



## Achieving Value Through a Sustainable Procurement Strategy

### Report by the Director for Digital and Resources

#### 1.0 Summary

- 1.1 Over the last year, we have made significant progress in improving our approach to procurement, creating far better capacity for a more strategic approach.
- 1.2 In the year since the last report to this committee, there have been some significant changes to the procurement function. The team of three, now reporting to the Chief Finance Officer, has two new members, with an experienced manager and a specialist in property and construction (our most significant category of spend) now in place.
- 1.3 Despite these changes to personnel, savings have continued to be delivered in the procurement team, with over £250,000 realised during the last financial year on projects such as purchase of new refuse vehicles and building works, meeting the target set out in the committee paper in April 2016.
- 1.4 In order to create more strategic capacity, Councils agreed in February 2017 to the raising of the procurement threshold, where involvement by the procurement team is required, to £25k. Contract Standing Orders sets out the standards required for procurements of all values and a new, accessible procurement toolkit has been produced for managers, assisting them through the process.
- 1.5 This report introduces a new Sustainable Procurement Strategy which highlights the need to continue to transform the Councils approach to procurement in order to deliver the aspirations in *Platforms for our Places* and deliver greater social value. The Strategy illustrates how improved procurement activity will help deliver our corporate ambitions for *Platforms*.
- 1.6 The Strategy has five themes (detailed below) and three core values which run through each of the themes - *community focus* (putting needs and aspiration of communities at the heart of our procurement activity); *sustainable procurement* (undertaking procurements on a whole life cost basis obtaining value for money and delivering social, economic and environmental benefits); *governance and risk*

(ensuring appropriate governance and attitude towards risks are considered in our procurements). The five themes are:

- **category management and strategic sourcing** - using best practice procurement philosophies to deliver best value strategic procurement; using local suppliers where possible, actively promoting opportunities locally
- **contract and supplier relationship management** - ensuring better day to day contract management exists and seeking long term partnership benefits with our key suppliers;
- **skills and systems** - investing in our staff and technological resources to ensure the right skills and information systems exist to make better informed decisions;
- **social value** - incorporating social, economic and environmental benefits into our commissioning and procurement decisions;
- **commercialisation** - focus on continuous improvement through better commercial arrangements, seeking cost reduction and avoidance and income generation opportunities.

1.7 The strategy establishes a vision for commissioning and procurement. The practical application will be achieved through a much more strategic and structured approach to procurement using category management philosophies which look at the bigger picture, at categories of related expenditure rather than just individual procurement projects; through better planning and prioritisation of our procurement resources, and; most importantly by adopting a “commissioning mindset”, shifting the procurement emphasis onto the value adding pre-procurement activities rather than the transactional compliance and financial savings role.

1.8 The planned changes to procurement will not involve greater centralisation of the work (although our procurement officers will assist and challenge to drive a more strategic approach in key areas), but will be achieved through the creation of a better support infrastructure for officers including the promotion of a Procurement Toolkit (a step-by-step process guide with template documents), officer skills gap analysis and tailored training programme, more formal contract and supplier relationship management procedures, and the introduction of project assurance methodologies on larger projects.

1.9 Finally the acquisition of the new financial management system will be used to improve the quality of financial data capture and reporting, drive better discipline around purchase orders and invoice management, and support the maintenance of an improved contracts register.

