

National Procurement Strategy 2014

The story so far



KEY MESSAGES

The Local Government Association's (LGA) National Advisory Group for Local Government Procurement (NAG) published a national procurement strategy in 2014 in response to calls from the sector and a Department for Communities and Local Government (DCLG) select committee recommendation. The strategy set out recommendations for upper tier and district councils in four themes, making savings, supporting local economies, demonstrating leadership and modernisation.

This report details the high level findings of a diagnostic exercise undertaken to measure how councils are implementing those recommendations.

Interestingly, most respondents scored themselves highly on the 'compliance' based questions, such as understanding EU regulations, publishing data under the transparency code and ensuring bidding processes are simple and clear per the Lord Young reforms. However, understanding procurement's role in more strategic matters like supplier relationship management, sharing performance data, ensuring that the council's procurement strategy underpins the council's corporate goals were scored less well. We must act together as a sector to ensure we make a difference.

A lot has changed since 2014. Councils are facing a funding crisis in local services, particularly in the adult and children's social care sector. They are urgently seeking local solutions to the housing crisis, while Brexit and the potential for a new procurement regime means we need to prepare for the future.

An effective procurement strategy is a powerful lever for councils facing testing financial times to ensure the best possible value from their precious spend. The high response to the diagnostic exercise provides evidence that councils are aware of this and keen to use procurement effectively, and that that are engaged in the national procurement strategy.

The responses relating to councils collaborating, either with other councils, the wider public sector or through the professional buying organisations particularly show how councils are maximising spend on commonly procured goods and services. But this is only part of the picture. Councils are also focusing on social value and local economic growth through their procurement processes.

Whilst there appears to be a good awareness of the benefits of automation of procurement processes, few councils are fully embracing digital technology through using digital apps, for example to offer self-serve options to suppliers chasing invoices. This could be because technology is not yet fully available, or, more likely, that the cost of implementing this is too high and not considered to be a priority.

2014's national procurement strategy outlines national category strategies for major spend services for local government, construction, ICT, social care. We have seen good engagement with these strategies. It was surprising to learn that councils, for a variety of reasons, do not always involve procurement teams in their category planning processes.

The Public Contract Regulations 2015 included the Innovation Partnerships process, but to date this is rarely used. More can be done to help councils to improve in this area and the National Advisory Group have committed to providing further information, tools and templates to encourage innovation through local government procurement.

Finally, our diagnostic exercise now allows us to identify individual councils who can demonstrate good practice at a regional level. We can use this data to signpost good practice in the future.

We are committed to helping councils improve their procurement and are working with the sector to identify what needs to be included in a new national procurement strategy which we will publish in 2018.



IN 2015/16 COUNCILS IN ENGLAND SPENT SOME **£55 BILLION** ON EXTERNALLY PROCURED GOODS, WORKS AND SERVICES.

WE HAD A GOOD RESPONSE RATE TO THIS SURVEY WITH OVER **60 PER CENT** OF COUNCILS TAKING PART.

50 PER CENT OF COUNCILS WHO RESPONDED HAVE NOW DOWNLOADED THEIR OWN REPORTS ALONG WITH REGIONAL AND NATIONAL AVERAGES TO COMPARE.

HOW WE CARRIED OUT THIS RESEARCH

After the LGA published our 2014 procurement strategy we wanted to find out how councils were implementing the recommendations.

A lot has changed since then, so we focused this exercise on the things that matter most and defined a common understanding of what 'good' looks like for most things. We sought information from heads of procurement in councils during April 2017 and invited them to respond via an online tool.

Each question was broken down into five graded responses from 'disengaged' to 'no progress', 'average' to 'good' through to 'exceptional'. Each response included a description of what the council would need to be doing to achieve that particular score. We included a facility for comments, and many councils included evidence in this area to underpin their response.

