

North Tyneside Council

Report to Cabinet

Date: 9 October 2017

ITEM 6(a)

Title: Procurement
Strategy 2017-2020

Portfolio(s): Finance and Resources

Cabinet Member(s): Councillor Ray
Glendon

Report from Service Area: Commissioning and Investment

Responsible Officer: Mark Longstaff, Head of
Commissioning and Investment

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Wards affected: All

PART 1

1.1 Executive Summary:

At its meeting on 10 November 2014 Cabinet agreed a programme of work to support the local economy in “Helping Business do Business with North Tyneside”. This was followed by development of a specific Social Value Policy for procurement, agreed by Cabinet at its meeting on 8 February 2016.

The outcomes of this work have been evaluated and are reflected in a new Procurement Strategy 2017-20, now presented to Cabinet for approval. This Strategy is an important part of delivering the Our North Tyneside Plan aims of helping to grow the North Tyneside economy by building on our strengths and supporting small and growing businesses; helping to ensure that North Tyneside is a great place to work; helping our people to be ready for work and life; and helping our businesses and manufacturers, the voluntary sector and partners to develop and expand.

As part of “Helping Business do Business with North Tyneside” the Authority has actively supported prompt payment by both North Tyneside Council and our strategic partners, with prompt payment terms now cascaded through the Authority’s supply chain. A range of measures to increase the opportunities for local suppliers to identify and win Council contracts have also been introduced, and local supply has increased significantly in both value and volume. An enhanced approach to Social Value gives the Authority additional opportunity to optimise outcomes from procurement, and can make it easier for smaller local businesses to compete for work. The new Procurement Strategy builds on previous decisions in each of these areas and introduces a range of new targets aimed at improving value for money, supporting the local economy and modernising procurement.

The Procurement Strategy 2017-20 therefore aims to set out:

- Where we are now in strategic procurement terms – what we have already achieved;
- Where we want to be, informed by the Our North Tyneside Plan and engagement with our stakeholders; and
- How we intend to get there, set out in a detailed Improvement Plan.

1.2 Recommendation(s):

It is recommended that Cabinet approves the Procurement Strategy for 2017-2020, attached as **Appendix A** to this report.

1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 16 January 2017.

1.4 Council Plan and Policy Framework

As set out in paragraph 1.1, the Procurement Strategy supports all priorities set out in the Our North Tyneside Plan, and the Creating a Brighter Future programme which supports delivery of that Plan.

1.5 Information:

The Procurement Strategy 2017-20 sets the framework in which the Authority will work to ensure that procurement delivers value for money and directly contributes to the achievement of our corporate priorities.

The Strategy reflects on what has already been achieved with regard to procurement, particularly a number of measures aimed at supporting suppliers (including small and local businesses) which want to do business with the Authority. The Strategy also looks ahead, and includes an Improvement Plan which highlights the actions we will take to further improve our procurement approach and evaluate how well we are doing.

The Procurement Strategy has been prepared with the input of a number of key stakeholders, including the North Tyneside Business Forum, North East Chamber of Commerce, representatives of the Voluntary and Community Sector, officers from the Procurement Service delivered by the Authority's business partnership (Engie), officers undertaking main purchasing and commissioning roles within the Authority, the Trades Unions, and our other main strategic partners (Capita and Kier North Tyneside). Some individual businesses which have participated in procurements involving evaluation of Social Value criteria (discussed further below) also kindly gave us feedback on improvements we might make to our approach to and use of Social Value in procurement.

1.5.1 Fairness, Transparency and Integrity in Procurement and Supply

The Council is committed to developing relationships with good employers who reflect the Council's own values of aspiring, enabling and delivering, and our own principles of fairness, transparency and integrity in procurement and supply. To this end the Council's standard tendering arrangements reflects this and included in our 'selection questionnaire' are a range of questions which looks to identify whether organisations;

- Comply with health and safety legislation
- Comply with equality legislation
- Comply with employment legislation
- Comply with the requirements within the Modern Slavery Act legislation
- Have been convicted of criminal activities such as corruption, fraud or money laundering.

In addition, it is also within the Council's standard terms of contract that our contractors must comply with payment legislation and pay their sub-contractors promptly. Where Social Value is included within procurements, contractors are expected to recognise and identify activity in support of our revised Social Value Priorities. These are linked to 'Our North Tyneside Plan' and the themes within the Authority's Creating a Brighter Future programme (see Annex A within the Strategy).

1.5.2 What has already been achieved?

(a) Supporting Local Supply

Cabinet recognises that the Authority's considerable spend on goods, works and services can have a major impact on local suppliers and the local economy, and has previously agreed a number of measures aimed at supporting businesses seeking to do business with North Tyneside. These have included:

- **Prompt payment** – quick payment to our suppliers has been a key feature of the Authority's approach to supporting our supply chain for several years. In 2016/17, the Authority paid 97.2% of invoices within 14 days and 98.96% within 30 days.