## 2.0 Background

- 2.1 The Councils' combined expenditure is approximately £29 million a year on the acquisition of goods and commissioning of works and services through procurement activity and the provision of grants to third party organisations. The main categories of revenue spend are property maintenance, emergency accommodation, small civil engineering projects, and facilities management. During the financial year 2016-2017, approximately £5.1m (c18%) of the Councils' expenditure was with organisations located within the boundaries of Adur and Worthing councils and a further £4.9m (c17%) with organisations based elsewhere in West Sussex.
- 2.2 Services are delivered through a mixed economy approach with the Councils acting as both providers of services and as enablers with other services delivered through suppliers and other third party organisations via procurement activity and the provision of grants.
- 2.3 Much of the Councils' procurement activity is transactional and reactive, often addressing an immediate need within a particular department, with the main focus of the procurement team is on the legal compliance element of the procurement process. Such a transactional and reactive approach to procurement does not create added value. The circumstances behind this trend are understood and the new procurement strategy together with the re-structured procurement team will drive significant changes.
- 2.4 The Chief Financial Officer has established a new structure for the team with a Procurement Manager driving the change to strategic procurement, a Procurement Specialist, whose main area of focus is a portfolio of c£13million pounds per annum of expenditure under the property and construction category and a Procurement Officer (Trainee). The team is focussed on driving strategic procurement behaviour, and building corporate procurement tools and training, thereby embedding robust contract and supplier relationship management.
- 2.5 The Sustainable Procurement Strategy sets out the changes planned in order to meet the Councils aspirations and drive a more strategic and proactive approach to commissioning and procurement. One of the key elements is for the procurement team to become involved in potential projects much earlier in the process by supporting client officers in pre-procurement activities, such as:
- community, residents and stakeholder consultation - identification and assessment of community needs and aspirations, potentially involve them in the design of the requirement;
  - supplier/market engagement - understanding the capacity and capabilities of markets and specific suppliers, understanding what services they can offer and how these may meet our requirements, being aware of potential market developments and innovations. If the market lacks capacity or capability to meet our requirements then this may also involve developing the market to meet our needs. Discussions may not be exclusively with suppliers, and could extend to relevant trade associations, chamber of commerce, etc

## 2.0 Background

2.6 Better pre-procurement in turn will enable the development of Category Plans and sourcing strategies. These establish how a particular category of expenditure will be tackled, with each Plan identifying the best procurement route(s) and most appropriate market approach for each particular requirement. The overall Plan will prioritise procurement activity across the different elements of the category. For example, within any particular category it is likely there will be:

- “quick win” opportunities to improve service performance or deliver savings;
- areas where consolidation, standardisation or substitution of requirements will deliver better value;
- opportunities to collaborate with other parties to improve service delivery or efficiency, and;
- projects that will require medium to longer term activity in order to release benefits.

This will be a major piece of work and is likely to continue throughout the three year period of the new strategy.

2.7 Some areas of expenditure have already been identified as priorities for review in the first year of the strategy, these include:

- The Procurement Specialist will lead/support the following projects:
  - Property Services, testing and inspection contract - secure interim arrangements for this financial year whilst putting in place a new corporate contract for these services.
  - Creation of a Property Partnering contract - this will be a partnership with consultancy firm(s) to work alongside the in-house professional and technical teams providing skills and support (where there is a shortage of in-house resource) and by adding capacity to the in-house teams to deliver revenue and capital projects quicker
  - The multi-million Capital improvements programme for Adur Homes which is being informed by a stock condition survey currently being undertaken;
  - support a number of planned programmed maintenance or renewal projects over the course of the year
  - review and assess the suitability of existing frameworks and contracts available to the Councils

## 2.0 Background

- review the c£4.5m per annum spent on property repair, programmed maintenance and disabled adaptations and the £1m per annum spent on “minor civils” projects (small public realm improvements, landscaping, coastal protection works) - and put in place a category action plan.
- There are other key areas of expenditure which the Procurement Manager will review, these include:
  - Emergency and temporary accommodation, £1.2m expenditure for the period March 2016 to January 2017. This is a challenging category of expenditure that will require both long and short term strategies to seek to remedy the shortage of suitable accommodation and providers.
  - Building cleaning, all five individual cleaning contracts expire at the end of this year. This presents an ideal opportunity to review how these services are provided at a corporate level.
  - Review the c£10m per annum spent across the Corporate, Communities and Facilities categories of expenditure and put in place appropriate action plans for each category.

