

# Delivering the ambition

Initial diagnostic results



# Key messages

- English and Welsh councils show solid progress implementing the ambition set out in the LGA's 2018 strategy, with most councils self-assessing either as 'developing' or 'mature'.
- The assessment looks at strategic policy areas such as commercialisation, community benefits, contract management and engaging with local businesses and the voluntary sector.
- Over 50 per cent of English councils took part in the self-assessment process.
- Achieving a 'mature' assessment should be regarded as a very satisfactory outcome; few councils will assess as 'leader' or 'innovator'.
- Each council determines their own priorities and what matters to them – there are no national targets.
- Identified areas of good practice will be shared during the course of the year.
- Contract and relationship management and social value (community benefits achieved on the back of procurement exercises) are identified as the areas in most need of support.
- Procurement is moving beyond compliance and is building capabilities that allow it to contribute to the delivery of strategic goals and policies.
- Ongoing investment in procurement skills and knowledge, particularly commercial skills, will help deliver even greater financial and social benefits.
- Regional action plans to help focus improvement and target resources are being drawn up.
- Contract and relationship management – lobbying for access to government's contract management training.
- Social value training – piloting an approach in the north east.
- Strategic supplier relationship management – broadening the engagement with local government's key suppliers.
- Updating of the Councillor Guide to align with key National Procurement Strategy (NPS) messages.
- Wider engagement with Solace and CIPFA on emerging key messages and priorities.

# Contents

Background	4
About this research	5
Findings	6
Understanding the assessment	6
Assessment outcomes	7
Identifying good practice	12
Driving improvement	15
Next steps	16

# Background

In July 2018, the Local Government Association (LGA) published a revised **National Procurement Strategy for Local Government in England ‘Delivering the ambition’**<sup>1</sup> superseding the original 2014 strategy. The 2018 strategy differs from its predecessor in several ways:

- focuses on three key themes which, consultation has shown, reflects local government’s priorities for the next four years
  - showing leadership
  - behaving commercially
  - achieving community benefits
- widens the scope of procurement beyond compliance and tactical issues to include interrelated aspects of commercialisation, commissioning, contract management and the delivery of social value
- includes a part two toolkit defining a maturity index for each of the 13 areas listed under the three themes, ranging from minimum to innovator.

The maturity index allowed the LGA to repeat its England wide assessment, subsequently extended to Wales, within a few months of the strategy’s launch. This assessment is very important as it:

- allows the LGA to obtain a snapshot of where the sector is in relation to the NPS 2018
- allows regions and clusters of councils to support each other for mutual gain and improvement
- helps individual councils gauge where they currently are in responding to NPS 2018 and identify their own priorities for improvement
- helps to identify key areas where the LGA can better focus its support.

This report contains details of the main findings from the 2018 assessment and identifies areas for improvement for 2019/20.

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<sup>1</sup> [www.local.gov.uk/national-procurement-strategy](http://www.local.gov.uk/national-procurement-strategy)

# About this research

As in 2017 we used the diagnostic approach to allow councils to 'self-assess' their capabilities against the 55 value codes under 10 sections under each of the three themes. A diagnostic differs from a survey in the following ways:

- it is a statement of fact based against predefined outcomes rather than a subjective opinion (ie one person's 'very good' is another person's 'average')
- it uses a controlled list of invited participants and is based on focused topics which can be adapted to environmental changes and business improvement
- it seeks to identify root causes for issues/problems while allowing participating organisations to define what actions and resources are needed to drive improvement.

As before we focused this exercise on the 'things that matter' most and defined a common understanding of what 'good' looks like. However, this time we had already designed NPS 2018 as a dynamic document with a view to its aspirations being measured and reported on.

We took on board lessons from the 2017 diagnostic which had measured progress against the NPS 2014, making the following changes:

- the five defined outcomes for each value code went from 'minimum' to 'developing' to 'mature' to 'leader' to 'innovator'
- all English councils were invited to take part for the first time
- the invitation list was checked and validated regionally to try to ensure that the right

person was invited where a head of procurement was not present

- the 22 unitary councils in Wales agreed to take part
- responding councils were asked for their top three priority areas for support in 2019 and the nature of the support required.

The facility for councils to include supporting information and local examples in support of their assessments remained and was used by 38 per cent of respondents. Councils were able to download a copy of their own responses on completion of the diagnostic and then with comparative regional and national 'benchmarks' based on all responses received.