On completion of the diagnostic tool, councils were able to download a copy of their own responses. Later we offered councils the opportunity also to compare their own responses to both the regional and national 'benchmarks' (based on all responses received).

The diagnostic was completed by 92 upper tier and 78 district councils.

for the full results relating to tier 1 and tier 2 councils please see www.local.gov.uk/national-procurement-strategy



THE FINDINGS

KEY POINT 1 – GOOD PRACTICE

All councils scored themselves highly when asked to what extent the organisation is aware of its responsibilities, obligations, opportunities and flexibilities arising from compliance with the Public Contracts Regulations 2015. Similarly, digital technology solutions appear to be being used to automate quotation, tendering, ordering and invoicing processes.

Upper tier councils also scored highly on how much commercial expertise there is in their councils, how well they report on strategic direction and operational successes and how successfully they encourage SME's, voluntary organisations, social enterprises and local businesses to tender for projects being procured by the council.

District councils scored themselves highly on publication of data as required by the Transparency Code, sharing resources and capacity across boundaries (either on a category-specific or general basis) and engaging with external bodies (such as our professional buying organisations, the LGA and regional groups) to drive procurement improvement.

UPPER TIER COUNCILS

“As well as commercial advice relating to the contracts we procure and manage, [the procurement team] have appointed a commercial manager to help the council to be more commercial. There's a great deal more to do on this to make local government think and act like a business and to make those commissioning decisions about the right service delivery approach”

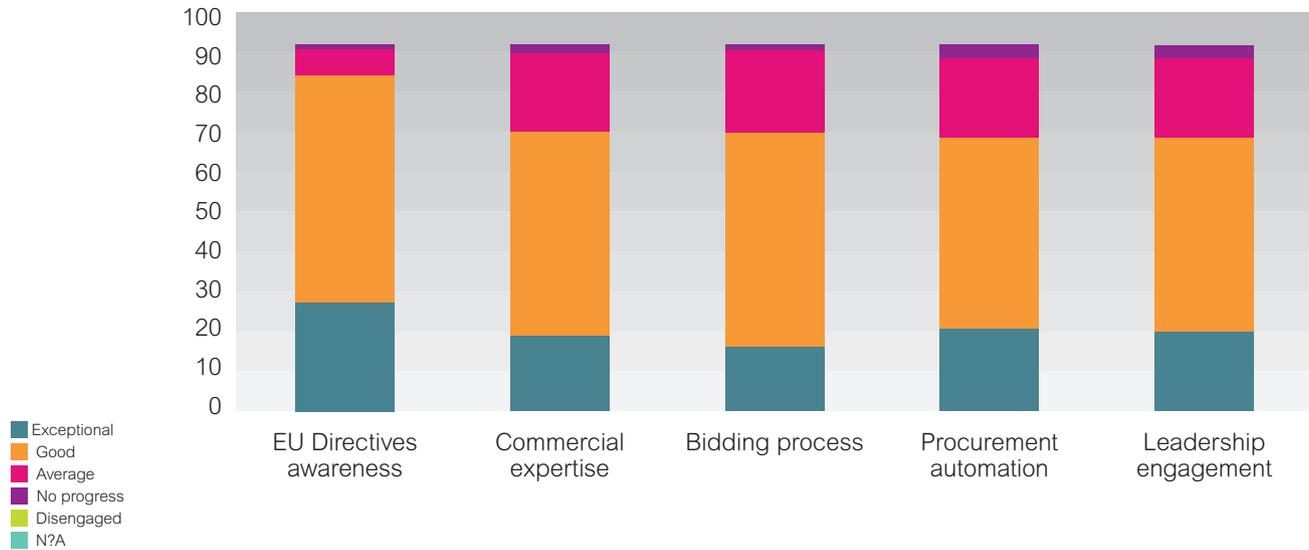
“[Commercial and income generation] is a key theme of the new Procurement Strategy and planned activity for 2017/18”

