

**Name of meeting:** Corporate Scrutiny Panel  
**Date:** 31<sup>st</sup> August 2018  
**Title of report:** Transformation Procurement Project

### Purpose of the report

To provide members of the Corporate Scrutiny Panel with an update on the Transformation Procurement Project and to ask for comment on measures of success for procurement

The report is for information and comment

<b>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?</b>	<b>Not applicable</b> .
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	<b>Not applicable</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Not applicable</b>
<b>Date signed off by <a href="#">Strategic Director</a> &amp; name</b>	<b>Julie Muscroft</b>
<b>Is it also signed off by the Service Director for Finance IT and Transactional Services?</b>	N/A
<b>Is it also signed off by the Service Director for Legal, Governance and Commissioning Support?</b>	<b>Yes</b>
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Cllr Graham Turner</b>

**Electoral wards affected:** N/A  
**Ward councillors consulted:** N/A  
**Public or private:** Public

## 1.0 Introduction

This paper provides an update to the previous paper presented to the Corporate Scrutiny Panel in December 2017 on the procurement transformation project and progress made to date.

The transformation journey continues to be led by the procurement team, with monitoring and governance through the transformation team and relevant boards. The support provided by the council's transformation partner Deloitte has concluded, this was a time limited and focussed activity.

The Contract Procedure Rules cover the procurement of all supplies (goods, works and services) and Income Contracts. The Contract Procedure Rules aim to promote the highest standard of probity, integrity and impartiality in making a clear, understandable and fair selection of suppliers and supplies to the Council.

EU Procurement Rules also apply to the procurement of all works, goods and services exceeding the EU Threshold

## 2.0 Background

As part of the Council's Transformation Programme, the procurement transformation project incorporated three core phases of work with Deloitte, the Council's Transformation Partner; **Data visibility**; rapid analysis of 24 months' of third party spend data to identify a baseline and key categories to prioritise optimisation

**Category Optimisation/Savings**; agile approach to identifying and realising potential saving opportunities in third party procurement spend

**Procurement operating model**; designing and agreeing a new, more joined up way of working for the Council's current devolved procurement activities

### Overarching / broader aims of the project

- Challenge and redefine how we procure goods, works and services across the Council to achieve the best outcomes for Kirklees citizens;
- Ensure that all third party spend is necessary and to commit to spending every pound wisely
- Support local economic growth through local spend; and
- Assess how changes to commissioning and procurement can stimulate local social value and contribute to good growth

### Category Optimisation/Savings

6 areas identified within the project for releasing potential savings opportunities in third party spend;

Temporary Staff	IT
Facilities Management	Travel and Transport (employee)
Professional Services	Children's Services

Savings target identified of £6.5m for above categories (excluding Children's Services) over a 3 year period, to be achieved by end of financial year 2019/20. Benefits tracker and reporting mechanisms in place to monitor progress

### Operating Model

The team considered a range of options and ultimately selected a model that is believed will deliver the greatest positive lasting impact. The proposed model has been tested with internal stakeholders, assessed against an indicative high level mapping, and benchmarked with a range of other authorities. The model seeks to create procurement expertise and excellence focused on core strategic categories, working hand in hand with service-based commissioners and operational contract managers

A change to the procurement operating model was endorsed at the Transformation Portfolio Board and scrutinised at Corporate Scrutiny Panel in December 2017

### Key Points; Current Position

## **Procurement Transformation Project Benefits Tracker**

Cumulative position at July 2018 indicates good progress showing £5.6m savings (and/or reduction in spend) achieved. £3.38m savings in financial year 2017/18. £2.22m savings achieved so far in financial year 2018/19

Savings are mostly attributed to positive results in the Temporary staff category as anticipated;

- Consistent pay scales for new workers under the Matrix contract went live in December 2017, year to date savings; £0.11m
- Off-contract spend has been monitored and reduced significantly with year on year comparisons, year to date savings/reductions in spend; £2.95m
- Contract / Matrix spend has been monitored and reduced significantly with year on year comparisons, year to date savings/reductions in spend; £1.31m

## **New procurement operating model**

Headline activities / progress;

Jan-April 2018; Engagement with key stakeholders on resourcing the operating model. Identifying any existing staff and agreeing resource requirements for the new procurement model

April 2018: Update to Transformation Portfolio Board on implementation timescales, resources required and approval to progress

April / May 2018; Updating and cleansing the existing Council-wide contracts register, validating records and designing functionality that enables a more comprehensive view and dashboard activity

