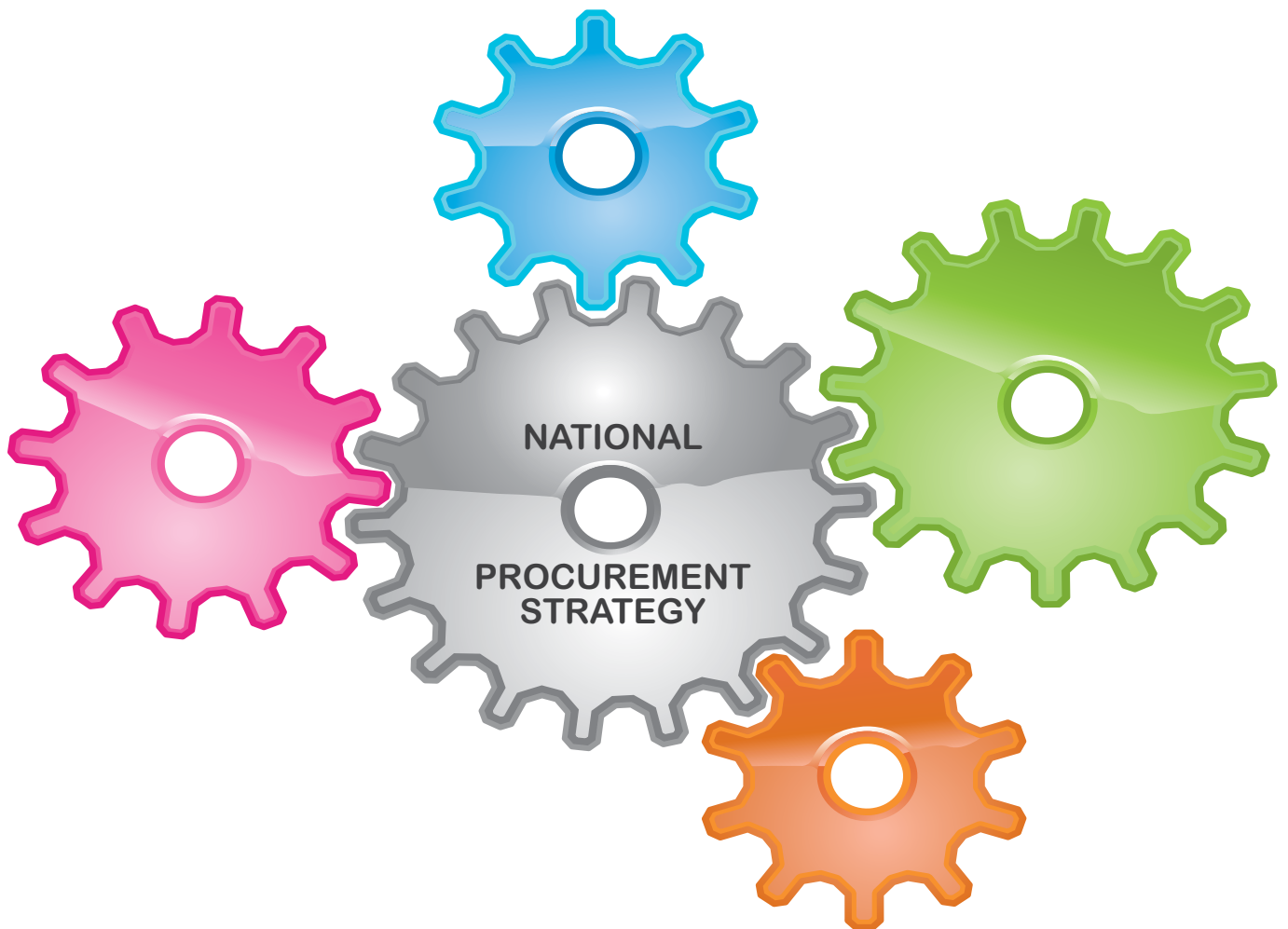
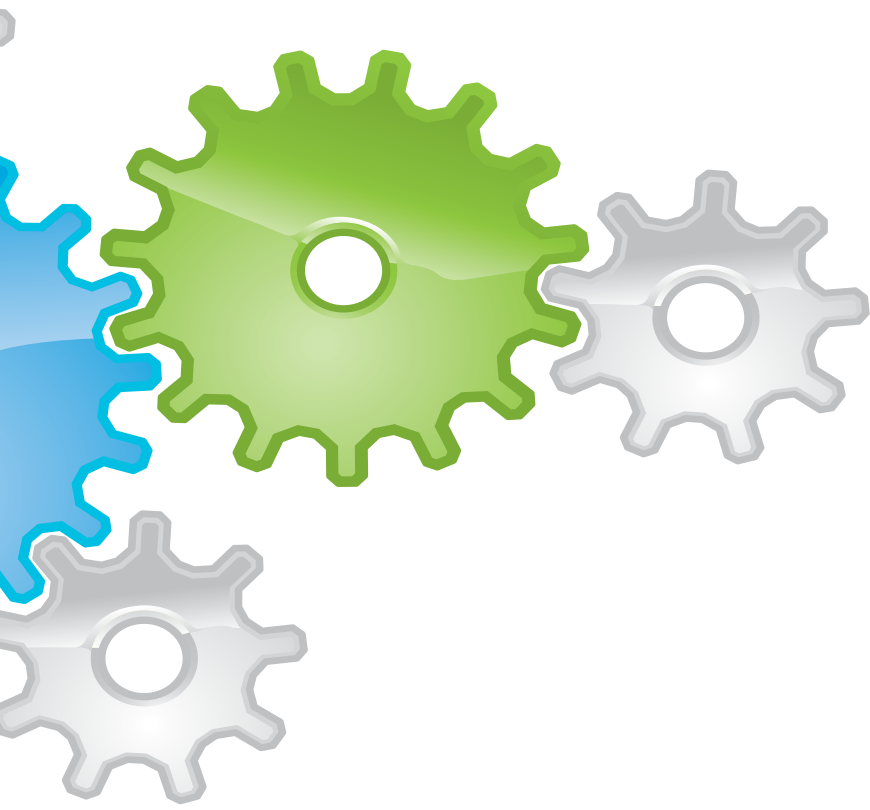


National Procurement Strategy for Local Government in England 2014





Executive summary



This strategy sets out a vision for local government procurement and encourages all councils in England to engage with the delivery of outcomes in four key areas.

1 Making Savings

Councils are dealing with significant financial pressures resulting from reductions in government funding and rising demand. They need to make savings. This means using spending power wisely and strategically and setting targets for procurement and contract management by the effective use of:

Category management in key areas of spend – like energy, ICT and construction – to make savings by maximising the value of spend. This includes developing and using more standard specifications for appropriate goods and services. Spend and supplier analyses provide a broad understanding of the local government supply market.

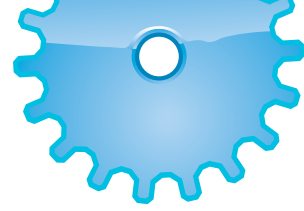
Partnering and collaboration. By aggregating spend through effective collaboration or by sharing services on common goods and services without compromising the need for social value. Shared procurement services and shared procurement posts should allow all councils to recruit, develop and retain the best procurement resource and avoid unnecessary competition between individual councils for procurement expertise.

A corporate approach to **contract management.** Councils should demonstrate their effectiveness in gaining most value from contracts. They should obtain best value from supply chains through proper relationship management.

