



LGA PRODUCTIVITY EXPERT PROGRAMME

SUMMARY REPORT

PREPARED FOR

COPELAND BOROUGH COUNCIL



SEPTEMBER 7 2018

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INTRODUCTION

This summary report has been produced for Copeland Borough Council (CBC) by Deyton Bell Ltd as part of the Local Government Association's Productivity Expert Programme. The report presents the summary findings of a brief review of the CBC procurement strategy/framework and CBC contract management.

BACKGROUND

Copeland is situated in West Cumbria, encompassing the towns of Whitehaven, Egremont, Cleator Moor and Millom with a total population of 71,500. The borough is predominantly rural with two thirds of the area in the Lake District National Park. More information on CBC can be found at copeland.gov.uk

CBC Corporate strategy 2016-2020 outlines four strategic ambitions to focus activity on in order to make Copeland a desirable, prosperous area with a more business like Council. One of these ambitions is commercialisation with aims to generate income and savings through efficiencies in line with the Medium Term Financial Strategy 2016-2020. In turn, the CBC Commercial Strategy 2016-2020 (in line with the Corporate Strategy) identified the procurement strategy/framework and effective contract management as areas of focus.

The Council have recruited a Procurement and Contracts Officer (PCO) and a Commercial Projects Officer, and work to date has included:

- Review/revision of Project/Commercial Project Management Frameworks.
- Implementation of E Tendering via The Chest.
- A Training Needs Analysis of staff on Commercial skills.

In order for CBC to make a step change in progress it was decided to access support available through the LGA Productivity Expert Programme.

THE ASSIGNMENT

The original brief for the assignment was to:

- Review current Procurement Strategy.
- Benchmark current procurement activity
- Advise on / support development of a Procurement Framework
- Benchmark current contract management activity
- Advise on / support development of a Contract Management Framework

The assignment was primarily undertaken by Chris Parkhouse, Managing Director of Deyton Bell with constant review by Steve McAteer, Director of Deyton Bell. Following consultation with Caroline Adams, CBC Commercial Projects Officer, the following schedule of work was agreed.

WEEK COMMENCING	TOPIC	DAYS	CUMULATIVE DAYS
July 9	Visit CBC – initial discussions	2	2
July 16	Review current procurement process	1	3
July 23	Consider gaps/alternative models	1	4
July 30	Review call	-	-
August 6	Review current supplier/contract process	1	5
August 13	Consider gaps/alternative models	1	6
August 20	Prepare/submit draft summary report	2	8
August 27	Review call	-	-
September 3	Prepare CLT workshop	2	10
September 10	Visit CBC – CLT workshop and final discussions	2	12

It was subsequently agreed that the focus of the work and this report would be:

- Review of the initial assignment and the background to the brief
- Review of the current state from a commercial perspective
- Review of current/possible procurement policy
- Review of current/possible contract management policy
- Proposals/action on both to help CBC meet its objectives

A weekly catch up telephone call was established and other than 1 day spent at CBC at outset all work was completed remotely. A workshop session to present the key findings has been arranged with CBC CLT on September 13 2018.

OVERVIEW

CBC corporate strategy 2016-2020 has a clear ambition to generate income and savings through efficiencies in line with the Medium Term Financial Strategy 2016-2020, and in turn, the CBC Commercial Strategy 2016-2020 identified procurement strategy/framework and effective contract management as areas of focus.

CBC Commercial Strategy states that success “will be measured by a series of key deliverables and performance indicators” (1.6) as part of a performance management framework. The strategy also states that the CBC commercial vision will “require a shift in core back office services to enable increased commercial skills and approaches with the systems and operations” (1.7).

The strategy also states that “implementation of the procurement framework will look to ensure that the Council gains value for money for every pound of public money it spends” and that “effective contract management will ensure we achieve savings and continuous improvement throughout the life of our contracts”. These are clearly attractive ambitions, but the strategy does not outline specific measures or actions which will support delivery of the ambition.

