

# Strategic Supplier Management Project

National Procurement  
Showcase for Local Government  
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# Strategic Supplier Management Project

## Background:

- Build on the commitment made in the national procurement strategy *“to develop and support a number of experts to manage the relationships with local government’s key suppliers on a national basis”*.
- Build on and learn lessons from central government Crown Representative programme established by Cabinet Office in 2013.
- There is currently no strategic overview of suppliers within the sector. *“it is suggested that many councils use the same suppliers to buy similar outcomes but with divergent terms and prices”*. There is no hard evidence to back this up.

# Strategic Supplier Management Project

## Project Strategic Objectives:

- Achieve a better understanding of the issues facing the market such as:
  - national living wage
  - market rates perceived to be low
  - meeting quality standards
- Consider local government's needs and how the pilot projects historical data will relate to future requirements.
- Identify the benefits to suppliers including:
  - innovation
  - reducing costs
  - insight knowledge
  - Better/more strategic relationships

## Project Operational Objectives:

- Identify:
  - Two/three suppliers from each of the nationally managed categories (ICT, Social Care, Construction) to support:
    - Detailed analysis of variations in costs
    - Operating models
    - Service scope
  - What is needed to build relationships with key suppliers which could lead to additional social value being delivered.
  - Ways contracting with key suppliers will enhance local economic growth.
  - Ways to build on good practice.
- Be the focal point for strategic supplier issues and supplier innovation.

## THE APPROACH

## Strategic Supplier Management Project

- Examine the existing data & background information relating to the 3 categories; including key research reports and surveys.
- Each specialist to engage with two or more suppliers. A total of 25 suppliers were selected using council's published spend over £500.
- Sent questionnaires to the councils with the highest spend with the selected suppliers to gain a better understand of their spend, perspective and buy-in.

# Strategic Supplier Management Project

## In Summary:

- Responses were relatively small and cannot be considered fully representative.
- The data generated provided a useful context for the initial phase of work.
- The issues and themes were similar in nature for both suppliers and councils.

## KEY FINDINGS

## Strategic Supplier Management Project

Local Government spend in 2016/17 total £55bn of which:

- £18bn on Health & Social Care (incl Children Services)
- £14.4bn on Buildings (incl construction maintenance, energy and parking enforcement)
- £2.2bn on ICT (incl back office services)



| CHILDREN'S         |                  |                |
|--------------------|------------------|----------------|
| Council            | Cambian<br>£106m | Keys<br>£6.32m |
| Birmingham         | £4,910.00        |                |
| Buckinghamshire    |                  | £444.00        |
| Hampshire          | £4,350.00        |                |
| Harrow             |                  | £408.00        |
| North Lincolnshire |                  | £903.00        |
| Northamptonshire   | £4,160.00        |                |
| Oxfordshire        |                  | £406.00        |
| Rochdale           |                  | £420.00        |
| Surrey             | £6,230.00        |                |
| Wiltshire          | £2,890.00        |                |
| Worcestershire     | £3,000.00        |                |
| Worcestershire     |                  | £501.00        |