The diagnostic was completed by 103 upper tier (six from Wales) and 80 district councils. Of the councils invited this represented 60 per cent upper tier and 41 per cent district councils, comparable to 2017's engagement. Investigation shows that the reasons for the lower levels of engagement included:

- the lack of a single officer responsible for procurement in many district councils – hence the lower showing than for upper tier councils
- the number of value codes being assessed increasing significantly to 55, meaning that the diagnostic took longer to complete
- the value codes covered areas which are not typically associated with operational procurement, meaning that heads of procurement had to consult colleagues before completing the diagnostic.

# Findings

## Understanding the assessment

In reporting the findings it is important to put the range of defined outcomes into context (ie 'minimum' to 'innovator'). In launching the NPS, the LGA made it clear that it was not attaching any priorities, targets or scale of importance to any of the 55 value codes. It recognised that there were differences between upper tier and district councils and that even neighbouring councils in the same tier could have widely differing priorities. It was for each council taking part in the assessment to define what matters and decide the level of attainment to which it wanted to aspire.

In understanding the reported findings it is important to note that:

- level three (mature) assessments are a creditable outcome and, in most cases, might not warrant further improvement in the short to medium term
- level four or five assessments would only be made when an individual council had evolved to a point that it could act as an exemplar to other councils in a given area and be able to help others raise standards where they considered it to be important
- level two or even level one assessments could also be acceptable, particularly if the assessing council did not deem a given value code to hold local importance.

Other factors that need to be considered when reporting the findings are that:

- a gap between upper tier and district councils was to be expected given the differing priorities, operational scale and resourcing levels

- regional variations were also to be expected reflecting socio-economic, political and geographical considerations
- individual assessments made for each value code were likely to be averages and did not reflect the potentially wide variations of outcome that are usually found within individual councils – variations of up to four levels are not uncommon
- average findings can be influenced by the number of councils responding and the size of the target group – for example the east of England had 28 (68 per cent) district councils take part while Yorkshire and Humber had six (86 per cent)
- it is not possible to compare with the 2017 diagnostic outcomes as the value codes and outcome definitions are completely different
- moving up one assessment level can take a significant amount of resource and/or time depending on the content of the agreed local action plan.

Typically, good practice is defined as an assessment of four or five, with three being a perfectly acceptable level of attainment. In reality, very few would be expected to assess as a five – innovator, as by definition this makes them sector pioneers for new thinking, techniques and approaches. Assessments of four – leader, are more likely to be achieved and can be counted as 'good practice' which should be promoted across the sector.

