



## **Procurement Strategy 2019 - 2021**

***“To work in partnership with internal and external stakeholders to optimise the cost and quality of 3<sup>rd</sup> party good, services, utilities and works. This will be achieved by providing a first class procurement service, professionalising sourcing decisions and effectively managing demand, stakeholders and suppliers”***

## Introduction:

The council spends in excess of £600m annually, delivering works, goods and services for the residents of West Sussex. This creates a vital opportunity for the council to contribute significantly to economic, environmental and social gains, through a well planned and executed procurement and commissioning process.

Whilst commissioning and procurement can often be seen as separate activities, they are in fact inter-related functions. These functions are at the centre of what the council does and West Sussex County Council will work to create and implement best practices, increase collaboration and ensure a consistent and common approach to commissioning and procurement.

## Foreword:

*“This Procurement Strategy sets the framework in which West Sussex County Council will work to ensure that procurement delivers value for money across all services and directly contributes to the achievement of our strategic goals.*

*Delivering value for money is at the heart of what procurement does. Surveys of council residents have shown that there is a direct link between the way the council operates and the value for money it delivers. As such, procurement excellence across the entire procurement lifecycle is essential to delivering effective value for money services to the 830,000 plus residents of West Sussex.*

*I am proud to present this refreshed procurement strategy for West Sussex Council, which presents the key themes required for our procurement transformation journey over the next 3 years.”*

**Katharine Eberhart**, Director of Finance, Performance and Procurement



## Strategic Overview:

The National Procurement Strategy for Local Government in England (2014) highlights the need for the Procurement function to be regarded as a key strategic component of Council development. The vision set out for local government encourages all councils in England to engage with the delivery of outcomes in four key themes;

1. Making Savings
2. Leadership
3. Supporting Local Economies and
4. Modernising Procurement

As such the West Sussex County Council procurement strategy aligns to this National vision and sets out the transformation journey required to achieve this. The purpose is to promote the procurement vision and provide guidance to support the delivery of better outcomes for our customers through more effective strategic procurement.

## Vision of Procurement and Contract Management:

To work in partnership with internal and external stakeholders to optimise the cost and quality of 3rd party goods, services, utilities and works. This will be achieved by providing a first class procurement service, professionalising sourcing decisions and effectively managing demand, stakeholders and suppliers

## Purpose of Procurement:

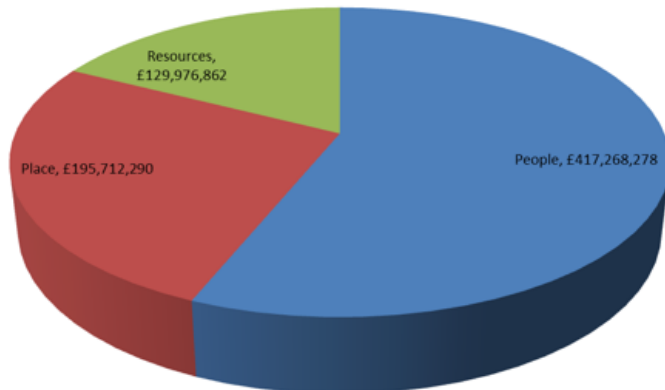
*“Procurement is the whole process of acquisition from third parties and covers goods, services and construction projects. This process spans the whole life from the initial concept and definition of business needs through to the end of the useful life of an asset or end of service contract”*

**Peter Gershon – Gershon Review**

Put simply the purpose of the procurement function is to ensure that West Sussex County Council make commercial arrangements and award contracts that provide the council with optimal Value for Money. This ensures resources are used in a way that provides the best possible social value to our 830,000+ residents.

# Scale of Procurement:

Figure 1: Spend Figures relate to 2017 – this spend total covers all non-pay spend, which includes our revenue budget, capital budget and key grants.



To reflect the entire spectrum and complexity of spend, the procurement function will undergo a re-structure to reflect the 3 main categories of spend.

