

Name of meeting: Corporate Scrutiny Panel
Date: 12th April 2019
Title of report: Procurement Update

Purpose of report

To provide members of the Corporate Scrutiny Panel with an update on the Transformation Procurement Project. The report is for information and comment.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Not applicable
The Decision - Is it eligible for call in by Scrutiny?	Not applicable
Date signed off by <u>Strategic Director</u> & name	Julie Muscroft
Is it also signed off by the Service Director (Finance)?	Not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Yes
Cabinet member portfolio	Cllr Graham Turner

Electoral wards affected: N/A

Ward councillors consulted: N/A

Public or private: Public

(Have you considered GDPR?)

Check ([Link to Report Template Guidance – please read before writing your report](#))

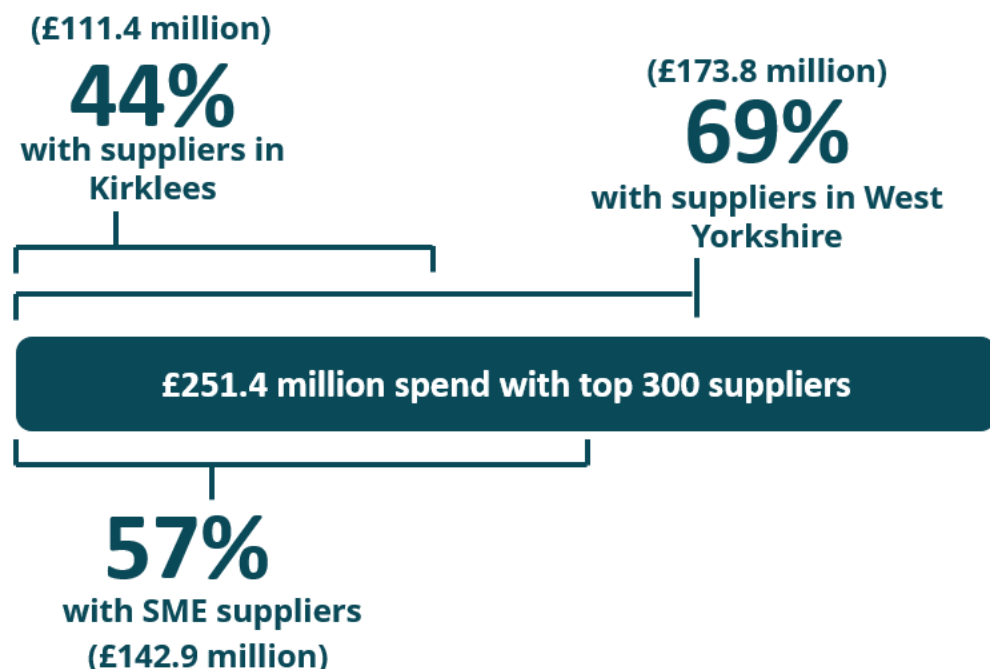
1. Summary

1.2 This paper provides a general update to the previous paper presented to Corporate Scrutiny Panel in August 2018 on the procurement transformation project and progress made to date.

1.3 **Social Value/Local Wealth Building**, update on activities;

- A final report has been published and subsequently promoted via a joint press release between Centre for Local Economic Strategies (CLES) and Kirklees Council (Appendix A); <https://cles.org.uk/press-releases/kirklees-council-steps-up-the-pace-on-local-wealth-building/>
- An update was received at Economy and Neighbourhoods Scrutiny Panel in January 2019
- An officer cross-departmental Social Value group has been formed and begun to consider the potential scope of work involved in implementing the report's recommendations.

Headline findings from Kirklees Council procurement analysis;



Method of Supply chain analysis as follows;

Kirklees Council supplied CLES with a list of the top 300 suppliers (by value of the contract) for financial year 2017/18. CLES analysed this procurement spend and particularly the extent to which spend is with organisations in three key geographical areas of focus;

- Kirklees – levels of spend within the Kirklees Council boundary;
- West Yorkshire – levels of spend within West Yorkshire, including the local authority boundaries of Bradford, Calderdale, Kirklees, Leeds, and Kirklees;
- Yorkshire and the Humber – levels of spend within the region.
- CLES utilised the spend with the top 300 suppliers for several reasons:
- The majority of spend (over 70%) is with this group;
- This a widely adopted scale of analysis, and will allow for comparisons to be made with other studies

1.4 **CLES Recommendations and next steps for Social Value (linked to procurement)**

- Recommendation 1 – create capacity to drive the local wealth building agenda
- Recommendation 2 – Procurement and spend; truly embed social value. To do this CLES recommend:
 - Review the Council Procurement Policy to ensure that social value is positioned as a key component. To provide clarity the Council should also develop:
 - A Social Value Framework (ideally organisation wide, rather than for the procurement department) to clearly articulate the social value priorities of Kirklees Council, and setting targets against all measures within the framework.
 - The other option here is that the anchor network (see Recommendation 6) develop a common framework – in this case the priorities of the framework should be decided by all partners;
 - The importance of social value must be backed up by clearly communicating the priorities of the framework to suppliers and partners and making it part of the decision-making process in tenders (including a weighting – which can be flexible depending on the nature of the contract);
 - Tracking suppliers' progress against social value pledges and targets by making it a condition of contract for them to complete a survey;
 - Further interrogating the perception of the supply chain, and the wider Kirklees business base around the ease of trading with the Council and how they can be best supported to deliver social value.
- Recommendation 3 – repeat the analyses to track progress
- Recommendation 4 – engage suppliers in areas of deprivation
- Recommendation 5 – further interrogate the findings of the influenceable spend workshop
- Recommendation 6 – establish an anchor network for Kirklees
- Recommendation 7 – support the VCSE sector to play a more active role

1.5 **Procurement measures**

The Council spends approx. £300m each year across both revenue and capital and it's the Council's responsibility to use this money in the best way possible to achieve its objectives. Accurate reporting of savings and added value will be increasingly beneficial as the Council continues plans to meet savings targets, in addition there is a requirement to demonstrate the significant part that can be played by procurement in supporting the delivery of services. Before a procurement starts, time taken to plan, research and analyse will add significant value to identify solutions that better meet the Council's needs.

Any savings recorded in the procurement measures remain as cash reductions within Directorate budgets to avoid double counting with the focus of procurement being utilised as an enabler across the Council.

Progress relating to the transformation tracker was discussed at the procurement scrutiny briefing in March 2019. Current projected 'savings' indicate achievement of £7.95m savings by April 2019. It was noted that this tracker was designed solely for the transformation activity that was undertaken with Deloitte and that the 'savings' were not solely attributable to procurement activities (particularly in respect of Temporary staff) and whilst for the purpose of the contract with Deloitte the benefits tracker will continue to be populated and monitored it was discussed that the focus had now turned to developing a new suite of procurement measures that complement our new ways of working.

The template (Appendix B) is a suite of internal measures and will be an iterative process. The template aims to give more transparency around how measures have been captured. The measures will be fully implemented in financial year 2019/20.

The measures focus on a range of qualitative and quantitative data covering the following areas;

1.6 Benefits

- Identifying financial savings using a clear rationale to indicate the type of savings (e.g. Price reduction, demand management)
- Added Value benefits; Demonstrating the added value/non cashable benefits achieved that link directly to the councils outcomes

1.7 Category Management

- Establishing category plans
- Risks; Proactively capturing, raising, managing, mitigating category specific risks and feeding information through to the corporate risk monitoring process
- Market trends; maximising the use of data and intelligence in order the category strategies add value by bringing knowledge of; market expertise, cost and price factors, supply chain pressures and options for models of delivery.
- Strategic Relationship Management; Identifying the top 10 high risk/high value suppliers in each category with a view to leveraging value from the relationship and creating value beyond the contract.
- Highlighting the benefits of category led approach through case studies

1.8 Compliance & Process Efficiency

- Predominantly quantitative measures to capture volumes (e.g. number of procurements, number of contracts held on the contracts register, number of suppliers, number of aborted procurements, number of legal challenges etc.)

1.9 Procurement staff

- Capturing skills and culture of the procurement team

1.10 Stakeholder and supplier experience

- Capturing a sense of how easy it is to bid for contracts and work with the team alongside providing opportunities to feedback and apply any lessons learnt

1.11 Supplier engagement

- Capturing the level and impact of proactive supplier engagement

1.12 Social Value

- Capturing the percentage of local spend at a Kirklees, West Yorkshire and Yorkshire & Humber level
- Capturing the percentage of spend with SMEs
- Evidencing the impact / benefits gained from the inclusion of social value criteria in procurement of goods, works and services.

There remains some challenges and interdependencies around the quality of our spend data and reporting mechanisms. Procurement are working with colleagues in the Intelligence Hub and HD-One to address this (and recruitment will be underway shortly for a procurement analyst).

1.13 A live example of the operating model in practice below for Workwear & Personal Protective Equipment (PPE);

Kirklees offers a large product range to its staff with an open catalogue policy. Arco, the incumbent supplier have indicated that in direct comparison to another key local government account holder that Kirklees offer significantly more in product range. The devolved nature of the contract has seen many stock management methods and differing levels of record keeping in relation to products given out. Lack of visibility of a contract manager has meant many differing approaches and no one consistent message being delivered throughout the existing contract to the supplier.

Work undertaken to date;

- Undertaken full data analysis of all items ordered (e.g. 17 different types of fleeces)
- Identified key stakeholders and engaged to understand business needs in future
- Undertaken soft market testing (electronic & bidders event- 60 organisations interested)
- Discussed challenges, opportunities and received feedback to shape specification
- Agreed with stakeholders to Job Profile workwear - rationalising and standardising where possible, appropriate to job role
- Anticipating 10% saving over the life of the contract (through procurement & contract management)
- Tender specification developed (workwear and PPE is currently out to tender)

Proposed added value within the new contract;

- Proposed contract will open up the tender to further competition in this highly competitive market going away from national framework (limited market).
- Proposed 4+2+2 contract will give us time for supplier relations to mature and should see further added value.
- The new contract will ensure control and standardised management methods through better IT functions on offer in the market (web based platforms)
- Core items, job profiles, and standardisation (where possible) will bring down product lines significantly and aid control throughout the council.
- Profiled roles and products to suit jobs undertaken (right kit for right jobs).
- Greater management functionality for; orders, delivery tracking, guarantees / warranty tracking / product lifecycle tracking.
- Business intelligence/Infographics/analytics will enable quick decisions and ease of use.
- Consolidated invoicing; reduced number of invoices will cut back office costs (less invoice processing).
- A contract manager has been identified for this role going forwards which should give an extra added value in terms of driving through compliance / discounts and contract performance and a greater relationship with the supplier.

Some further examples of demonstrating the impact of good procurement practice are highlighted below and in Appendix C

Provision of Mobile Voice and Data Connectivity

Aggregated procurement via Crown Commercial Services utilising the power of national aggregation to achieve value for money for the Councils provision of mobile voice and data connectivity for a two year period. Generating a 65% saving over the

2 year contact. Achieving lower fixed charges for mobile voice and increasing the monthly data bundle size to underpin the council's mobile and agile working plan delivered by IT.

Supply of Telecare Equipment Framework

Framework is a collaboration between Leeds, Kirklees, Hartlepool and Middleborough Councils (Leeds is the lead authority). Framework is renewed on an annual basis. Economies of scale were achieved as a result of this collaboration, with an estimated annual cost reduction of 20%.

Example of feedback received from suppliers

Early monitoring from 18 suppliers indicates on a scale of 1 to 10 in how easy it is to undertake business with the Council indicates an overall feedback score of 9.

Supplier feedback is reviewed by commissioners, contract managers and procurement staff to capture any lessons learnt pertinent to a particular procurement exercise, some example feedback below;

“Overall, all documents provided were very well presented and were efficient to use in terms of layout and completion.”

“Timing of the tenders coincided with quarterly contract monitoring requirements, which accumulated pressure on services.”

“The portal used was easy to follow and submitting the tender was straight forward.

Communication from Kirklees has been very frequent and helpful”

“From the supplier perspective, the YORtender web site is poorly designed and not at all intuitive”

1.14 Implementing the new procurement operating model

A number of recruitment activities have taken place, with staff formally joining and/or starting new roles in in September 2018, November 2018 and January 2019. There are still a number of vacancies to be filled and some procurement career progression paths to be developed.

Strategic Category Managers are in place for most of the categories and are taking ownership of their categories of spend. Category plans are being developed for the new financial year 2019/20. These are strategic working documents that will reflect high level procurement priorities, plans, challenges and opportunities that will be routinely reviewed, discussed and progress monitored at leadership meetings.

1.15 Brexit

Procurement are part of the Councils EU exit tactical working group and continue to share updates and preparedness at a local, regional and national level.

If the UK leaves the EU without a deal, the public procurement regulations will remain broadly unchanged. The regulations will, however, be amended to ensure that they remain operable and functional on exit. The key difference for contracting authorities will be the need to send notices to a new UK e-notification service instead of the EU Publications Office.

1.16 Procurement Scrutiny session March 2019

An interactive session took place on 1st March with Corporate Scrutiny Panel, Cabinet Portfolio Holder and colleagues from Procurement and Legal Services. The session covered an overview of progress to date with implementing a category led approach, an introduction to procurement, a number of recent case studies and a discussion around key challenges. (Appendix C)

1. **Information required to take a decision**
Report for information purposes only.
2. **Implications for the Council**
 - 3.1 **Working with People**
The work of the team in implementing our new approach to procurement is rooted in working with people and partners.
 - 3.2 **Working with Partners**
The work of the team in implementing our new approach to procurement is rooted in working with people and partners.
 - 3.3 **Place Based Working**
N/A
 - 3.4 **Improving outcomes for children**
Any improved outcomes for children will be recorded in the procurement measures.
 - 3.5 **Other (eg Legal/Financial or Human Resources)**
N/A
4. **Consultees and their opinions**
N/A
5. **Next steps and timelines**
To fully implement the internal procurement performance measures for the new financial year and to progress the work in relation to the social value recommendations.
6. **Officer recommendations and reasons**
That Scrutiny Panel members considers the information provided and determines if any further information or action is required. Feedback is particularly welcomed in relation to the social value recommendations and procurement measures.
7. **Cabinet portfolio holder's recommendations**
Not applicable
8. **Contact officer**
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9. **Background Papers and History of Decisions**
Corporate Scrutiny Panel, 31st August 2018; Transformation Procurement Project Economy and Neighbourhoods Scrutiny Panel 17th January 2019
10. **Service Director responsible**
Julie Muscroft, Service Director – Legal, Governance and Commissioning, First Floor (Executive Suite), Civic Centre 3, Huddersfield
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