Implementing effective **performance monitoring and transparency.** This includes sharing commercial and performance data on common goods and services. Councils should ensure that published data, under the transparency code opens new markets for local business, the voluntary and community sectors, and social enterprises to run services or manage public assets.

Having an appropriate approach to **risk management** that is integral to the council's corporate processes. Identifying and reducing fraudulent procurement practices in pre contract and post contract award and through the supply chain.

Finding alternative ways to meet user needs through **Demand management** Reducing costs and oversupply within the procurement and commissioning cycle.



2 Supporting Local Economies

Councils need to maximise the economic, social and environmental benefits to communities from every pound that is spent, and we believe that spend with SMEs and VCSEs can make a very significant contribution to local economic growth. This includes Social Value Act duties. Councils can do more to remove barriers faced by SME's and VCSE's bidding for council contracts such as by:

Inclusion of **economic, environmental and social value criteria in all contracts**. Councils should be reducing waste by making sustainable choices when procuring products and services – helping them to cut costs, and meet their social, economic and environmental objectives.

Improving access for SME's and VCSE's. Councils should ensure a wide range of suppliers are encouraged to do business with them through use of portals to advertise tender opportunities. Barriers to doing business with the council removed without compromising due process. SME's and VCSE's are encouraged to identify potential 'partners' with whom to form consortia to bid for council contracts. Councils should identify forward spend wherever possible and use this data to inform pre-market engagement and supplier planning.

3 Leadership

To be able to deliver, local government procurement needs to demonstrate leadership to increase its impact and influence across the public sector, councils need to:

Speak clearly with **a single cohesive voice** to ensure Central Government policy takes into account the needs and differences of local government.

Signal **commitment from the top** in each council and recognise the strategic importance of procurement. Procurement should be supported in each authority through the appointment of a councillor champion. Procurement should be seen as a driver to implement council policy.

Seeing procurement as part of a strategic **commissioning** cycle. Delivery of this strategy requires stronger engagement and alignment of procurement with commissioners. Councils should identify strategic outcomes in relation to assessed user needs, and design and secure appropriate services to deliver these outcomes.

Developing a more commercially-focused procurement culture. Councils should build better procurement competencies across the organisation by ensuring staff are equipped with the knowledge, training, and practical skills needed to derive maximum benefit from procurement practices. Councils will then be more influential with suppliers through taking a more commercial approach to procurement.



4 Modernising Procurement

To rise to the challenge local government procurement needs to modernise in terms of scope, use of technology and practices and procedures by ensuring that:

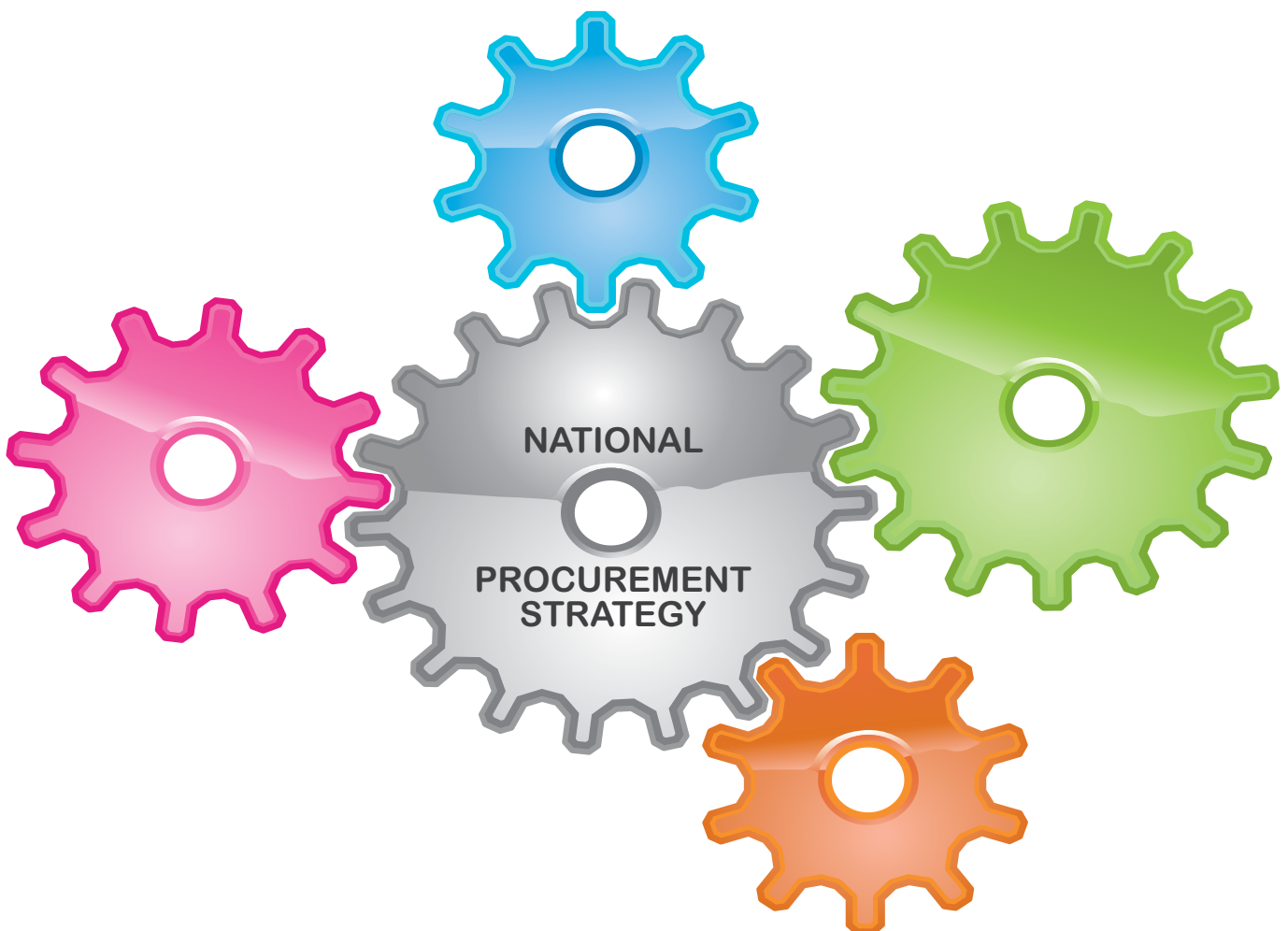
Procurement helps councils respond to financial pressures through **commercialisation and income generation**. Councils' procurement staff are more commercially minded, and understand and realise benefits from all funding streams including how contracts can be developed to generate income.

Using outcome specifications and other methods to encourage **supplier innovation** to meet new challenges, including encouraging suppliers to demonstrate innovation through all stages of the procurement cycle.

Adopting **e-procurement** to increase efficiency and productivity and realise full benefits through the use of appropriate **e-procurement** solutions in procurement processes. In particular councils should consider how e-invoicing will help them and their suppliers to streamline administrative processes and improve supplier liquidity.

Taking advantage of the opportunities presented by the **new EU directives** which will allow council procurement processes to be quicker, simpler and less costly to run.

Section 2 of this strategy contains detailed recommendations for district councils, single tier and county councils and for professional buying organisations (PBO's) to enable the outcomes to be achieved.



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Preface

Procurement in Local Government has never been more important than it is today. Our sector will have experienced a 42% cut in central government funding by the time this Parliament ends.

If we are going to manage our way through a further period of budget reductions and put life back into local economies, we must get better value from the £38 billion of revenue funding we spend each year with our suppliers.