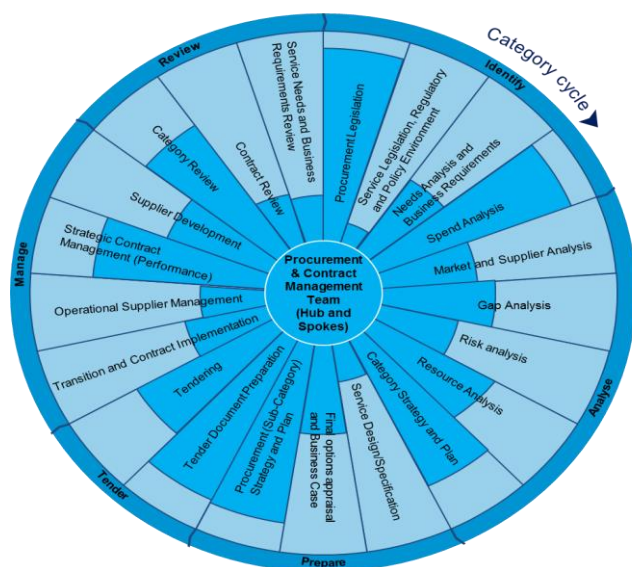
The restructure will ensure that category leads and resources are aligned to the key categories of People, Place & Resources.

# Commissioning and Procurement Process:

Commissioning is the process of ensuring that outcomes identified in the council’s needs analysis, are delivered through the right service, and the right models of delivery (whether public, private or other sectors through voluntary service sector, or through social enterprises)

The West Sussex procurement strategy takes into account the need for the procurement function to be involved in the commissioning process, from inception and specification stage though to contract management and exit. The following outlines the role of procurement within the commissioning process:

Figure 2: Division of responsibility between commissioning and procurement process



The Procurement and Contract Management Team will operate across the whole Category Cycle.

The balance of responsibility for activities in the Category Cycle varies throughout, but involves continuous engagement between the Procurement and Contract Management Team and operational business users and service areas.

- Procurement Team
- Service Area: commissioners, service owners, operational managers

## Contract Management:

Effective contract management is essential to ensure the council's interests are protected. When a contract is agreed, suppliers need to be managed to ensure they deliver to what has been agreed and that they are operating in line with expectations.

Specification gaps, price, risk and terms of engagement can all be exploited by suppliers if they are not managed correctly. However, a clearly expressed contract with clear expectations and outcomes can ensure a supplier performs as required.

Therefore, to minimise risk, a clear contract management framework, with all associated documentation and templates will be established at West Sussex County Council. The new framework will support the commissioning process by providing clear guidance as to the roles and responsibilities within the contract management process – both within the Procurement team and across the council.

## Procurement Alignment with Council Strategies:

Throughout all procurement planning and activity there is recognition for the role that procurement can play in delivering policy and strategy for the council.

Each theme outlined in the procurement plan is designed to support and align with the following council strategies and policies:

- The West Sussex Plan 2017 -2022
- Commissioning better outcomes for West Sussex
- Sustainability Action Plan
- Fraud and Corruption
- Data Protection
- Equality and Inclusion
- The West Sussex Compact

More information on the council strategies and policies can be found at:

<https://www.westsussex.gov.uk/about-the-council/policies-and-reports/corporate-policy-and-reports/>

# Procurement Challenges and Opportunities:

The procurement function at West Sussex faces a number of challenges and opportunities to delivery of the service. These challenges and opportunities can be grouped into themes which align to The National Procurement Strategy for Local Government in England (2014):

- Theme 1: Making savings in the face of budgetary pressures
- Theme 2: Providing leadership by delivery policy through procurement
- Theme 3: Supporting the local economy
- Theme 4: Modernising the procurement function

## *Theme 1: Making Savings*

This means using spending power wisely and strategically and setting targets for procurement and contract management by the effective use of:

- Category Management
- Contract and Supplier Management
- Demand Management

### **Category Management:**

Category Management in procurement can help to reduce the cost of buying goods and services, reduce risk, improve overall value from the supply base and gain access to more innovation from suppliers. It is a strategic approach that focuses on the vast majority of organisational spend on both services and supplies and if applied effectively seeks to reduce demand, simplify the way we buy and aggregate spend across the entire organisation or multiple organisations. The results can be significantly greater than traditional transactional based purchasing.

West Sussex County Council will adopt a category management approach which splits the procurement spend into 3 distinct areas of spend: People, Place and Resources.

Actions Required:	Measuring Success:
<ul style="list-style-type: none"><li>• Invest in category managers and additional procurement resources</li><li>• Validate the main spend categories and have a clear category management strategy in place to ensure value for money (VFM) for these categories of spend</li><li>• Review existing framework arrangements at early stages of procurement to reduce duplicated effort</li><li>• Recognise the benefits from engaging with a collaborative approach and ensure timely publication of data to ensure a robust analysis can take place</li></ul>	<ul style="list-style-type: none"><li>• Category managers recruited and additional procurement resources aligned to new operating model</li><li>• Spend categories validated and clear category strategy developed and signed off by key business partners</li><li>• Optimise use of collaborative framework</li></ul>

## Supplier and Contract Management:

West Sussex County Council spends significant and increasing amounts via contracts with suppliers. We need to be more effective in contract and supplier management to ensure we maximise both the opportunities for additional income generation and the potential savings these bring. Contract management is more than ensuring suppliers meet their contractual obligations, it can also help us to identify and manage our own and our suppliers' risks, and achieve savings and continuous improvement throughout the life of the contract.