2.8 Contract management practices across the council still need to be significantly improved. Some relationships are well managed but others are very transactional, often conceived of and conducted on an individual project to project basis by different council officers even though the same supplier may undertake multiple projects over the year. Our review work has identified some areas of expenditure with suppliers submitting hundreds of low value invoices over the course of one year. As such both parties are missing out on simple opportunities for efficiency savings through consolidated invoicing. This work still needs to be addressed.

2.9 New contract and supplier relationship management (SRM) guidance and toolkits will be developed alongside a programme of officer training. Contracts should be managed appropriately according to the value and level of risk and/or importance to the Councils. The procurement function will also play a greater supporting role both as a point of escalation to deal with contract performance issues and by assigning procurement officers particular portfolios of contracts to build their knowledge of particular markets and supply chains. Better contract management can contribute towards overall cost reduction through cost avoidance and negotiating better pricing. Whilst SRM can contribute towards longer term aims, encouraging partnership working with key suppliers seeking performance improvements, releasing and sharing efficiency savings, income generation and innovation.

## 2.0 Background

2.10 Procurement and contract related data available is being assembled from multiple sources. The purchase of a new Financial Management System is a significant project being delivered this year and this has a contracts management module, presenting the Councils with an opportunity to address some of these data deficiencies by:

- Rationalising the number of works order systems and tackling low value invoicing issues
- Improving the data held on procurement categories
- Implementing a contracts management module which will improve the data held on contracts

2.11 Savings over £250,000 were realised during the last financial year on projects such as purchase of new refuse vehicles and building works. In addition, the procurement team has become more involved in service change projects, such as the procuring a Managed Service Provider for our cloud migration, which involves transferring our applications to off-site data centres. There are no “like for like” procurement savings generated on these projects, instead the efficiencies come from organisation change as consequence of adopting new ways of working.

## 3.0 Proposals

3.1 The strategy outlines the requirement to adopt new strategic procurement principles to drive value through strategic contracting, and broader social and environmental value through better and earlier market engagement working to deliver our *Platforms for Our Places* ambitions.

This will be achieved by:

- undertaking market and supplier engagement, understanding capabilities, capacity and constraints of markets and developing market capacity as required;
- ensure there are formal business cases detailing our sourcing strategy and these are signed off;
- putting in place a consistent approach to the Councils procurement activity through creation of a Procurement Toolkit and template documents
- make better use of all available data - council owned and other parties - to identify and deliver better outcomes;
- improving contract and supplier relationship management standards; ensure our contractors are delivering what they are meant to be;

- undertaking officer procurement and commercial skills gap analysis via PDR process, provide appropriate training programme;
- embedding a commissioning “mindset” into the organisation, incorporating social value (social, economic and environmental benefits) into our procurements and evaluating on a whole life cost basis;

3.2 The adoption of category management philosophies will ensure expenditure is reviewed cross-council not within departmental silos, opportunity assessments are undertaken and both “quick wins” and longer term opportunities are identified. All relevant procurement routes/options available will be considered and the most appropriate selected.

3.3 Developing more robust commercial and contract management arrangements ensuring service delivery is maintained, benchmarking and cost control measures are explored and opportunities for developing more efficient processes, cost reduction and income generation are realised. Additionally supplier relationship management will be adopted for key suppliers and long term contracts seeking continuous service improvement, innovations and joint sharing of efficiency gains.

3.4 The April 2016 report by the Director for Digital and Resources stated that the initiatives contained in that report would deliver a reduction of at least £250,000 in annual spend over the next three years. This was achieved in 2016/17, but we anticipate savings are likely to be lower in 2017/18 as we undertake the next phase of deeper strategic work. As such the targets have been revised as follows, with greater expectations in later years - FY17/18 - £100,000; FY 18/19 - £300,000; FY19/20 - £350,000.

#### **4.0 Legal**

4.1 Section 1 Local Government (Contracts) Act 1997 provides a power for Local Authorities to enter into a contracts with another person for assets or services for the purposes of, or in connection with, the discharge of the functions of the local authority. Section 139 Local Government Act 1972 empowers the Councils to accept goods, property or money.

4.2 The Local Government Act 1999 imposes a duty upon the councils to ensure they obtain best value in everything they do.