# Assessment outcomes

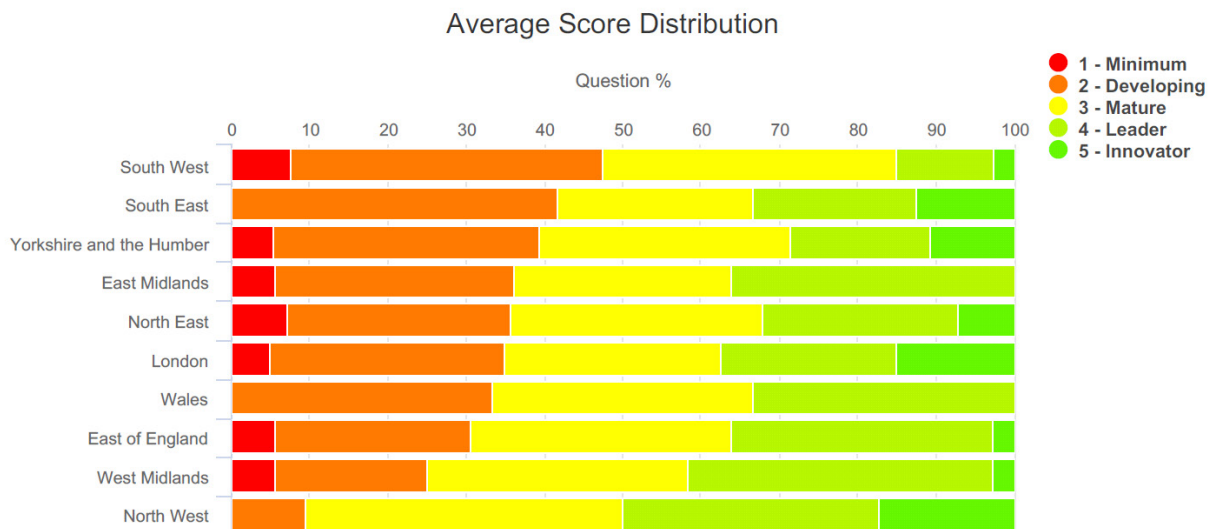
## Upper tier

There was a close correlation between the highest and lowest assessments for the ten sections with ‘**engaging senior managers**’ achieving the highest and ‘**contract and relationship management**’ achieving the lowest.

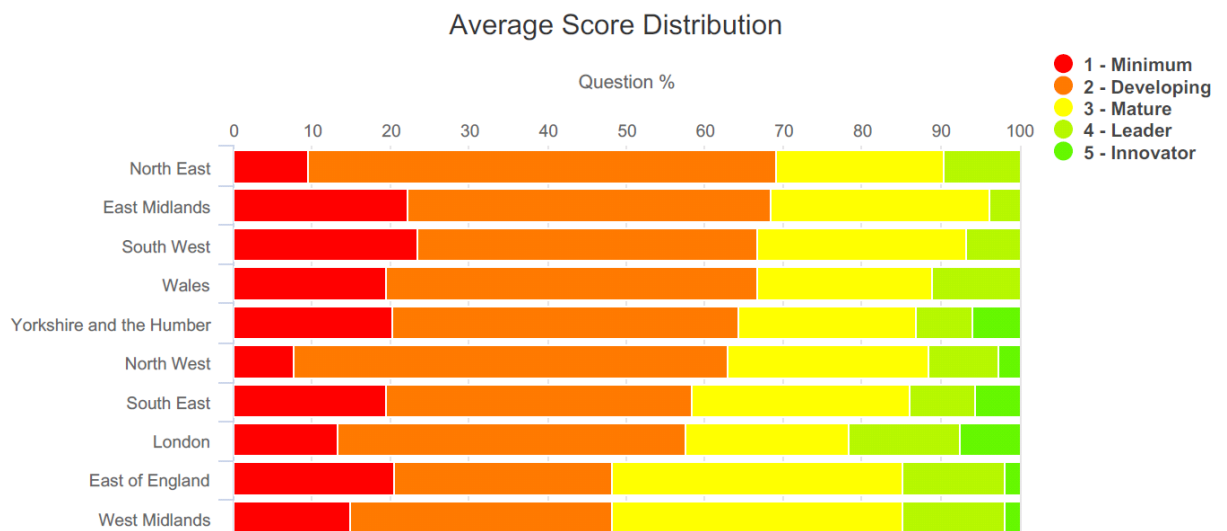
Achieving social value features as an area of concern in both upper tier and district councils, although the reasons are different. In the upper tier councils, the issue is more of one about ensuring benefits delivery, while it is more about awareness and engagement with district councils.

A more detailed analysis (tables 1 and 2) shows that for the highest scoring section (**engaging senior managers**), 35 per cent of responses scored a four or over with only four per cent scoring a one. Whereas for the lowest scoring section (**contract and relationship management**) 13 per cent of responses scored four or over with 17 per cent scoring one.

**Table 1 Engaging senior managers: Response by region (upper tier)**



**Table 2 Contract and relationship management: Response by region (upper tier)**



In terms of overall variance, there is little to suggest any major regional differences in terms of outcome achieved by upper tier councils.

## Supporting Information

“Early procurement involvement is embedded, clearly subject to resourcing, and good links have been developed with and as part of leadership teams council wide. Some representation/leadership on collaborative procurements, depending on the individual subject specific procurement strategy for each set of requirements. Numerous early engagement exercises moving forward at present and on an ongoing basis; current examples include future delivery models for facilities management, property consultancy, civil engineering, as present examples.”

Engaging senior managers – assessing as a four

“The council has a contracts database with 400+ contracts, which is reviewed periodically and published on the council’s website. Due to the devolved nature of procurement services across the council, the information contained within the contracts database is only as good as the information provided by officers, hence why this falls within the developing metric rather than the mature metric.”

