

Dacorum Borough Council



Commissioning & Procurement Strategy

2014-2015

Portfolio Holder for Residents and Regulatory



FOREWORD

The Council's commissioning & procurement strategy is a very important corporate document that challenges us to deliver all that we do, to the best of our ability, with the resources that are available within our Medium Term Financial Strategy.

The commissioning and procurement of services, supplies and works is an essential measure in supporting the Council's Vision and the delivery of its priorities. It is at the heart of our commitment to maintain financial stability and improve our services and effective commissioning and procurement is paramount to improving the delivery, efficiency and quality of the range of services that the Council provides.

This strategy sets the commissioning and procurement direction for the Council and provides clarity around the vision and the objectives that will be focussed on when commissioning and procuring services, supplies and works on behalf of the Council.

This Strategy will present all Members, Officers and Stakeholders with the opportunity to challenge the present and deliver the future in an innovative and cost effective manner.



Portfolio Holder for Residents and Regulatory Services

The Corporate Plan, Vision & Priorities



Introduction

Dacorum includes the towns of Hemel Hempstead, Berkhamsted and Tring along with many rural parishes. With a community population of over 130,000 residents, Dacorum Borough Council provides a wide range of services from community activities, planning, landscaping, housing and refuse collection.

Whether it is called procurement, purchasing, contracting, commissioning, tendering or buying, the Council spends over £80 million a year on obtaining a vast range of supplies, services and works from the external market. It is the Council's duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it.

Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as taking into account the optimum combination of whole life cost and the quality necessary to meet the customer's requirements. In conjunction with relevant legislation and the Council's Constitution (particularly the Financial Regulations and Procurement Standing Orders), the commissioning & procurement strategy will guide Members and Officers in making the right decisions when undertaking commissioning & procurement activities.

Commissioning & Procurement at Dacorum

Commissioning & Procurement falls within the Chief Executives Unit at the Council, supporting Services across the organisation, including back office services and the delivery of front line services. We operate under this commissioning & procurement strategy in support of the Corporate Plan, Vision & Priorities.

Our Purpose

To support the Council to deliver or commission good quality public services to the people who live, work and enjoy Dacorum.

“In 2010, after consultation with our communities we adopted this vision. This requires us to play a leadership role in bringing together a range of organisations and individuals to support and sustain good conditions for local growth.”

Our vision
working in partnership to
create a borough which
enables the communities of
Dacorum to thrive and
prosper.

**Clean and safe
environment**

a tidy and safe place
for people to live,
work and visit.

**Community
capacity**

enabling self-help and
volunteering to build
communities.

Regeneration

supporting the growth of
businesses, jobs and
investment in the area.

**Dacorum
delivers**

an efficient effective
and modern council.

**Affordable
housing**

improving and increasing
affordable homes for
local people.

Our priorities for 2014-15.....

Safe and clean environment	Building community capacity	Regeneration and economy	Dacorum delivers	Affordable housing
<p>Work with partners to maintain low crime rates and fear of crime</p> <p>Ensure that the town centres and neighbourhood shopping centres are safe and vibrant places</p> <p>Reduce the incidence of anti-social behaviour</p> <p>Increase the reporting and recording of hate crime to raise awareness, and reduce incidence</p> <p>Value, and strive for, community cohesion, as a necessity for all residents</p> <p>Create a Borough where residents feel part of their community and mix with people from a range of backgrounds</p> <p>Have safe places for children and young people to play and socialise (with increased attendance at adventure playgrounds)</p> <p>Continue to achieve 'Green Flag' accreditation for the environment of local neighbourhoods</p> <p>Maintain public open space in neighbourhoods</p> <p>Minimise waste and improve recycling levels</p> <p>Take a leading role in reducing CO2 emissions</p> <p>Reduce consumption of natural resources by the Council and set the pace as community leaders</p>	<p>Work with the Voluntary and Community Sector to encourage civic participation.</p> <p>Keep communities well informed and consulted on local issues, encouraging involvement and self-help.</p> <p>Help look after the interests of vulnerable and deprived groups/communities.</p> <p>Actively promote and develop resident led activities and increase attendance at neighbourhood meetings.</p> <p>Encourage businesses to consider Corporate Social Responsibility potential.</p> <p>Provide opportunities for involvement of citizens in service delivery models such as social enterprise.</p>	<p>Maximise use of the Council's assets and powers to deliver growth in businesses and growth locally</p> <p>Create the conditions for local job opportunities through our housing programmes</p> <p>Secure the regeneration and development of Hemel Hempstead town centre, based on our new Town Centre Master Plan</p> <p>Secure regeneration and development at Maylands Business Park, based on the Maylands Master Plan</p> <p>Secure the best possible infrastructure development so that people have a vibrant economy accompanied by good schools, transport, health services, quality of environment, open spaces, and leisure provision – backed up by the Local Planning Framework, the Community Infrastructure Levy, and our Infrastructure delivery Plan</p> <p>Ensure that any housing growth is accompanied by proportionate infrastructure development, such as local transport, schools, health services and open space</p> <p>Create the conditions that keep businesses in the area and attract new ones – be known as the place to do business</p> <p>Work with others to develop the qualifications, aspiration and skills to match those local job opportunities, including apprenticeships</p>	<p>Provide citizens/consumers with access to efficiently run services they want or need</p> <p>Work with central Government and partners to secure resources for local investment</p> <p>Continue to review the organisation and the way we deliver services to improve efficiency and effectiveness</p> <p>Work with others to look at more effective ways of delivering services which meet customer expectations.</p> <p>Engage with all of our communities on issues that will affect them</p> <p>Get the best outcomes for local people in areas such as health, education, children services, lifelong learning/social mobility, transport and adult care by acting as advocates for the community</p> <p>Engage all stakeholders in managing change, addressing challenges and spotting opportunities to do things differently</p> <p>Invest time in learning and development for our elected members and our staff to provide an effective business focused on customers</p> <p>Be clear on our priorities, how we fund them, performance and accountability</p>	<p>Increase the supply of affordable housing in the Borough</p> <p>Reduce the number of homelessness people in the Borough.</p> <p>Reduce the use of bed and breakfast accommodation as temporary housing for homeless people? (by building a minimum 41 bed space hostel)</p> <p>Provide a well maintained Council housing stock, through an ambitious programme of investment that improves the health and wellbeing of tenants and the wider community, concentrating not only on maintenance of internal fixtures, but also looking at the fabric of the building, and physical improvements to communal areas.</p>