4.3 Internally the Councils are governed by Contract Standing Orders in respect of procurement matters.

#### **5.0 Financial Implications**

5.1 There are no direct financial implications arising from the adoption of the new strategy. However, in the longer term, it is expected that the recommended approach to procurement will enable the Council to achieve better value.

## **6.0 Recommendation**

- 6.1 That Joint Strategic Committee approve the Sustainable Procurement Strategy set out in appendix A.
- 6.2 That the Committee approves the direction of travel in developing a strategic procurement function and delivery of initiative outlined in this report.
- 6.3 That quarterly reports are provided to both Executive Members of Resources and a progress report is provided to the Committee in 12 months time.

## **Local Government Act 1972**

### **Background Papers:**

Sustainable Procurement Strategy

### **Contact Officer: Paul Brewer**

Roger Dennis  
Interim Procurement Manager  
Town Hall, Worthing  
01903 221162  
[roger.dennis@adur-worthing.gov.uk](mailto:roger.dennis@adur-worthing.gov.uk)

## **SCHEDULE OF OTHER MATTERS**

### **1.0 Council Priority**

1.1 The report contributes to deliver of ambitions across the *Platforms for Our Places strategy*.

### **2.0 Specific Action Plans**

2.1 The report fulfils the requirement of action 3.1.5 in the strategy, “Build sustainable procurement and contracting practices into our procurement strategy, increasing the use of local suppliers and assessing the environmental impact of our procurements.”

### **3.0 Sustainability Issues**

3.1 The proposed strategy

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified

### **5.0 Community Safety Issues (Section 17)**

5.1 Matter considered and no issues identified

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified

### **7.0 Reputation**

7.1 The procurement strategy should enhance the reputation of the Councils.

### **8.0 Consultations**

8.1 Key staff and the Corporate Leadership Team has been consulted in the development of the proposed procurement strategy.

### **9.0 Risk Assessment**

9.1 Matter considered and no issues identified

### **10.0 Health & Safety Issues**

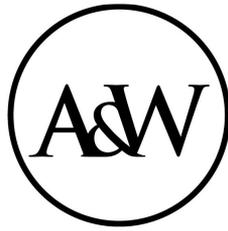
10.1 Matter considered and no issues identified

### **11.0 Procurement Strategy**

11.1 The report proposes a new procurement strategy.

### **12.0 Partnership Working**

12.1 Matter considered and no issues identified



ADUR & WORTHING  
COUNCILS

# **Sustainable Procurement Strategy 2017 to 2020**

## **Purpose of the Strategy**

This strategy sets out how the councils will use their commissioning and procurement activities to help deliver Platforms for Our Places, Adur and Worthing Councils' ambition for prosperity and well-being in our places and communities over the next three years.

Five strategic themes are identified in this strategy: category management & strategic sourcing, contract and supplier management, social value, staff skills and systems and commercialisation. Driving improvement in these areas will enable those with buying responsibilities to support Platforms in the ways illustrated below:

1. Supporting our financial economies by increasing our spend on local suppliers, specifying the use of local labour or creating local apprenticeships in tenders and contracts, as well as developing voluntary agreements retrospectively with existing contractors
2. Supporting our social economies by introducing requirements into contracts to help tackle identified social and environmental issues, such as youth unemployment, disability and health
3. Levering opportunities to enhance our natural environment by exploring community investment or corporate social responsibility initiatives with suppliers to benefit the environment, as well as requiring good environmental standards in the supply chain
4. Driving value for money from our corporate suppliers (target £750k by 2019/20), by developing more strategic contracts that consolidate spend and help drive prices down in key categories
5. Leading in partnership by identifying opportunities for creating larger, cost effective contracts with other organisations in property & construction, digital and other key categories

The Sustainable Procurement Strategy can only be delivered with both an effective centralised strategic team and a group of knowledgeable, skilled and experienced buyers acting in line with the values set out here. This strategy sets out how we will continue to build that capacity across the organisation.