CBC has made a start in addressing some of the issues involved via the draft procurement strategy 2018/19, though more work is required to refine this, but the CBC Contract Procedure Rules 2012 are lengthy, focusing on procurement rather than commercialization or contract management, and the managers quick guide is lost in such a long document.

Whilst it is appropriate to have detailed procedures vetted, agreed and documented, it is unrealistic to assume that staff will study and understand detailed documentation.

The work done by CBC to date is helpful but in considering if / how to further address these and other issues, reference to a benchmark would be helpful.

In June 2018 the LGA produced the “National Procurement Strategy for Local Government in England 2018”. This most interesting and helpful report could serve as a high level point of comparison and is accompanied by a toolkit which would be helpful to CBC by way of self-diagnosis.

We have considered the position of CBC in relation to the LGA set of measures and having assessed the 5 rankings possible (minimum, developing, mature, leader, innovator) across the various key areas highlighted by the LGA, we believe that CBC are in a 'developing' state. Much work is required to move up the scale, but we believe this is within grasp and current activity will help.

However, the LGA strategy is clear about such assessment and emphasizes that the toolkit is for guidance only, that a 'one-size-fits-all' approach is not supported by the sector or advocated in the strategy, and that their premise is that each council chooses the level of maturity it will aim for, in each of the key areas, with choices naturally reflecting local priorities and the resources available to the council.

So, taking the LGA report as a starting point and accepting that CBC are in a developing state, CBC must therefore decide what degree of progression (if any) is appropriate. We hope that progression up to 'innovative' will follow.

The LGA report places emphasis on both contract/relationship management and procurement and is directly relevant to this report, as we believe that policies and actions on both need to be developed by CBC.

This report will therefore examine both in more detail.

PROCUREMENT POLICY

Current state

CBC issued contract procedure rules in 2012. These run to a document of some 46 pages, and encompass 35 sections plus appendices. The document offers a historically thorough guide to CBC procurement related matters including a welcome 3 page managers guide and sample documentation. As a minimum this set of rules needs updating.

CBC have spent c£3.7m externally since 2014 and many of the resultant contract are still 'live'. The May 2018 contracts register shows c50 contracts in existence for annual values ranging from c£1.8m to c£1.15k with terms ranging from 6 months to open ended commitments, many with extensions/renewals built in. Though the number of contracts is small, the range and complexity is important to focus on, and we believe there are gaps (i.e. consultants/interim staff). We will comment on the ongoing management of contracts in the next section, but procurement policy needs review in order to cater for this spread of value/term and to ensure that an appropriately robust framework is in place. There is evidence of apparent variation in procurement process and standardization must be the aim in order to reduce/remove the current patchy approach to procurement process.

There are various reports on best practice which could provide sources of useful thinking when shaping appropriate processes. The Ernst & Young Report, Five Things – Getting the Basics Right in Procurement sets out a very useful high level framework. In summary EY suggest it is important to:

- Have a detailed spend map across the entire organisation, updated quarterly.
- Be a driver of organization wide sustainable savings (when, where, why and how)
- Be engaged with the wider organisation to understand how procurement can reduce costs across the value chain.
- Ensure that value is realized through contract management and supplier relationship management frameworks which are operationalised.
- Be delivering procurement within an operating model that connects commercial and technical capability to drive optimal client outcomes.

Weaknesses / gaps

As mentioned above, CBC strategy states that “implementation of the procurement framework will look to ensure that the Council gains value for money for every pound of public money it spends” and that “effective contract management will ensure we achieve savings and continuous improvement throughout the life of our contracts”. These are clearly attractive ambitions, but the policies and rules underpinning it do not outline specific measures or actions which will support delivery of the ambition.

The CBC contract procedure rules issued in 2012 needs widespread updating. Similarly, the draft procurement strategy produced in 2018 would benefit from updating, though this is generally a helpful document.

Any new instructions offered to staff should include a simple set of parameters which can be easily communicated and remembered in order to enable them to operate within an appropriate framework.