Our Vision for Commissioning & Procurement



Background

During the last 5 years the Council has focussed its procurement resource on a centralised procurement model, laying the foundations to ensure that the Council's annual external spend of £80M+ is undertaken in a manner that promotes non-discrimination, equal treatment and transparency.

The main objective of the procurement service was to support the Council to conclude all of its tendering activities in a robust and compliant manner and, to this extent; the centralised procurement model has proved effective.

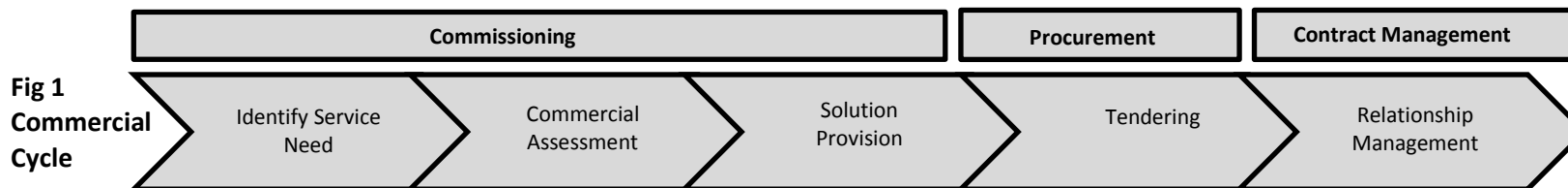
Like many other local authorities we are required to commission and procure a wide range of goods, services and works to support the Council's back office functions and the front line services that are delivered to the public. We have undertaken nearly 250 individual tenders during the last 5 years, of which almost 42% have been OJEU compliant tendering exercises or further competitions from existing OJEU compliant framework agreements and the remaining 58% have been tenders to the open market which have been below the OJEU threshold.

The procurement service is regularly audited and the current delivery model has helped to ensure that recommendations from audit reports have been kept to a minimum; the latest internal audit report on the Council's procurement processes was undertaken in May 2013 and received a substantial assessment.

During 2011/12 an independent external review of the Council's procurement activities was carried out. The basis of the review evaluated the service against the following key themes;

- Contribution to corporate goals & strategy
- Procurement strategy, policy and contract planning
- Internal relationships and organisational structure
- External relationships (other public sector, suppliers etc.)
- Use of technology and information
- People skills, development and knowledge

Our Vision for Commissioning & Procurement



Following on from the independent review of the Council's procurement activity, the Council has recognised the need to adopt a new approach to commissioning & procurement across the organisation and has designed a service delivery solution that better supports the Council's vision and priorities.

This solution has been shaped around making smarter use of the current resources. Although the primary outcome of this new approach will be to provide greater support and clarity to the Council's vision and the communities' needs, it will also be designed to deliver savings, improve knowledge and build upon relationships by further consideration of performance, governance, risk, policy and legislation.

This new service delivery solution is not intended to be a route and branch change to the way in which the Council undertakes its procurement activities, but more of a refocus of resources away from certain aspects that have been undertaken in the past to new areas to ensure that savings can be generated and that contracts deliver the Council's vision and the community's needs.

The new approach will be supported by appropriate changes to governance arrangements, performance & targets, risk management, policy and legislation and will be accompanied by a robust implementation plan and structure.

The new delivery solution will focus on the following areas (see fig 1);

- Category management
- Outcome based commissioning
- Contract management & supplier relationship management

Our Vision for Commissioning & Procurement



Category management

There is a need for the Council to truly understand its spending profile and requirements. Only once this is understood will the Council be able to realise the full benefits from category management.

The team have been analysing historical spend data from 2013/14, this has identified that DBC spent over £80M, the breakdown of this spend includes £53.3M revenue and £19.2M capital expenditure.

Historical data only provides part of the picture and consultation will be required with key members of the leadership team to understand what the planned spend profile for 2014/15 and beyond looks like.

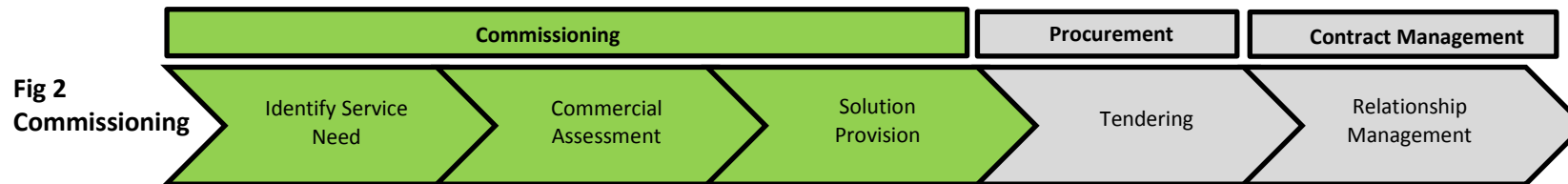
This analysis has enabled spend to be grouped into 5 categories, which are further broken down to enable the spend data to be grouped into similar spend areas. The team will look at the spend and ascertain what is influenceable and look at the various ways in which this can be reduced;

- reviewing contractual arrangements
- straight forward price negotiation
- specification benchmarking
- whether it is still required
- reduce financial leakage through demand management.

Any recommendations for making savings will be after consultation with relevant officers and reported to the Budget Review Group prior to implementation. The recommendation will be accompanied by a business case with a savings target and implementation plan.

This category management approach will be a continuous process and will be designed so that it consults with officers at the time of budget setting.

Our Vision for Commissioning & Procurement



Outcome Based Commissioning

Following on from the approach to category management, all requirements that need to go out to formal tender will be undertaken using an outcome based commissioning approach.

The Commissioning element is the first 3 stages of the commercial cycle and applies to both cyclical requirements as well as one off requirements.

- **Identify the need**
Look at the "as-is" provision, consult with stakeholders, forecast and manage demand, take account of any value add or Business Process Re-engineering, analyse and forecast spend, express as an outcome.
- **Commercial Assessment**
Identify the market (national/regional/local), undertake risk assessment, market development or shaping, generate options to satisfy need, compare & challenge, review sources of funding (capital, revenue, grants), business case (sustainability & affordability).
- **Solution Provision**
In-house provision (skills & resource assessment), work with others and share service delivery, legal framework (delegation of duties, shared service, Joint Venture or committee), single or joint procurement (service delivery, supply, outsource), solution open to public/private/third sectors.

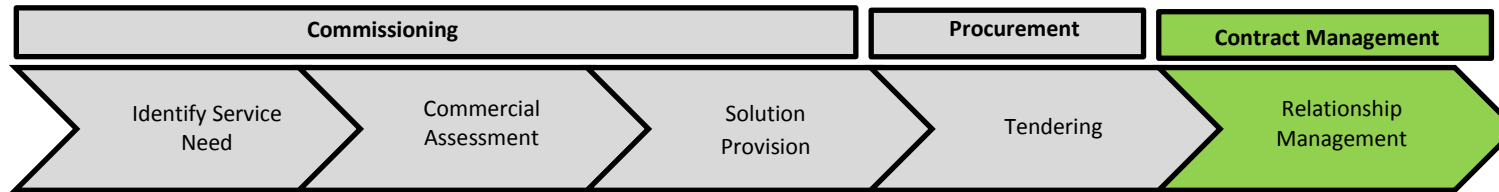
Undertaking the first 3 stages of the commercial cycle this will ensure that the Council's vision and the communities needs (the outcomes) form a fundamental element of the requirement and that these are cemented into the requirement during the final 2 stages of the commercial cycle which will in turn ensure that the contract is awarded and delivered with the outcome as the main driver.

The difference between how the Council have commissioned in the past and an outcome based commissioning approach is that the focus will be on the outcome, rather than any inputs or outputs. This approach supports the Council's performance management framework and will ensure that the Council's vision and the communities' needs are also taken into account in any third party transactions as well as through in-house service delivery.

Our Vision for Commissioning & Procurement



**Fig 3
Contract
Management**



Contract management & supplier relationship management

The first 2 elements of this delivery solution concentrate on managing the council spend by categorising it and using strategic sourcing tools and techniques to maximise savings and efficiencies and secondly by using an outcome based commissioning approach to ensure that all third party expenditure requirements are identified and expressed as an outcome, commercially assessed and that the solution provision is reviewed ensuring that this Council's vision and the communities needs are the driving force behind all third party expenditure.

Both of these first 2 elements are fundamental in ensuring that the Council have done everything they can to ensure that the needs of the community are satisfied within the scope of the resources that the Council has available, however, this does not necessarily mean that is what will be delivered.

Arguably the most critical element of this service is contract management and supplier relationship development and management.

It is in this area that delivery will take place and the Council will need to make sure that they provide an appropriate level of resource to manage this element.

- This element would normally involve the operation and management of the contract including contract mobilisation, stakeholder & asset management and dispute resolution procedure.
- Monitor the performance and cost of the contract including reporting management information, key performance indicators and benchmarks.
- Review the performance of the contract and provide feedback to stakeholders on quality assurance and lessons learned.
- Agree financial variations to the contract including interpretation of contract, technical changes, commercial management, financials, inflation etc.

This element will also concentrate on building upon the relationship with key suppliers and developing them so that the return on investment is maximised.

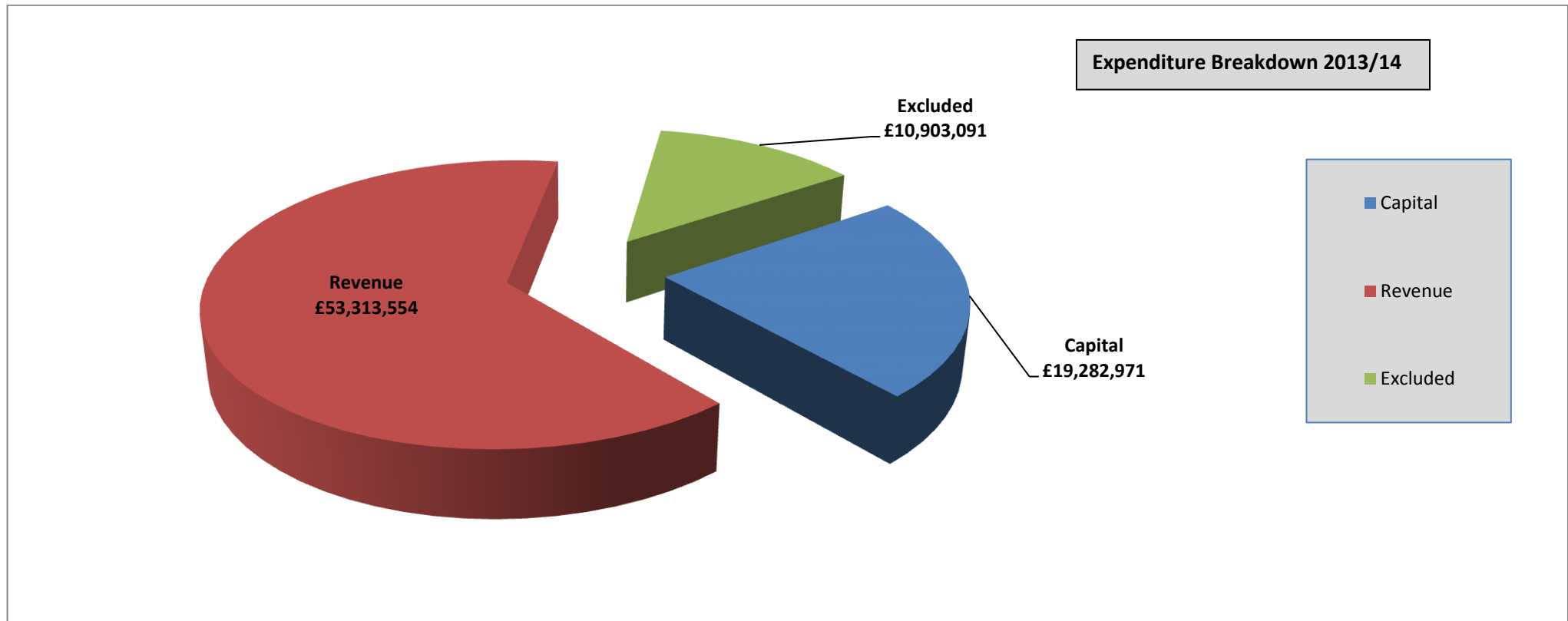
Not all contracts will require the same level of resource to manage them, however clearly the Council will need to prioritise the key strategic contracts that are important to them and regularly monitor and report on their performance to ensure that the contracts are always striving to deliver what the Council requires. To ensure that the Council have a consistent approach to contract management it is expected that a suite of training programmes will be designed and delivered internally so that the Council can efficiently monitor the performance of contracts in a proactive manner

Spend and Structure



Expenditure Breakdown

The £80M+ we spent in 2013/14 is made up from Capital expenditure, Revenue expenditure and Other expenditure such as pensions (which will be excluded from further analysis).