Contracts will be categorised into Strategic; Business Critical; Operational and Transactional as set out below. This will be undertaken against a scoring matrix criteria which includes; level of spend; risk; value; complexity and opportunity.

Strategic – Typically, these contracts are long term and have senior management backing. They offer greater opportunities to bring innovation and additional value. Contract management of the outcomes including performance are managed closely with regular reviews.

Business Critical – Typically these contracts are short to medium term with a focus on risk management. Senior leadership is involved as needed. Contract management of the outcomes are focussed on performance against key operational risk and deliverables.

Operational and Transactional – Typically, a short term with minimum senior leadership involvement. Contract management is reactive and simplified into periodic review.

Actions Required:	Measuring Success:
<ul style="list-style-type: none"><li>• Integrate contract management within the council's procurement and commissioning model</li><li>• Invest resources in developing and sustaining a capacity for good contract management</li><li>• Demonstrate efficiency savings through better contract management</li><li>• Scrutinise strategic contracts post award and ensure benefits are achieved and risks managed</li><li>• Monitor and enforce spend compliance where associated contracts are in place</li><li>• Categorise key suppliers</li></ul>	<ul style="list-style-type: none"><li>• Contract managers recruited and additional procurement resources aligned to new operating model</li><li>• Performance tracked and recorded against each new major contract</li><li>• Key supplier categorisation conducted and completed</li><li>• Active risk management for strategic and business critical contracts</li></ul>

### **Demand Management:**

We need to better understand, manage and reduce demand, addressing several outcomes through provision of services that better targets scarce resources and shifts away from 'universal' services approach including reducing the levels of services provided. Demand management changes the roles and relationships between service provider and customer. Procurement and commissioning teams should understand and find alternative ways of meeting customer needs. Demand management practices often involve changing the respective roles of provider and customer and the relationship between them, such as by promoting independence, facilitating peer to peer support and by empowering customers to decide how budgets are spent.

Actions Required:	Measuring Success:
<ul style="list-style-type: none"><li>• Build in a demand management approach before procurement begins</li><li>• Ensure procurement and commissioning strategies and processes take account of demand management techniques</li><li>• Involve procurement teams at an early stage in developing alternative ways to meet demand</li></ul>	<ul style="list-style-type: none"><li>• Gain full visibility of pipeline spend and budgetary plans for the year ahead</li><li>• Work collaboratively with the commissioning teams to ensure strategies take account of demand management techniques and emerging best practices</li><li>• Early visibility of new projects at conception stage</li></ul>

## *Theme 2: Leadership*

The leadership theme falls into two categories. Leading in helping to shape the strategic commissioning approach and leading the delivery of a new, up-skilled procurement function.

### **Strategic Commissioning:**

Best practice councils are increasingly using a strategic commissioning approach to the delivery of services for their communities. There has been a lot of debate on definitions of and distinctions between 'commissioning' and 'procurement', this strategy recognises that procurement is a core part of a commissioning cycle.

It involves early stakeholder engagement, assessing the impact on relationships and linkage with services internally and externally, options appraisal and the critical 'make or buy' decision and determining the appropriate procurement strategy and route to market.

In order to make the most of our influencing role, there needs to be early and stronger engagement with markets, and in particular with commissioners of services, to decide on whether a procurement route is the best option for the service being commissioned.



Procurement staff should use their understanding of existing markets to help commissioners make a value for money decision and, if necessary, to help consultation with the market to appraise the potential delivery models, within the fairness and transparency rules.

Actions Required:	Measuring Success:
<ul style="list-style-type: none"> <li>• Early visibility of new projects at conception stage</li> <li>• Work with suppliers and business stakeholders to better understand new models of service delivery, e.g. mutual, trading, and outsourcing.</li> <li>• Clear RACI between procurement and commissioning</li> </ul>	<ul style="list-style-type: none"> <li>• Early stage engagement of procurement with new commissioning projects</li> <li>• RACI agreed between procurement and commissioning</li> <li>• Roadmap of service delivery model</li> </ul>

**Procurement Training:**

Procurement should be engaging with the development and delivery of commercially-focused training. This might include professional training e.g. through CIPS, as well as more technical skills-focused training. Procurement should also be considering succession planning through apprenticeship programmes which encourage entry into the profession.

