

# Procurement Matters Update 2020/21

Cabinet member for Finance, Procurement & Revenues & Benefits

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Agenda Item:	7
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Key Decision?	NO
Local Ward Members	Full Council



**Cabinet**

## 1. Executive Summary

- 1.1 The Procurement Team was established in Oct/Nov 2020 and the Procurement Strategy was approved in December 2020. This Procurement Matters report provides an update on progress made against the Action Plan and Key Performance Indicators as well as reflecting on the wider work undertaken to date by the Procurement Team.

## 2. Recommendations

- 2.1 To approve the updated Action Plan at **APPENDIX A** and to note the contents of this report.

## 3. Background

- 3.1. Historically, procurement activity at the Council was decentralised and reactive in nature with procurement advice and support provided through shared service arrangements.
- 3.2. The termination of the most recent shared service arrangement meant an alternative approach was needed. Therefore an option appraisal was undertaken that included engagement with Managers and Leadership Team to understand:
  - The procurement outcomes that are important to the Council;
  - The options that were available to achieve the outcomes and;
  - The preferred option.
- 3.3. The preferred option was the introduction of an in-house Procurement Team with recruitment taking place in October/November 2020.
- 3.4. An internal audit review of procurement pre-arrival of the Procurement Team was undertaken and an overall rating of Limited Assurance was given. This level of assurance indicated that there were some weaknesses in controls that needed to be addressed as part of the Procurement Strategy.
- 3.5. In December 2020 the Procurement Strategy was approved by Cabinet and the Procurement Team has been working to deliver the action plan and support the aspirations in the document.
- 3.6. The Procurement Strategy was developed following an assessment against the Local Government Association's toolkit with an initial focus on 'getting the basics right' and recognising the need to be realistic with aims and timescales with a relatively small team in place.
- 3.7. The Procurement Strategy has overall aims of improving the way in which we carry out procurement activities, moving from a reactive to a proactive model based on forward planning as well as seeking to develop the added value we can obtain via social value and environmental sustainability.
- 3.8. The Procurement Team has been working across the whole organisation to :

- understand the current procurement & contracting environment both internally and externally
- build relationships with colleagues to make the team known and accessible
- improve recording keeping including contracts register and forward procurement plan
- provide guidance and support in relation to procurement and contracting activity

3.9. The historic nature of procurement has meant there has had to balance both the strategic and day-to-day requirements including providing support, guidance, and project delivery across nearly all areas of the organisation on all aspects of the procurement cycle.

3.10. This includes greater capacity than envisaged being spent on regularising historic contracts and seeking information to inform future procurement activities.

### The Progress on the Action Plan during 2020/21

3.11. The Procurement Strategy has an initial focus on 'getting the basics right' and recognises the need to be realistic with aims and timescales with a relatively small team in place.

3.12. Therefore the Action Plan will be delivered over a number of years and realistic timescales have been assigned by the Procurement Manager to each action.

3.13. The Action Plan update at **APPENDIX A** shows progress to date with those actions scheduled for 2020/21 summarised below:

What we plan to achieve	Status	Procurement Strategy Outcomes
<b>A fully staffed and trained procurement team</b>		
• Recruit to permanent roles	Completed	Specialist additional capacity to support service areas with the implementation of the Procurement Strategy has been provided.
• Support CIPS training and appropriate legal courses	Ongoing	The procurement team is being supported with professional training to ensure Procurement will be undertaken in line with current best practice.
<b>High performing procurement function</b>		
• Develop a series of KPIs	Completed	The KPIs will enable the success of the Procurement Strategy to be measured.
<b>A fully populated electronic contract register</b>		
• Continue to support the embedding of self-service	Pending	All contracts are published and will form the basis for developing a forward looking Procurement Plan. This approach will ensure better planning of procurement activity, achievement of value for money and implementation of social value objectives. This action is pending as we have taken the decision to centralise the use of the e-tendering system initially to ensure compliance.
<b>To move towards Requests for Quotations and Invitations to Tender to be run via the e-tendering system</b>		
• Procurement Team to use the system on behalf of officers as required	Completed	To ensure greater opportunity for suppliers and to demonstrate value for money/social value achievements.
<b>Improve engagement with local suppliers</b>		
• Attendance at the relevant meet the buyer events	Pending	To ensure greater opportunity for local suppliers and to demonstrate value for money/social value achievements.
• Regular monitoring process	Ongoing	Due to the CV19 restrictions on face to face events there have been no Meet the Buyer events to attend.
<b>Ensure all opportunities for collaboration are explored</b>		
• Completion of all relevant surveys from buying organisations	Ongoing	To ensure buying organisations are aware of the Council's policy requirements.
<b>Improve post contract award and commercial outcomes</b>		
• Support key officers in commercial negotiations and continuous improvement activities	Ongoing	To ensure value for money/social value is achieved.
<b>Internal Audit Assurance Rating</b>		
• Improve from Limited Assurance to Adequate Assurance	Completed	To provide assurance to the Council and stakeholders that risks are being managed in procurement activity.