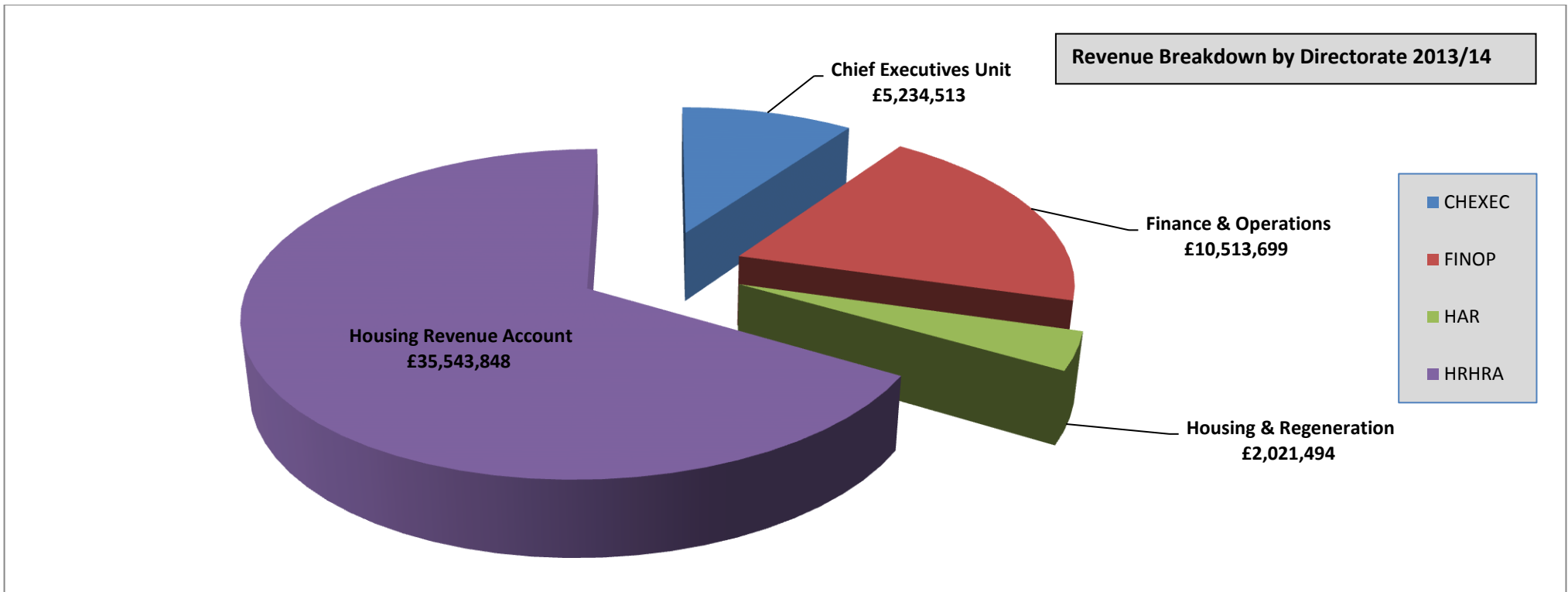


Spend and Structure



Revenue Breakdown

The £50M+ Revenue expenditure from 2013/14 is shown below indicating the Directorate budget.

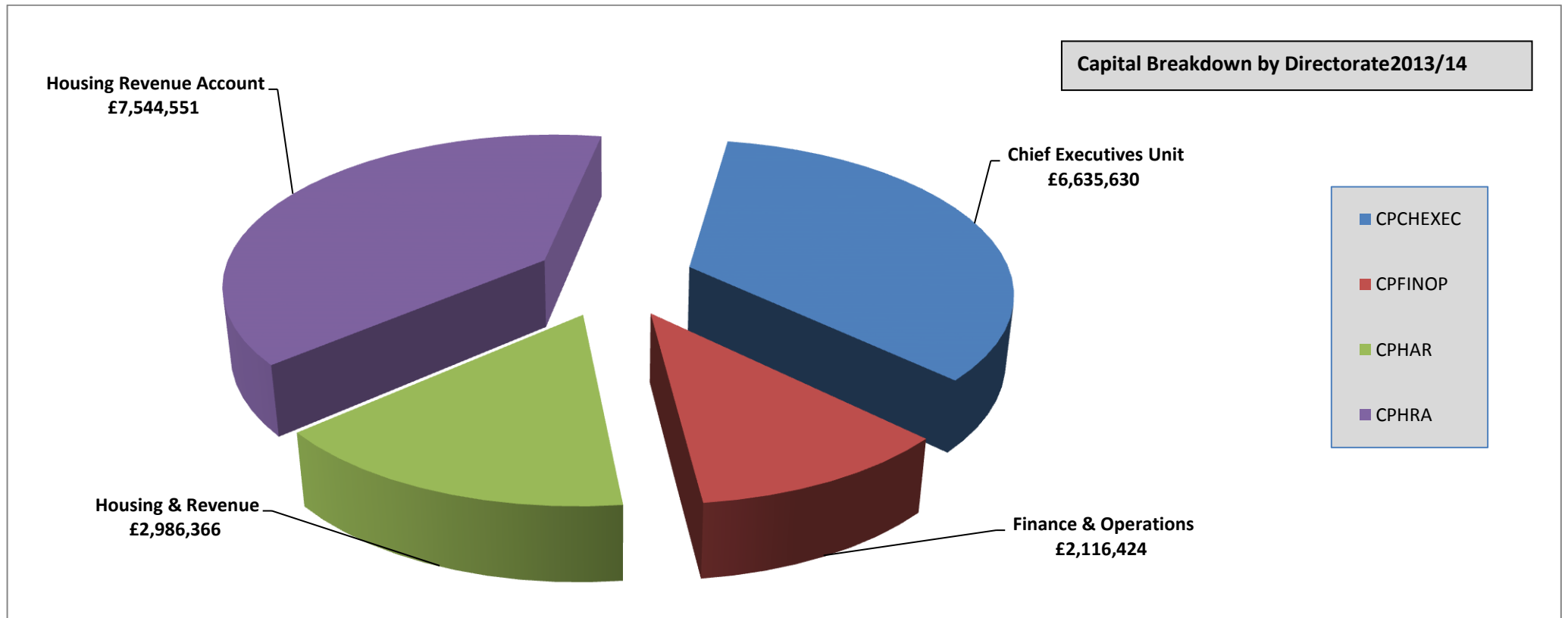


Spend and Structure



Capital Breakdown

The £19M+ Capital expenditure from 2013/14 is shown below indicating the Directorate budget.