DISTRICT COUNCILS

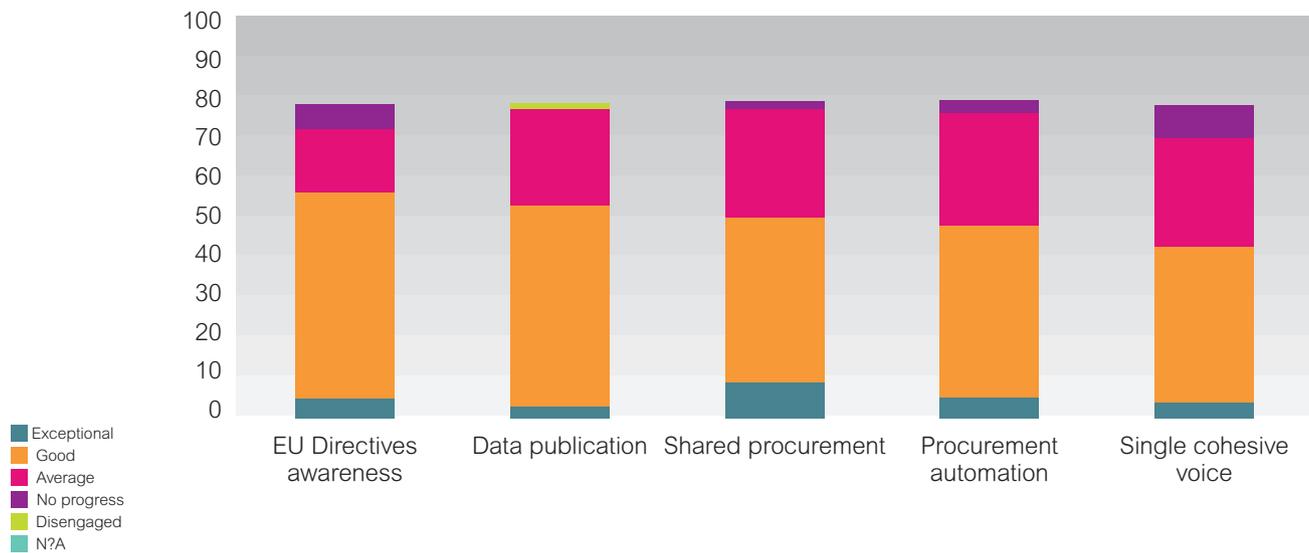
“The council has contract procedure rules that all officers are aware of and clear process for officers to follow dependent on the contract value when procuring goods and services.”

“Our council operates as a Shared Procurement Service with two of its neighbouring authorities so working in collaboration is key to that ethos. In addition opportunities are explored as and when appropriate with other partners.”

Upper tier - good practice



Districts – good practice



THE FINDINGS

KEY POINT 2 AREAS FOR IMPROVEMENT

All councils scored themselves low when asked about the extent to which

- modern portals and digital apps are used to offer a self-service, paperless option to suppliers for managing their invoices and tracking payments
- recognised category plans are in place, agreed by senior managers and commissioners
- supplier relationship management is undertaken for commonly used sector suppliers
- information and knowledge are shared across council boundaries to engage collectively
- contract and supplier performance data is captured, analysed and shared with other councils.

Upper tier councils also gave low scores when asked about the extent to which their own procurement strategies references the national procurement strategy and whether it is linked directly to supporting the fulfilment of corporate goals and major policy objectives

District councils identified demand management (the extent to which commissioning and procurement teams analyse the drivers for their service requirements and seek to source potential delivery models to reduce/control expenditure) as an area for improvement. The intention is to capture demand management under the Embedding Social Value theme in the new procurement strategy.