**CONSTRUCTION**

| <b>Council</b>      | <b>Willmott Dixon<br/>£408.84m</b> | <b>Keir<br/>£839.49m</b> | <b>Balfour Beatty<br/>£581.79m</b> | <b>Mouchel<br/>(part of Kier)<br/>£43.54m</b> | <b>Jacobs UK<br/>£27.71m</b> |
|---------------------|------------------------------------|--------------------------|------------------------------------|-----------------------------------------------|------------------------------|
| Birmingham          | £62,350.00                         |                          |                                    |                                               |                              |
| Bournemouth         |                                    |                          |                                    | £15,130.00                                    |                              |
| Cheshire West and C |                                    |                          | £26,310.00                         |                                               |                              |
| Croydon             | £18,210.00                         |                          |                                    |                                               |                              |
| East Sussex         |                                    | £49,960.00               |                                    |                                               |                              |
| Herefordshire       |                                    |                          | £34,680.00                         |                                               |                              |
| Kent                | £18,570.00                         |                          |                                    |                                               |                              |
| Knowsley            |                                    |                          |                                    | £2,400.00                                     |                              |
| Lancashire          |                                    |                          |                                    |                                               | £3,460.00                    |
| Leeds               |                                    |                          |                                    | £3,860.00                                     |                              |
| Lincolnshire        |                                    | £42,750.00               |                                    |                                               |                              |
| Middlesborough      |                                    |                          |                                    | £4,310.00                                     |                              |
| Milton Keynes       | £19,870.00                         |                          |                                    |                                               |                              |
| N Tyneside          |                                    | £47,840.00               |                                    |                                               |                              |
| Newham              |                                    |                          |                                    | £3,160.00                                     |                              |
| North Yorkshire     |                                    |                          |                                    |                                               | £8,920.00                    |
| Sheffield           |                                    | £108,420.00              |                                    |                                               |                              |
| Suffolk             |                                    | £52,800.00               |                                    |                                               |                              |
| Surrey              |                                    | £60,350.00               |                                    |                                               | £1,140.00                    |
| Telford and Wrekin  |                                    |                          |                                    |                                               | £1,330.00                    |
| Thurrock Borough    | £23,160.00                         |                          |                                    |                                               |                              |
| Wandsworth          |                                    |                          |                                    | £4,000.00                                     |                              |
| Warwickshire        |                                    |                          | £33,410.00                         |                                               |                              |
| West Sussex         |                                    |                          | £39,470.00                         |                                               |                              |
| Wiltshire           |                                    |                          | £37,040.00                         |                                               |                              |
| Wokingham           |                                    |                          | £70,710.00                         |                                               |                              |
| Wolverhampton       |                                    |                          |                                    |                                               | £3,080.00                    |
| Worcestershire      |                                    |                          |                                    |                                               | £2,230.00                    |
| Wycombe District    | £23,000.00                         |                          |                                    |                                               |                              |

| ICT                |                        |                         |                |                |                   |                   |
|--------------------|------------------------|-------------------------|----------------|----------------|-------------------|-------------------|
| Council            | K-Com Group<br>£16.11m | Virgin Media<br>£70.88m | BT<br>£336.44m | SAP<br>£12.51m | Oracle<br>£14.93m | Agresso<br>£6.23m |
| Barnsley           |                        |                         |                | £1,110.00      |                   |                   |
| Bradford           |                        | £2,090.00               |                |                |                   |                   |
| Bristol            |                        | £2,510.00               |                |                |                   |                   |
| Cambridgeshire     |                        | £3,260.00               |                |                | £614.00           |                   |
| Cornwall           |                        |                         | £13,990.00     |                |                   |                   |
| Croydon            |                        |                         |                |                | £734.00           |                   |
| Cumbria            |                        |                         | £13,640.00     |                |                   |                   |
| Derbyshire         |                        |                         |                | £863.00        |                   |                   |
| Dorset             | £1,670.00              |                         |                |                |                   |                   |
| Durham             |                        |                         |                |                | £874.00           |                   |
| Ealing             |                        |                         |                |                |                   | £219.00           |
| Enfield            |                        |                         |                | £831.00        |                   |                   |
| ERYC               | £813.00                |                         |                |                |                   |                   |
| Hampshire          |                        | £7,000.00               |                | £1,250.00      |                   |                   |
| Kent CC            |                        |                         |                |                | £1,130.00         |                   |
| Kingston upon Hull | £2,020.00              | £5,440.00               |                |                | £821.00           |                   |
| Lancashire         |                        |                         | £20,600.00     |                |                   |                   |
| Lincolnshire       | £1,700.00              |                         |                |                |                   |                   |
| Middlesborough     |                        |                         |                |                |                   | £1,000.00         |
| Norfolk            |                        |                         | £14,320.00     |                |                   |                   |
| Northamptonshire   | £1,220.00              |                         |                |                |                   | £1,580.00         |
| Oldham             |                        |                         |                |                |                   | £260.00           |
| Portsmouth         |                        | £2,850.00               |                |                |                   |                   |
| Solihull MBC       |                        |                         |                |                | £920.00           |                   |
| Somerset           |                        |                         | £15,890.00     |                |                   |                   |
| South Tyneside     |                        |                         | £30,420.00     |                |                   |                   |
| Staffordshire CC   | £4,660.00              |                         |                |                |                   |                   |
| Stoke on Trent     |                        | £1,900.00               |                |                |                   |                   |
| Warwickshire       |                        |                         |                |                |                   | £196.00           |
| Wiltshire          |                        |                         |                | £658.00        |                   |                   |
| Wokingham          |                        |                         |                |                |                   | £235.00           |
| Worcestershire     |                        |                         |                | £599.00        |                   |                   |

| SOCIAL CARE            |                              |                                         |                     |                     |                                |                                 |                                          |                     |                      |
|------------------------|------------------------------|-----------------------------------------|---------------------|---------------------|--------------------------------|---------------------------------|------------------------------------------|---------------------|----------------------|
| Council                | Allied Healthcare<br>£75.19m | Nottingham Rehab<br>Supplies<br>£52.08m | Medequip<br>£79.87m | Care UK<br>£123.63m | BUPA Care<br>Homes<br>£165.07m | East Thames<br>Group<br>£15.95m | Accord Housing<br>Association<br>£11.22m | Sevacare<br>£41.96m | Millbrook<br>££32.43 |
| Barking and Dagenham   |                              |                                         |                     |                     |                                | £5,760.00                       |                                          |                     |                      |
| Birmingham             |                              |                                         | £12,840.00          |                     | £5,990.00                      |                                 | £1,390.00                                | £5,860.00           |                      |
| Bournemouth            |                              | £6,670.00                               |                     |                     |                                |                                 |                                          |                     |                      |
| Buckinghamshire        |                              | £7,000.00                               |                     |                     |                                |                                 |                                          | £5,700.00           |                      |
| Cambridgeshire         |                              | £4,630.00                               |                     |                     |                                |                                 |                                          |                     |                      |
| Central Bedfordshire   |                              |                                         |                     |                     |                                |                                 |                                          |                     | £1,840.00            |
| Coventry               |                              |                                         |                     |                     |                                |                                 | £363.00                                  |                     |                      |
| Croydon                |                              |                                         |                     | £8,390.00           |                                |                                 |                                          |                     |                      |
| Derbyshire             |                              |                                         | £8,990.00           |                     |                                |                                 |                                          |                     |                      |
| Ealing                 |                              |                                         | £2,530.00           |                     |                                |                                 |                                          |                     |                      |
| Epping Forest          |                              |                                         |                     |                     |                                | £650.00                         |                                          |                     |                      |
| Essex                  | £3,000.00                    |                                         |                     | £6,300.00           | £5,210.00                      | £3,030.00                       |                                          |                     |                      |
| Hammersmith and Fulham |                              |                                         |                     | £9,600.00           |                                |                                 |                                          |                     |                      |
| Haringey               |                              |                                         |                     |                     |                                |                                 |                                          | £2,380.00           |                      |
| Harvering              |                              |                                         |                     |                     |                                | £502.00                         |                                          |                     |                      |
| Hertfordshire          | £11,000.00                   |                                         |                     |                     | £8,410.00                      |                                 |                                          |                     |                      |
| Islington              | £3,000.00                    |                                         |                     |                     |                                |                                 |                                          | £2,450.00           |                      |
| Kent                   |                              |                                         |                     |                     | £5,010.00                      |                                 |                                          |                     |                      |
| Kirklees               |                              |                                         | £3,370.00           |                     |                                |                                 |                                          |                     |                      |
| Lambeth                | £4,000.00                    |                                         |                     |                     |                                |                                 |                                          |                     |                      |
| Lancashire             |                              |                                         |                     |                     | £5,250.00                      |                                 |                                          |                     |                      |
| Leicestershire         |                              | £6,060.00                               |                     |                     |                                |                                 |                                          |                     |                      |
| Lincolnshire           |                              | £5,130.00                               |                     |                     |                                |                                 |                                          |                     |                      |
| Newham                 |                              |                                         |                     |                     |                                | £3,150.00                       |                                          |                     |                      |
| Norfolk                |                              | £5,390.00                               |                     |                     |                                |                                 |                                          |                     |                      |
| Northamptonshire       |                              |                                         |                     |                     |                                |                                 |                                          |                     | £5,860.00            |
| Oxfordshire            |                              |                                         |                     |                     |                                |                                 |                                          |                     | £2,890.00            |
| Portsmouth             |                              |                                         |                     |                     |                                |                                 |                                          | £2,330.00           |                      |
| Reading                |                              |                                         |                     |                     | £5,470.00                      |                                 |                                          |                     |                      |
| Richmond               |                              |                                         |                     | £7,150.00           |                                |                                 |                                          |                     |                      |
| Solihull MBC           |                              |                                         |                     |                     |                                |                                 | £1,630.00                                |                     |                      |
| Somerset               |                              |                                         |                     |                     |                                |                                 |                                          |                     | £2,240.00            |
| Southwark              | £3,000.00                    |                                         |                     |                     |                                |                                 |                                          |                     |                      |
| Staffordshire          |                              |                                         | £6,440.00           |                     |                                |                                 | £4,460.00                                |                     |                      |
| Suffolk                | £3,000.00                    |                                         |                     | £14,010.00          |                                |                                 |                                          |                     |                      |
| Surrey                 |                              |                                         |                     | £9,400.00           |                                |                                 |                                          |                     |                      |
| Telford and Wrekin     |                              |                                         |                     |                     |                                |                                 | £358.00                                  |                     | £7,370.00            |
| Tower Hamlets          |                              |                                         |                     |                     |                                | £1,300.00                       |                                          |                     |                      |
| Walsall                |                              |                                         |                     |                     |                                |                                 | £2,600.00                                | £2,130.00           |                      |
| Warwickshire           |                              |                                         |                     |                     |                                |                                 |                                          |                     | £4,680.00            |
| West Sussex            |                              | £6,670.00                               |                     |                     |                                |                                 |                                          |                     |                      |
| Wiltshire              |                              |                                         | £5,560.00           |                     |                                |                                 |                                          |                     |                      |