Spend and Structure

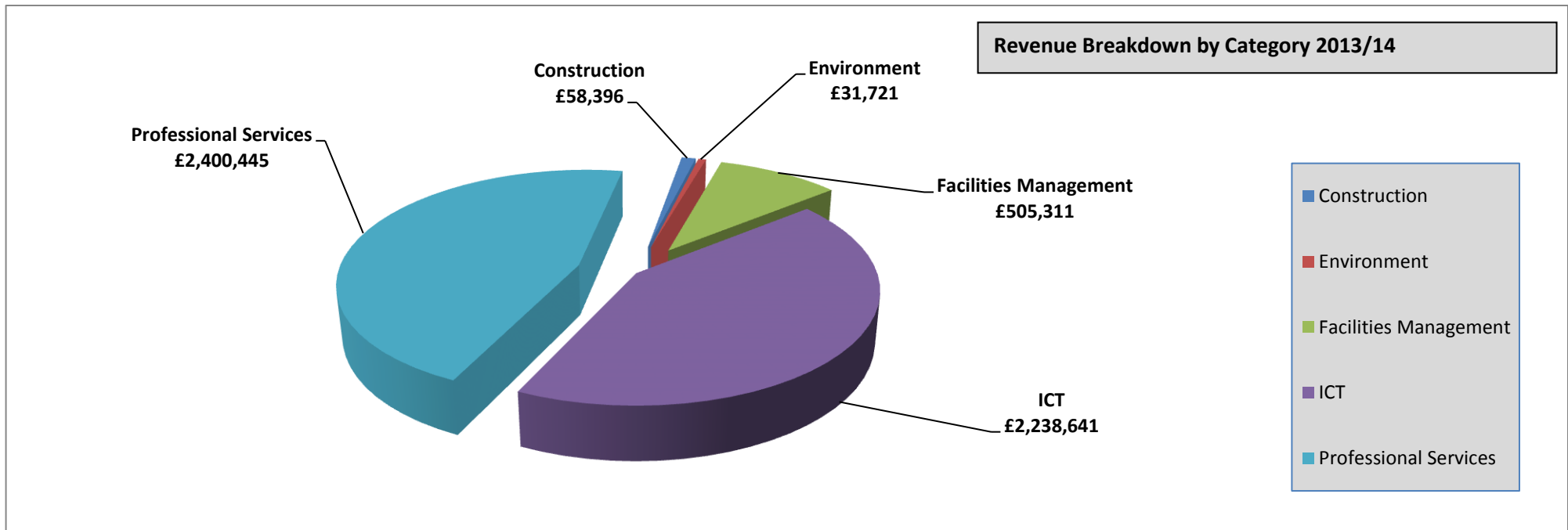


Directorate Breakdown

The £50M+ Revenue expenditure we spend each year on supplies, services and works is classified according to the 'Proclass' standard, which allows us to analyse and benchmark our expenditure with other authorities.

Chief Executives Unit

The £5M+ Revenue expenditure from 2013/14 is shown below indicating the category expenditure.

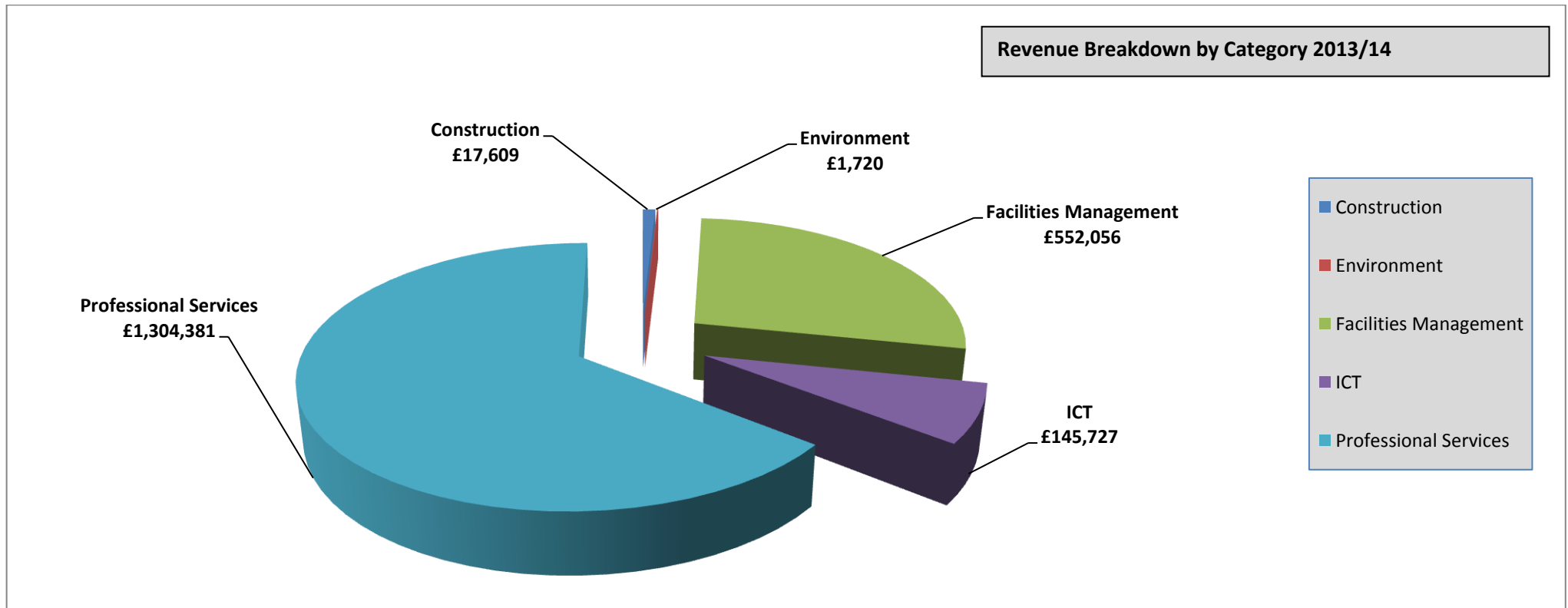


Spend and Structure



Housing and Regeneration

The £2M+ Revenue expenditure from 2013/14 is shown below indicating the category expenditure.