UPPER TIER

“Development of category plans specific areas is still very much the domain of commissioners. Procurement’s involvement is currently to jointly develop specific procurement plans rather than category plans which wouldn’t be recognised”

“Recruitment issues (attracting candidates to vacant posts) have held back progress in developing category plans”

“The council’s Corporate Procurement Strategy has lapsed owing to discussion on a shared service being ongoing. If however a shared corporate procurement service is not approved, a new Council Procurement Strategy will be developed with the principles of the NPS in mind.”

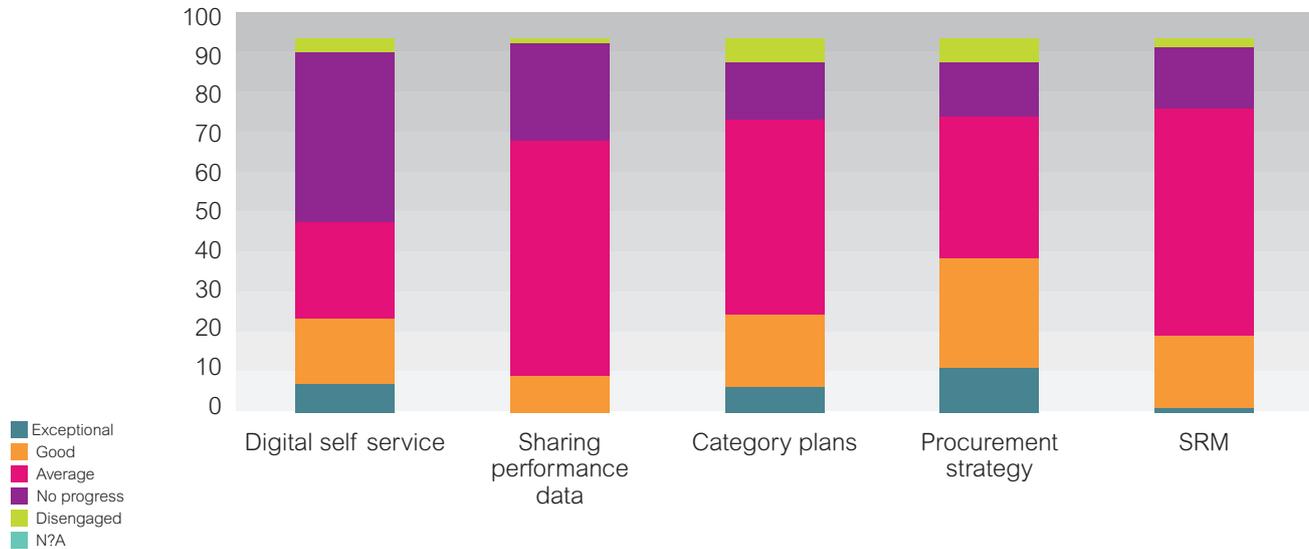
DISTRICTS

“Resource just doesn’t allow for supplier relationship management to take place formally”