Let's be clear, we are not talking here about getting a better deal on paperclips. We are talking about how we commission major public services that affect the lives of millions of local people and how we commercially manage the suppliers with whom we contract.

In the past, there has been a poor perception across the whole public sector of the value that strategic procurement can bring, but now is the time for councils to recognise this and lead the drive to realise those benefits. It is time for councils to use procurement and commissioning to work together with a focus on developing strategic improvements that will help reduce costs and improve community benefits for our localities.

In short, if you want to make savings and garner benefits for your community this strategy is for you. I commend it to you.

I encourage you strongly to signal your council's support for this strategy. Naturally, given the diversity of the local government community, you will not subscribe to every dot and comma. But your signature means you commit to the broad approach and are willing to play your part.



Councillor Shirley Flint
Deputy Chair, Improvement and Innovation Board (2013-14)

Local Government Association
July 2014

Foreword

Local government is the best performing part of the public sector when it comes to procurement: we pay our prime suppliers on time; we place almost half of our business with local SME's; and we use procurement to consider how it can improve the economic, social and environmental well-being of our communities. We remain committed to improving that performance, to get better value from our biggest suppliers, and to further streamline our processes for SME's.

This is an essential element in our ambition to thoroughly 'rewire' local public services to benefit local people and save money for taxpayers. However, we are doing this in the context of unprecedented financial pressures, which will last until at least 2018-19, and amidst the pressing need to promote local growth in order to repair the damage done to local economies by the recession.

Clearly local government's spending with suppliers has a pivotal role to play. It is a very significant amount of money. In revenue terms the sector spends around £38 billion a year (based on figures for 2012/13). Capital expenditure amounted to a further £18.9 billion in the same period.

This National Procurement Strategy (NPS) for Local Government sets out a number of ideas and recommendations that form a challenge to ourselves and Government. I see the following challenges as being key to improving procurement in local government:

1. Being more effective at commercial and contract management. Even before we let new contracts we need to ensure we're getting the best out of the ones we've already entered into; we need to be more commercially minded in our dealings with suppliers - training our procurement staff will be key, and you will see our proposals later in this document.
2. Having a more strategic relationship with the professional buying organisations. And they in turn need to be more specialised, developing leading-edge practice in a specified field. We can learn a lot from the US Communities model, a procurement co-operative that asks suppliers to commit to (amongst other things) providing the lowest available pricing to councils.
3. Ensuring our prime contractors commit to prompt payment throughout the supply chain, we should no longer tolerate our SME's having to wait longer for invoices to be paid than has been agreed for prime contractors.
4. Getting to grips with e-invoicing. There is legislation due on this in 2016, but there is no good reason to wait until then to implement e-invoicing. We need to push our suppliers towards this new technology now.
5. Sending a clear message about increasing the threshold for OJEU procurement to something more sensible around €5m. There is no evidence of significant cross border tendering to justify the imposition of such an onerous bureaucratic regime on local government procurement. Raising the threshold would really help us to simplifying procurement process and help us to drive economic growth.

To meet the challenges before us we need a more strategic and commercial approach to the largest areas of spend, energy, construction and ICT and better contract management of key suppliers once we've let those contracts. This means engaging early with both markets and stakeholders in the major public services.

As part of this, of course, we need to balance the demand for savings with the necessity to promote local economic growth.

All of the key participants in the local government sector have come together to speak with a single voice in this strategy and to support its delivery. It is also very encouraging that we have received input from private sector and VCSE umbrella organisations including the Federation of Small Businesses (FSB), National Federation of Builders (NFB), Confederation of British Industry (CBI), Federation of Master Builders (FMB), National Council for Voluntary Organisations (NCVO), National Association for Voluntary and Community Action (NAVCA) and Social Enterprise UK (SEUK).

As procurement champion my role is to promote the strategy, oversee its implementation and challenge colleagues on progress. I expect colleagues to challenge me in return.

I will also ensure that local government increases its influence at the 'top table' nationally, when procurement decisions are being made that affect us all.

Councils cannot work in isolation. We need to collaborate on procurement and wider commercial activities and to gain maximum benefit we need to work with partners from right across the public sector. Collaboration will be a major theme for me as procurement champion.



Martin Reeves

Martin Reeves
Chief Executive, Coventry City Council

National Procurement Champion
July 2014

Section 1: Introduction and background

Our vision

Local communities and taxpayers depend on councils to commission essential public services and to commercially manage suppliers. Procurement's role is 'strategic' but it is not always recognised as such either from within or outside our own organisations.

Our strategic vision for local government procurement is:

- Commitment from the top in each council (from both the executive and senior managers)
- more efficient use of the sector's procurement resources
- speaking with a single cohesive voice nationally and
- exerting influence right across the public sector

Suppliers are also central to the vision. At their best they can help us solve problems, harness innovation and unlock savings. So a better, more strategic relationship with our suppliers and their trade or umbrella bodies is a further key tool for achieving our vision.

The National Advisory Group for Local Government Procurement (NAG) is the catalyst for turning this vision into a reality. It includes stakeholders from all the English regions and works closely with the Society of Procurement Officers (SOPO). The sector's Professional Buying Organisations (PBOs) are crucial delivery partners, they will provide tactical delivery of framework contracts, advice and support to councils.

Through NAG and wider local government networks we have developed a strategy to bring the vision alive. Section 1 describes the background and policy context. Section 2 sets out the strategy in detail under four major themes. A new microsite, www.lgprocurement.org launched with this strategy, will bring together guidance documents, case study examples of good practice and a host of other resources to enable local government to share with and learn from each other as well as check their progress against this strategy.

Our objectives are that from 2014 all councils should be:

1 Making Savings

Councils are dealing with significant financial pressures resulting from reductions in government funding and rising demand. They need to make savings. This means using spending power wisely and strategically and setting targets for procurement and contract management.

2 Supporting Local Economies

Councils need to maximise the economic, social and environmental benefits to communities from every pound that is spent, and we believe that spend with SMEs and VCSEs can make a very significant contribution to local economic growth. This includes Social Value Act duties. Councils can do more to remove barriers faced by SME's and VCSE's bidding for council contracts.

3 Demonstrating Leadership

To be able to deliver, local government procurement needs to demonstrate leadership to increase its impact and influence across the public sector.

4 Modernisation

To rise to the challenge local government procurement needs to modernise in terms of scope, use of technology and practices and procedures.

The strategy includes a number of recommendations and councils are strongly encouraged to commit their support for considering and implementing these recommendations if they have not done so already, and sharing good practice through the LGProcurement microsite. They are there simply to focus collective effort.

Councils are called upon to start 'raising the bar' for their own organisations. But help is at hand. National and regional bodies and networks and PBOs have committed to play their part in supporting the delivery of the strategy.

We will gauge progress across local government in periodic update reports and revise commitments and actions as appropriate in consultation with the sector.

The story so far

Over the years a great a deal has been achieved in local government procurement.

The roots of today's strategy can be traced back to the development of purchasing consortia in the 1970s (today's PBOs) and the establishment of the Society of Purchasing Officers.

Through the first National Procurement Strategy (2003-06), to the establishment of Regional Centres of Excellence/Regional Improvement and Efficiency Partnerships and on to the current configuration of national and regional bodies and networks, the sector has sought to respond to the procurement challenges of service improvement and the efficiency agenda.

The economic crisis and public sector budget cuts provided the impetus for a yet more ambitious programme, and a new chapter was opened when the LGA published the Local Government Procurement Pledge followed by consultation on a new strategy Rising to the Challenge (March 2013).

Over the past year LGA has, through NAG and with support of councils, been working on the three national categories of spend in ICT, Construction and Energy, a National ICT Commercial Category Strategy for Local Government and was launched in April. The ICT strategy aims to support councils procure the necessary technology systems and tools more cost effectively. Category strategies for construction and energy will follow.

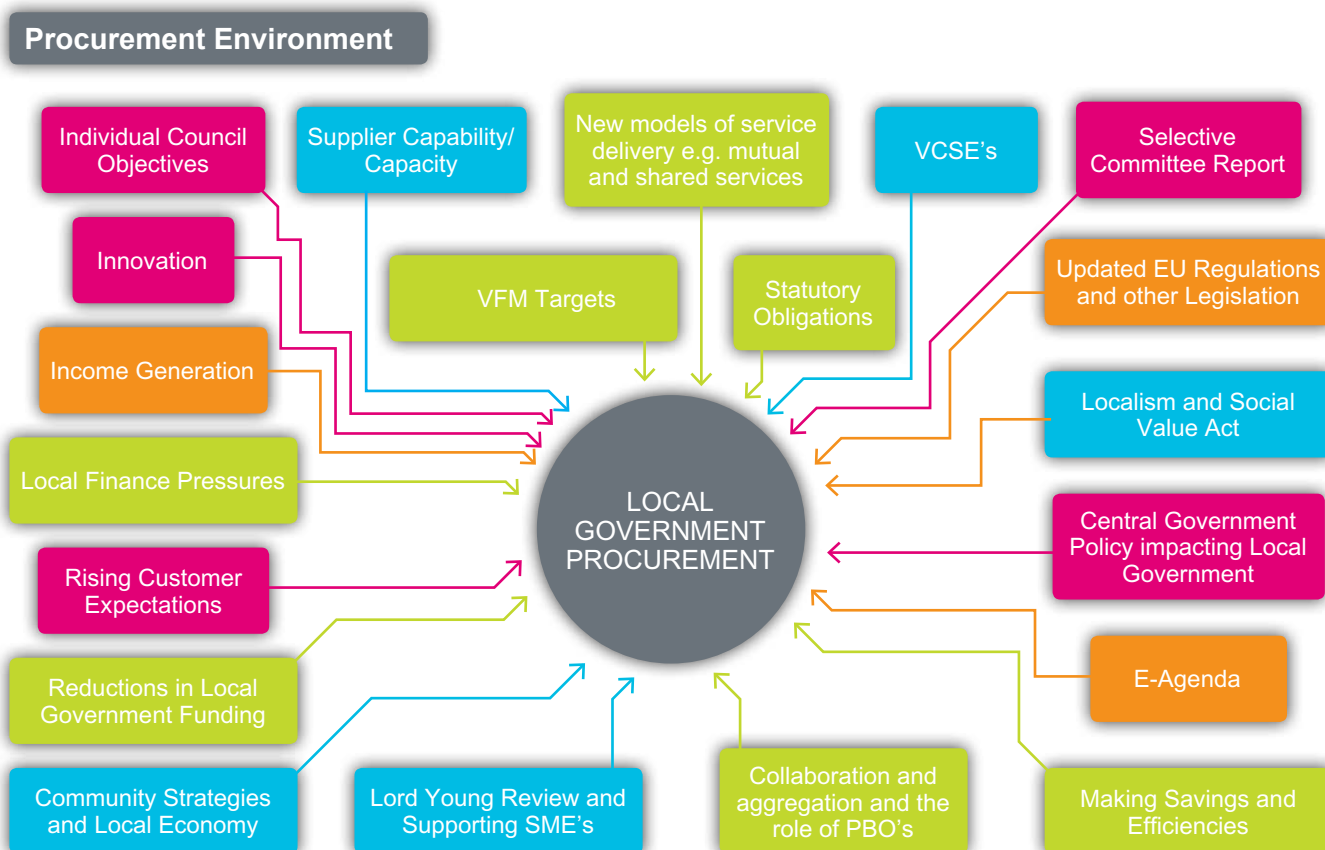
In parallel, LGA has worked with the Audit Commission on a guide to Making Savings from Contract Management, that was launched in November 2013 and updated and published the Councillor Guide to Procurement. LGA also initiated and funded a programme to encourage councils to develop innovative and replicable category management procurement initiatives, their stories were published as a set of case studies as Procurement Category Management Projects, the story so far in October 2013.

LGA continues to engage with Government on national issues such as the Lord Young reforms and the new EU procurement directives and is working closely with the Cabinet Office and Crown Commercial Service in the development and delivery of the Commissioning Academy.

Through broad-based consultation it became clear that there is support for a more strategic approach to procurement and supplier management in the major categories of local government expenditure (strategic category management), alongside a desire to speak with a single, cohesive voice on these matters and exert more influence 'at the top table'. These are among the major themes addressed in the present strategy.

The new policy context

The procurement policy landscape in 2014 is represented in the graphics below. This illustrates the major policy-related developments which form the context into which this new strategy is being launched.



How national and regional bodies will support delivery

This strategy is endorsed by the LGA's Improvement and Innovation Board. Martin Reeves, Chief Executive of Coventry City Council, is its senior most champion and represents the sector's interests in relation to procurement issues at the top table nationally.

On a day-to-day basis NAG owns the strategy and is responsible for overseeing its implementation including the preparation of periodic update reports.

NAG will work with SOPO to promote the approaches and good practice set out in the strategy and will provide peer help and support where appropriate.

The LGA has developed a microsite for the strategy and publication of good practice resources to support implementation. LGA will also tailor existing programmes to align with the commitments in the strategy (including the Leadership Academy, Productivity Experts and Peer Challenge).

As a sector-led strategy a major role will fall to regional head of procurement networks which will take a sector-led approach to supporting each other including developing programmes of support tailored to the needs of councils in the region including regional conversations

Further, more detailed, outcomes and recommendations are set out in Section 2 of this strategy.

Section 2: Outcomes and Recommendations

Councils and groups of councils should be setting their own time frames and outcomes within the context of the overall outcomes set out in this strategy.

A number of formal and informal groups exist within the local government procurement landscape, throughout the consultation phase of this strategy we engaged inter alia with the following:

- North East - NEPO acts as a procurement service for all 12 councils in the North East. NEPO are also referred to as a Professional Buying Organisation
- North West - AGMA and Connected Procurement
- Yorkshire and Humber – YORProcure
- West Midlands – West Midlands Heads of Procurement Group
- East Midlands – East Midlands Heads of Procurement Group
- East of England – EELGA Procurement Group
- London Councils – London Procurement Strategy Board
- South East - SE7 group of Heads of Procurement
- South West – Devon Procurement Partnership, South West Procurement Board
- Professional Buying Organisations, YPO, ESPO and CBC.

All of the groups were keen to continue their engagement with implementation of the strategy and signalled their commitment to continue group discussions, self help and support and to highlight to NAG any areas where national support, signposting and lobbying would be helpful.

Councils are strongly encouraged to commit to consider the recommendations, but it is recognised that given the complexity of the sector one strategy does not fit all, and a localist approach is encouraged. Whilst the recommendations for district and single tier level councils are sometimes different, all councils are encouraged to meet the higher recommendation where they can. It is expected that councils will incorporate the recommendations in their own procurement strategies.

Councils should also commit to sharing information and good practice in order that local government can improve through a sector-led approach



Theme A: Making Savings

Overview

Councils are dealing with significant reductions to finances and increasing demand. They recognise the need to use their spending power wisely and strategically and are therefore setting spend targets for procurement and contract management.

In order to demonstrate leadership of key spend categories to address financial pressures, drive market management and to develop new models of service delivery through procurement, councils are increasingly adopting a '**category management**' approach as a starting point to identify key spend areas.

Category Management in procurement can help to reduce the cost of buying goods and services, reduce risk in the supply chain, increase overall value from the supply base and gain access to more innovation from suppliers. It is a strategic approach that focuses on the vast majority of organisational spend on both services and supplies and if applied effectively seeks to reduce demand, simplify the way we buy and aggregate spend across the entire organisation or multiple organisations. The results can be significantly greater than traditional transactional based purchasing.

As part of the work underpinning this approach NAG is exploring a category management approach in three main categories of spend, Energy, ICT and Construction all of which will have their own category strategies underpinning this national procurement strategy.

Councils have been encouraged to establish **partnering and collaboration** arrangements for at least a decade and many have been doing just so for much longer. Much has been done already, including a move to more joint and integrated commissioning but the increasing issues relating to financial pressures and the need to demonstrate the impact that improved efficient procurement can have on outcomes for communities makes this even more important going forward. We can learn from the many councils that have already entered into shared service relationships.

Working with the wider public sector is becoming more and more normal practice, councils need to consider integration of their demand and supply chains with their colleagues in fire, health, police and other wider public sector organisations to appropriately aggregate spend, use wider experience and greater expertise and to reduce duplication of work.

Councils spend significant and increasing amounts via contracts with suppliers, often as part of their transformation to meet financial challenges. Councils need to be more effective in **contract and supplier management** to ensure they maximise both the opportunities for additional income generation and the potential savings these bring. Contract management is more than ensuring suppliers meet their contractual obligations, it can also help councils to identify and manage their own and their suppliers' risks, and achieve savings and continuous improvement throughout the life of the contract.

Councils should be engaging more with each other to **manage performance and transparency** of suppliers as long as this is proportionate to the budget and level risk in the contract. Councils should actively manage major/common suppliers and build higher volume of orders to reduce supplier prices. Councils should proactively discourage the use of long or inflexible contracts and single supplier arrangements.



In order to reduce additional costs through the procurement cycle, councils need to understand and develop a proportionate **Risk management** approach. They need to maintain reliable, up to date information about risk, put in place a monitoring and decision making process and decide the most appropriate person to deal with the risk. This does not mean that councils should be risk averse, they should take a balanced approach, thinking about the likelihood of the risk happening against the impact and the cost of action.

Councils need to better understand, manage and reduce demand, addressing several outcomes through provision of services that better targets scarce resources and shifts away from 'universal' services approach including reducing the levels of services provided. Demand management changes the roles and relationships between service provider and customer. Procurement and commissioning teams should understand and find alternative ways of meeting customer needs. **Demand management** practices often involve changing the respective roles of provider and customer and the relationship between them, such as by promoting independence, facilitating peer to peer support and by empowering customers to decide how budgets are spent.

What should LGA and NAG be doing?

- Setting out the rationale for a strategic approach for the top three spend areas (Energy, Construction and ICT) including sharing of good practice and agreeing further spend areas
- Commissioning and using a national, high level spend analysis to inform strategic discussions with local government's major suppliers
- Engaging with PBO's to facilitate strategy development through acting as an 'intelligent client'
- Providing advice and assistance on procurement of major projects, for example PF2
- Setting out standard clauses for councils and PBO's to use in contracts which allows for data to be shared
- Making further guidance available on how to mitigate against procurement risks and fraud
- Considering how greater transparency in contracts can be achieved.

What should regional groups be doing?

- Encouraging the use of local and regional spend analysis tools to improve visibility and potential for savings
- Helping councils and groups of councils to compare performance and costs with each other and making available national performance data
- Signposting to good practice and potential sources of help with procurement expertise

Outcomes and Recommendations

1. Category Management

Outcomes

- Category management helps councils to make savings by maximising value from areas of spend
- Councils achieve savings through developing and using more standard specifications for appropriate goods and services
- A broad understanding of the local government supply market is gained through appropriate spend and supplier analyses

Recommendations

For district councils

- Recognise the benefits and tap into category management plans of other public sector organisations and through PBO's
- Review existing framework arrangements at early stages of procurement to reduce duplicated effort
- Recognise the benefits from engaging with a national approach and ensure timely publication of data to ensure a robust analysis can take place

For single tier and county councils

- Set out the rationale for a category management approach in the corporate procurement strategy
- Invest in category managers or, as a minimum, commit to the outputs from the national or regional strategies where appropriate
- Identify the main spend categories in their council and have a clear category management strategy in place to ensure value for money (VFM) for these categories of spend
- Review existing framework arrangements at early stages of procurement to reduce duplicated effort
- Recognise the benefits from engaging with a national approach and ensure timely publication of data to ensure a robust analysis can take place

For PBO's

- Highlight good practice examples through case studies
- Engage with NAG to develop category management approaches and be integral to the approach
- Develop outline business cases for a category approach
- Develop outcome based specifications through early engagement with councils and the market
- Analyse spend through frameworks and publish data on spend

2. Partnering and Collaboration

Outcomes

- Councils make savings by aggregating spend through effective collaboration or via a shared service on common goods and services without compromising the need for social value and providing opportunities for local businesses
- Shared procurement services and shared procurement posts allow all councils to recruit, develop and retain the best procurement resource and avoid unnecessary competition between individual councils for procurement expertise

Recommendations

For district councils

- Set out the approach to partnering and collaboration in the corporate procurement strategy
- Explore opportunities to procure through existing routes to market, in particular harnessing existing shared service or PBO resources
- Explore the options relating to sharing services or posts with appropriate partners

For single tier and county councils

- Set out the approach to partnering and collaboration in the corporate procurement strategy
- Explore opportunities to procure through existing routes to market and each key procurement is objectively justified

- Set targets for savings or income generation from collaborative spend
- Consider the business case for new models of delivering procurement services
- Maximise the use of all available procurement resources including across council boundaries.

For PBO's

- Engage with councils to develop strategies for common goods and services
- Work together at a national level
- Simplify the issues relating to finding suitable framework agreements
- Act as the 'glue' between framework users and providers, ensuring best value is achieved from collaboration on contracts and evidence of this is available and transparent
- Actively engage with councils and national bodies to build into partnering and collaboration strategies

3 Contract and supplier management

Outcomes

- A corporate approach to contract management means councils can demonstrate their effectiveness in gaining most value from contracts
- Local authorities obtain best value from supply chains through proper relationship management

Recommendations

For district councils

- Measure contract outputs and key performance indicators to ensure competitiveness over the life of the contract
- Ensure visibility of supply chains
- Expect main contractors to act fairly with supply chains and mandate timely payment to subcontractors through contract clauses

For single tier and county councils

- Contract management is part of the responsibilities of the councillor champion
- Integrate contract management within the council's procurement and commissioning models
- Invest resources in developing and sustaining a capacity for good contract management
- Demonstrate efficiency savings through better contract management
- Scrutinise strategic contracts post award and ensure benefits are achieved
- Monitor and enforce internal compliance to 'on contract spend'
- Understand key suppliers and develop and implement performance indicators that are aligned with business outcomes
- Identify second tier spend and activity for high value/high risk contracts
- Develop and agree exit strategies within all major contracts
- Expect main contractors to act fairly with supply chains and mandate timely payment to subcontractors through contract clauses

For PBO's

- Undertake proactive management of framework contracts with and on behalf of framework users
- Expect main contractors to act fairly with supply chains and mandate timely payments to subcontractors through contract clauses
- In consultation with NAG, take a lead on appropriate key strategic relationships across the sector

4 Performance and Transparency

Outcomes

- Supplier performance on contracts increases, and costs decrease across the whole sector through effective performance monitoring and transparency
- Innovation and transparency is improved because councils share commercial and performance data on common goods and services
- Published data, under the transparency code opens new markets for local business, the voluntary and community sectors, and social enterprises to run services or manage public assets.