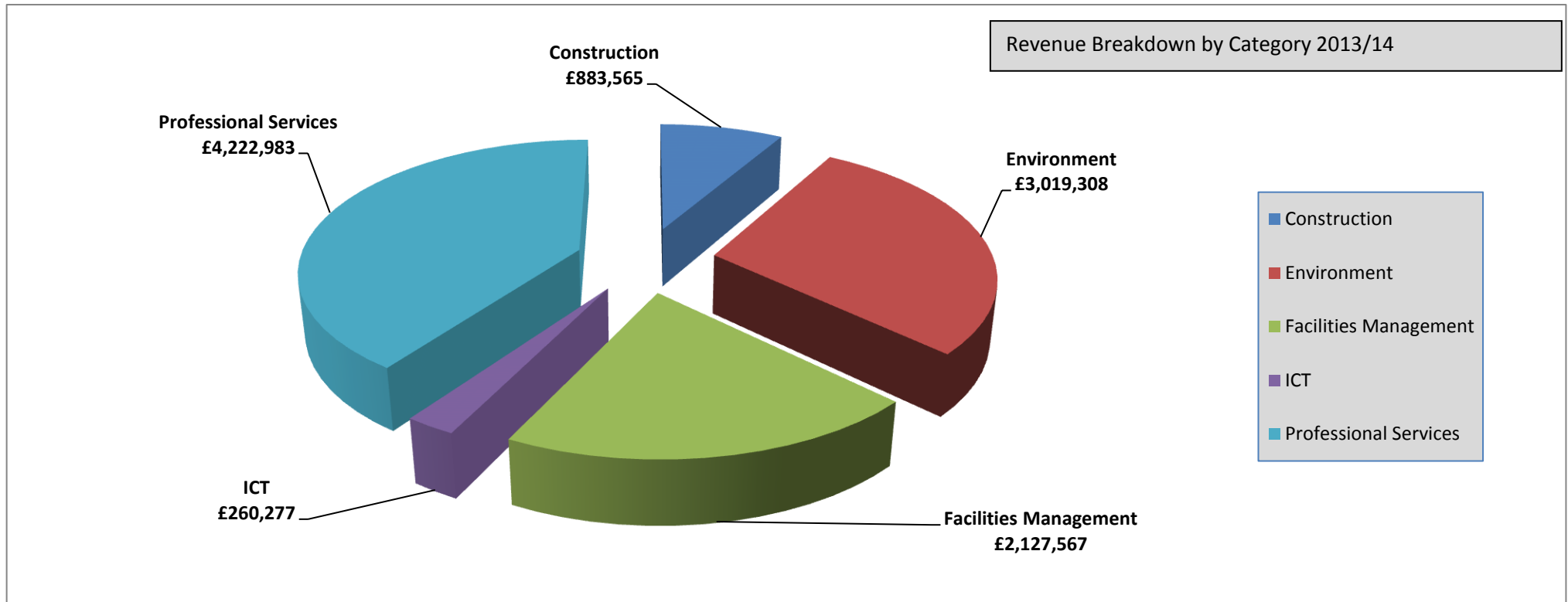


Spend and Structure



Finance & Operations

The £10M+ Revenue expenditure from 2013/14 is shown below indicating the category expenditure.