June 2018; Recruitment to Strategic Category Manager Posts; due to start 01.09.18 (further recruitment activities underway)

March-July 2018; Engagement sessions on key topics

As part of designing the new procurement operating model a number of engagement sessions with staff have been held. These were open sessions, with the invitation extended across the organisation to ask colleagues to help shape, challenge and form the new model. 6 key topics were identified, 5 sessions held so far, key areas of focus highlighted below. The sessions have focussed on where are we now, what does good look like elsewhere and what does good look like for Kirklees in the new model. The outputs of the sessions have been captured in easy reference guides and templates which will be shared on the council's intranet.

## Strategic Category Management (March 2018)

Overview of the differences we expect to see in the new operating model

From (current)



To (future)



- Explored what does good strategic category management looks like and the benefits
- Discussed existing practices across the council; identifying any areas of good practice, e.g. activities to stop, start, or continue
- Early work on developing the category structures

## Procurement measures of success (April 2018)

- Discussed the new approach to performance management and identified any existing local, regional or national procurement related performance measures
- Explored examples of how procurement is measured in other areas and sectors
- Discussed and explored how different stakeholders for Kirklees will have multiple perspectives on what good looks like for procurement

## Procurement data and information (April 2018)

- Focussed on why is data important, what is out there, reflecting on what data is available currently and how we use it
- Highlighting the 6 categories of data that are important to procurement. Where do we obtain them? Reflection on data requirements for the new operating model
- Explored how we use data – how we link with the new intelligence hub; how data and information can inform decision-making

## Supplier Relationship Management & Managing Risks (May 2018)

- Discussed how we currently manage supplier relationships at Kirklees and how we identify strategic or critical suppliers
- Explored how we should build on existing supplier relationship management practices under the new procurement operating model
- Highlighted that as an active procurement function, working with a level of risk is unavoidable and an intrinsic part of balancing opportunities with effectively identifying and managing risks
- Explored how can we ensure a proportionate and well-structured response to risks that are identified through the Council's procurement and contract management practices

## Social Value

The Social Value Policy and Procurement Strategy have been identified as review priorities. Cabinet asked that the next Social Value Policy take a partnership approach to delivering social value outcomes. Cabinet also asked that social value outcomes be better delivered and evidenced in the Council's procurement, commissioning, and asset transfer and use decisions. Cabinet emphasised local spend as an important means to delivering social value outcomes locally but specified that any future local spend efforts must be based on local research and data.

Social value' here means the total impact of an activity on citizens' well-being through its social, environmental, and economic effects.

CLES have been commissioned to:

- Undertake supply chain analysis for financial year 2017/18. Exploring the extent to which spend is within our defined geographical boundaries – city-region, local authority, ward, and area of deprivation; the extent to which spend is with organisations in specific industrial sectors e.g. construction or manufacturing or financial services; and the extent to which spend is with particular types of suppliers e.g. SMEs or voluntary and community sector organisations.
- Undertake gap analysis and identification of 'influencable' spend. Identifying procurement spend which is leaking out of the Kirklees economy and identify areas that could be potentially 'influencable' e.g. potentially delivered by local organisations.
- Explore the wider local economic impact through the supply chain. Exploring supply chain asking about the extent to which they spend themselves within local economies upon suppliers and direct employees of their own to enable a baseline position to be derived as to the extent to which the supply chain re-spends within the Kirklees boundary;
- Identify and convene local anchor institutions (the largest asset-owners, employers, and spenders in the District) and undertake strategic interviews with up to six anchors to assess their activities and their appetite for a partnership approach that draws on our collective resources to maximise local impact and instigate cultural change across the District; and
- Produce a report on their findings with recommendations on further activities.

The procurement, supply-chain, and anchor work will provide us with a new methodology for collecting the data and intelligence on the local spend of the biggest spenders, employers, and asset-owners in the District and provide the local spend baseline as well as identifying opportunities to influence local spend based on CLES's experience with over 50 other local authorities.

Through their work with Preston, CLES helped Preston's anchors increase spend within Preston from 5% of total spend to 18.2% and within Lancashire from 39% to 79.2% (2012/13-2016/17). This approach to local spend is accountable and based on intelligence and data. It also meets Cabinet's requirement that the new approach will be partnership-focussed through the anchor partnership.

The Policy Team have set up a project team with colleagues from across the Council to ensure early input and buy-in from across the Council and for teams across the Council to

already identify opportunities to deliver and evidence social value outcomes, especially through local spend and anchor partnership work.

### West Yorkshire and York Shared Social Value Principles

As part of discussion through the Leeds City Region Inclusive Anchors projects, the local authorities in Bradford, Calderdale, Kirklees, Leeds, Wakefield and York and WYCA discussed a common set of core social value objectives that could be applied across their roles as anchor organisations and specifically within procurement.

These provide a consistent core framework that is built bottom up from policies within local areas and city region economic/industrial strategy, whilst allowing flexibility for tailoring for use in individual organisations. The principles are intended to be a resource which could be of value in:

- Developing individual local authority social value policies
- Providing a concise statement objectives that could be used within procurement – for example as an up-front statement goals within tender information for potential suppliers
- Summarising core goals whenever there is value in setting out a shared position

The following set of social value principles were agreed:

<b>Core Social Value Objectives</b> – to deliver benefits for	<b>Covers areas including</b>
<b>Local suppliers, SMEs and investment</b>	Opportunities for local suppliers Making contracts accessible to SMEs and social enterprises Investment in the local economy
<b>Access to employment opportunities</b>	Creation of jobs that are accessible in the local area New apprenticeships Employment of ‘new entrant trainees’ (e.g. unemployed or leaving education) Activity to build employability of disadvantaged groups
<b>Quality of jobs and fair pay and conditions</b>	Comply with working hours, holiday and sick pay rights Payment of foundation living wage (or progress to) Fair contracts (e.g. no abuse of zero hours contracts) Training and progression
<b>Skills, training and apprenticeships</b>	Workforce training and skills development Employing apprentices Work experience and traineeships Engaging with schools, colleges and HE
<b>Thriving Communities and reduced inequalities</b>	Inclusion and reduced inequalities Supporting and engaging with the voluntary/community sector Contributing positively to local communities Volunteering
<b>Good health and wellbeing</b>	Physical and mental health Wellbeing
<b>Environmental quality and good practice</b>	Carbon reduction and energy Air quality and minimising all forms of pollution Waste and resources Sustainable transport and active travel Quality places

## What does good procurement look like for Corporate Scrutiny Panel?

Appendix 1 details the outputs of the engagement session around measures of success. Please consider the appendix and comment on any specific measures of success that Corporate Scrutiny would expect or welcome in future reports and/or updates.

The key areas highlighted for potential measure of success were;

- Category Led Approach; evidencing that the new operating model is making a difference
- Added Value; evidencing value for money, savings and additional value generated through third party spend
- Social Value; evidencing impact and value through procurement activities
- Business as Usual Procurement; evidencing compliance, proportionality and efficient and effective procurement activities

## 3.0 Implications for the Council

- 3.1 Early Intervention and Prevention (EIP) – N/A
- 3.2 Economic Resilience (ER) - the new approach and work on social value and inclusive growth should impact positively
- 3.3 Improving Outcomes for Children – N/A
- 3.4 Reducing demand of services – N/A
- 3.5 Other (eg Legal/Financial or Human Resources) – N/A

## 4.0 Consultees and their opinions

N/A

## 5.0 Next steps

### Social Value

- Continue to explore, pilot and implement more social value through procurement processes (where appropriate) developing case studies that demonstrate new approaches and impact
- Results of supply chain analysis and gap analysis are anticipated in September/October 2018
- Phase 2 of this work could include developing a Social Value Framework that will help social value outcomes be delivered across Kirklees through the anchor partnerships.
- As the work progresses, concrete actions will emerge that help deliver the Shared Outcomes in the Corporate Plan in an accountable (measurable) way in line with the Council's Outcomes-Based Accountability agenda

### Operating Model

- Continue to work on implementation. Existing staff will realign on the 1<sup>st</sup> September 2018, and vacancies will be filled with planned recruitment activities.



- Progress category structures and work with colleagues in HD-One and Intelligence to detail ongoing data and reporting requirements
- Finalise measure of success for procurement and produce transparent monitoring mechanisms

#### Procurement Transformation Project Benefits Tracker

- Continue to monitor and track progress

### **6.0 Officer recommendations and reasons**

To note the contents of the report and comment on it, in particular to provide feedback in relation to measures of success for procurement (Appendix 1)

### **7.0 Cabinet portfolio holder's recommendations**

Not applicable

### **8.0 Contact officer**

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### **9.0 Service Director responsible**

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