

National Procurement Strategy 2018

Delivering the ambition

DRAFT

Contents

Preface

Foreword

Introduction

Making it happen

Themes

Showing leadership

Engaging councillors and senior managers

Working with partners

Engaging strategic suppliers

Behaving commercially

Creating commercial opportunities

Managing contracts and relationships

Managing strategic risk

Driving community benefits

Obtaining social value

Engaging local SMEs and micro-businesses

Enabling VCSE engagement

Enablers

Developing talent

Exploiting digital technology

Enabling innovation

Embedding change

DRAFT

Preface

[Chairman, Improvement and Innovation Board. To follow]

Foreword

[Martin Reeves. To follow]

Introduction

This strategy builds on councils' achievements under the National Procurement Strategy 2014 – the first strategy developed by and for councils (<https://www.local.gov.uk/sites/default/files/documents/download-national-procure-241.pdf>).

In Spring 2017 councils assessed their own progress under that strategy. Results are summarised in *National Procurement Strategy 2014: The Story So Far* and detailed findings for all regions are available at <https://www.local.gov.uk/national-procurement-strategy>.

Councils reported good progress on the implementation of electronic procurement and on the use of the flexibilities provided by the new EU procurement rules, for example. In terms of capability, as might be expected, larger councils reported having the most commercial expertise at their disposal while many district councils were sharing services.

The national category strategies that support the 2014 strategy have also achieved a good level of engagement. The strategies cover the following major areas of spend–

- ICT
- Construction
- Energy
- Social care (in development).

Making savings was a major theme of the 2014 strategy and councils continue to operate in a very challenging financial environment. Demand for local public services is rising, and cost pressures are increasing, yet government grant to councils has reduced markedly (by more than 49% in real terms since 2010 according to the National Audit Office).

This has placed a question mark over the sustainability of local public services. The LGA estimates that by 2020 there will be an overall funding gap exceeding £5 billion. Uncertainties surrounding the future of local government funding make it difficult for councils to plan beyond that date.

In this context, delivery of council ambitions - including better outcomes from public services and regeneration of places - requires resourcefulness and councils are responding in a variety of ways. The response includes strategies designed to -

- maximise the value – including the ‘social value’ – achieved from the sector’s £55 billion annual procurement spend
- generate income (‘commercialisation’), and
- harness innovation including supplier innovation.

Clearly, these are all areas in which procurement can make a major contribution but that requires leadership and best use of resources through partnership working (between council departments and with external partners).

The starting point for the National Procurement Strategy 2018 is that councils are already well along the path set out in the 2014 strategy. Some councils, particularly smaller ones, may have more work to do in certain areas (e.g. collaboration) and they are encouraged to continue to make progress. All councils are encouraged to continue engagement with national category strategies to realise the benefits they offer.

The 2018 strategy is not about compliance or tactical issues. Its streamlined structure reflects learning from the 2014 strategy and the diagnostic exercise. It focuses on three themes which consultation has shown reflect local government’s priorities for the next [three?] years –

- Showing leadership
- Behaving commercially
- Driving community benefits

The themes are broken down into a number of key areas. For example, recent events, including the collapse of Carillion, have highlighted the risks posed by the failure of strategic suppliers to the sustainability of public services. These issues are picked up at a number of points in the key areas including -

- Engaging strategic suppliers
- Managing strategic risk
- Option appraisal including the ‘make or buy’ decision

- Procurement strategies that promote competition in the marketplace including more opportunities for SMEs and VCSEs
- Contract and relationship management including supplier financial distress measures.

In addition to the themes, the strategy identifies four ‘enablers’ –

- Developing talent
- Exploiting digital technology
- Enabling innovation
- Embedding change

These cross-cutting actions have been identified by councils as being necessary for successful delivery in the key areas.

The diagnostic used to assess progress under the 2014 strategy took the form of maturity indices. Councils found this helpful and it has informed the way in which the 2018 strategy is set out. The themes are presented as maturity models to make objective setting and measurement easier. A toolkit has been developed to accompany this strategy. Its purpose is to help councils set local goals and assess their progress. The toolkit is for guidance only as a ‘one-size-fits-all’ approach is not supported by the sector or advocated.