Of course, underpinning our effort to deliver effective commissioning and procurement are Contract Standing Orders, which provide the legal framework under which all procurement activity will take place. An easy to use Procurement Toolkit and training has also been produced to provide structure and guidance to the improvement work this strategy identifies.



## **Where we are now**

During 2016, the three person procurement function was re-shaped into a more strategic unit, introducing two new members; a strategic manager and a property & construction specialist.

Contract Standing Orders, have been revised, increasing financial thresholds at which quotations and tenders need to be obtained. This has reduced the administrative burden and the volume of enquiries about routine purchases received by the Procurement team, enabling a greater focus on the strategic procurement activities that can add real value to the organisation. Standing Orders will continued to be reviewed as appropriate to ensure they remain fit for purpose for the Councils.

A Procurement Toolkit has also been developed. This is an online, easy to use “self-serve” step by step information and advisory resource for officers to follow when undertaking routine procurement. In time the Toolkit will also feature a library of commissioning and procurement related best practice and guidance documents.

A Contracts Register is being built in order to develop a strategic opportunity pipeline, and support effective contract management across the organisation.. A number of complex systems issues are being progressed, including the introduction of a new financial management system in late 2017 and a single asset management system.

There remains a significant task ahead to break out of a still largely reactive and non-strategic approach to procurement, but the foundational work is advancing along with dedicated resource now working to deliver category management benefits in property and construction.

## **The Strategic Opportunity**

The councils' combined expenditure is approximately £29 million a year on the acquisition of goods and commissioning of works and services through procurement activity and the provision of grants to third party organisations. The main categories of revenue spend are property maintenance, emergency accommodation, small civil engineering projects, and facilities management. During financial year 2016-2017 approximately £5.1m (c18%) of the Councils' expenditure was with organisations located within the boundaries of Adur and Worthing councils and a further £4.9m (c17%) with organisations based elsewhere in West Sussex.

Driving value for money is vital for the Councils through the creation of better strategic procurement opportunities and effective supplier management. This is key to the strategy. But we

also recognise through Platforms for Our Places, that the Councils have an important role to play in driving wider value, whether it is through ‘buying locally’, requiring suppliers to use local resources and labour, meeting good environmental standards, or giving value back to our places through corporate social responsibility or community investment.

Platforms for Our Places recognises the challenges facing local communities our Councils recognise that adopting a commissioning and category management approach to service delivery will help address the needs of these communities.

This Sustainable Procurement Strategy has been created to strike an appropriate balance: to transform our procurement into an activity that can deliver additional social value by developing a commissioning “mindset” towards service delivery, planning with greater involvement of communities, stakeholders and service providers to develop an understanding of their needs, and by adopting core philosophies of category management, strategic sourcing and supplier relationship management into a tailored approach suitable for the Councils. In reality this will mean a greater emphasis on the pre-procurement activities that add most value (the Analyse and Plan segments of the Commissioning Cycle shown below), enhanced procurement and contract management (the Do and Review segments), and that the members of the procurement team will each have overall responsibility for a broader “portfolio” of expenditure than those found in a traditional category management structure.



The Councils' vision for Sustainable Procurement is to support delivery of the commitments in *Platforms for our Places* through development and training of staff and appropriate commissioning and procurement procedures to deliver more effective strategic procurement that provides value for money services meeting the needs of local communities and realising greater social, economic and environmental benefits.

This strategy has three core values embedded into each of the five strategy themes, and which will be at the heart of all the Councils commissioning and procurement activities. These values are:

- **Community focus** – ensure all commissioning and procurement activities are designed to meet the needs and aspirations of the communities we serve;
- **Sustainable Procurement** – all commissioning and procurement should be undertaken in an efficient manner, adopting a whole life costing basis that obtains value for money delivering social, economic and environmental benefits
- **Governance & Risk** – ensure procurement activities have appropriate governance arrangements at key milestones and are undertaken in a transparent and legal manner. To identify and manage risks appropriately without becoming risk averse.