- 3.14. To measure the success of the Procurement Strategy a ‘balanced scorecard’ of Key Performance Indicators (KPIs) was developed based on strategic, financial, operational and compliance/risk themes.
- 3.15. The Procurement Strategy will be delivered over several years and therefore improvements in some KPIs will take time to manifest. In addition the ability to collect and monitor the data is dependent on enabling actions such as the implementation of the new finance system during late 2021.
- 3.16. The baseline for each KPI identified in the Procurement Strategy together with the 2020/21 performance where it has been possible to collect data is shown in detail below:

Key Performance Indicator	Baseline	2020/21	Trend	Procurement Strategy Outcomes
<b>Strategic</b>				
% of spend in Lichfield District	12%	9.05%	Negative	The level of Council spend in Lichfield District.
Number of tenders with social value criteria	NEW	2 [25%]	Positive	To assess the application of social value principles in procurement activity.
<b>Financial</b>				
Financial savings in total (cashable)	NEW	(£40,000)	Positive	The level of contract cashable savings.
Gross annual financial savings achieved (cashable)	NEW	(£10,000)	Positive	The level of annual cashable savings.
Net annual financial savings achieved (cashable)	£120,832*	£110,832	Positive	The net level of annual cashable savings after taking into account the direct cost of the Procurement Team.
Any other annual financial savings (non-cashable)	NEW	(£2,740)	Positive	The level of other annual efficiency non cashable savings.
<b>Operational</b>				
% suppliers paid within 30 days – target 90%	86.15%	86.06%	Neutral	How promptly suppliers are paid in line with social value objectives.
% of procurement opportunities published	NEW	0%	Neutral	The level of procurement opportunity provided to suppliers through open procurements.
<b>Compliance / Risk</b>				
Number of waivers to Contract Procedure Rules (CPRs)	10	21	Neutral	The number of times the application of Contract Procedure Rules are ‘waived’.
Number of legal challenges	NEW	0	Positive	The number of times the Council is legally challenged in Procurement activity.

\* includes costs for the interim procurement support used in 2020/21 as well as the current Procurement Team

- 3.17. In addition, as the Forward Procurement Plan is developed we expect to see the number of procurement activities for like-for-like requirements increase and this together with regularising current arrangements to inform the plan will hopefully increase the amount of ‘cashable’ savings.

### What is on the Horizon for Procurement?

- 3.18. The Action Plan update at **APPENDIX A** also shows that in addition to the ongoing and pending actions in 2020/21, there are a **15 actions** scheduled for 2021/22 and **8 actions** for later years.
- 3.19. **Procurement Green Paper** – a green paper was published on the Government’s proposed changes to public procurement as a result of Brexit and joining the WTO GPA<sup>1</sup> directly; we submitted our response in March. Headlines included are a reduction in the number of Above Threshold<sup>2</sup> procedures to 3 (Open, Flexible, Emergency), stronger support for social value, localism and environmental impact being included in evaluation criteria, longer terms for framework agreements, and a rationalisation of the legislation into one document (currently general, utilities, defence and concessions). Following a

<sup>1</sup> World Trade Organisation Government Procurement Agreement [WTO | Government procurement - The plurilateral Agreement on Government Procurement \(GPA\)](#)

<sup>2</sup> Currently the Public Contract Regulations 2015 apply in full to Services/Goods contracts Over £189,330 and Works contracts over £4,733,252 - these thresholds are linked back to the WTO GPA so will continue to be reviewed every 2 years but shouldn’t significantly change

recent webinar, we don't think this will be through the necessary parliamentary stages before mid-2023.

- 3.20. **PPN 05/21 National Procurement Policy Statement** – issued June this brings into force a new policy statement which focusses on social value to support creating new businesses, jobs and skills; tackling climate change & reducing waste; and improving supplier diversity, innovation & resilience. We are in the process of understanding the impact of this policy as well as how we are best suited to include it in the new CPRs and day to day activity, balancing the national picture with local priorities.
- 3.21. **Social Value, Think Local & Environmental Sustainability** – we are planning to work with a Member Task Group to explore the variety of formats social value, 'think local, and environmental sustainability can take, drafting Social Value, Think Local and Environmental Sustainability policies and an action plan to implement it. We have already started to make contract with local colleges in order to capitalise on those commitments already received from contractors in the intervening period as well as continuing to ask bidders for commitments in appropriate procurement projects.
- 3.22. **Local & Regional Spend** – in order to provide more in depth data on this in addition to the KPI for % of spend in Lichfield District above, we will monitor the number of local and regional suppliers that are invited to participate in procurement activities and the number of those that are then successful at contract award. This information will reflect procurement related activity in particular and the impact of the Think Local policy referred to above.