Recommendations to bridge the gap

We recommend the following actions:

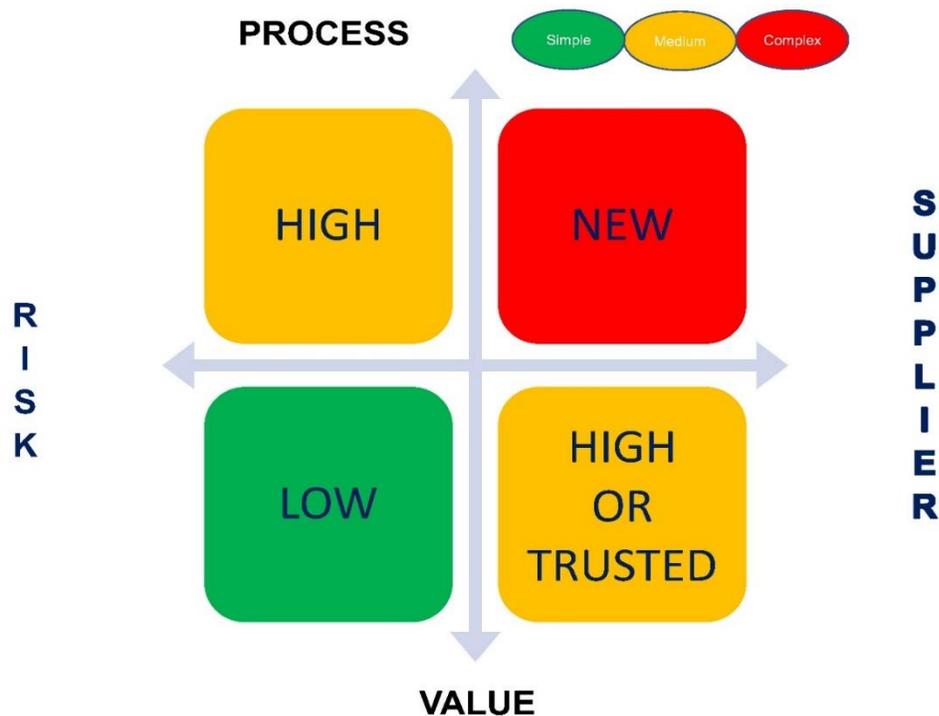
- *Conduct an annual review* - of CBC procurement management and implement changes to improve based on experience.
- *Review/rewrite contract procedure rules* - we would in particular recommend action to ensure they reflect current best practice, amended authority levels and that they include an amended managers guide. Increase focus on action needed rather than strategic benefit wanted would be helpful.
- *Standardisation of process* – review current processes, develop new processes, remove variations and ensure that processes are consistently applied. Focus on ‘how’ procurement activity occurs to ensure appropriate balances/blends of methodology inc procurement cards and tenders.
- *Capture uniform information on all contracts/category expenditure* – there is a direct read across to contract management but the need to consistently record/store data is key to be able to measure and manage expenditure.
- *Review the emphasis on local delivery* – This may help CBC via useful local messaging and by virtue of business activity, NDR income. However, CBC must get the best deal irrespective of whether the supplier is local or national. We suggest reviewing the practicalities/actions needed to buy locally without increasing the cost of procurement or reducing leverage available, possibly by encouraging syndicates or by prebriefing suppliers via meet the buyer events so high yielding partnerships can be developed.

- *Develop Chest related activity* – we suggest standardising the approach taken by CBC to develop/agree templates etc (continuing to digitalize where possible), and then sharing them with partner suppliers, in order to help suppliers, to be appropriately supplier friendly, and hopefully to develop a County/country wide standard.
- *Develop a category/sector management approach* – build centres of group expertise around key sectors, possibly in partnership with other local authorities, in order to leverage knowledge...and supplier contacts. Consider building say an ‘IT group’ with partner councils so knowledge, skill, experience, contacts and possibly even contracts can be shared.
- *Consider combining expenditure/service provision* - with partner authorities to leverage combined buying power and create operational efficiencies.
- *Reduce reliance on project initiation documents for all procurements* – this is heavy handed for all purchases but may be relevant for more complex purchases.
- *Increase emphasis on developing new procurement strategies/policies* - key points outlined in the draft, though aspirational and laudable, are short on action related points and though it is noted that this work in progress we would encourage CBC to expedite development of agreed policies.
- *Refer to The Ernst & Young Report, Five Things – Getting the Basics Right in Procurement* which sets out a very useful high level framework.
- *Refer to Essex County Council procurement policy and procedures* – the Council are well known as experts in the field and we believe they have various helpful pieces of information that CBC would benefit from studying.
- *Review authority levels* – the current levels and resultant processes should be updated and we suggest consideration should be given to the following:

SCALE	AUTHORITY	PROCESS
Up to £5,000	Manager	3 quotes
£5,000-£25,000	Manager + PCO	Formal tender
£25,000-OJEU	Manager + PCO + Director	Formal tender
OJEU+	Manager + PCO + Director + MD	OJEU

- *Reinforce responsibility for procurement* – if not already in place authorise 1 person to spend 100% of their time on relevant issues with the authority required to drive establishment of new processes, and authorize them to agree expenditure and manage compliance/performance.
- *Establish a procurement champion in each department* – buddied up with a named individual in the procurement team.

- *Deliver a CBC wide change and training programme for all staff – ensure that CLT ‘own’ the initiative and that all staff receive appropriate training, with a particular emphasis on managerial accountability.*
- *Ensure that leadership on change comes from the top of the Council – MD and Mayoral statements should be issued, signing CBC up to procurement excellence by managing procurement strategically with adequate resources.*
- *Develop a visual guide that can be used as an aide memoir - such a tool could be developed as a desk top aide, quickly and simply reminding staff of some key issues to consider. For example, in the image below, a new supplier, or a high risk issue, or a high value contract, should all require a thorough approach. On the other hand, a streamlined approach may be appropriate for low value, low risk contracts with known / trusted suppliers.*



- *Develop a simple 10 point aide memoir for all staff – use this to reinforce the key points on procurement and supplement it with usage of a simple visual. A simple version could be structured as follows:*

Ten Point Guide to Procurement

1. Any action that involves spending Council money must be carefully managed.
2. We have a set process for handling all purchases and all members of staff are required to follow the process.
3. The process applies to all quotations, tenders, contracts and purchases, irrespective of their nature.
4. The processes apply to all products and services irrespective of their nature, scale or complexity.
5. Managers are required to ensure that their departments follow the set processes at all times.
6. All staff should discuss any prospective quotations, tenders, contracts and purchases with their managers before taking further action.
7. Managers should refer any queries or issues to: XXXXX
8. There are variations in the authority levels that apply to the processes. These can be summarised as follows:

SCALE	AUTHORITY	PROCESS
<i>Up to £5,000</i>	<i>Manager</i>	<i>3 quotes</i>
<i>£5,000-£25,000</i>	<i>Manager + PCO</i>	<i>Formal tender</i>
<i>£25,000-OJEU</i>	<i>Manager + PCO + Director</i>	<i>Formal tender</i>
<i>OJEU+</i>	<i>Manager + PCO + Director + MD</i>	<i>OJEU</i>

9. The details of any quotations, tenders, contracts and purchases must be recorded on the central register which is held by: XXXXX
10. If you have any questions or suggestions on any aspect of the above, please contact: XXXXX

CONTRACT MANAGEMENT

Current state

CBC have spent c£3.7m externally since 2014 and many of the resultant contract are still 'live'.

The May 2018 contracts register shows c50 contracts in existence for annual values ranging from c£1.8m to c£1.15k with terms ranging from 6 months to open ended commitments, many with extensions/renewals built in.

Though the number of contracts is small, the range and complexity is important to focus on. We believe there are gaps (i.e. consultants/interim staff). All contracts irrespective of nature or size should be recorded.

Various CBC policies are in place to cover the pre purchase phase associated with these and other contracts (although we believe that these need reviewing as per the previous section of this report). There is however a gap in policy where contract/supplier management is concerned and there is only very little guidance available to staff on such matters.

There are numerous sources of reference on best practice in contract/supplier management with particular emphasis on relationships, and CBC should refer to these and develop a policy, a process and then guidance for staff.

PWC have published a helpful study on "Supplier Relationship Management" which offers broad guidance.

The National Audit Office "Good practice contract management framework" offers 10 key areas for focus including governance, people, administration, relationships, performance, payment, risk, contract development, supplier development and market management.

The Deloitte report "Redefining the value of strategic supplier collaboration" focusses on selection of the right partners, alignment internally and externally, establishment of mutually beneficial relationships, selection of meaningful KPIs, sharing of information and commitment to change.

The Chartered Institute of Purchasing and Supply Contract Management Guide offers a very useful framework (which helpfully also overlaps with procurement related activity).

Weaknesses / gaps

CBC should develop a policy on contract/supplier management and then deliver widespread CLT driven staff L & D on new contract/management processes. It will be important for CLT to 'own' the initiative and that all staff receive appropriate training, with a particular emphasis on managerial accountability.

In doing this CBC should review its approach to contract/supplier management and avoid any culture where suspicion/challenge/confidentiality might be designed to offer a CBC win/suppliers loose balance.

CBC should review its approach to contract/supplier management and embrace a culture where trust/cooperation/sharing might be designed to offer a CBC win/suppliers win balance.

In short, CBC should seek to work in partnership with suppliers. This can be best achieved by having shared desired outcomes from the relationship, clear deliverables/metrics, clear transparent communication between organisations, agreed review points, agreed review mechanisms and agreed contact points.

This all takes time and requires a very organized professional approach.

This professional approach requires well trained experts to lead it. Although relevant knowledge, skill and experience can be developed over time, a framework and appropriate leadership will be required from day 1.

Recommendations to bridge the gap

- *Conduct an annual review* - of CBC contracting and supplier management and implement changes to improve based on experience.
- *Give 1 person responsibility for contract and supplier management* – empower them to spend 100% of their time on relevant issues, give them the authority required to drive establishment of new processes, authorize them to agree contract variations and enable them to manage compliance and performance.
- *Gather uniform information on all contracts* – collate information and adopt a standard method of presentation
- *Use the information* – to drive proactive contract and supplier management.
- *Review all contracts* – review purpose, partners, performance and price, looking for efficiencies to leverage and best practice to replicate.

- *Develop a consistent approach to contract reviews* – using a standard agenda etc.
- *Use a consistent team for contract reviews* – have a core team supplemented by appropriate staff.
- *Create templates* – for use when collating information and managing supplier review meetings.
- *Develop a coordinated approach to strategic supplier management* – ensure that all suppliers have an equal opportunity, receive consistent treatment and are managed through the lens of a consistent set of policies
- *Seek to leverage supplier relationships in a spirit of partnership* – do not shirk from a buyer/seller conversation where required, but do seek to share and develop opportunities together.
- *Ensure that CBC pay suppliers promptly* – set the standard as a beacon.
- *Share ideas* – with other local authorities and suppliers alike – and develop resultant opportunities.
- *Communicate* – with staff on savings, efficiencies and opportunities developed. Consider some form of visual display to encourage all those involved in contract management to share experiences.
- *Hold a supplier's day* – once a year invite all suppliers to visit CBC and informally get to know the team.
- *Refer to the PWC report on Supplier Relationship Management* – which offers guidance on change management plus supplier issues.
- *Refer to the Chartered Institute of Purchasing and Supply Contract management guide* – the paper overlaps helpfully with procurement issues.
- *Refer to the National Audit Office report Good practice contract management framework* – with particular reference to the 10 key areas highlighted.
- *Refer to the Deloitte report Redefining the value of strategic supplier collaboration* – with reference to the supplier relationship management.
- *Deliver a CBC wide change and training programme for all staff* – ensure that CLT 'own' the initiative and that all staff receive appropriate training, with a particular emphasis on managerial accountability.
- *Ensure that leadership on change comes from the top of the Council* – MD and Mayoral statements should be issued, signing CBC up to contract excellence by managing contracts strategically with adequate resources.
- *Develop a simple 10 point aide memoir for all staff* – use this to reinforce the key points on contract and supplier management:

Ten Point Guide to Contract / Supplier Management

1. All contracts involving the Council must be carefully managed.
2. We have a set process for handling all contracts and all members of staff are required to follow the process.
3. The process applies to all contracts irrespective of their nature.
4. The processes apply to all products and services irrespective of their nature, scale or complexity.
5. Managers are required to ensure that their departments follow the set processes at all times.
6. The details of any contracts and purchases must be recorded on the central register which is held by: XXXXX
7. All contracts must be reviewed in line with the timescales outlined below with the manager responsible plus XXXXX in attendance:

ACTION
Ensure all precontract and procurement processes are followed
Record full details of all contracts in central register within 48 hours of completion
For single purchase contracts conduct a review within 7 days of completion
For all other contracts conduct a monthly contract review

8. As a minimum the agenda for such review meetings should include a review of minutes and actions brought forward, a review of performance, a review of risk, a review of suggestions to improve performance or enhance value, and collation of action points for the future.
9. Full written records should be shared with suppliers and stored by XXXXX at CBC.
10. If you have any questions or suggestions on any aspect of the above, please contact: XXXXX

CONCLUSION

This summary report has been produced for CBC by Deyton Bell Ltd as part of the Local Government Association's Productivity Expert Programme. The report presents the post review summary findings on CBC procurement strategy/framework and CBC contract management.

CBC has clearly stated ambitions, but the strategy and other documentation reviewed do not outline adequate specific measures or actions which will support delivery of the ambition. CBC has however made a good start in addressing some of the issues involved but the primary focus identified is on procurement rather than commercialization or contract management.

CBC appear to be in a developing state where such issues are concerned and there is much that needs to be done.

We hope that CBC have the ambition to move towards a leadership position amongst local authorities generally and within Cumbria in particular, by rethinking policies and processes, and then by sharing them with peer colleagues so CBC can be viewed as innovators.

In making the transition, a change programme will be needed. To achieve this CBC must develop revised policies on procurement and contract/supplier management and then deliver widespread a CLT driven change initiative.

It will be important for CLT to 'own' the initiative and that all staff receive appropriate training, with a particular emphasis on managerial accountability. Easy reading, brief documentation supported by simple aide memoirs will be useful tools in driving change.

There are numerous sources of reference on best practice in procurement and contract/supplier management and CBC should refer to these and develop appropriate policies, processes and guidance for staff.

It would be appropriate for CBC to undertake more in-depth work in order to assess the Councils performance to ensure CBC complies with the Public Contracts Regulations 2015 and other regulations.

In addition, work could be undertaken to look for further peer group leaders against whom a new benchmark could be set with particular reference to:

- Organisational standing – leadership, reporting lines, remits and mandates
- Staff profile – education, skills, experience, talent attraction
- Strategic sourcing – roles, process and competence
- Stakeholder engagement – integration of the function in key business units
- Strategic planning – integration into strategic planning/budgeting processes

We believe that the work required to further review and develop policies and processes and then roll out to staff should be completed before the start of the new fiscal year.



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APPENDICES TO SUMMARY REPORT

PREPARED FOR

COPELAND BOROUGH COUNCIL



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SEPTEMBER 7 2018

APPENDICES

Documents providing key points of external reference are contained on the data stick attached as follows:

- National Audit Office
Good practice contract management framework
- Deloitte
Redefining the value of strategic supplier collaboration
- PWC
Supplier Relationship Management
- Chartered Institute of Purchasing and Supply
Contract management guide
- Ernst & Young
Five Things - Getting the basics right in procurement
- Local Government Association
National procurement strategy for local government in England 2018
- Report and template