#### How we will deliver change

During 2016/17 we have restructured and created a more strategic central procurement team with more specialist skills. Contract Standing Orders have been revised to help give the team more capacity for strategic work, and a detailed procurement toolkit has been produced for managers in the organisation to help drive best practice and compliance. However, there is much more to do, particularly in building up commissioning and contract management skills among managers to drive the broader opportunities highlighted in this strategy.

A skills gap analysis will be undertaken for any officer undertaking commissioning, procurement, purchasing and contract management duties, and a suite of procurement training resources will be established to train and educate officers and make them more aware how their commissioning and procurement activities can help deliver the aims of this strategy.

These initiatives together with the strategic priorities detailed in this document will enable the Councils to make the transition to embed strategic procurement practices into the organisation. The strategy vision and the core values will develop the Councils procurement activity to:

- Create a commissioning “mindset” within the councils through staff training and awareness to ensure we maximise the potential for innovation from our suppliers through early engagement, and secure social and environmental benefits as well as value for money where possible.
- Introduce project “gateway” reviews at key stages to improve project governance
- Adopt suitable and tailored category management philosophies across all council expenditure. Identify and assess potential procurement opportunities
- Create a robust Contracts Register and prioritise procurement opportunities to create a procurement pipeline
- Apply strategic sourcing tools to better manage demand and aggregate common or aligned categories of expenditure to negotiate better prices
- Manage key suppliers with a strong focus on contract and supplier relationship management and develop better commercial and market intelligence
- Seek to collaborate and/or partner with other organisations in areas where joint contracting may offer mutual benefit
- Make use of regional and national framework agreements which represent value for money for the councils
- Review skills and capability of council staff involved in commission and procurement and provide appropriate training programme to fill and enhance skills/knowledge gaps.
- Enhance the quality of data available from the councils and our partners systems. Create and share information to allow effective performance management and enable better informed commissioning and procurement decisions
- Simplify and standardise procurement processes and tender documentation through the Procurement Toolkit;
- Enhance the information available to suppliers via the council website and ensure that tender opportunities are visible to all suppliers.

## Strategy Theme 1 - Category Management and Strategic Sourcing

Category management is a best practice, structured approach to procurement which aims to deliver best value by segmenting an organisation's expenditure into particular categories. These are generally aligned with market capabilities and business/service users' needs, rather than just the needs of a particular department. The category management cycle typically comprises four stages:

- **Identify** – collation and analysis of data, undertaking a high level assessment to identify potential opportunities for procurement improvements and production of a category plan;
- **Prepare** – a more detailed review of the potential opportunities identified above including analysis of the business needs and market capabilities and the production of sourcing strategies for each sub-category of expenditure;
- **Deliver** – the procurement stage involving seeking quotes or tenders, drawing up contracts and undertaking mobilisation work required pre-contract start date;
- **Manage** – ongoing contract and supplier relationship management to ensure benefits are delivered and any opportunities for cost reductions, service improvement or innovations are not lost. This can also include performance measurement, benchmarking services and costs against other providers in the market. Towards the end of the contract a formal review should take place ensuring any lessons learnt from this process are built into the next contract.

Category management is a process that challenges existing thinking. Whether this is the way a service is delivered, how goods are acquired or works commissioned, the process will ask how these may be procured better. Strategic sourcing is a key element of this process using cross-functional teams including Procurement and the lead client and other key officers to consider creative and innovative approaches in providing the requirement which will add better value.

The process considers things that we can do ourselves (the demand side) such as reducing demand for a requirement, standardising products/services or processes, or substituting items or processes for ones that are cheaper, more sustainable, or that offer greater community benefits, etc. The process also considers how we can use our position in the market (the supply side) to our benefit, e.g. aggregating our own expenditure on a requirement, collaborating with other organisations to approach the market with larger volumes and better knowledge, or by changing the nature of the supplier relationships, or considering the total cost of using the supplier (internal and external cost).