Alternative Options	The Council could decide that a new Procurement Strategy is needed and develop one that is different in the outcomes it would like to achieve.
Consultation	The Leadership Team have provided input into this report.
Financial Implications	There is an annual procurement savings target of c1% or c£84,000 assumed in the Medium Term Financial Strategy. This target will be reduced by £10,000 in relation to the annual cashable savings identified by the Procurement Team.
Approved by Section 151 Officer	Yes
Legal Implications	Potential forthcoming changes to procurement legislation as detailed in 3.19 above as a result of the recent Green Paper. The Procurement Manager will keep monitoring this area for any developments.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> <li>1. The work of the Procurement Team contributes towards the strategic aim of “a council that is fit for the future” ensuring compliance to internal and external regulations as well as seeking value for money outcomes.</li> <li>2. Effective procurement can contribute to the achievement of Strategic Plan outcomes primarily in relation to developing prosperity and being a good Council.</li> </ol>
Equality, Diversity and Human Rights Implications	No specific implications.
Crime & Safety Issues	No specific implications.
Environmental Impact	<ol style="list-style-type: none"> <li>1. Social Value and Environmental Sustainability form part of the Procurement Strategy.</li> <li>2. Environmental impact can be considered as part of procurement exercises, where applicable and proportionate, and included in evaluation criteria; improvement in</li> </ol>

environmental measures possible through application of Procurement Strategy (for example reduction in CO2 emissions, increased use of sustainable materials, reduction in waste).

**GDPR / Privacy  
Impact Assessment**

No specific implications.

	<b>Risk Description &amp; Risk Owner</b>	<b>Original Score (RYG)</b>	<b>How We Manage It</b>	<b>Current Score (RYG)</b>
A	The Council's procurement ambitions have not been articulated and agreed Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	The Procurement Strategy will articulate where the Council wants to be and how it plans to get there	Likelihood : Green Impact : Green Severity : Green
B	Local suppliers are not provided with the opportunity to bid for Council procurements Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	Procurement opportunities will be part of a forward looking plan and will also be communicated more widely to provide greater opportunities	Likelihood : Yellow Impact : Yellow Severity : Yellow
C	Procurement performance is not monitored and transparent Head of Finance and Procurement / Procurement Manager	Likelihood : Yellow Impact : Yellow Severity : Yellow	There will be a suite of Key Performance Indicators that will be regularly monitored	Likelihood : Green Impact : Green Severity : Green
D	Non-compliance with legal, regulatory and constitutional requirements Head of Finance and Procurement / Procurement Manager	Likelihood : Yellow Impact : Yellow Severity : Yellow	The new Procurement Team will be able to ensure compliance and this will also will be monitored by Internal Audit	Likelihood : Green Impact : Yellow Severity : Yellow
E	Procurement savings/value for money are unrealised Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	The new Procurement Team will be able to establish greater rigour in the Procurement process	Likelihood : Green Impact : Yellow Severity : Yellow
F	Procurements are reactive rather than planned and therefore do not achieve value for money Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	The procurement team will engage with service areas to minimise reactive procurement	Likelihood : Yellow Impact : Yellow Severity : Yellow

**Background documents**

Cabinet Report December 2020 (Procurement Strategy)

**Relevant web links**

## Appendix A – Action Plan Update

	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
Professionalise Procurement	A fully staffed & trained procurement team	Recruit to permanent roles	2020/21	Completed	Completed	Procurement Manager & Procurement Specialist joined Oct/Nov; immediate engagement with the Procurement Team from across the organisation.
		Support CIPS training and appropriate legal courses	2020/21	Started	On-Going	Procurement Manager undertaking Graduate Diploma in Law and Procurement Specialist CIPS Level to develop knowledge and skills
	Enhance procurement knowledge in the council	Identify gaps in knowledge and develop additional training courses	Later Years	Pending	Pending	Will link in with new CPRs <sup>3</sup> and ways of working to upskill colleagues across the council
	A flexible and responsive procurement team	Undertake engagement with customers through a feedback survey	Later Years	Pending	Pending	Ad-hoc feedback sought & given – all very positive to date
	High performing procurement function	Develop a series of KPIs	2020/21	Completed	Completed	KPIs included in Procurement Strategy and being monitored.
Systems and Processes	A fully populated electronic contract register	Update with information received	2021/22	Started	On-Going	Updating Contract Register with historic information as it is verified; all new contracts being added as awarded; some delay due to access to offices being limited by CV19 restrictions
		Continue to support the embedding of self-service	2020/21	Pending	Pending	Currently directing all contracts to come via Procurement Team to assist with record validation and inclusion on Forward Plan
	To move towards LDC RFQs and ITTs to be run via e-tendering system	Training programme for staff	Later Years	Pending	Started	Procurement Team has completed 2 day training on use and admin of the system; next step will be to develop training for colleagues
		Procurement Team to use the system on behalf of officers as required	2020/21	Completed	Completed	Procurement Team using e-tendering system as needed to run RFQ/ITT/Further Competitions