Cabinet also recognised that it would be beneficial for those businesses further along our supply chain – for example, sub-contractors to our main suppliers – if these prompt payment terms could be cascaded throughout the supply chain. In November 2014, Cabinet therefore agreed a change in the Council's contract conditions to mandate prompt payment through all stages of the supply chain, ahead of national changes in this regard.

As the Authority now delivers many of its services through major strategic partnerships, Cabinet also highlighted that these partners could also support local suppliers by improving their own payment terms. Following Cabinet's agreement that the Authority's major strategic partners should be encouraged to adopt prompter payment, both Capita and Kier North Tyneside have done so.

- **Increasing local supply** in the travel to work area. The number of local suppliers in the travel to work area has increased from 1,029 in 2011/12 to 1,372 in 2016/17. The percentage of local suppliers in the travel to work area has increased from 24% in 2011/12 to 43% in 2016/17. The value of spend with local suppliers in the travel to work area has increased from 34% in 2011/12 to 54% in 2016/17.
- **Supplier training events** are held each year, some of which are generic in nature and some of which are specific to certain procurement exercises. There were eleven events in 2015/16, and six in 2016/17.
- We have reviewed **financial thresholds and insurance levels** on a contract by contract basis – so not requiring unrealistically high thresholds on small contracts, or large insurance indemnity, where these are not warranted – making bidding more affordable for smaller suppliers.
- We have used **internet and social media** more effectively (e.g. publicising procurement opportunities on twitter).

There are other aspects of our work to support local supply which have not been as successful as we had hoped (such as the use of 'Quick Quotes', or breaking down contracts into smaller lots). We have included these areas in our Improvement Plan so

that we can understand better why these areas have not proceeded as planned. This is discussed in 'What does our Improvement Plan cover?' below.

(b) Social Value

Legislation introduced around the time of our previous Procurement Strategy (the Public Services Social Value Act 2012) requires the Authority to consider social value benefits where appropriate within procurements. Local Authorities within England and Wales have adopted differing approaches to this legislation.

A specific North Tyneside Social Value policy was established in early 2016. As we have come to understand the Act better, particularly how it has been applied in specific procurement exercises, we have reviewed our approach in consultation with key stakeholders. A proposed new set of social value priorities is included within the new Procurement Strategy. The new priorities are shorter and fewer – the aim being to make them easier to understand and therefore more helpful to suppliers. There is also a new template for responding to social value questions – to help suppliers focus on providing the right information easily and effectively to maximise social value outcomes.

1.5.3 The New Procurement Strategy – what were the key themes from engagement with our stakeholders?

Feedback on the draft Procurement Strategy has been positive and the majority of comments from stakeholders focused on opportunities for trading with the Authority, including:

- An aspiration that the Authority continues to trade as actively as possible with local suppliers, particularly small and medium sized enterprises (SMEs) and the voluntary and community sector
- An aspiration that the Authority and its partners continue to pay local suppliers throughout the extended supply chain promptly; but a comment that measuring and enforcing (particularly in respect of partners) can be more difficult, and hence any good practice in this regard should be shared with / sought from others in the region
- That bidding for public sector work (not just with North Tyneside) can be onerous and sometimes feels disproportionate to the value of the contract available; anything further than can be done to ease this would be welcome
- That the North East Procurement Organisation (NEPO) portal (the computer system used for advertising procurement opportunities) can be difficult for suppliers to use and bid for work; but that NEPO, as a regional body, can be effective in offsetting an emphasis on national frameworks or other 'off the shelf' solutions which are much harder for regional businesses to win work through
- That the definition of 'local' (encompassing suppliers in the 'travel to work area') is sensible and welcome
- That supplier training events are encouraged, and that there is an aspiration that these should be effectively targeted at sectors and types of business where there is the biggest opportunity to increase local contract wins (perhaps prioritising training to categories with the highest spend)

- The importance of sharing information between procurement and economic development teams, in order to use future procurement spend as a guide for where to target business support, and ensure the capabilities of local suppliers are understood by those designing procurement processes

Where these areas are already effectively addressed through existing arrangements, such as our approach to prompt payment, these will continue. Where we think that we can do better, we have included this as an action in our Improvement Plan within the Strategy.

