financial, environmental and social outcomes gains greater recognition. Some of the strengths of strategic procurement include:

- High levels of contract compliance
- Higher skilled professionals, specialising in categories
- Enhanced ability to influence corporate decisions and strategy
- Cost transparency and tracking
- The prioritisation of needs and service delivery upon a common evidence base
- The identification of alternative methods of delivery
- Strategic supplier relationships

The processes that drive procurement include Sourcing, Purchasing and Supplier Management and in order to manage total costs it is important to consider these elements together, rather than in isolation. The beneficial outcomes of performing these processes correctly include:

- Sourcing:
 - Understanding of need
 - Market awareness
 - Clear category strategy including demand management strategies
 - Approved set of suppliers
 - Value for money analysis of sourcing decisions
 - Clear contractual agreements
- Purchasing:
 - Compliance to category and supplier strategy
 - On-time supplier payment
- Supplier Management:
 - Managed supplier relationships
 - High levels of Performance against contract
 - Continuous Improvement initiatives

Through a strategic proactive approach to procurement which focuses on the Sourcing and Supplier Management processes above, the profile of procurement will be raised and improved across the organisation.

Objectives

Efficient and effective strategic procurement will play an important role in contributing to the wider vision of the Council. The key objectives of the Corporate Procurement in Hull City Council are:

- Implementing a strategic category management approach

- Aligning procurement activities and outcomes to the strategic vision and objectives of the wider Council
- A commitment to working collaboratively with service areas/customers across the Council to build a focus on value for money and achieve shared outcomes
- Focusing on total costs and gaining greater influence over third party and internal spend
- Developing the capability to address innovation and improved models of service delivery through joint procurement both within and outside the Council
- A commitment to sustainability and environmental outcomes as a key strategy in all procurement activity undertaken by the Council
- Stimulating markets and achieving local growth and community benefits
- Effective supplier management
- Harnessing the power of data and information to inform decision making
- Utilising technology effectively to increase efficiency and monitor financial, social and environmental outcomes
- Providing leadership and developing the capacity of the procurement team to provide the confidence needed to undertake strategic procurement
- A commitment to regional collaboration on procurement initiatives
- Risk identification and mitigation

Category Management Approach

Category management is an approach to manage a spend category end-to-end, using aspects of demand management to challenge what an organisation buys, in depth market know-how and strong alignment with business and finance functions and it is a vital part of a strong procurement approach. The Chartered Institute of Public Finance and Accountancy have stated that “the harsh budgetary settlement on the public sector leaves it with no alternative but to embrace a modern category management approach to their procurement strategy”¹ and believe that if done correctly, a category management approach can yield savings of between 10 and 20%².

The investment and implementation of a category management approach in Hull City Council is vital in the development of a strategic procurement capability and has the potential to greatly improve procurement practice and outcomes. Importantly, this approach has the potential to achieve short-term cash releasing savings as well as provide Hull City Council with the foundation it needs to deliver systemic market shaping opportunities.

It is important that a category management approach brings together expertise from across the Council and establishes shared objectives between Corporate Procurement and service areas. This will encourage collaborative working and ensure that the most appropriate, effective and efficient approach is identified to deliver the Council’s outcomes through procurement activity.

A category management approach will involve leadership of categories by *Category Managers* in Corporate Procurement, working closely with *Service Area Procurement Leads*. This structure, including key responsibilities will be defined in below.

¹ <http://www.cipfanetworks.net/procurement/categorymanagement/>

² *ibid*

A category management approach alone will not build a strategic procurement function. It is also important that procurement is focused on other key activities, which are explored below.

Efficiency and Value for Money

A key consideration of any purchasing or commissioning activity must be to achieve value for money. This involves achieving the optimum combination of whole life cost and quality (or fitness for purpose) to meet the user's requirement. This does not mean the cheapest goods or services and requires that economic, environmental and social outcomes are taken into consideration.

All procurement in the Council must be in accordance with EU Procurement Directives, which require local authorities to spend public money in the best interests of taxpayers by delivering the best outcomes through the most efficient use of resources. This means:

- Procurement and commissioning activity should be governed by how best to achieve value for money;
- Competitive tendering and regular reviews of contracts to determine whether current arrangements continue to deliver value for money;
- Services, goods and works that are commissioned should reflect local and/or national policy priorities and objectives;
- Contracts should be awarded on a balance between quality and cost rather than price alone;
- Value for money should be judged on the whole of life costs, rather than the cheapest initial price, including the delivery of "social value";
- Suppliers should be expected to achieve high performance and continue to deliver value for money through appropriate contract management, where the Council and suppliers work together for mutual benefit.

Corporate Procurement has an important role to play in building the focus on value for money and social value across service areas. This will be enabled through the provision of strategic procurement advice and support, which may involve market and supplier intelligence, analysing and challenging needs and performing benchmarking.

Social Value

The Council are subject to a general duty to make arrangements to secure continuous improvements in the way functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Under the Public Services (Social Value) Act 2012 the wider parameters of that duty in terms of Social Value are made explicit requiring the Council to consider:

- How what is procured may improve the economic, social and environmental well-being of the area
- How in conducting the process of procurement the Council might act with a view to securing that improvement

It is recognised that:

- Unemployment and worklessness are inextricably linked to deprivation and that job creation in the local economy through procurement can tackle the cycle of deprivation and its cost to the public purse
- The Council's contractors through their supply chain are able to support the local economy.

Therefore in specifying and monitoring our contracts it is necessary to:

- consider overall value, including how the services that we commission and procure may improve the economic, social and environmental well-being of the area;
- consider the needs of those for whom services are procured;
- consult suppliers in the review of our specifications and processes to identify opportunities for realising social value and map supply chains, to this end in appropriate cases we will use the Prior Information Notice (PIN) process to identify the intention to contract;
- consider whether to achieve the optimum outcomes in terms of economic, social and environmental well-being, we need to jointly commission services with other public bodies;
- ensure that through our procurement processes we identify potential tenderers who have a track record for promoting community well-being through understanding local needs;
- evaluate the price of social value against the cost of lost opportunities for the local community in terms of reduced unemployment, crime, ill-health and business closure and be clear upon the weighting we are giving to social criteria and why;
- ensure that measurable social requirements are included in the specifications for our contracts, in keeping with policy requirements adopted by the Council from time to time;
- monitor performance upon our contracts against our social value criteria;
- seek to learn from our procurement processes how best to achieve social value going forward;

Example: During 2010 the Council established a Food Values Project Team to procure a Single Managed Service Provider (SMSP) for all foods delivered to the Council. This contract commenced in April 2011.

The Food Values Project has achieved;

- A decrease in Annual Food Miles by 97.5% (target 90%);
- A reduction of 79.4% (target 75%) in the number of Vehicles delivering within Hull;
- A decrease in CO₂ Emissions of 97% (target 90%);
- A reduction in Supplier Waste Recycling of 95.8% (target 90%);
- Secured the purchase of British & EU Product Provision 75.4% (target 70%).

- Report on our performance in this regard to the Council's Health and Wellbeing Board as well as to the Council's Value for Money Overview and Scrutiny Commission.

Through this process the Council will maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves.

Managing and Developing Supply Markets and Local Suppliers

Improved commissioning and procurement requires a good understanding of what the market can offer. To gain this understanding, Corporate Procurement will analyse and research supply markets and will maintain dialogue with potential providers, including organisations from the community and voluntary sector. The benefits for the council include:

- Benefits from suppliers' knowledge of markets and trends when setting requirements and drawing up specifications;
- A better understanding of the available capacity to meet our requirements and invest in this if necessary;
- An improved ability to meet the needs of the community through speaking with organisations that represent community groups;
- Achievement of value for money by improving our understanding of what is offered by the market.

There will also be benefits for the market and local suppliers, which include:

- Organisations become better informed about what is being commissioned or procured and why, and can offer their knowledge and expertise on service/product design and delivery;
- Organisations have a better understanding of processes and can better respond to opportunities now and in the future;
- Improved partnership working means organisations are more likely to fulfil their own objectives and plan for changing priorities;
- Organisations can invest appropriately when they understand our future requirements.

Specifically these issues will be achieved through the following:

- Providing longer lead in times to inform and prepare the market when the Council is letting contracts
- Publishing a Procurement Forward Programme
- Publishing good quality guidance upon how to engage with the Council and use the Council's procurement systems
- Targeting Meet the Buyer events within categories of procurement activity
- The establishment of a Panel of Small and Medium Sized Enterprise (SME) representatives as a consultative group to ensure that the Council is informed upon how best to engage the SME Sector and facilitate the engagement by the sector in Council contracts
- When major contracts are let offering the opportunity for bids to be made against parts of the contract as specific "Lots" as well as for the whole ensuring bidders for

major contracts demonstrate a track record for delivering value for money through supply chain management and identify how small firms will be supported Identifying opportunities for local and regional procurement collaboration recognising that such opportunities also afford local suppliers the opportunity to offer their services to a wider group of authorities

- Simplify procurement processes, using standard form Request for Quotation and contract documents for procurement without the requirement for Pre Qualification for contracts below £50,000
- Where Pre-Qualification is required simplifying processes to support reliance on annually updated data in relation to core questions

Contract and Supplier Relationship Management

Contract Management and Supplier Relationship Management (SRM) continue to become specialist disciplines, due to the following factors:

- Appreciation of **distinct skill sets** required to do it well;
- **Supplier prioritisation to match contract management resource**, and their activities, to the risk / spend value of contracts within a portfolio;
- **Greater concentration on pricing and performance management in an economic downturn** to extract ongoing and sustainable value from contracts;
- **Increased technological innovation and spend on contract management systems** including consolidation of providers and growth in central contract repositories;
- **Emphasis on creating auditable trails for contracts** due to growth in litigation and integration of the supply chain into day-to-day operations management to drive Return on Investment (ROI).
- **Where appropriate ensuring that contracts are let with a duration that supports the development of longer term relationships** based on clear measurements of performance and sustained improvements in quality and efficiency **management in accordance with Egan principles**;
- **Establishing standing lists** for areas of activity below EU thresholds, where this is the optimal way to support and maintain local supply chain

Strategic procurement requires contracts and business relationships with suppliers to be proactively managed to ensure suppliers achieve the high performance that is expected and maximum value is delivered. To this end the Council will develop a structured understanding of the nature of current relationships and will work with contracted suppliers for mutual benefit and to encourage the development of new and innovative service delivery models.

Contract and supplier relationship management has the ability to achieve significant savings on top of procurement savings through:

- Performance Management
- Price challenges/benchmarking
- Cost avoidance
- Continuous service and process improvement

Specifically, within the Council effective contract management will be achieved through:

- Maintenance of an up to date contract register using the regional Supplier and Contract Management system
- Realising the opportunities for existing long term contractual relationships to deliver value for example with:
 - KWL for Maintenance Services
 - NPS for Asset Management
 - Esteem for construction activity related to schools
 - Citysafe/LIFT for construction activity related to health and well being
 - Standings lists where this is efficient and supports and effective local supply chain
- The clear definition of roles and responsibilities between Corporate Procurement and service lines to allocate the responsibility for contract management
- Supplier management strategies for key strategic suppliers, which ensures the following:
 - A shared understanding of needs and expectations of the Council;
 - Clear governance arrangements are in place to manage the relationship;
 - Key Performance Indicators (KPIs) within contracts to collect data and monitor performance;
 - Corporate Procurement and service areas review metrics and set service and process improvement targets.

Regional Collaboration and Consortia Procurement

Hull City Council will identify those areas where increased regional collaboration and consortia procurement will benefit taxpayers and the local economy as we identify where working with other public bodies can deliver best value and opportunities for local suppliers in terms of:

- Supply chain management
- Aggregation of spend to produce economies of scale
- Use of regional experience and expertise
- Procurement efficiency and a decreased duplication of effort

Local Government Yorkshire and Humber (LGYH) have taken an active role in promoting and funding collaborative regional procurement activity. The Leader of the Council represents the Council within LGYH and contributes to regional decision making. The Region has a single shared tendering system funded by LGYH and has developed common documentation for procurement activity. This approach has been highly effective and contract opportunities through the common tendering system are closely monitored by suppliers.

Further regional bodies have been established which allow local authorities across the region to undertake collaborative procurement activity. These include:

- Yorkshire Purchasing Organisation – a Joint Committee of the local authorities within Yorkshire and Humber which is able to let framework contracts on behalf of the region
- YORprocure – the commercial and procurement hub for the Yorkshire and Humber region which facilitates collaboration through the YORprocure Strategic Procurement

Group, and YORhub for Construction, (YORbuild/YORcivils/YORconsult/ENProcure and related framework contracts such as Re:allies and Efficiency North)

- LIFT/Citysafe - for joined up Local Authority/Public Health construction initiatives in Hull
- Homes and Communities Agency (formerly Yorkshire Forward) Framework Panels
- Esteem – an Egan partnership procured to undertake major capital infrastructure projects in relation to schools in the city
- Individual Collaborative initiatives eg Print and Stationary, Library Books, Legal Services, Waste management, specialist property services.

Corporate Procurement will represent the Council on the YORprocure Strategic Procurement Group and benchmark and identify opportunities to procure in collaboration or through existing consortia arrangements where they are available, suitable and represent value for money. In addition, through increased involvement in regional organisations, Corporate Procurement will seek to provide input into the development of consortia arrangements to ensure they reflect our requirements.

Regional collaboration also provides Hull City Council with an opportunity to form relationships with other local authorities to share market knowledge, expertise and best practice. This will avoid duplication of common tasks, increase efficiency and build capability and capacity within the Council.

Enablers

The development of a strategic procurement function requires the implementation of practical enablers which include a range of tools, programs and processes that will underpin procurement activity. These enablers are outlined below.

Knowledge and Information Sharing

- **Best practice toolkits** – templates, processes, specifications and guidelines to reduce duplication of effort, increase standardisation and assist in the execution of day to day procurement and commissioning activity. This will utilise the tools available through the Local Government Association, Society of Procurement Officers in local government and other local authorities.
- **Procurement Planning Framework** – a single, consistent planning process which will allow Corporate Procurement and Service areas to work together to develop **Future Procurement Plans** for each category that can be utilised for internal planning purposes and externally to inform markets of potential opportunities.

Technical Procurement Tools

- **Category and market strategies** – clear strategies to define the management of each category by the organisation. This will require a firm understanding of how the goods and/or services are currently procured and commissioned and deep market knowledge of the category, key suppliers, their supply chains and performance and emerging trends.
- **Market engagement and contracting tools** – effective and appropriate route to market tools. The decision to approach the market will be based on adequate research of what currently exists and will require a consistent decision making process which considers the scope of the requirement, the supply market, committed spend and potential value. This will also include tools to monitor and measure performance and encourage the development of renewed service delivery models.

- **Due North Capability** – electronic tendering and contract management system procured by the region, which offers enhanced functionality to facilitate automated procurement processes and effective contract management.

Capability and Capacity Development

- **Training and development programs** – targeted up skilling of procurement officers within the Corporate Procurement function in key technical competencies such as strategic sourcing and contract management and the effective use of available technology.
- **Procurement Information Sessions** – programs that educate the wider organisation on strategic procurement and the role of procurement in delivering value to the organisation.

Data Analytics

- **Spend data** – collection of internal and third-party spend data to facilitate greater transparency, enable benchmarking and contribute to a more informed decision making process.
- **Social and environmental data** – definition and measurement of metrics to capture information on the benefits of procurement activity for local businesses, the community and the environment.

Procurement Organisation

To effectively develop a strategic procurement function in Hull City Council, there is a need to develop an understanding of the markets where the Council spends its money. Focussing on the marketplace and having a long term forward plan of procurement activity enables the market to help the Council to deliver its strategic priorities. Engagement with the market on a long term basis can facilitate use of Forward Commitment Procurement through which the market develops new products that fit with the outcomes that the Council is trying to achieve.

A category management approach is needed in the structure of the Corporate Procurement function and through its links with service areas to support this.

As a result a centrally led hybrid model will be implemented in which the Corporate Procurement function own and manage procurement category strategies and build strong relationships with service areas through Service Unit Procurement Teams. This model will be scalable and flexible and will allow the Corporate Procurement function to develop specialised capabilities.

Through this model and a strategic approach to procurement, the Corporate Procurement function will have the ability to offer the following services to the organisation:

- Building a focus on value for money decisions

Example: The Prison Service was faced with increasing landfill charges arising from the disposal of 60,000 mattresses annually. They asked the market to deliver a product that would result in a zero waste to landfill within the available budget. The market responded by producing innovative mattress covers that achieved the desired outcome and saved £5m

- Market and supplier intelligence
- Spend data and benchmarking
- Analysing and challenging needs
- Advising on opportunities for service areas to better utilise their budgets on both external suppliers and internal provisions

Organisational Structure

To implement a strategic procurement function based on a category management approach, the procurement organisation will take the following high-level structure:

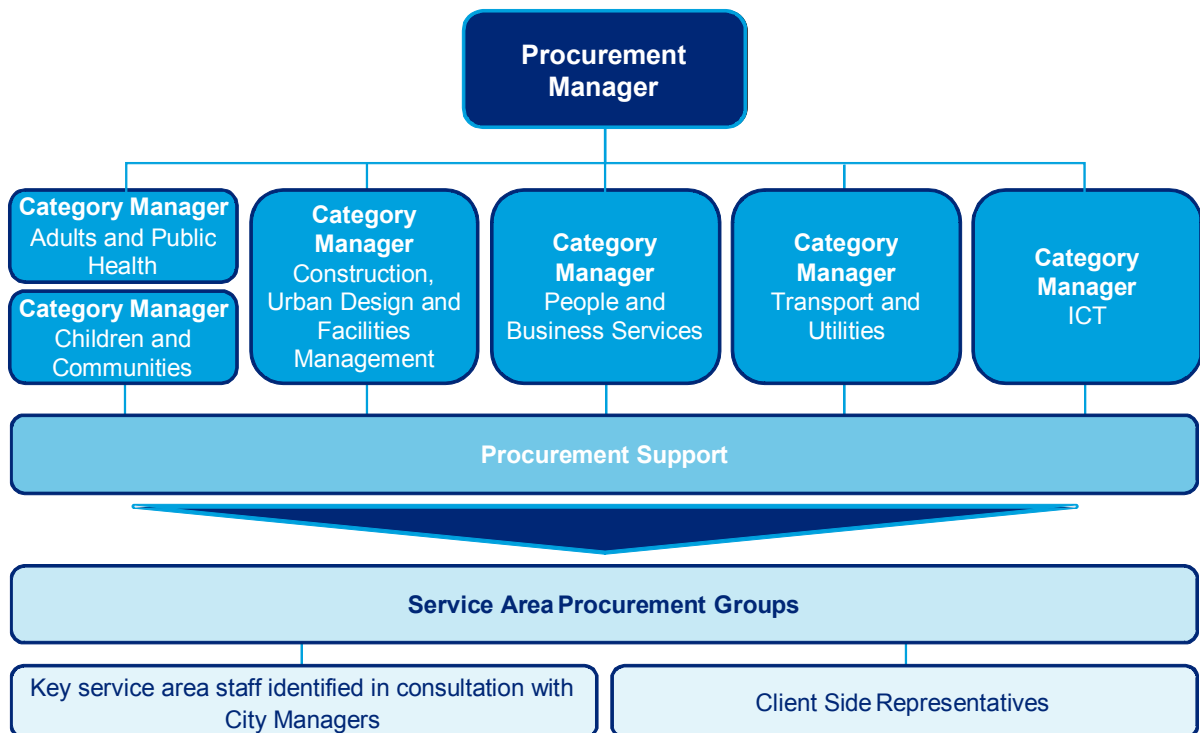


Figure 1

This structure reflects the following important elements:

- Category management approach with strong leadership and support
- Focus on key categories to build market knowledge and procurement expertise
- Direct links to key staff in service areas to encourage a partnered approach to procurement activity
- Client side representatives to manage key strategic suppliers and Council owned businesses

Category Allocations

The breakdown of categories in this organisational structure includes areas of spend which sensibly sit together in terms of common suppliers, service area alignment and procurement strategies which would be deployed. The figure below illustrates the sub-categories and directorates aligned to each category defined in the organisational structure:

| Category | Adults, Children and Communities | Construction, Urban Design Facilities Management | People and Business Services | Transport and Utilities | ICT |
|----------------|--|--|--|--|--|
| Sub Categories | <ul style="list-style-type: none"> • Adult Social Care • Children and Young People's Services • Health • Education • Sports, Leisure and Heritage | <ul style="list-style-type: none"> • Construction • Construction trades and professional services • Repairs and Maintenance • Cleaning Supply and Services • Furniture • Grounds Maintenance • Safety | <ul style="list-style-type: none"> • Recruitment • Agency Staff • Training • Financial Services • Marketing and Media • Consultancy • Catering • Office Supplies • Events | <ul style="list-style-type: none"> • Transport Services • Vehicles <ul style="list-style-type: none"> □ Acquisition □ Fuel □ Repair and Maintenance • Fleet • Parking • Energy, Power and Water • Waste Management • Travel | <ul style="list-style-type: none"> • Infrastructure • Applications • Networks • Telecoms |
| Directorates | <ul style="list-style-type: none"> • Adult, Children and Family Services: <ul style="list-style-type: none"> □ Adults Safeguarding □ Children Safeguarding □ Learning □ Safe and Early Intervention • Public Health | <ul style="list-style-type: none"> • City Services <ul style="list-style-type: none"> □ Neighbourhoods and Housing □ Street Scene • Regeneration and Partnerships <ul style="list-style-type: none"> □ Property and Assets □ Economic Development and Regeneration | <ul style="list-style-type: none"> • Resources | <ul style="list-style-type: none"> • City Services <ul style="list-style-type: none"> □ Street Scene • Resources | <ul style="list-style-type: none"> • Resources |

Figure 2

Category Overviews

The categories outlined above have been identified as key strategic areas of spend for Hull City Council. Each of these categories will require the development of specific objectives, targeted strategies and strategic market approaches to achieve the objectives of the Corporate Procurement function. In addition, the management of each category will require specific skills, capabilities and knowledge to ensure maximum value and other desired outcomes can be achieved. Examples of key capabilities include:

- Market, supplier and industry intelligence
- Strategic sourcing and tendering
- Strategy development
- Engagement and communication
- Negotiation and influencing
- Supplier and contract management

Below is a brief outline of each of these key categories, including the key strategies to be deployed and the specific capabilities required.

Adults, Children, Public Health and Communities

In recent years the emphasis for local authorities has been on making the provision of adult and children's services more personalised and flexible to meet people's needs more appropriately and introduce a greater degree of fairness in eligibility criteria.

The challenge for local authorities in meeting expectations in the provision of social care services is to utilise decreasing budgets to meet increasing need. This is particularly due to

the ageing demographic, the increased life expectancy of individuals with disabilities and the expectations of state provision of care. In addition, local authorities need to find increasingly innovative way of providing services that deliver improved outcomes and wherever possible generate income.

There is an emphasis in Hull City Council on providing social care services in-house. It is important that the Corporate Procurement function supports the Adult, Children and Family Services directorate to find innovative ways to personalise these services, making them competitive with the market and allowing services users and their carers to exercise real choice. In addition, there is a need for greater collaboration and dialogue with the market, which encourages innovative solutions, long term thinking, transparency and cultural change.

The management of this category requires knowledge of local and national market trends including key legislation and policies, familiarity with the provider market and a firm understanding of the range of service groups. In addition, Corporate Procurement will need to be able to identify opportunities for local businesses and community groups.

Construction, Urban Design and Facilities Management

This category of spend is of high strategic importance to Hull City Council in terms of its high value, regeneration, services provided to the community and key supplier relationships. A key characteristic of this category is the strategic relationships with Kingston Works Limited (KWL) for repairs and maintenance for housing, vehicles and street lighting and Norfolk Properties Services (NPS) for the maintenance of the Council's commercial buildings.

NPS undertake a significant proportion of the procurement activity on behalf of the Council in this sector upon the instruction of the Council's City and Property Assets Manager

Significant investment in the regeneration of the community is undertaken through the City Neighbourhoods and Housing Manager.

To improve linkages between the work undertaken by the Procurement Service, NPS, KWL and the City Managers it will be important to develop an effective Service Area Procurement Team bringing together client side officers and the Procurement Category Manager.

The long term strategic relationship with KWL has been established relying upon the in-house company exemption under EU Procurement Directives ('Teckal') which permits contracts to be awarded to a company without competition provided:

- The awarding authority exercises over the company "a control which is similar to that which it exercises over its own departments" and
- The Company carries out "the essential part of its activities with the controlling local authority or authorities"

Long terms strategic partnership contracts have been established following procurement processes with Esteem for schools construction activity and LIFT for public health related construction.

These strategic partnerships have been developed by the Council to implement the principles arising from the National review of construction contracts undertaken by Sir John

Egan which advocated the replacement of competitive tendering by long term relationships based upon clear measurements of performance and sustained improvements in quality and efficiency.

To ensure that optimal value for money is achieved through these arrangements it is important that the scope of works undertaken through the partnerships is kept under review and relationships continue to be managed by client side representatives.

This will ensure the quality of goods and services are maintained and commercial and community benefits continue to be delivered. These client side representatives will form part of the Service Area Procurement Teams and will be directly supported by the Corporate Procurement function, through for example, the provision of market testing and benchmarking, involvement in contract negotiations and challenging procurement related decisions.

To manage this category effectively the Corporate Procurement function will need to work in partnership with the City and Property Assets Manager and NPS to build relationships within supplier markets to become a better, more informed and strategic client. In turn, the market will be in a better position to offer innovation, increased efficiency and better value for money. Publishing *Future Procurement Plans* to allow the market to prepare for upcoming opportunities will support this approach.

Importantly this area also includes activity in relation to regeneration which supports the overall objectives of the Council and will support the Procurement function to develop effective strategies to promote sustainable procurement (see below).

People and Business Services

The People and Business Services category will primarily support the internal business support functions in the procurement of goods and services that are vital for Hull City Council to operate and carry day to day activities. These include for example, agency staff, financial services, office supplies and catering.

Many of the goods and services within this category are widely available, involve standard or simple specifications, and are often provided by large companies. As a result, the management of this category requires up-to-date market knowledge of suppliers, products and pricing, strong contract and supplier management and regular benchmarking. In addition, the Corporate Procurement department should utilise regional framework agreements where they offer best value and collaborate with other local authorities in order to leverage spend of common goods and services.

Transport and Utilities

This category of spend involves the provision of essential public services, such as waste collection and disposal, highways maintenance and street and traffic management, as well as the utilities which are integral to the operation of the Council. As a result, the Corporate Procurement function must work closely with the service area to ensure the continuous supply of high quality goods and services.

The management of this category is complex both due to the nature of the services and the combination of internal and external service provision. For effective category management to be achieved, strong market and supplier knowledge is required to ensure Council is aware of market trends, prices and new and innovative products and services that could impact the provision of services by the Council. In addition, Corporate Procurement will play a key role in providing market testing and benchmarking, informing service areas of market opportunities and challenging procurement related decisions.

Finally, the Corporate Procurement department must build and maintain networks with the region to identify opportunities for collaboration and should utilise available framework agreements where they offer best value.

ICT

The ICT market is quickly evolving and will see a lot of change with the introduction of application-based software, common platforms and services such as cloud computing. It is a market that is characterised by tight relationships between local authorities and key suppliers which has the potential to deliver enhanced value and encourage innovation.

In order to take advantage of the savings and process efficiencies that new technology can bring, Corporate Procurement must work closely with ICT to identify opportunities and prioritise procurement activity that will allow the service area to invest in upgrades and essential products and services.

The management of this category requires up-to-date market and supplier knowledge, the ability to lead complex tendering processes and strong contract and supplier management skills. In addition, Corporate Procurement will play a key role in challenging demand and assisting the service areas to rationalise applications and specifications which will provide long-term efficiencies.

Importantly, Corporate Procurement must support ICT is the implementation of the Public Service Network (PSN), currently available to the region. The PSN is designed to provide a single network and marketplace for public sector communications and is expected to drive savings and efficiencies by removing duplicate network connections, providing simpler procurement and greater competition, and allowing public sector employees to work in more flexible, user-focused ways. Without access to this technology, Hull City Council will not be able to share in the many benefits and risk becoming isolated from the region.

7. Strategic Commissioning

Relationship with Procurement

Commissioning involves assessing needs, resources and current services to develop strategies which achieve the desired outcomes. It is citizen focused, with an emphasis on the outcomes the Council wishes to provide to citizens.

Strategic procurement on the other hand is primarily focused on the use of sourcing, purchasing and contract management processes to acquire goods, works and services from both third parties and in-house providers. Procurement ensures we seek value for money in how we deliver commissioning plans. Procurement is supply market facing function, with service areas acting as the customer within the Council.

Commissioning and Procurement are not mutually exclusive and it is vital that shared targets exist between Corporate Procurement, Directorates and the service areas within them to encourage collaborative working towards common goals. A close working relationship between Corporate Procurement and directorates will allow Hull City Council to be committed to a mixed economy, with services delivered by the organisation (public, private or voluntary sector) that is best able to meet the desired outcomes.