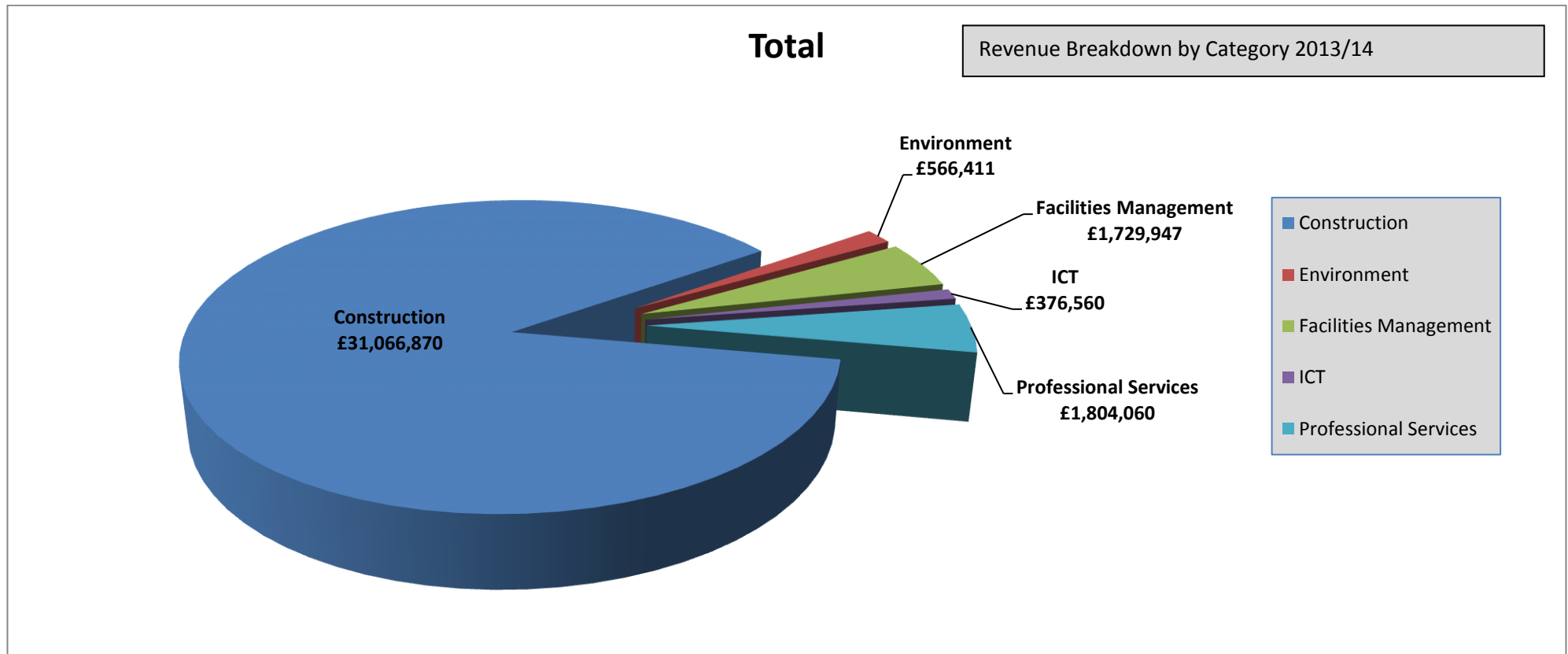


Spend and Structure

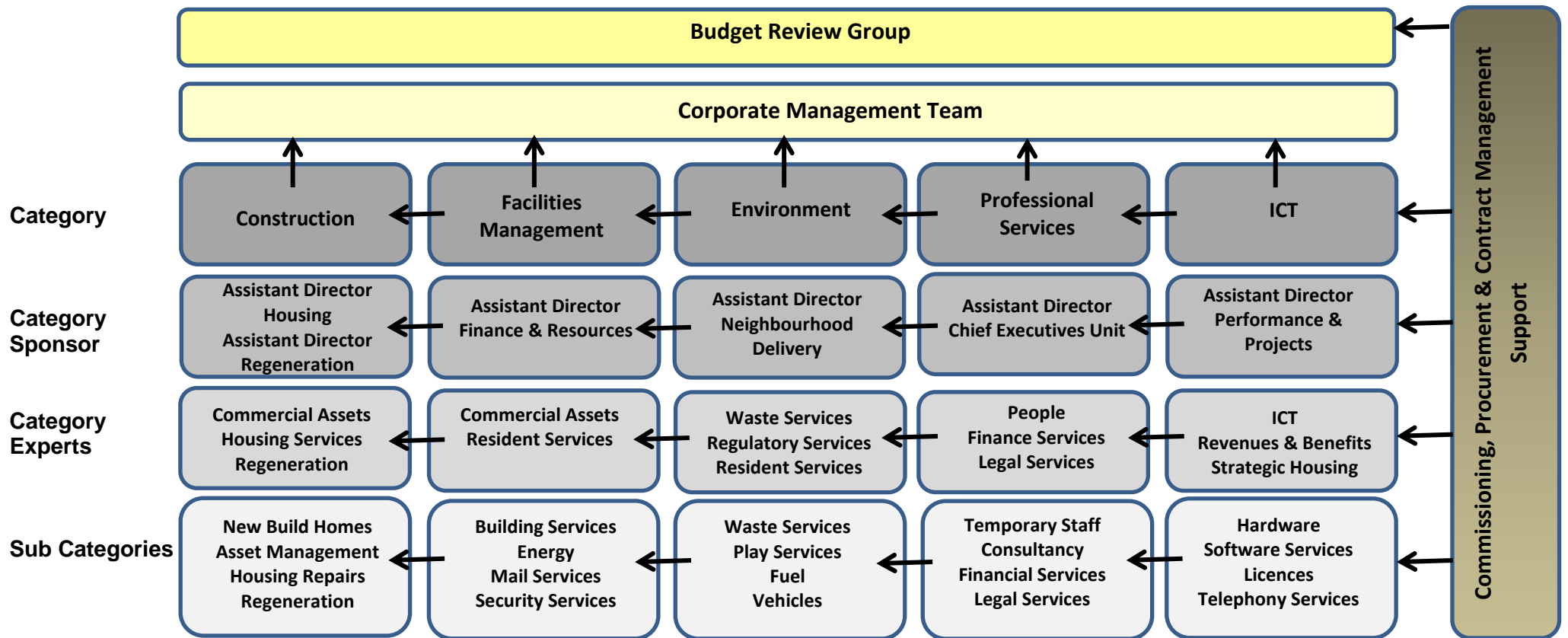


Housing Revenue Account

The £35M+ Revenue expenditure from 2013/14 is shown below indicating the category expenditure.



Spend and Structure



Goals & Targets



Goals for 2014-2015

Goal	Benefit	Corporate Priority
Reduce the cost of contracts to meet the Medium Term Financial Strategy	Residents get the same or better services for less money	Dacorum Delivers
Increase the proportion of spend via joint contracts with other public sector bodies	Better value through economies of scale, and more innovative sharing of ideas	Dacorum Delivers
Increase the proportion of spend with Dacorum-based small to medium sized enterprises	More business for local organisations	Regeneration
Use apprenticeships in contracts to stimulate the local economy	Increased local employment and better skills development for young people	Regeneration
Increase the proportion of contractual spend with the Third Sector	Clear link between funding arrangements, performance & outcomes	Community Capacity
Publish details of spend and contracts in a way that is easy to find and use	Transparency for residents about how money is spent	Dacorum Delivers

Goals & Targets



Measuring our achievements

Goal	2013/14 Baseline	2014/15	2015/16
Cashable savings from improved commissioning & procurement activities			
% of spend via collaborative contracts			
% of spend with Dacorum-based small to medium sized enterprises			
Number of apprenticeships via contracts			
% of spend with the Third Sector			