Contract and relationship management – assessing as a two

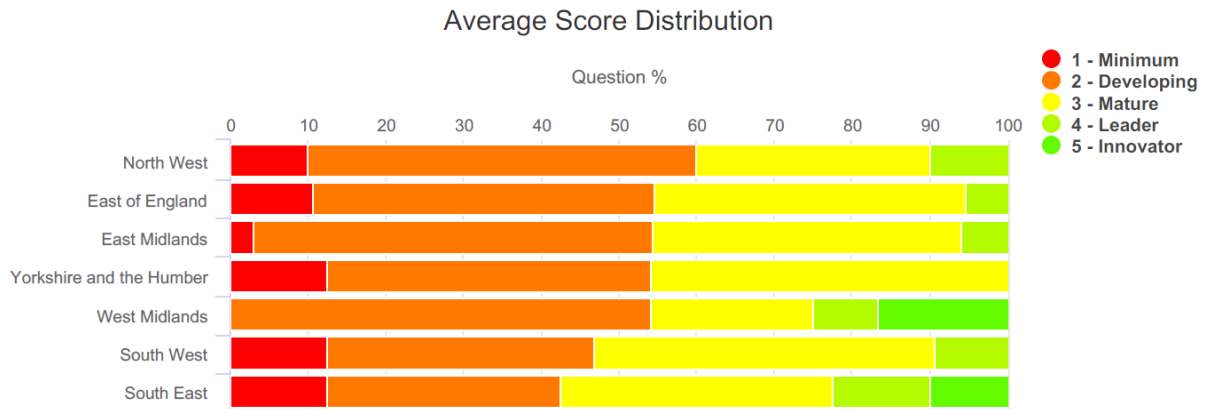


## Districts

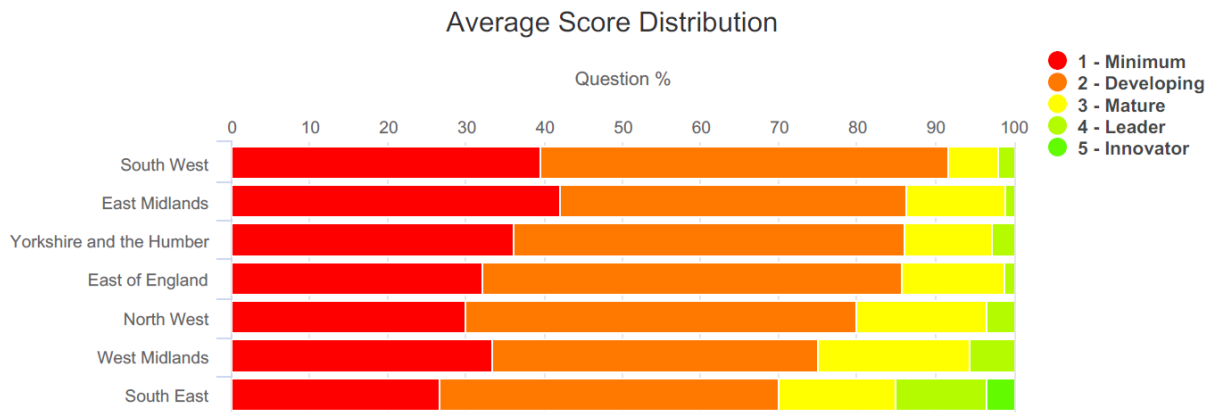
As with upper tier councils, there is a close correlation between the highest and lowest assessments for the 10 sections with 'engaging senior managers' achieving the highest and 'contract and relationship management' achieving the lowest.

A more detailed analysis (tables 3 and 4) shows that for the highest scoring section (engaging senior managers), nine per cent of responses scored a four or over with nine per cent scoring a one. Whereas for the lowest scoring section (contract and relationship management) only five per cent of responses scored four or over with 52 per cent scoring one.

**Table 3 Engaging senior managers: Response by region (district councils)**



**Table 4 Contract and relationship management: Response by region (district councils)**



In terms of overall variance, there is little to suggest any major regional differences in terms of outcome achieved by district councils.

## Supporting Information

“We have set up a Procurement Board, made up of procurement, the senior management team, and the corporate management sponsor. The board is set up to scrutinise project issues, facilitate delays in procurements, inform the future plan, prioritise strategic initiatives and set strategic objectives. It is also a means to ensure accountability for procurement within each service area as contract commissioning and management is devolved, and to help coordination of procurement activities across the organisation.”