The idea is that each council chooses the level of maturity it will aim for in each of the key areas. The choices will naturally reflect local priorities and the resources available to the council. It is recognised, of course, that district councils may have different objectives to larger councils. Consequently, there is nothing ‘wrong’ about a council setting ‘developing’ or ‘mature’ (for example) as its target level of maturity in a particular area.

It is envisaged that groups of councils may want to develop their own regional procurement strategies based on this model which reflect their own local and regional priorities. For example, in some parts of the country the ‘green’ component of the social value duty may be a higher priority than the social and economic dimensions (i.e. jobs, skills and supply chain opportunities).

While the strategy has been developed by and for councils it is hoped that delivery partners, including professional buying organisations, and the wider public sector - including the fire and rescue service, for example - will also be able to draw on it and benefit from a similar approach.

Lastly, it is recognised that the environment is fast-changing and that developments, such as Brexit, may require changes in strategy some way into the period covered by the National Procurement Strategy 2018. The strategy has been designed so that maturity indices that have become redundant can be removed easily and replaced by new indices that reflect new or changed priorities. In other words, it is a living strategy.

Figure 1 provides an overview of the new strategy.

Figure 1



Making it happen

This strategy looks to councils and groups of councils to provide local and regional leadership and to assess their own progress.

The LGA/NAG will provide national leadership by:

- Providing a single voice for local government on procurement and supplier management issues
- Engaging with the sector's strategic suppliers and trade bodies including those representing SMEs and VCSEs
- Facilitating further partnership working between councils and the wider public sector
- Publishing case studies, good practice guidance and toolkits through <https://www.local.gov.uk/national-procurement-strategy>

DRAFT

Themes

The National Procurement Strategy 2018 focuses on three themes which councils have identified as the sector's priorities –

- Showing leadership
- Behaving commercially
- Driving community benefits

Each of the themes is broken down into key areas.

A toolkit, which accompanies this strategy, provides additional guidance to councils on how to frame objectives and assess maturity in each of the key areas.

DRAFT

Showing leadership

NPS Key Area:	Engaging Councillors and Senior Managers				
Description:	Engaging Councillors and Senior Managers refers to the Cabinet (or other executive body) and the corporate management team valuing and benefiting from commercial and procurement advice at all stages of decision-making including early advice on major projects.				
Help:	<p><u>What it is:</u> Key decision-makers value and benefit from commercial and procurement advice including advice at the early stages of major projects. This is a two-way process requiring action by councillors and senior managers on the one hand and by commercial and procurement advisors on the other.</p> <p><u>Why it is important:</u> Good commercial and procurement advice (provided in-house wherever possible) can have a decisive impact on the outcome of a project, particularly one involving innovation. It is important that councillors and senior managers engage with the commercial and procurement issues from the earliest stages of the project.</p>				
High level Principle/Specific Behaviour:	Minimum Councillors and senior management regard commercial and procurement issues as purely operational matters.	Developing Exploring the best approach to obtaining commercial and procurement input into decision-making.	Mature Leadership engaged with commercial and procurement issues, routinely taking advice at key decision points.	Leader Demonstrating better results from early commercial and procurement advice on projects.	Innovator Council commercial and procurement advice valued in combined authority/group of councils projects.

NPS Key Area:	Working with Partners				
Description:	Working with Partners refers to a ‘one team’ approach to the design and implementation of solutions for public services.				
Help:	<p><u>What is it:</u> The council works as a single team to design and implement solutions for public services and commissioners/budget holders and commercial and procurement advisors work together as part of that team.</p> <p><u>Why is it important:</u> A team approach makes best use of limited resources and can lead to innovative solutions and better results. The team approach should characterise how council departments work together and how the council works with other councils, fire, police and health, housing, VCSEs and other partners.</p>				
High level Principle/Specific Behaviour:	Minimum There are teams but they work in isolation from commercial and procurement advisors.	Developing Council acknowledges the business case for a cross-council approach to design and implementation of solutions and is seeking to encourage this.	Mature Designing and implementing solutions as a single team in high value/high risk projects.	Leader Designing and implementing solutions as a single team is the council’s normal way of working (policy).	Innovator Designing and implementing solutions as a combined authority or as a group of councils/with health, fire, police, housing, VCSEs and other partners.



NPS Key Area: Engaging Strategic Suppliers					
Description:	Engaging Strategic Suppliers refers to the process of identifying strategic suppliers and engaging with them to improve performance, reduce cost, mitigate risk and harness innovation.				
Help:	<p><u>What it is:</u> The council takes a strategic approach to the management of relationships with the most important suppliers (otherwise known as Strategic Supplier Relationship Management). This activity should be carried out cross-department and is most effective when done cross-organisation.</p> <p><u>Why it is important:</u> Effective management of strategic supplier relationships can deliver a range of benefits including improved outcomes for the public, added social value, reduced cost, reduced risk and innovation.</p>				
High level Principle/Specific Behaviour:	Minimum Firefighting. Ad hoc engagement with important suppliers usually when there is a problem to be resolved.	Developing Acknowledges business case for improved strategic supplier management and is piloting engagement.	Mature Delivering programme of engagement with strategic suppliers at council level.	Leader Playing a leading role in programme of engagement with strategic suppliers at combined authority/group of councils level.	Innovator Playing a leading role in programme of engagement with strategic suppliers at regional/national level.

Behaving commercially

NPS Key Area: Creating Commercial Opportunities					
Description:	<p>Creating Commercial Opportunities refers to how an organisation promotes revenue generation and value creation through the way it:</p> <ul style="list-style-type: none"> Plans its major third party acquisitions (works, services and goods) Reviews its business options (make or buy) Engages with, and influences, markets and potential suppliers <p>Commercialisation is a broad subject and this Key Area is confined to how procurement teams should contribute to its successful delivery.</p>				
	<p>Help:</p> <p><u>What it is:</u> There are many ways in which commercial opportunities can be created through the strategic management of the commercial cycle and the services and assets delivered through the contracts it creates. Commercialisation is a broad subject and important subject to the sector. This Key Area is confined to how procurement teams should contribute to helping identify and create commercial opportunities.</p> <p><u>Why it is important:</u> As grants from central government are reduced, organisations are required to look at other means of reducing funding deficits. Commercial opportunities can be created in many different ways, from conventional means such as increasing returns on assets to the way it engages with its development partners and third party contractors.</p>				
High level Principle/Specific Behaviour:	Minimum	Developing	Mature	Leader	Innovator
	Focused on business as usual and compliance.	Some high value / high profile acquisitions examined for creating commercial opportunities.	Clear understanding of the ways in which new revenue generation opportunities can be created across the commercial cycle. End-to-end policies and processes promoting this approach in place across the organisation.	Revenue generation and potential wealth creation is a standard part of all contract review meetings. Procurement staff are encouraged to enhance commercial skills and demonstrate commercial behaviours.	Organisations work collectively to identify and exploit new commercial opportunities through market shaping and shared working with development partners Organisations see staff innovation and knowledge / information utilisation as a commercial opportunity.

NPS Key Area: Managing Contracts & Relationships					
Description:	Contracts & Relationship Management refers to the effective management and control of all contracts from their planned inception until their completion by the appointed contractor(s). It covers the supporting policies, procedures and systems needed to undertake it, together with broader issues from the identification and minimisation of risk, successful and timely delivery of outcomes and performance, effective control of cost and variations and the maintenance of clear communications and operational relationships with contractors.				
Help:	<p><u>What it is:</u> Contract & Relationship Management is the process by which all contracts and variations are managed effectively to control costs, secure the quality and timeliness of agreed outcomes and performance levels and minimise the occurrence of risks</p> <p><u>Why it is important:</u> Research by IACCM shows that contracts exceed their expected costs by on average 9.4% over their lifetime. Poor contractor performance or commercial failure can seriously damage a council's reputation and its ability to deliver effective services and support to local communities.</p>				
High level Principle/Specific Behaviour:	Minimum Compliance driven. Reactive approach to contract and relationship management.	Developing Identified the need to change and improve. Basic policies, procedures and systems in place.	Mature All basic policies, procedures and systems in place to support contract and relationship management across the organisation and used in all departments.	Leader Well-developed policies, procedures and systems in place to support contract and relationship management. Used to drive forward planning, cost control and contractor performance.	Innovator Contract and relationship management recognised by the leadership team as being essential to driving ongoing improvement and better service outcomes. Systems, procedures and staff delivering consistently high results.

NPS Key Area:	Managing Strategic Risk				
Description:	Managing Strategic Risk refers to the impact by an external event, passing of a statute or illegal activity upon business as usual, reputation and/or financial health of the organisation.				
Help:	<p><u>What it is:</u> A series of actions and policies designed to reduce or even eliminate the probability of a perceived risk occurring and minimising the detrimental effects that may occur should it materialise.</p> <p><u>Why it is important:</u> The occurrence of any risk, particularly when it could be foreseen, can have a devastating impact on the organisation's reputation and the lives of the people it serves, the quality of the services that it provides, and even its financial viability.</p>				
High level Principle/Specific Behaviour:	<p>Minimum</p> <p>Compliance driven. Doing enough to meet statutory requirements.</p>	<p>Developing</p> <p>Good awareness of issues involved and potential threats with basic systems in place to manage should they occur.</p>	<p>Mature</p> <p>Taking a pro-active approach to strategic risk management with all vulnerable areas identified and mitigating policies and plans in place.</p>	<p>Leader</p> <p>All vulnerable areas identified and policies and plans in place and shared ownership, transparency and reporting with appropriate contractors.</p>	<p>Innovator</p> <p>Effective policies and plans in place in all areas, shared with contractors with contingency plans in place and active management of all strategic risks.</p>



Driving community benefits

NPS Key Area:	Obtaining Social Value				
Description:	Social Value refers to wider financial and non-financial impacts of programmes, organisations and interventions, including the wellbeing of individuals and communities, social capital and the environment. From a business perspective it may be summarised as the net social and environmental benefits (and value) generated by an organisation to society through its corporate and community activities reported either as financial or non-financial (or both) performance.				
Help:	<p><u>What it is:</u> Social Value is about improving economic, social and environmental well-being from public sector contracts over and above the delivery of the services directly required at no extra cost.</p> <p><u>Why it is important:</u> Experience from procurements let by Councils that have fully included Social Value requirements has shown that a minimum +20% SV 'additionality' can be obtained on contract value by way of direct community benefits.</p>				
High level Principle/Specific Behaviour:	Minimum Compliant. Doing just enough to meet the conditions of The Act.	Developing Compliant but only pro-actively seeking Social Value in a few key contracts only.	Mature Taking a pro-active approach to integrating Social Value into procurement and commissioning.	Leader Social Value embedded into corporate strategy and have comprehensive frameworks for management and delivery.	Innovator Social Value is a core operational metric, integrated into all directorates/departments and activities with regular reporting against targets.

NPS Key Area:	Engaging Local Small Medium Enterprises (SMEs) and Micro-businesses				
Description	The usual definition of SMEs used in the public sector is any business with fewer than 250 employees and turnover of less than £50m. There were 5.2 million SMEs in the UK in 2014, which was over 99% of all business. Micro-businesses are business with 0-9 employees and turnover of under £2m. For the purposes of this document the term 'SME' shall refer to both SME and micro-businesses.				
Help:	<p><u>What it is:</u> SMEs are non-subsiary, independent firms.</p> <p><u>Why it is important:</u> SMEs play a major role in creating jobs and generating income for those on low incomes; they help foster economic growth, social stability, are a source of innovation and contribute to the development of a dynamic private sector. With the potential localisation of business rates, it will be even more important for local authorities to encourage the establishment and growth of SMEs in their areas.</p>				
High level Principle/Specific Behaviour:	Minimum Council does not see any benefits to be gained from SME engagement.	Developing SME organisations are engaged in a few key contracts only.	Mature Taking a pro-active approach to integrating SME organisations into procurement and commissioning.	Leader SME engagement is embedded into corporate strategy.	Innovator SME engagement is a core operational way of doing business, integrated into all directorates/departments and activities with regular reporting against targets.



NPS Key Area:	Enabling Voluntary, Community Social Enterprise (VCSE) Engagement				
Description:	VCSE refers to organisations that include small local community and voluntary groups, registered charities both large and small, foundations, trusts and a growing number of social enterprises and co-operatives. These are often also referred to as third sector organisations or civil society organisations.				
Help:	<p><u>What it is:</u> The VCSE sector is diverse in size, scope, staffing and funding of organisations. It provides a broad range of services to many different client groups. However, VCSE sector organisations share common characteristics in the social, environmental or cultural objectives they pursue, their independence from government, and the reinvestment of surpluses for those objectives.</p> <p><u>Why it is important:</u> VCSE organisations can play a critical and integral role in health and social care including as providers of services; advocates; and representing the voice of service users, patients and carers.</p>				
High level Principle/Specific Behaviour:	Minimum Organisation does not see any benefits to be gained from VCSE engagement.	Developing VCSE organisations are engaged in a few key contracts only.	Mature Taking a pro-active approach to integrating VCSE organisations into procurement and commissioning.	Leader VCSE engagement is embedded into corporate strategy.	Innovator VCSE engagement is a core operational way of doing business, integrated into all directorates/departments and activities with regular reporting against targets.



Enablers

Councils have identified a number of cross-cutting issues that will also need to be addressed if they are to realise their ambitions in the key areas. These are referred to as 'enablers' of the strategy.

The four enablers are –

- Developing talent
- Exploiting digital technology
- Enabling innovation
- Embedding change

DRAFT

Developing talent

Minimum	Developing	Mature	Leader	Innovator
<p>Recruits staff with professional qualifications (CIPS).</p>	<p>Recruits staff with professional qualifications and responds to ad hoc requests for training and development.</p>	<p>Service plan includes support for staff to obtain professional qualifications and for apprenticeships.</p>	<p>Planned approach to talent development in relation to future procurement and contract management workload including -</p> <ul style="list-style-type: none"> • contracts pipeline • resourcing plan • competency framework • remuneration strategy • comprehensive training and development plan including provision for development of staff not currently in procurement or contract management roles. 	<p>Planned talent development (as for Leader) but at combined authority/group of councils level.</p>

Exploiting digital technology

Minimum	Developing	Mature	Leader	Innovator
<p>Basic purchase ordering functionality for some products and/or services using the Finance and/or Operational Systems.</p> <p>Limited Procurement and Contract Management information available via static sources.</p>	<p>Use of an integrated Procure to Pay (P2P) system in conjunction with online ordering for all services/products. May include some human intervention and paper trails.</p> <p>Some Procurement and Contract Management Information available online to all stakeholders with appropriate search and filtering.</p> <p>Use of electronic tendering and quotations system for some tenders/quotes (<i>either as a dedicated system or tender box rental</i>).</p>	<p>Use of an integrated Procure to Pay (P2P) system in conjunction with online ordering for all services/products fully automated and paperless, with human intervention being restricted to exceptions only.</p> <p>Comprehensive Procurement and Contract Management Information available online to all stakeholders with appropriate search and filtering.</p> <p>Use of electronic tendering and quotations system for all tenders/quotes (<i>either as a dedicated system or tender box rental</i>).</p> <p>Access and interaction to all of the above possible from <u>any</u> electronic mobile device.</p>	<p>Access to a Procure to Pay (P2P) system via secure mobile application, promoting a self-service approach for suppliers. (<i>Access should include on-line viewing of payment records / status and the ability to auto convert orders to invoices</i>).</p> <p>Technology used to forward plan all strategic acquisitions and to underpin sourcing and procurement decisions making.</p> <p>Performance monitoring and communications underpinned by dashboards and diagnostics.</p>	<p>Mobile applications designed for supplier and contractor interactions including future opportunity alerts, contract management, contractor performance ratings and procurement satisfaction levels.</p> <p>Shared systems and information with delivery partners (<i>including voluntary sector / local businesses</i>) other councils and citizens.</p> <p>Knowledge Management, accessing paper and electronic sources to build comprehensive intelligence about contracts, markets and trends.</p>

Enabling innovation

Minimum	Developing	Mature	Leader	Innovator
Ability to capture and harness procurement innovation in organisation non-existent.	Innovation only considered in a few contracts where technology is involved.	<p>Outcomes based procurement and market making are the 'standard' way of doing things.</p> <p>Innovative procurement approaches not just applied to technology but to established services.</p>	<p>Innovation in procurement and contract management is mainstreamed.</p> <p>Procurement techniques such as Innovation Partnerships, pre-commercial procurements used regularly.</p>	<p>All contracts reviewed to identify new service delivery and income generation models.</p> <p>Procurement challenges and innovative potential solutions shared across councils and regions.</p>

Embedding change

Minimum	Developing	Mature	Leader	Innovator
Success depends on individuals, no organisational engagement.	New approaches and ideas applied in isolated procurement processes.	Procurement change comprehensively applied across multiple projects and departments.	Senior leaders recognise the importance of procurement and contract management and promote as a way of leading and managing organisational change	Procurement and contract management are key drivers of organisational change and are embedded at all levels in organisation. Lessons learned shared with other organisations at Regional and national level.