Actions Required:	Measuring Success:
<ul style="list-style-type: none"> <li>• Invest in officers having the professional, leadership and interpersonal skills required to deliver objectives through better procurement.</li> <li>• Implement a transformation programme that takes into account the new context and models for good procurement</li> <li>• Invest in developing commercial skills including costs and profit, the market and service quality, relationship building and renegotiation skills</li> <li>• Engage with training on new EU Procurement Directives</li> </ul>	<ul style="list-style-type: none"> <li>• Budget for new procurement function and training budget agreed</li> <li>• New tools and templates, aligned to best practice, available for procurement team</li> <li>• Individual training plans in place for procurement team members</li> </ul>

## Theme 3: Supporting Local Economies

Procurement must focus on providing the maximum benefit into our communities from every taxpayer pound that is spent and with our economic development role, take responsibility for generating economic, environmental and social growth in our communities.

The Public Services (Social Value) Act of 2012 requires councils to consider social value in all services contracts with a value above the EU threshold. Social Value can mean many different things, for example the inclusion of targeted recruitment and training opportunities in public contracts that can make a contribution to addressing the issue of poverty and reduced social mobility.

WSSC are a Level One Disability Confident Committed Authority and incorporate that commitment as an employer and through our Procurement activities. We have updated our selection process to include assessment to this standard. Additionally, expectation is set with our suppliers to be or become at least a level one Disability Confident Committed employer themselves. Further to this, we will engage with our existing key suppliers, encouraging similar commitments, if not already part of their corporate social responsibility policies

Procurement is in a position to support the delivery of the West Sussex Plan 2017 – 2022 via procurement delivery across the following areas: economic, environmental, social.

Actions Required:	Measuring Success:
<p><b>Economic: <i>Improving the local economy</i></b></p> <ul style="list-style-type: none"> <li>• Ensure tender processes do not exclude small and medium size suppliers</li> <li>• Consider economic impact of procurement decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Tender templates that enable small and medium businesses to take part in tender process</li> <li>• Economic impact review for all major tender activity</li> </ul>
<p><b>Environmental: <i>Reducing our impact on the environment</i></b></p> <ul style="list-style-type: none"> <li>• Build in sustainability into the whole procurement cycle (if appropriate)</li> <li>• Reduce carbon emissions by ensuring supplier awareness of environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Tender templates to include sustainability value section</li> <li>• Communities and business can take advantage of green economy</li> <li>• Reduction by half in carbon emissions</li> </ul>
<p><b>Social Value: <i>Making West Sussex a better place to live</i></b></p> <ul style="list-style-type: none"> <li>• Consider ethical issues, including fair pay, zero hours contracts, child labour and animal testing throughout the supply chain</li> <li>• Procurement and commissioning consider social value in decision making process</li> </ul>	<ul style="list-style-type: none"> <li>• Tender templates to include social value section criteria</li> <li>• Social value considerations review for all major procurements</li> </ul>

## Theme 4: Modernising Procurement

Recognising the importance of political drive and vision behind increasing commercial activity to drive financial self-sufficiency, there is an increasing role for procurement in commercialisation and income generation. Renegotiation of existing contracts could be a useful source of further savings or income but procurement officers need to see each new contract they negotiate as an opportunity for a more commercial approach which may also include, exploiting assets, selling services and understanding and reducing costs through cost/benefit analysis

In order to get best value from the market, the best councils are encouraging supplier innovation via the use of technology.

Modernising the procurement function will look at two key areas; technology use and data and reporting.

**Technology:** A wide range of e-procurement tools already exist, for example e-marketplaces, e-tendering and e-invoicing. We should be looking to realise the benefits from e-invoicing and should now be encouraging suppliers to embrace this technology at the earliest opportunity.

Actions Required:	Measuring Success:
<ul style="list-style-type: none"> <li>• Use electronic means for tendering processes in line with EU Directives</li> <li>• Implement e-invoicing and move quickly to realise benefits of 100% take-up</li> <li>• Set a performance target and report on value and time to pay via e-invoicing</li> <li>• Consider making e-invoicing a contractual requirement</li> <li>• Develop a technology roadmap for procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Technology roadmap in place</li> <li>• E-sourcing system live and used by procurement team</li> <li>• Monthly reporting on e-system usage</li> <li>• e-invoicing standard within contractual templates</li> </ul>

**Data and Reporting:** In order to operate effectively, the procurement function must have access to supplier spend data and reporting. This enables the council to be a more intelligent customer and make more informed procurement decisions.