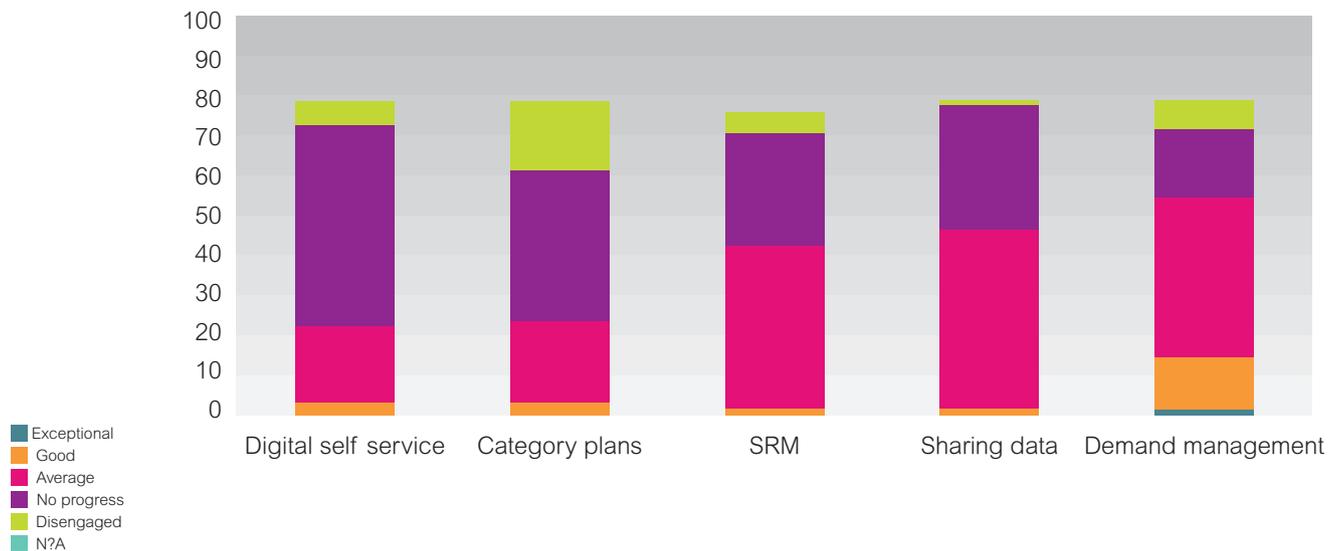
“I have no knowledge of any formal relationship management procedures, but the value of relationship management is recognised within the purchasing departments”

“Some demand management is undertaken but the procurement team has been fire-fighting in recent months and not had the resources to critically challenge departmental projects”.

Upper tier – areas for improvement



Districts – areas for improvement



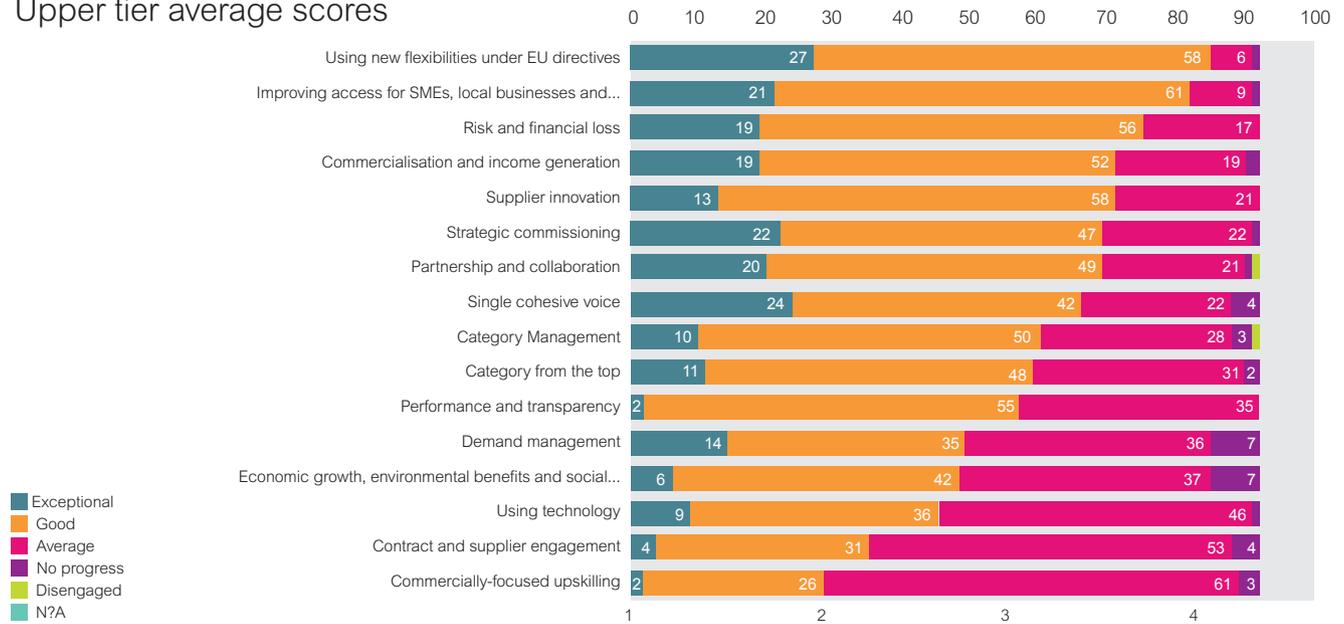
THE FINDINGS

KEY POINT 3 – AVERAGE SCORES IDENTIFIED FOR EACH REGION AND NATIONALLY

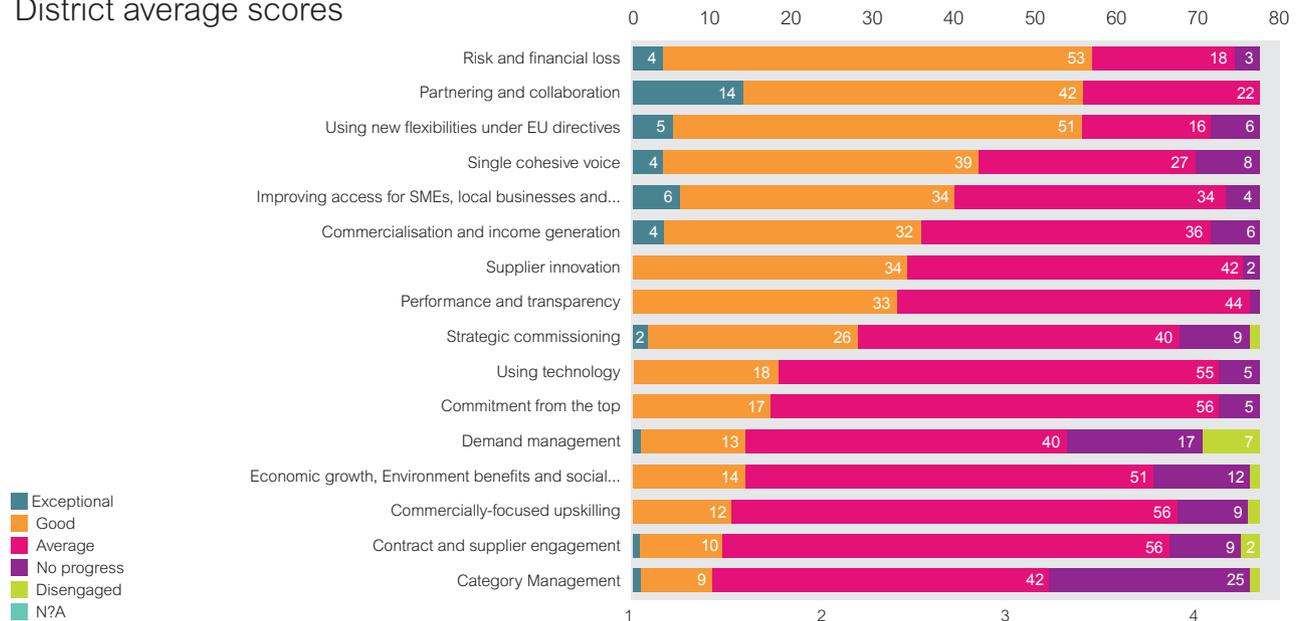
Such was the quality of the response we are now able to identify an average score for each section and for each question, identified by both upper tier and district councils



Upper tier average scores



District average scores



THE FINDINGS

KEY POINT 4 – REGIONAL VARIATIONS IDENTIFYING WHERE GOOD PRACTICE LIES IDENTIFIED FOR EACH REGION AND NATIONALLY

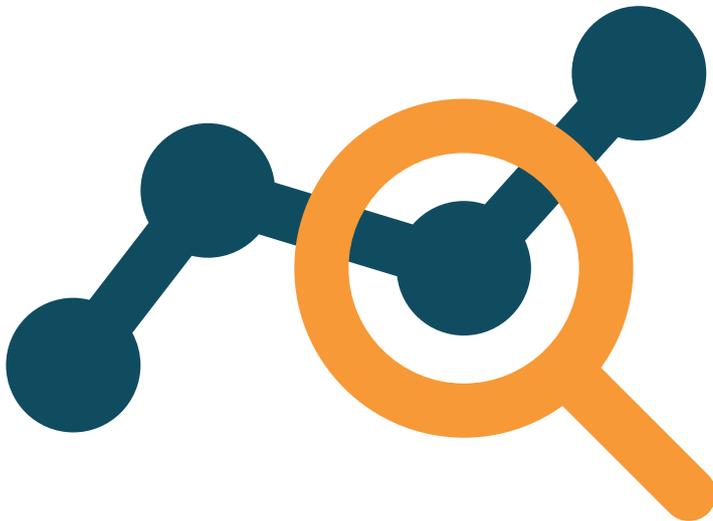
We looked at the distribution of average scores over all questions by region as a percentage and found variations in the way councils had scored themselves. From the comments we can identify individual 'best practice' councils who could share practical advice and guidance to those councils who identify areas of improvement

UPPER TIER

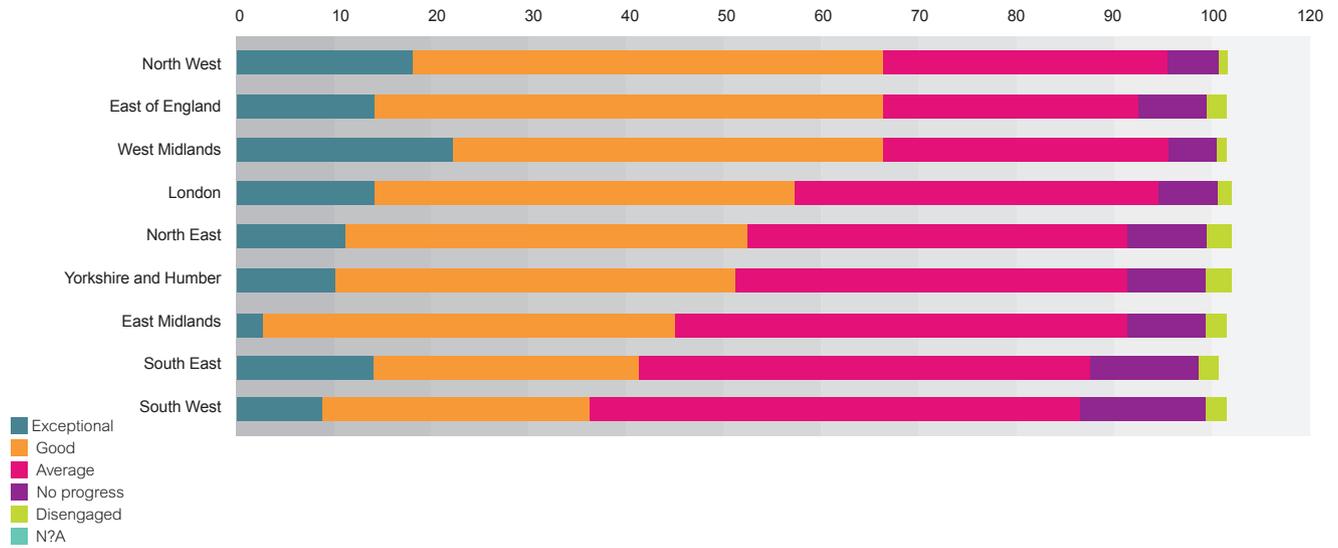
"A procurement Forward Plan to 2020 is in place, and detailed assessment of sourcing options are considered as parts of the broader commissioning cycle"

"A procurement gateway process is established and managed using a software system. A "Starting a Procurement" stage is in the Project Initiation Document for all contracts over £50,000. The next stage is an options appraisal to determine the appropriate procurement and contracting strategy."