Hull City Council is committed to strong working relationships between Corporate Procurement and commissioning partners in the service areas, which will ensure there is a greater:

- Focus on outcomes
- Consideration of citizen needs and priorities
- Influence of and impact on providers of services
- Potential for micro commissioning of its budgets

Process

The process of strategic commissioning involves the creative use of powers, influence and resources to identify and prioritise outcomes, inspire community-centred services and processes, and empower and authorise service delivery with, by and for the citizens of Hull.

The commissioning process starts with the service area defining the commissioning intentions and understanding the outcomes to be delivered, the benefits, cost/budget, alignment to priorities and the impact on the wider Council. It is important that this strategic thinking is applied to all activities undertaken by the Council and that even where an existing arrangement is recommended as the best method for delivering outcomes; it is evidenced through the commissioning process.

To successfully deliver priority outcomes to the community, there needs to be a close working relationship between the Corporate Procurement function and commissioners within the directorates, in which procurement is involved in the whole process and there is a clear understanding of roles and responsibilities.

The figure below shows the relationship between strategic procurement and commissioning and demonstrates the strong alignment between these processes.



Figure 3

8. Sustainable Procurement

A commitment to sustainable procurement and buying responsibly will be integrated into the way in which money is spent across the Council, which in effect will allow Hull City Council to realise community benefits through procurement activity.

Economic

The development of Hull as a sustainable and economically sound City lies at the heart of what the Council is aiming to achieve. This requires a sustainable and dynamic local economy with small to medium businesses that can deliver local services, innovate and provide local prosperity.

The more money that is spent locally, the greater the positive impact this will have on the local economy and in particular for SMEs.

Through a sustainable approach to procurement, the following benefits can be delivered:

- Contribution to the development of the local economy, encouraging more investment and growth of industry
- Financial savings over the whole life of goods and services

Environmental

The Council is committed to ensuring that services are delivered in a way that protects the quality of the environment and minimises any adverse impact on community well being

Through a sustainable approach to procurement, the following benefits can be delivered:

- Reduced use of natural resources
- Reduction in the amount of waste going to landfill
- Protection of habitat and creation of new areas for wildlife
- Reduced carbon footprint and negative impact on climate change

In addition, sustainable procurement will assist Hull in meeting its sustainability objectives, which include:

- Becoming known for all aspects of energy
- Becoming the renewable capital of the UK
- Making use of the heritage and “energy” focus to build a quality tourist destination
- Achieving sustainable economic growth through low carbon initiatives

Similarly, it was assist the Council in delivering the objectives of key policies, including:

- The Environment and Climate Change Policy 2010-2020
- Sustainable Waste Management Strategy
- Sustainable Travel Strategy

Social

The Council has a role to play in addressing the social impact and cohesion across the City. Sustainable procurement has the ability to deliver the following benefits:

- Improvements in working conditions
- More and better opportunities for individuals to improve their skills and get jobs
- Better health and well being through increased employment and active citizenship

In addition, sustainable procurement will assist the Council in delivering on the three main focus areas of the new community strategy:

- jobs and prosperity
- education, learning and skills
- quality of life

Similarly, sustainable procurement has the potential to assist in the delivery of the Equality of Cohesion Strategy.

Benefits for the Council

Collectively, sustainable procurement has the ability to deliver the following benefits to Hull City Council:

- Reduction in costs
- Keeping ahead of increasing demands for sustainable goods and services by the communities we serve
- Social and economic benefits such as the creation of employment and training opportunities

9. Conclusion

The Corporate Procurement and Commissioning Strategy will enable the Corporate Procurement function to contribute to the delivery of the strategic vision and objectives of Hull City Council.

It sets out the approach we will take to Strategic Procurement and Commissioning and focuses on the partnership required between Corporate Procurement, Directorates and the service areas to achieve value for money and deliver optimum outcomes for the community.

Through effective implementation of this strategy we will achieve a consistent category based approach to procurement which can provide the necessary support to Directorates in understanding supply markets, informing and challenging the decision-making process and implementing chosen decisions. This will encourage the integration of objectives and approaches between Corporate Procurement and Directorates and has the ability to achieve shared outcomes and benefits.

The next five years will be challenging, however the future will see the profile of procurement raised and improved across the organisation as Corporate Procurement make a valuable and lasting impact in overcoming challenges, delivering aims and realising the Corporate vision for Hull City Council.