<sup>3</sup> Contract Procedure Rules – Part of the Council’s Constitution

	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
Visibility and Data	A fully populated forward looking work plan	Update with information received and procurement initiation form content	2021/22	Started	On-Going	Using Contract Register and Project Update list to collate information; started spend analysis to further identify opportunities; initial draft produced and shared with LT for validation.
		Regular engagement with officers and managers	2021/22	Started	On-Going	Attending quarterly budget reviews; ad-hoc meetings when needed
		Regular procurement updates to officers	2021/22	Started	On-Going	Quarterly attendance at Leadership Team and engagement in Manager's Forum when needed
	Improve visibility of procurement opportunities	Future work plan to be published on website in form of anticipated procurement opportunities	2021/22	Pending	Pending	Pending validation of first draft for publication; this will link in with engagement with local suppliers to encourage participation
		All current procurement opportunities to be published	2021/22	Pending	Pending	New CPRs being drafted will include updated guidance on when to advertise opportunities
	Publish and monitor expenditure with suppliers, SMEs and VCSEs in Lichfield District	Monitoring spend through the new finance system	Later Years	Pending	Pending	Basic information already published; more detailed information pending implementation of new finance system
Suppliers and Social Value	Recognise and embed social value (potentially adopt National TOMs Framework for Social Value measurement)	Develop a social value policy and guide for officers	2021/22	Started	On-Going	Waiting for Member Task Groups to be started for work to commence in detail; some background work has been undertaken
		Consider the inclusion of social value criteria in each relevant procurement	2021/22	Started	On-Going	Basic Social Value criteria being included in RFQs/ITTs where appropriate; to be fine-tuned once Social Value Policy has been developed
	Environmental Sustainability	Develop criteria for environmental sustainability for inclusion in procurement	2021/22	Pending	Pending	Waiting for Member Task Groups to be started for work to commence in detail in conjunction with Social Value Policy; some background work has been undertaken
	Improve engagement with local suppliers	Develop a selling to the council guidance publish on LDC website	Later Years	Pending	Pending	Pending new CPRs being in place to ensure information provided is up-to-date
		Attendance at any relevant Meet the Buyer events	2020/21	Pending	Pending	Meet The Buyer events not happening currently due to CV19 restrictions

	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
		Widen advertising of relevant contract opportunities to include social media	2021/22	Pending	Pending	New CPRs being drafted will include updated guidance on how to advertise opportunities
		Identify local suppliers and encourage them to register on e-tendering system	2021/22	Pending	Pending	Looking for local suppliers on a project by project basis where applicable currently; once Social Value Policy & New CPRs are in place will commence project to get registrations of local suppliers up.
		Identify demand for 'how to tender' workshop in advance of any significant procurements and or general workshop	Later Years	Pending	Pending	Will follow from above engagement project
Compliance	All relevant contracts are advertised on Contracts Finder	Regular monitoring process	2020/21	Started	On-Going	When appropriate Contracts Finders will be used to advertise opportunities
	All procurements with a value of over £10,000 are agreed with Procurement Team	Regular monitoring process	2021/22	Started	On-Going	Informed Managers Forum of this new requirement
	Ensure that the procurement elements of the CPRs remain fit for purpose	To review the procurement elements of the CPRs	2021/22	Started	On-Going	Drafting of new CPRs underway
	Procurement information Transparency Code 2015 requirements are met	Regular monitoring process	2021/22	Pending	Started	Working through Transparency requirements and identifying any missing publications
Collaboration		Completion of all relevant surveys from buying organisations	2020/21	Started	On-Going	As and when received
	Ensure opportunities for collaboration are explored	Representation at heads of procurement networks	2020/21	Pending	Started	Member of West Midlands Social Value Taskforce; liaising with West Midlands Heads of Procurement Group
		Host or attend knowledge transfer meetings with neighbouring authorities to share forward looking work plans	Later Years	Pending	Pending	Ad-hoc chats taking place as needed



	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
		Approach local authorities when a new procurement is initiated to understand scope for collaboration	2021/22	Pending	Pending	Sought contact details for local authorities to enable communications when appropriate; will progress further when Forward Plan is published
Contract Management	Improve post contract award and commercial outcomes	Development of a contract management guide for officers	Later Years	Pending	Pending	Ad-hoc support being given when needed
		Support key officers in commercial negotiations and continuous improvement activities	2020/21	Started	On-Going	Ad-hoc when requested