## Strategic Supplier Management Project

- There was a lack of effective strategic supplier management, which meant councils were not maximising 'value for money' from the procurement of goods and services.
- Councils acted individually or at best with a small number of other partners. This fragmented approach potentially adds cost to the goods and services being procured.
- There were examples of councils learning from each other and collaborating, however, this is not as developed as it could be.

## Strategic Supplier Management Project

- Currently, local government is ‘not set up’ to enable the full benefits from ‘innovative approaches to service design’. The approach to procurement is a ‘prescriptive specification’ rather than the ‘outcome specification’.
- Local government is ‘data rich’. However, the extent to which the data can be used to support effective strategic supplier management is limited.
- There are wide variation in costs for the same/similar services from the same supplier.
- Suppliers do not always fully understand the ways in which the sector works or the financial restrictions it is facing.
- There are many sources of guidance on strategic supplier management, however, the extent to which this information is validated or accessible is questionable.

## THE NEXT STEPS

## Strategic Supplier Management Project

- Set out (in a practical toolkit) what councils need to do to support the next phase of the project.
- Develop a standard approach for delivering ‘value for money’ by assessing external tools and systems.
- Encourage the adoption of relevant and standard contracting models and discourage reliance on bespoke models.
- Work with the sector to co-produce reporting metrics and develop a central resource, such as Knowledge Hub (Khub) as a central repository.
- Map the current ways councils engage with each other including the systems, structures and mechanisms for knowledge exchange.



## Strategic Supplier Management Project

- Link with the relevant bodies and suppliers to develop a register that can be widely used by the sector.
- Encourage councils to work with their suppliers at the start of the process and during the design of the service. Link to the work on *'Encouraging innovation in local government procurement'*.
- Promote robust publication of data by encouraging councils to upload to the appropriate open data forums.
- Define how councils can develop their expertise in using data to inform future procurements.

## Strategic Supplier Management Project

- Encourage councils to use data to facilitate wider conversations between councils on specific spend areas over £5m.
- SSM specialists to lead the strategic relationship with a number of suppliers to secure better value for councils and improve the way services are delivered.
- Use KHub to bring together existing guidance and encourage the community to validate the information.
- Work with identified suppliers, trade bodies and the Crown Representative (where appropriate) to help them understand the sector's future needs.

# Strategic Supplier Management Project

## Q & A

## Questions for Workshop

1. Do you (your Council) recognise the points/issues raised in the findings?
2. Do you think your council will participate in the next phase of the project?
3. How do you feel about working more closely with the Crown Representative?