1.5.4 What does our Improvement Plan cover?

Our Improvement Plan seeks to set out in plain English what else will be delivered, to support the Our North Tyneside Plan and to respond to the feedback which we have received. We have grouped these actions into headings suggested by the National Procurement Strategy 2014. This includes:

<p>(a) Making Savings, and Delivering Value for Money</p>	<ul style="list-style-type: none"> • Implementing full category management (organising procurement to focus on specific areas of spend, allowing detailed analysis of the market and optimising procurement outcomes accordingly) • Maximising procurement support for the commissioning process • Introducing price benchmarking • Establishing a procurement savings delivery programme and savings capture process • Assessing how we can determine whether “we can do it for ourselves” before procuring externally • Reviewing our approach to contract management, and identifying the potential for contract renegotiation • Monitoring relationships with our top 150 suppliers
<p>(b) Supporting the Local Economy</p>	<ul style="list-style-type: none"> • Implementing and further evaluating our new approach to Social Value, making it easier for smaller local businesses to bid and compete successfully for work • Implementing a development programme for suppliers – including Small and Medium Enterprises (SMEs) the Voluntary and Community Sector (VCS) • Increasing procurement engagement with Business Forums • Reviewing ‘Quick Quotes’ • Reviewing Local Supply – Travel to Work Area and SMEs • Developing a ‘one-stop’ document – supply opportunities with the Authority, and with our partners
<p>(c) Leadership</p>	<ul style="list-style-type: none"> • Monitoring implementation of our Commercial and Procurement Principles • Developing our procurement competencies • Developing and implementing a procurement training programme • Leaving the European Union – monitoring and evaluating any impact on procurement

<p>(d) Modernising Procurement</p>	<ul style="list-style-type: none"> • Improving our procurement data and ongoing spend analysis • Establishing procurement data ‘dashboards’ and closer reporting of finance and procurement data • Streamlining procurement processes • Developing our forward buying plans and pipeline of contract renewals • Evaluating our use of E-Procurement • Reviewing our use of NEPO • Procure to Pay – reviewing our use of purchase cards
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1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

To approve and adopt the new Procurement Strategy for 2017-2020.

Option 2

Not to approve and adopt the new Procurement Strategy for 2017-2020.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reason:

The Procurement Strategy builds on the foundations already established by Cabinet to support ‘business do business with North Tyneside’. It also responds directly to the feedback which has been provided by stakeholders as we developed the Strategy.

The Strategy also recognises the important role of procurement activity in helping to secure optimum value for money as the Authority seeks to deliver within a reduced budget while managing increasing demand.

If Cabinet decides not to approve the Procurement Strategy, then the Authority will not have a clear vision and direction for procurement for the next three years.

1.8 Appendices:

The Procurement Strategy for 2017-2020 is attached as **Appendix A** to this report.

1.9 Contact officers:

Allison Mitchell, Senior Manager: Audit Risk & Procurement, 0191 643 5720

Marc Oldham, Senior Auditor, 0191 643 5711

Alison Campbell, Senior Business Partner, 0191 643 7038

1.10 Background information:

The following background papers have been used in the compilation of this report and are available at the office of the author.

- [North Tyneside Council Procurement Strategy 2013-2017](#)
- [Helping Business do Business with North Tyneside 2014](#)
- [National Procurement Strategy for Local Government in England 2014](#)
- [Public Services \(Social Value\) Act 2012](#)
- [The Public Contracts Regulations 2015](#)
- [North Tyneside Council Social Value Policy 2016](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no direct financial implications arising from this report. The Procurement Strategy proposes actions to be actively pursued where they are seen to achieve overall value for money, with the objective of supporting the Our North Tyneside Plan, Creating a Brighter Future programme and reflecting our Target Operating Model principles.

2.2 Legal

The Procurement Strategy reflects all legislative requirements currently in force for procurement activity, and recognises that further legislative changes (such as those associated with the UK's decision to leave the European Union) are likely and will need to be monitored throughout the life of the Strategy.

2.3 Consultation/community engagement

- 2.3.1 Consultation has been undertaken with North Tyneside Business Forum, the North East Chamber of Commerce, representatives of the Voluntary and Community Sector, the Authority's Procurement Service (delivered by Engie), officers within the Authority involved in purchasing and spend decisions, the Trades Unions, and the Authority's other main strategic partners (Capita and Kier North Tyneside).

Consultation on the proposed Social Value priorities, an appendix to the Procurement Strategy, has also been undertaken with two businesses which had participated in procurements involving social value evaluation criteria, and who were therefore well placed to offer feedback.

It is proposed that regular consultation takes place throughout the life of the Strategy, utilising established forums already attended / supported by the Authority's Business and Enterprise team and Community and Voluntary Sector Liaison Team.

The Cabinet Member for Finance and Resources is the sponsor for the Procurement Strategy, while the Head of Commissioning and Investment is responsible for maintaining, monitoring and developing the Strategy.

2.4 Human rights

There are no human rights implications arising directly from this report.

2.5 Equalities and diversity

There are no equalities and diversity implications arising directly from this report.

2.6 Risk management

Following a risk assessment there are currently no risks attached to this report. If any risks do arise in the future they will be managed in accordance with North Tyneside's usual risk management processes.

2.7 Crime and disorder

There are no crime and disorder implications arising directly from this report.

2.8 Environment and sustainability

The approval of this Procurement Strategy will help to promote sustainability and carbon reduction through our procurement approach. The strategy supports local procurement, which can help to reduce transport related carbon emissions of procured goods and services, and the strategy also supports the Authority's approach to reusing items the Authority already owns rather than purchase of new products.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy