

Report to Executive

Ward(s) affected: All wards

Report of Director of Resources

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Procurement Strategy

Executive Summary

This report outlines the key components of the Procurement Strategy 2020-2023 with the view to being formally adopted. The Strategy's primary objective is to support the Council in delivering its strategic objectives and to ensure that, in the procurement of goods, works and services, the very best value for money is obtained, namely, the required quality at the best price achievable.

Key highlights from the Strategy are:

- Understanding Spend Data
- Category Management
- New threshold for procurement advice
- Adoption of the Modern Slavery Motion
- Implementing Social Value

By formally adopting the Procurement Strategy, the right buying decisions will be made leading to significant savings and effective contracts being in place to deliver Council services.

Recommendation

That the Procurement Strategy 2020-2023 be adopted.

Reason for Recommendation:

In order to manage the Council's spend more effectively a strong Procurement function is necessary, the Procurement Strategy is required in order to support this.

Is the report (or part of it) exempt from publication?

Yes, paragraphs 5 and 6 of the Procurement Savings Strategy are exempt (Appendix 3)

- (a) The content of these paragraphs of the Strategy are to be treated as exempt from the Access to Information publication rules because they are commercially sensitive and are therefore exempt by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows: Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- (b) The content is restricted to all councillors.
- (c) The exempt information is not expected to be made public because it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- (d) The decision to maintain the exemption may be challenged by any person at the point at which the Executive is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

1. Purpose of Report

- 1.1 To note the Procurement Strategy, its importance and the planned approach going forward as the Strategy becomes formally adopted within the Council.

2. Strategic Priorities

- 2.1 Procurement supports the Council's Strategic Framework, in particular the Innovation theme as it encourages sustainable and proportionate economic growth to help provide the prosperity and employment that people need.
- 2.2 Procurement and Commissioning is a highly innovative work area which utilises technology and new ways of working to improve value for money and efficiency in Council services.

3. Background

- 3.1 The Procurement function currently sits within Financial Services in the Resources Directorate following the implementation of Phase A of Future Guildford. The Procurement team are supported by Legal services colleagues who ensure compliance with the Public Contracts Regulations (PCR 2015) and Procurement Procedure Rules (PPRs) as well as providing contract and commercial legal advice.
- 3.2 The Council's annual Procurement spend on goods, works and services is approximately £50 million and the top four highest value contracts currently being procured are outlined in Table 1 below:

Table 1 – Top four contracts currently being procured.

	Contract Title	Estimated Total Contract Value	Estimated Contract Start Date
1.	Midleton Phase 2/3 Construction	£7,000,000	1 July 2020
2.	Property Adaptations for Older/Disabled People	£3,250,000	1 August 2020
3.	New Domestic Refuse Collection Vehicles (RCV)	£3,008,698	15 May 2020
4.	Electric Minibuses	£820,000	15 June 2020
	Total Value	£14,078,698	

4. Procurement Strategy 2020-2023

4.1 The Procurement Strategy 2020-2023 attached as **Appendix 1** serves to support the Council in delivering its strategic objectives and to ensure that, in the procurement of goods, works and services, the very best value for money is obtained along with the required quality at the best price achievable.

4.2 The key themes of the Strategy are;

- Understanding spend data
- Category Management
- New threshold for procurement advice
- Adoption of the Modern Slavery Motion and implementing Social Value.

4.3 **Understanding Spend data:** Business World, the Council's new Finance and HR system due to go live on 1 July 2020 will enable access to spend data; a new list of procurement categories has been developed to classify expenditure against. This will enable spend data across the organisation to be readily available by supplier, contract, category or period. This information will form part of the initial approach to Category management.

4.4 **Category Management:** This involves analysis of spend data in pre-defined categories in order to make strategic buying decisions. Implementing category management techniques allow the Council to bring contracts similar in nature together into a single Procurement exercise where appropriate and to seek

opportunities to collaborate and/or develop shared services with other public bodies which maintain or improve quality but at a lower overall price.

- 4.5 **Threshold for Procurement advice:** The introduction of Business World will see the threshold for engagement with Procurement updated; the current threshold for three quotes is £10,000 and this will be amended to any spend over £1,500 requiring engagement with procurement. This does not necessarily mean quotes or Tenders are required in every case for spend over £1,500; it may be that there is already an existing Corporate contract or Framework agreement in place or another service or team are procuring the same requirement. The introduction of Business World will also trigger all new suppliers being subject to procurement approval. This is in order to rationalise the number of suppliers and sense check the need for the new commission.
- 4.6 **Modern Slavery Motion/Social Value:** Following a debate at full Council on 3 December 2019, the Modern Slavery Motion was adopted by the Leader in February 2020. It has committed the Council to embed measures into purchasing activity in order to respond to the rise in modern slavery in its safeguarding policy and procedures and sees this as an essential first step to tackling exploitation in Guildford. Tenderers have a 'pass/fail' requirement to adhere to in this regard before bids are considered.
- 4.7 Social value continues to play an important part in Procurement providing an opportunity for engagement with the community and involvement of local providers in bidding for work.

5. Procurement Savings Strategy

- 5.1 Part of the Future Guildford programme is to deliver substantial savings. The Procurement Savings Strategy has a target of £1.2 million annually by 2022.
- 5.2 The Procurement Savings Strategy, set out in **Appendix 2**, follows the principles of the overarching Procurement Strategy 2020-2023, with a category management approach to enable monitoring of spend by category, ensuring a joined-up approach and best value for money.
- 5.3 In order to identify the savings areas, supplier payments data for the last three financial years have been analysed and the selection of categories have been subsequently structured around the approach that will be adopted to generate sustainable savings. Six approaches to achieving the £1.2 million annual saving are outlined below:
- **Remove requirement:** fundamentally stopping the purchase of goods and services within a category.
 - **Review requirements:** reducing the purchase of good and services with a view to improving value for money across the organisation where duplication is evident and efficiencies can be straightforwardly made, or where alternative delivery methods are more suitable.
 - **Consolidation of suppliers and contracts:** centralising contracts to capitalise on economies of scale and ensure that the best terms of agreement for each supplier are consistently applied. Reduce off-contract spend

- **Negotiate better deal:** apply specialist knowledge in procurement and commissioning to drive down the cost of arrangements.
- **Contract management:** to ensure service level agreements are met and efficiencies are driven out of the contracts during the contract period.
- **Category strategy:** creation of a dedicated strategy to understand complex requirements across one or more areas; holistically re-structuring and aligning contracts.

5.4 The specific projects in progress as part of the Savings Strategy are outlined in Table 2 below

Table 2 – Savings Strategy Projects in Progress

Category	Annual saving target	Savings Approach	Workstream Update
Access security & Security services	£10,000	Consolidation of contracts and suppliers	Security provision is being reviewed collectively across the organisation and multiple contracts are being re-procured in a single exercise.
Cleaning, Hygiene Services	£20,000	Consolidation of contracts and suppliers	There are 12 cleaning contracts in addition to the inhouse provision which are being reviewed with the view to consolidate into a single contract/ smaller number of contracts.
Temporary Staffing	£75,000	Review Requirement	Temporary Staffing expenditure has been reviewed and off contract spend identified. Alternative suitable model is being re-procured.
Procurement Cards	£150,000	Review Requirement	Procurement card activity is being analysed and proposal will be brought forward to reduce expenditure and embed adequate governance.
Building Maintenance	£100,000	Category Strategy	Holistic review of approach across services including Corporate property and Housing is underway. Reactive Maintenance Framework to be procured.
Strategic Supplier: Civica	£15,000	Negotiate Better Deal	All spend and contractual agreements with Civica across the organisation are being analysed, in order to achieve a better deal and single contract negotiated.

Total annual Saving £370,000

6. Financial Implications

- 6.1 Procurement expenditure on goods, works and services is currently approximately £50 million per annum.
- 6.2 As part of the Future Guildford Programme, a savings target of £1.2 million has been assigned for delivery by the Procurement Team annually from 2022.

7. Legal Implications

- 7.1 As noted in this report, the Council's duties are:
- I. Compliance with the Public Contracts 2015 Regulations when procuring contracts valued above a threshold set by OJEU;
 - II. Ensuring compliance with the Council's PPRs.
- 7.2 The strategy also embeds into the Council's procurement processes, the requirements under the Modern Slavery Act 2015 and the Public Services Social Value Act 2012.

8. Human Resource Implications

- 8.1 In order to deliver the Procurement work Programme and Savings target as referenced in paragraph 5.1 above, an investment is necessary in Procurement staff. There is currently a reliance on interim staff who largely resource the Team.

9. Equality and Diversity Implications

- 9.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

10. Climate Change/Sustainability Implications

- 10.1 Following the Council declaring a Climate Change emergency, Procurement are looking at way to embed sustainable measures into procuring contracts and to potentially formally incorporate the Single Use Plastics Policy into contracts going forward.
- 10.2 A full update of the Procurement Procedure Rules (PPRs) is due in Autumn 2020 and sustainability measures will be included in this update and considered in procurement activity on a case by case basis where relevant meanwhile.

11. Conclusion

- 11.1 By adopting the Procurement Strategy 2020-2023, the Council will commit to delivering a robust approach to Commissioning and Procurement. Compliance will be achieved, the Procurement Savings Strategy delivered, and commercial opportunity maximised.
- 11.2 The Strategy will be reviewed periodically and a full update to the PPRs will be reported to Corporate Governance and Standards Committee (and full Council) in Autumn 2020, along with the Financial Procedure Rules (FPRs).

12. Appendices

Appendix 1: Procurement Strategy 2020-2023

Appendix 2: Procurement Savings Strategy

Appendix 3: Procurement Savings Strategy – RESTRICTED