Recommendations

For district councils

- Baseline contract spending and outcomes internally over time and with other councils and use this information to inform their contingency planning and re-competition strategies
- Join together with other councils and partners to share information that makes prices and performance more open and transparent
- Publish data in relation to contracted-out services in accordance with the Transparency Code
- Ensure the rights to the data created as a result of a service being contracted out remains with the council

For single tier and county councils

- Put systems in place to map contracts, measure spend, collect feedback and measure the benefits achieved
- Engage with regional or national information and data sharing
- Insist on transparency throughout the supply chain
- Set savings targets that are performance managed.
- Publish data in relation to contracted-out services in accordance with the Transparency Code
- Ensure the rights to the data created as a result of a service being contracted out remains with the council
- Extend the requirement to publish information on performance and costs to contractors

For PBO's

- Make performance data on major PBO framework contracts available
- Make pricing models and rebates transparent and available
- Share framework tender documents and user guides with framework customers in order to properly inform mini-competitions
- Provide framework contract data to councils in a format that can be published

5 Risk and Fraud Management

Outcomes

- Risks are identified and managed through an approach to risk management that is integral to the council's corporate processes
- Fraudulent procurement practices are identified and reduced in both the supply chain and post contract award.

Recommendations

For district councils

- Where no dedicated procurement resource exists, risks and the implications of poor procurement is identified through corporate risk processes
- Proactively audit contracts to check for fraud
- Include whistleblowing policies as part of contract conditions

For single tier and county councils

- Risk management should be integrated into Procurement processes. It is considered early, discussed with suppliers and regularly monitored
- Identify strategically important (high value and/or high risk) contracts on the risk register and regularly monitor both by officers and members
- Proactively audit contracts to check for fraud
- Include whistleblowing policies as part of contract conditions
- Require main contractors to mirror these policies in their subcontracting arrangements

For PBO's

- Demonstrate how risk can be minimised for councils whilst still providing best commercial outcomes

6 Demand Management

Outcomes

- Costs and oversupply are reduced through implementation of demand management techniques within the procurement and commissioning cycle.

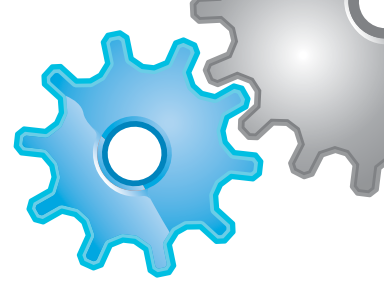
Recommendations

For district councils

- Councils build in a demand management approach before procurement begins
- Councils seek alternative mechanisms to procure customer needs

For single tier and county councils

- Councils build in a demand management approach before procurement begins
- Ensure procurement and commissioning strategies and processes take account of demand management techniques
- Involve procurement teams at an early stage in developing alternative ways to meet demand



Theme B: Supporting Local Economies

Overview

Councils must focus on providing the maximum benefit into their communities from every taxpayer pound that is spent and with their economic development role, take responsibility for generating **economic, environmental and social** growth in local communities. The Public Services (Social Value) Act of 2012 requires councils to consider social value in all services contracts with a value above the EU threshold. Social Value can mean many different things, for example the inclusion of targeted recruitment and training opportunities in public contracts that can make a contribution to addressing the issue of poverty and reduced social mobility.

The private and the voluntary sector organisations that are so important to local and regional economies need to view council contracts in a positive way and want to do business with their local authorities. Councils need to continue to make better use of their purchasing power to create opportunities; for jobs and training, for regeneration and to maximise value for money.

Through the arrangements they make for procurement councils can develop essential local infrastructure. They enjoy wide powers in this area including the power to promote 'community wellbeing' and through the Localism Act 2011 have a 'general power of competence'. Through the Localism Act, councils - often working together and through Local Economic Partnerships - are able to take on new functions that help them in this task.

In order to encourage a mixed range of suppliers to deliver value for money services councils need to encourage suppliers to bid for new or emerging requirements, to be innovative and to work collaboratively with other providers in the economy.

Councils can help to remove barriers to effective working by **improving access** to council tendering opportunities, being open and transparent about what we have already procured and as far as possible by identifying and publishing future requirements.

What should LGA and NAG be doing?

- Ensuring PBO's support the needs of local government
- Capturing and disseminating best practice
- Developing a locality based approach of sustainable procurement across the sector
- Engaging with national portal providers to reduce duplication and improve understanding of best practice
- Working at a national level with trade organisations such as FMB, FSB, and VCSE umbrella bodies such as NCVO, NAVCA, SEUK to agree how to disseminate best practice to councils and to providers, including helping groups of providers to form consortia
- Highlighting issues relating to lateness of Government funding that create barriers to allowing councils to identify forward spend
- Setting out standard clauses for councils to use in relation to fair payments to sub-contractors

What should regional groups be doing?

- Helping to identify the right balance between those goods and services that should be procured regionally or nationally to obtain aggregation and those that are best provided locally to support local sustainability and business development.



Outcomes and Recommendations

1 Economic, Environmental and Social Value

Outcomes

- Councils gain maximum value from procurement through inclusion of economic, environmental and social value criteria in contracts for good/services and works
- Councils reduce waste by making sustainable choices when procuring products and services - helping them to cut costs, and meet their social, economic and environmental objectives.

Recommendations

For district councils

- Consideration is given as to how to obtain social value in all contracts over the EU threshold
- Sustainability is considered at the 'identify need' stage of the procurement cycle

For single tier and county councils

- An officer social value champion is appointed and provides leadership on issues relating to social value.
- Social value opportunities are assessed in all tenders, including those below the EU thresholds and for goods where appropriate
- Bidders are requested to demonstrate community benefits through the whole supply chain
- Consider and describe how the economic, social and environmental well-being of communities can be improved
- Ensure that social value requirements do not cause unintended consequences (eg apprentices being unable to complete their apprenticeships as contracts always require 'new' apprentice places to be created).
- Take account of the powers in the EU regulations that encourage use of mutuals, social enterprises and supported factories
- Build in sustainability into the whole procurement cycle
- Social, Economic, Environmental assessments are undertaken for each procurement project
- Consider ethical issues, including fair pay, zero hours contracts, child labour and animal testing throughout the supply chain

For PBO's

- Ensure framework contracts allow for social value evaluation criteria to be included in mini-competitions based on differing council needs
- Encourage delivery of best possible services by mutual dialogue that focusses on reducing duplication, increasing efficiency and achieving community benefits
- Make framework contracts more accessible to smaller suppliers and VCSE's
- Make more use of area based lots in framework contracts
- Build in sustainability into framework contracts

2 Improving access for SME's and VCSE's

Outcomes

- A wide range of suppliers are encouraged to do business with councils through use of portals to advertise tender opportunities
- Barriers to doing business with the council are removed without compromising due process
- SME's and VCSE's are able to identify potential 'partners' with whom to form consortia to bid for council contracts
- Councils identify forward spend wherever possible and use this data to inform pre-market engagement and supplier planning