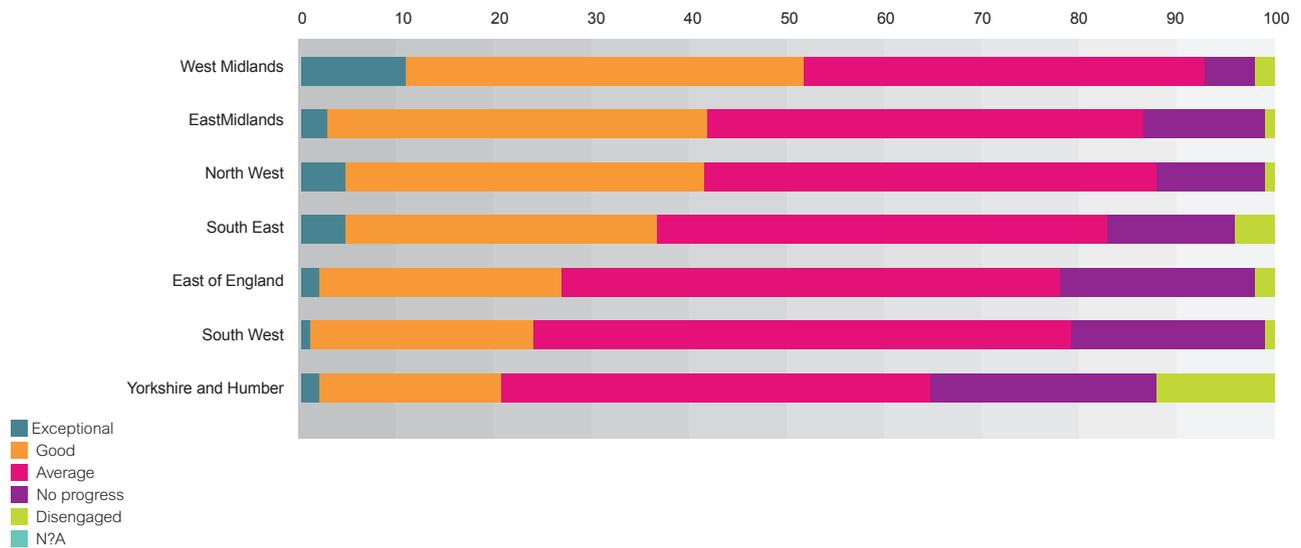
"Progress is limited. Limited capacity and difficulty attracting resources has stifled progress"



Upper tier



Districts



NEXT STEPS

The overall findings of the report will be taken as an early starting point for bringing together what needs to be covered in the next version of our national procurement strategy. We have started to work with the sector to identify what has already been absorbed into 'business as usual' (for example awareness of EU procurement directives, publication of data) and focus instead on the areas for improvement (supplier relationship management, innovation, smart use of data).

We now have a rich database of information which provides us with the means to facilitate specific areas for improvement. For example, we could potentially introduce 'masterclasses' led by those identifying themselves as 'exceptional'.

We could (and already have) brought together regional groups to discuss how they can improve their own regional scores.

There are still many opportunities for improved and more strategic procurement in local government. Councils are influential in their local economies and recognising this should help us to lever transformation and think more strategically. Procurement officers need to find a way of demystifying procurement and demonstrate how we can help our colleagues to deliver the outcomes they and our residents need.

On a national basis NAG provides the governance for some national projects, including, our national category strategies for the high spending areas (construction, ICT, social care, energy), strategic supplier management, encouraging innovation and skills.

We will continue with these national projects, identifying good practice and disseminating findings through case studies, workshops and engaging with the sector through our monthly NAG newsletter.





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