Actions Required:	Measuring Success:
<ul style="list-style-type: none"> <li>• Use dashboards for reporting of procurement spend</li> <li>• Receive regular reporting from key suppliers and categories</li> <li>• Implement minimum reporting standard</li> </ul>	<ul style="list-style-type: none"> <li>• Dashboards in place for key categories and spend</li> <li>• Monthly reporting received from suppliers</li> </ul>

## Key Performance Indicators Procurement Plan:

Sub Theme	Measure	2019/20	2020/21 >>
Category Management	Category managers recruited and additional procurement resources aligned to new operating model	Team in place and established	High performing team
	Spend categories validated and clear category strategy developed and signed off by key business partners	Strategy Launched	Strategy monitored and evaluated (benefit realisation)
	Percentage of addressable spend under contract	Validate and establish baseline	Strategy developed to address off contract spend
	Savings Delivered – Cost and Efficiency Gains based on Value for Money	Savings target for function	Savings targets per category
Contract and Supplier Management	Contract managers recruited and additional procurement resources aligned to new operating model	Team in place and established	High performing team
	Engaging Strategic Suppliers	Categorise contracts and develop a programme of engagement with strategic suppliers	Deliver additional value
	Better and more consistent management of contracts and relationships	Implement a contract management framework and track performance/SLA management	Maintain effective Evaluate the effectiveness of the Contract Management Framework
	Managing Strategic Risk	Provide oversight of risk for strategic and business critical contracts	Evidence active risk management for strategic and business critical contracts

	<b>Engaging Elected Members</b>	Establish periodic review of contract management for elected members	Evaluate effectiveness of member oversight of contract management
	<b>Contract Register</b>	All major contracts recorded and tracked within new eSourcing technology	All contracts; captured, recorded and tracked in eSourcing technology
	<b>Key supplier categorisation conducted and completed</b>	Supplier relationship management strategy and schedule developed and launched	Supplier innovations captured for key service areas
<b>Demand Management</b>	<b>Gain full visibility of pipeline spend (including existing contracts) and budgetary plans for the year ahead</b>	Pipelines with 80% spend visible	Pipelines with 95% spend visible
	<b>Work collaboratively with the commissioning teams to ensure strategies take account of demand management techniques and emerging best practices</b>	Commissioning strategy inputs developed	Commissioning strategy inputs implemented
	<b>Early visibility of new projects at conception stage (including commissioning plans)</b>	Procurement engaged and influencing	Procurement fully integrated into decision process
<b>Strategic Commissioning</b>	<b>RACI agreed between procurement and commissioning</b>	RACI developed	RACI implemented
	<b>Roadmap of service delivery models</b>	Roadmap developed	Roadmap implemented
<b>Training and Development</b>	<b>New tools and templates, aligned to best practice, available for team</b>	Tools and Templates in central location	Tools and templates in use
	<b>Procurement &amp; Contract Management guidance to the business</b>	Establish guidance and distributes	Evaluate guidance and compliance

	<b>Individual training plans in place for procurement team members (as part of development plans)</b>	Training plans developed	Training plans in place and used
<b>Improving Local Economy</b>	<b>Tender templates that enable small and medium businesses to take part in tender process</b>	Templates developed	Templates in use
	<b>Economic impact review for all major tender activity</b>	Impact considered	Impact measured
<b>Reducing Environmental Impact</b>	<b>Tender templates to include sustainability value section</b>	Templates updated	Templates in use
	<b>Communities and business can take advantage of green economy</b>	Targets set	Targets being monitored
	<b>Reduction by half in carbon emissions</b>	Targets Set	Targets being monitored
<b>Making West Sussex life better</b>	<b>Tender templates to include social value section</b>	Templates designed and launched	Templates in use
	<b>Social value considerations review for all major procurements</b>	Policy document developed	Policy document implemented and measured
<b>Technology</b>	<b>Technology roadmap in place</b>	Roadmap Agreed	Roadmap Implemented
	<b>eSourcing system live and used by procurement team</b>	System refined to support governance	System fully monitored and optimised
	<b>Monthly reporting on e-system usage</b>	E systems in place	Monthly reporting
<b>Data and</b>	<b>Dashboards in place profiling all key spend and</b>	Dashboard live	Dashboard refined

<b>Reporting</b>	<b>associated targets</b>		
	<b>Monthly reporting received from suppliers</b>	Supplier reports identified	Supplier reporting in use
	<b>Supplier on-boarding process</b>	On-boarding process developed	Supplier responsible for on-boarding