Engaging senior managers – assessing as four

“Data analysis in early stages due to small procurement function (one officer and part-time assistant) and capacity due to workload. It is recognised that further work in this area would be beneficial and will be reviewed in more detail toward the last quarter of 2019/20.”

Engaging strategic suppliers – assessing as one

## Overall

An analysis of the overall results show that:

- there is on average a variation of 0.5 between assessment made by upper tier councils compared with their colleagues in district councils – understandable given that they have more resources at their disposal
- the assessment ranking between both levels is fairly consistent, with the highest and lowest assessments overlapping
- the regional range is potentially not statistically significant as the minimum/maximum values are often influenced by a smaller respondent sample size
- there are clear regional variations at value code level, but not at section level
- the usual good practice/room for improvement analysis cannot readily be applied given the close correlation between the highest and lowest assessments
- greater importance needs to be attached to those councils assessing as a one – minimum, particularly where there may be a desire for improvement.

Developing this latter point, tables 5 and 6 shows the number of responses at each of the five assessment levels for the top and bottom five value codes sections by tier.

**Table 5 Value codes attracting the most ones and most fives (upper tier)**

Section	Value Code	1	2	3	4	5
Working with partners	Culture	2	40	25	21	15
Engaging senior managers	Influence and impact	0	18	33	39	13
Local SME and micro business engagement	Procurement with SMEs	5	30	41	14	13
Creating commercial opportunities	Options appraisal (Make or Buy)	8	38	24	22	11
Managing strategic risk	GDPR (legislation)	0	14	41	38	10
Engaging councillors	Councillor development	33	46	18	6	0
Contract and relationship management	Supplier financial distress	31	33	18	19	2
Contract and relationship management	C&RM skills and knowledge	24	65	7	5	2
Contract and relationship management	Savings and benefits delivery	22	34	34	10	3
Creating commercial opportunities	Post contract review	21	60	13	7	2

**Table 6 Value codes attracting the most ones and most fives (district councils)**

Section	Value code	1	2	3	4	5
Engaging senior managers	Processes	3	28	33	11	5
Creating commercial opportunities	Market/supplier research/analysis	9	62	6		3
Working with partners	Culture	1	46	23	7	3
Creating commercial opportunities	Options appraisal (Make or Buy)	12	58	6	2	2
Engaging senior managers	Influence and impact	1	21	47	9	2
Creating commercial opportunities	Post contract review	48	28	1	3	0
Contract and relationship management	Supplier financial distress	46	22	8	4	0
Engaging Councillors	Councillor development	44	27	9	0	0
Contract and relationship management	Savings and benefits delivery	43	26	10	1	0
Engaging strategic suppliers	Existing strategic supplier engagement	41	22	16	0	1

## Identifying good practice

Tables 7 and 8 show the overall distribution of each of the five assessments across each of the 10 sections that make up the three themes.

**Table 7 Percentage of responses by assessment level by section (upper tier)**

Section	1	2	3	4	5
Contract and relationship management	17%	44%	26%	10%	3%
Engaging councillors	16%	27%	36%	16%	6%
Creating commercial opportunities	9%	43%	26%	18%	4%
Engaging strategic suppliers	9%	40%	36%	12%	3%
Working with partners	8%	30%	32%	21%	8%
Local SMEs and micro businesses	4%	36%	39%	16%	5%
Managing strategic risk	4%	33%	43%	16%	3%
Engaging senior management	4%	28%	32%	26%	8%
Obtaining social value	3%	45%	32%	18%	2%
Engaging VCSEs	3%	27%	45%	21%	3%

**Table 8 Percentage of responses by assessment level by section (district councils)**

Section	1	2	3	4	5
Contract and relationship management	35%	49%	13%	3%	0%
Obtaining social value	20%	61%	16%	3%	0%
Creating commercial opportunities	23%	59%	13%	4%	1%
Engaging VCSEs	18%	59%	23%	1%	0%
Engaging councillors	39%	30%	29%	3%	0%
Engaging strategic suppliers	28%	52%	17%	3%	1%
Local SMEs and micro businesses	10%	62%	24%	4%	1%
Working with partners	15%	45%	30%	9%	1%
Engaging senior management	9%	44%	38%	7%	3%
Managing strategic risk	6%	51%	35%	8%	0%

The redefinition of the five assessment levels has significantly reduced the number of councils assessing as four or five. While there remains a tiny number of councils that have made multiple four and five assessments against the value codes, most have restricted such assessments to specific performance areas (eg engaging senior managers). The reduced use of fours and fives is encouraging as it confirms that most councils made balanced assessments.

This, together with accompanying supporting comments, suggests that there will be opportunities to:

- develop good practice guides, particularly for those sections/ value codes where there is a clear demand
- develop regional and cluster groupings to help provide a qualified improvement network
- capture and disseminate appropriate knowledge and learning.

## Commissioning with SMEs and local suppliers

### Southend Borough Council (east of England)

It is now standard practice to single source (up to £10,000) via local suppliers and ensure that at least two local suppliers are invited to quote in all sub-£25,000 quotations. Alongside this the team run regular training sessions 'bidding for public sector contracts' for the bidding market and suppliers and also attend the local business forum meetings and events. In 2017/18 spend with local suppliers (head office based at a Southend postcode) was £49.6 million and increased to £61 million in 2018/19.

### Savings and delivery

Southend have introduced a best and final offer process at the end of competitive processes. This is where suppliers are able to see their ranking and make a 'best and final offer' prior to final award. Reductions of up to £30,000 on the final contracted price have been delivered through this new approach. The team continue to support the requirement to deliver efficiencies (revenue budgets) and achieve cost avoidance (capital projects). Over £5 million in revenue savings have been achieved since 2016 and £2.5 million in cost avoidance in just the last two financial years.

They have also introduced creative 'monopoly cards', to spread the word about thresholds and associated compliance requirements. This eye-catching and direct approach is proving far more successful than simply expecting people to familiarise the content of local contract standing orders and helping to improve early engagement with the council's procurement team.



### PURCHASING THRESHOLDS:

<b>£0 – £999.99</b>	Use a P-Card One Verbal Quote
<b>£1k – £9,999</b>	One Written Quote (Local Supplier if poss.)
<b>£10k – £24,999</b>	Three Written Quotes (Two Local Suppliers)
<b>£25k – £74,999</b>	Contracts Finder Notice (Contact Procurement)
<b>£75k Plus</b>	Formal Tender (Contact Procurement)

### YOUR RESPONSIBILITIES:

- ▶ Under £1k try to use a P-Card
- ▶ Under £25k try to source locally
- ▶ Follow rules for total value of spend
- ▶ Ensure Best Value, via a fair and objective evaluation process
- ▶ Raise a Purchase Order prior to committing to spend with supplier

#### Contact Procurement:

✉ [procurementops@southend.gov.uk](mailto:procurementops@southend.gov.uk)

☎ 01702 215083

#### Tendering Portal

🌐 <https://procurement.southend.gov.uk>

## Engaging councillors

### **Ceredigion County Council (Wales)**

At Ceredigion, councillor engagement is paying dividends in the quality of decision making and accountability leading to better project delivery within the council. Our portfolio members are kept updated, and attend meetings where procurement is represented, for example the Capital Monitoring Group. Strategic procurement decisions are taken by the council's cabinet, rather than the portfolio member on their own. We set up a scrutiny group last year specifically to look at procurement. This group has been meeting regularly on a quarterly basis, when updates are delivered. Formal training in procurement is also being considered for all council members.

## Engaging councillors and senior managers

### **STAR Procurement (north west)**

Stockport, Trafford, Rochdale and Tameside operate a shared procurement service called STAR Procurement. Councillors are directly responsible for oversight and operation of the shared service through a joint committee arrangement and make key decisions on strategy, policy and future direction of STAR. Reporting mechanisms are used across the four councils.

The STAR Board includes members of each council's corporate management teams, they have an agreed business plan, responsible procurement strategy and annual delivery plan and the service is run through an established leadership team. The collaborative nature of the shared procurement service along with the joint approaches help to achieve demonstrably better outcomes from projects due to early engagement with their senior stakeholders. An example is the 'local investment' work stream in the business plan which was endorsed by councillors on our joint committee, STAR

Board and senior officers from our four partner councils. Through this work stream, STAR has increased local spend through a pilot project with Rochdale Council and dramatically improved their local spend from 2016/17 to 2017/18, and further success is expected in the 2018/19 spend for all four STAR partners.

## Engaging councillors and senior managers

### **London Borough of Tower Hamlets**

The council's procurement procedures require a quarterly report to be submitted to cabinet, setting out a forward plan of supply and service contracts over £250,000 in value, or capital works contracts over £5 million. This provides cabinet with the visibility of all high value contracting activity, and the opportunity to request further information regarding any of the contracts identified. Additionally, the report includes a rolling five year contracts forward plan for the Mayor and cabinet members to have high level visibility of our planned procurement activity.

Our cabinet member for resources and voluntary sector has responsibility for procurement and is actively involved in helping to achieve better outcomes from council's third party expenditure. An annual procurement report is presented to the corporate leadership team and cabinet with details of procurement expenditure, achievement and future plans.

Senior management including corporate and divisional directors are actively engaged and represented at the procurement board level. This helps to ensure early engagement on high value procurement projects, provide senior level support and champion category management and broader procurement initiatives to secure better outcomes from the council's third party expenditure.

## Driving improvement

The additional information on priorities for improvement in 2019 provided during the assessment shows clearly where most attention needs to be focused. Contract and relationship management (C&RM) was by far the lowest assessed section for both upper tier (average 2.07) and district councils (average 1.88). Analysis of the priority areas for support in 2019 showed that there were:

- 124 councils that stated C&RM as a key priority (67 per cent) – by far the largest
- 73 councils that stated social value as a key priority (40 per cent)
- 48 councils that stated both C&RM and social value as key priorities (26 per cent).

Although, social value is ranked fifth out of the ten assessed sections, it shows that there is a significant demand at both levels to seek significant improvements over the coming years.

A clear half point gap between upper tier and district councils suggests that there is a strong case for closer cross-tier working. This would assist with both knowledge sharing and capacity building. Whereas 37 (46 per cent) of participating district councils assessed 10 or more value codes as being one – minimal, only 13 (13 per cent) of participating upper tier councils did likewise, illustrating the extent of the opportunity.

The National Advisory Group, which reports to the LGA's Improvement and Innovation Board, will be looking at ways in which it can help channel resources as a means of helping councils to seek improvement in the areas that matter to them. Several regional groups comprising heads of procurement are also seeking to do likewise based on localised priorities – the East of England and Yorkshire and Humber being two that have already started this process.

The assessment has also highlighted that there are significant variations of outcomes achieved within councils, particularly in larger and more diversified upper tier ones.

This is caused by many factors ranging from poor communication and geographical location, to accessibility of information and stakeholder perception. It is anticipated that some councils will invite multiple participants from different departments and other stakeholder groups to undertake this assessment as it will help to raise overall attainment levels and identify pockets of weakness that need to be addressed.

## Obtaining social value

### London Borough of Tower Hamlets

Our commitment to supporting the community and voluntary sector is underpinned by our Procurement Strategy 2016-19. Under the vision for procurement, 'pursue procurement excellence through deploying innovative and effective sourcing strategies to achieve value for money whilst stimulating local market and securing community benefits', the strategy stresses that our support and opportunities for local businesses and communities helps us make the best use of our resources to meet local community needs.

The requirement to include social value in our contracts is embedded within the council's procurement procedures and practices across the organisation. This approach has resulted in approximately 47 per cent of our council contracts securing employment and community benefits for our local residents and businesses. Building on this success and following a detailed review of approach to social value in July 2018, the council launched a new social value framework and social value delivery group. This group includes senior management representatives from the community and voluntary sector, arm's length management organisations, alongside council officers to oversee the delivery of the framework.

# Next steps

The LGA, through the National Advisory Group, is committed to carrying out the actions identified in the action plan and will also:

- send this report to all councils (chief executives, leaders and heads of procurement) and professional networks
- develop proposals for targeting resources aimed at improvement – particularly for contract management and social value
- produce case studies of good practice, with a view to showcasing later in the year
- develop local actions, through heads of procurement in regional groups, aimed at those councils that most in need of support
- help identify contacts in councils which did not engage in 2018.





**Local Government Association**

18 Smith Square  
London SW1P 3HZ

Telephone 020 7664 3000

Fax 020 7664 3030

Email [info@local.gov.uk](mailto:info@local.gov.uk)

[www.local.gov.uk](http://www.local.gov.uk)

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