Recommendations

For district councils

- Identify all procurement opportunities over £5,000 through regional portals
- Ensure websites make it clear which portals are being used to advertise tender opportunities and how suppliers can register.
- Measure the amount of local spend as a way of identifying and reducing the barriers for smaller organisations in bidding for council contracts
- Develop or update and publish the 'selling to the council' guide
- Mandate payment by suppliers to their subcontractors be no greater than those in the primary contract, through contract clauses.
- Engage with single, simplified PQQ's such as PAS91 for construction
- Learn from and engage with the supply base and other councils on a regional basis through market days
- Ensure that lotting strategies do not create unwanted barriers for smaller businesses
- Link into existing framework contracts which outline how consortia can be encouraged

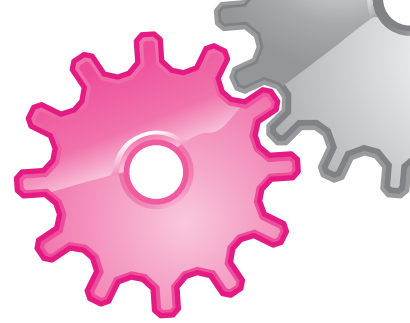
For single tier and county councils

- Identify all procurement opportunities through local or regional portals and national portals where appropriate
- Encourage suppliers to sign up to regional and national portals as appropriate
- Ensure websites make it clear which portals are being used to advertise tender opportunities and how suppliers can register.
- Measure the amount of local spend as a way of identifying and reducing the barriers for smaller organisations in bidding for council contracts
- Engage with local umbrella bodies such as FSB to ensure that procurement and engagement strategies will not inadvertently discourage suppliers
- Ensure procurement processes are not overly-rigid, cut off from day to day service provision or contain disproportionate requirements (eg insurance levels)
- Require prime contractors to report any failure to comply with payment terms and mandate payment by suppliers to their subcontractors be no greater than those in the primary contract, through contract clauses.
- Engage with single, simplified PQQ's such as PAS91 for construction

- Learn from and engage with the supply base and other councils on a regional basis through hosting market days for future projects
- Ensure that lotting strategies do not create unwanted barriers for smaller businesses
- Engage in proactive pre-market engagement with the supplier base and through the commissioning process with users and advocates
- Allow sufficient time in the procurement process for suppliers to form consortia
- Make suppliers aware of trading opportunities and secure their input and expertise

For PBO's

- Advertise procurement frameworks through appropriate portals
- Develop portals in conjunction with councils
- Ensure procurement processes help smaller organisations win business
- Engage in market days
- Mandate timely payment to subcontractors through contract clauses
- Ensure lotting strategies are locally focussed where appropriate
- Encourage consortia through market days.



Theme C: Leadership

Overview

Councils have led the way in the public sector, demonstrating initiative and resourcefulness to rise to the social, economic and environmental challenges that our communities are facing. It is this willingness to think about doing things differently, then actually take action, that has made local government the most efficient part of the public sector.

In order to pursue the sector's interest nationally and act as a national intelligent client, the sector should speak with a **single cohesive voice** through the National Advisory Group for Local Government Procurement.

There should be a **commitment from the top** at each council to procurement excellence. Councils should recognise the strategic importance of procurement and how it can help in improving the delivery of public services. Chief executives, elected members and senior officers should oversee and support a strategic approach to procurement. Procurement professionals themselves must demonstrate a corporate contribution and be seen as a corporate resource but procurement should not be viewed as something only procurement professionals do, councils should ensure that all staff involved in the procurement and commissioning cycles strive for procurement excellence

Councils are increasingly using a **strategic commissioning** approach to the delivery of services for their communities. There has been a lot of debate on definitions of and distinctions between 'commissioning' and 'procurement', this strategy recognises that procurement is a core part of a commissioning cycle.

- Commissioning is the process of ensuring that outcomes identified in the council's needs analysis, are delivered through the right service, and the right models of delivery (whether public, private or other sectors through voluntary service sector, or through social enterprises)
- Procurement is the process of acquiring goods, works and services. It includes acquisition from third parties and also from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a service contract or the end of a useful life of an asset. It involves early stakeholder engagement, assessing the impact on relationships and linkages with services internally and externally, options appraisal and the critical 'make or buy' decision and determining the appropriate procurement strategy and route to market.

In order to make the most of our influencing role, there needs to be early and stronger engagement with markets, and in particular with commissioners of services, to decide on whether a procurement route is the best option for the service being commissioned. Procurement staff should use their understanding of existing markets to help commissioners make a value for money decision and, if necessary, to help consultation with the market to appraise the potential delivery models, within the fairness and transparency rules.

Councils should be engaging with the development and delivery of commercially-focused **training**. This might include professional training eg through CIPS, as well as more technical skills-focused training. Councils should also be considering succession planning. Some councils and PBO's have worked hard at encouraging their staff to become professionally qualified and are committed to continuing with this. A number of councils and PBO's also have apprenticeship programmes which encourage entry into the profession. Local government could take advantage of the relatively untapped wealth of skills, for example by helping non-procurement staff engage with PBO's, for example by sharing academic dissertations or by hosting work experience events for apprentices.



What should LGA and NAG be doing?

- Providing a focal point for 'one cohesive voice' through the National Advisory Group, taking the lead in highlighting the role of procurement is not just about cash savings, but using procurement to deliver on economic growth and other council objectives
- Providing national leadership and direction on procurement matters and highlighting the importance of a strategic approach through the NAG national sponsor
- Building alliances with other national organisations, trade bodies and umbrella bodies to jointly lobby on issues that impact on procurement/commissioning processes
- Showcasing and sharing good practice, through promotions of this national strategy to influence Government and the wider public sector
- Helping councils to better understand new models of service delivery, eg mutuals, trading, outsourcing
- Updating and disseminating guidance and hosting events and leadership development for councillors in relation to procurement
- Continuing to support and encourage engagement with the Commissioning Academy that supports greater collaborative/place based commissioning
- Developing, in partnership with CIPS and others, a syndicated 'Corporate Award' for formal procurement training
- Developing template training materials for suppliers on the new EU directives

What should regional bodies be doing?

- Providing peer help and support to procurement officers through the Society of Procurement Officers in Local Government
- Joining together as groups of councils commission technical focused training such as negotiation skills, contract law

Outcomes and Recommendations

1 Single Cohesive voice

Outcomes

- Central Government policy takes into account the needs and differences of local government because local government procurement speak clearly with one cohesive voice

Recommendations

For district councils

- Engage with procurement networks to ensure visibility of and input into policy
- Join with PBO's to showcase and share good practice and to influence Government and the wider public sector

For single tier and county councils

- Engage with networks to encourage discussion and input into NAG as a national voice
- Join with PBO's to showcase and share good practice to influence Government and the wider public sector

For PBO's

- Engage with NAG as a stakeholder on behalf of councils
- Co-ordinate forums for policy voices
- Join with NAG and councils to showcase and share good practice to influence Government and the wider public sector

2 Commitment from the top

Outcomes

- Procurement is recognised as strategically important by chief executives, members and senior officers within local authorities
- Procurement is supported in each authority through the appointment of a councillor champion
- Best overall value has been considered in all council's addressable third party spend
- Procurement is a driver to implement council policy

Recommendations

For district councils

- Provide periodic updates senior managers and elected members on implementation of good practice (set out in this NPS) and its relevance to the organisation
- Encourage an elected member champion for procurement
- A senior level director takes overall strategic responsibility for procurement and ensures full value is extracted from all procurement decisions
- Link the procurement strategy to the corporate strategy

For single tier and county councils

- Overall strategic responsibility for procurement rests at Director level and councils are committed to a strategic approach to procurement and delivering outcomes from this NPS
- Ensure there is a strategic alignment of procurement with Finance Director/s151 Officer or Director of Business Transformation
- Provide periodic updates to senior managers and elected members on implementation of good practice (set out in this NPS) and its relevance to organisation
- An elected member champion from the executive has procurement, commissioning and contract management as a substantial part of their portfolio
- Procurement professionals influence all third party spend
- Procurement professionals work closely with their commissioning colleagues to ensure best possible outcomes are achieved
- The procurement strategy underpins the corporate strategy and a commitment to achieving the wider corporate objectives of the council is demonstrated

For PBO's

- Highlight good practice and provide evidence of the impact of good collaborative procurement.
- Where elected members are part of PBO Board Structures, they support and promote good procurement practice in their own councils
- Adopt this NPS and engage with NAG on how to support policy

3 Commissioning

Outcomes

- Councils identify strategic outcomes in relation to assessed user needs, and design and secure appropriate services to deliver these outcomes
- Councils better understand and manage demand through the commissioning process to better target services efficiently and effectively

Recommendations

For single tier and county councils

- Use a strategic commissioning approach to appraise new service delivery models
- Procurement and Commissioning staff work together to ensure best outcomes for service users
- Demonstrate a willingness to move to multi-functional delivery
- Set out a corporate approach to decommissioning services that includes:
 - Clear objectives
 - Co-produced products and strategy
 - Communications strategy
 - Transparency
 - Timescales and timetable
 - Risk management
 - Defined roles for those involved

4 Procurement Training

Outcomes

- Councils build better procurement competencies across the organisation by ensuring staff are equipped with the knowledge, training, and practical skills needed to derive maximum benefit from procurement practices.
- Councils are more influential with suppliers through taking a more commercial approach to procurement
- Council officers understand and implement the flexibilities afforded by the new EU Procurement Directives

Recommendations

For district councils

- Engage with other councils to 'piggy back' onto training and development programmes
- Ensure senior officers are involved directly in high value contracts.
- Recruit consultants with commercial skills to help with developing a more commercial approach. Knowledge transfer should be part of the consultancy contract.
- Engage with training on new EU Procurement Directives either through other councils or directly

For single tier and county councils

- Invest in officers having the professional, leadership and interpersonal skills required to deliver council objectives through better procurement.
- Implement a development programme that takes into account the new context and models for good procurement

- Encourage councillors to engage with procurement and commissioning training being offered through the LGA Leadership Academy
- Invest in developing commercial skills including costs and profit, the market and service quality, relationship building and renegotiation skills
- Engage with training on new EU Procurement Directives
- Cascade training where appropriate across the council and to districts

For PBO's

- Continue to develop professional and technical skills in procurement
- Publish academic dissertations where appropriate for the benefit of the sector
- Support councils with skills and expertise in supplier relationship management
- Engage with training on new EU Procurement Directives
- Cascade training where appropriate to councils and to districts



Theme D: Modernisation

Overview

Recognising the importance of political drive and vision behind increasing commercial activity to drive financial self-sufficiency, there is an increasing role for procurement in **commercialisation and income generation**. Renegotiation of existing contracts could be a useful source of further savings or income but procurement officers need to see each new contract they negotiate as an opportunity for a more commercial approach which may also include, exploiting assets, selling services and understanding and reducing costs through cost/benefit analysis

In order to get best value from the market, the best councils are encouraging **supplier innovation**. This may be through hosting supplier or provider innovation days on specific procurement projects, through allowing for innovative tenders in the procurement process or by moving towards outcome based specifications that focus attention on the results – or outcomes – that the services are intended to achieve. We should be sharing information about innovation through case studies, discussion forums and sharing templates.

A wide range of **e-procurement** tools already exist, for example e-marketplaces, e-tendering and e-invoicing. Studies have concluded that the UK public sector falls behind our European counterparts, particularly the Scandinavian countries and particularly in the area of e-invoicing which is due to be adopted as a new EU Directive in 2016. Councils should be looking to realise the benefits from e-invoicing and should now be encouraging their suppliers to embrace this technology at the earliest opportunity.

The Government is expected to transpose the new **EU Directives** into UK Law late in 2014, the new directives will bring increased flexibilities for councils and businesses, freeing up markets and facilitating growth. There will also be a new light touch concessions directive ie where the consideration consists in the right to exploit works or services or that right together with payment (eg toll bridges, canteen services) and operating risk is transferred to the supplier. A new innovation partnerships procedure will be introduced which allows authorities to encourage suppliers to develop works, supplier or services not currently available on the market, through long term partnerships.

What should LGA and NAG be doing?

- Promoting the Trading Powers that councils have through the Localism Act
- Promoting good practice and innovation through the microsite, conferences and regional sharing
- Setting out a business case and develop a toolkit for e-invoicing
- Engaging with CCS to promote and deliver training in the use of the new EU Directives
- Making the case to Government for an upward revision of the EU Thresholds to €5,000,000

Outcomes and Recommendations

1 Commercialisation and income generation

Outcomes

- Councils procurement staff are more commercially minded, and understand and realise benefits from all funding streams including how contracts can be developed to generate income

Recommendations

For all councils

- Invest in training and developing commercial acumen for new and existing staff
- Develop forward savings and income generation plans

For PBO's

- Share commercial strategies and insights with councils

2 Supplier Innovation

Outcomes

- Suppliers are able to demonstrate innovation through all stages of the procurement cycle.

Recommendations

For district councils

- Join with other councils and PBO's to engage in supplier market and innovation days
- Ensure terms and conditions are flexible enough to allow for changes in technology during the life of the procurement
- Use outcome-based specifications that include the minimum technical and performance requirements and focus on a statement of the problem that needs to be solved

For single tier and county councils

- Use early market engagement, and set out well-structured procurement processes, to allow for innovative approaches to be put forward
- Harness and proactively encourage supplier innovation
- Develop and run innovation workshops with supply base
- Ensure terms and conditions are flexible enough to allow for changes in technology during the life of the procurement
- Use outcome-based specifications that include the minimum technical and performance requirements and focus on a statement of the problem that needs to be solved

For PBO's

- Engage in council's and their own market days

3 Using technology

Outcomes

- Councils increase efficiency and productivity and realise full benefits through the use of appropriate e-procurement solutions in procurement processes
- Use of e-invoicing helps councils and suppliers streamline administrative processes and improves supplier liquidity

Recommendations

For district councils

- Use electronic means for tendering processes in line with EU Directives
- Work with suppliers to encourage a move to more e-business
- Consider making e-invoicing a contractual requirement

For single tier and county councils

- Use electronic means for tendering processes in line with EU Directives
- Work with suppliers to encourage a move to more e-business
- Outline the benefits of e-invoicing to suppliers helping them to do business electronically
- Implement e-invoicing and move quickly to realise benefits of 100% take-up
- Set a performance target and report on value and time to pay via e-invoicing
- Consider making e-invoicing a contractual requirement

For PBO's

- Use electronic means for tendering processes in line with EU Directives
- Outline benefits to suppliers and help them to do business electronically
- Develop a framework contract for e-invoicing solutions available to suppliers

4 EU Directives

Outcomes

- Council procurement process are quicker, simpler and less costly to run through use of the new EU Procurement directives

Recommendations

For all councils and PBO's

- Take full advantage of the free face to face and e-learning available through CCS
- Cascade training to council officers and elected members outside of the 'procurement team'
- Maximise the flexibilities afforded in the new EU Directives



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