We recognise the size of our councils means it would not be suitable to adopt the traditional model of category management and strategic sourcing. Nevertheless adopting some of the core elements can still deliver savings and better outcomes because:

- Staff will develop a better understanding the needs of communities and stakeholders;
- Staff will develop greater commercial knowledge of individual supply markets and be able to think beyond traditional procurement boundaries. The capabilities and limitations, and the improvement and innovation opportunities of markets, as well as awareness of risks and appropriate mitigation measures will all be considered;
- Introduction of project “gateway” reviews at key stages will improve project governance;
- Attention and resources will be focused on key activities that add value and not just on procurement compliance processes;
- Strategic sourcing will consider most appropriate procurement route from wide range of possible options including use of frameworks and dynamic purchasing systems;
- Cost/value benefits can be realised by reducing demand, and by standardising or substituting for alternative products or services;
- Aggregating our requirements and collaborating with others can leverage better prices;
- Strategic contract relationships with key suppliers will deliver longer term benefits.

We plan to achieve this by:

CM1	Undertaking a detailed review of available data including councils expenditure, analysis of needs and usage, and an opportunities assessment to develop appropriate category plans for key areas of expenditure
CM2	Engaging with communities, stakeholders and suppliers to inform our sourcing strategies
CM3	Prioritising opportunities and producing more detailed sourcing strategies for particular requirements within each category to produce a Procurement Pipeline
CM4	Applying strategic sourcing tools to better manage demand and aggregate common or aligned categories of expenditure to negotiate better prices .
CM5	Introduction of project “gateway” reviews at key stages will improve project governance
CM6	Collaborating and/or partnering with other organisations in areas where joint contracting may offer mutual benefit
CM7	Considering most appropriate procurement route including making use of regional and national framework agreements which represent value for money for the councils
CM8	Undertaking a skills gap analysis and provide appropriate procurement training for

	officers;
--	-----------

**Strategy Theme 2 - Contract and Supplier Relationship Management**

Contract Management involves the day to day management of the contract - understanding the requirements set out in the contract and ensuring the supplier performs in delivering them. Supplier Relationship Management (SRM) focuses on building a longer term relationship with the supplier, forming common goals and seeking continuous improvement, innovation, and social and added value opportunities for the benefit of both parties throughout the life of the contract.

It is important once a contract has been let that it is effectively managed, especially higher value or more complex contracts to ensure the outcomes detailed in the supplier’s tender submission are delivered, risks are identified and mitigated, and cost control is maintained. This will involve obtaining feedback from the client or users of the service, regular meetings with the supplier, gathering data and measuring the supplier’s performance against agreed key performance indicators and implementing improvement measures where necessary.

A good contract manager will understand the contract requirements, will have knowledge of their supplier and the market in which they operate and an understanding of the cost drivers within that market.

SRM looks at longer term development of the relationship with the supplier, seeking mutual opportunities for cost and service improvements and innovation. The contract manager will develop an understanding of the key supply chain issues and risks, both direct and indirect, which will assist in early identification of potential issues. There will also be opportunities to benchmark the contract to ensure it remains competitive, and the potential to explore closer working with the supplier including adoption of open book accounting.

We plan to achieve this by:

SRM1	Creating, populating and maintaining a new Contract Register including digitising and hosting copies of contracts on the system
SRM2	Identifying key contracts/key suppliers and ensure appropriate contract management arrangements are in place

SRM3	Introducing an online toolkit for Contract and Supplier Relationship Management providing both guidance and template documentation;
SRM4	Investigate acquiring or creating our own online contract management system to better monitor contract performance and flag potential issues;
SRM5	Undertaking a skills gap analysis and provide appropriate training for contract managers
SRM6	Using the Procurement team to support contract managers with the management of key contracts and acting as a point of escalation if performance issues arise. Undertake periodic reviews of other contracts to ensure contract standards and supplier performance are maintained;
SRM7	Developing Supplier Relationship Management with key suppliers to exploit continuous improvement, innovation and cost sharing opportunities
SRM8	Ensuring contract data is provided and that the data is available for use across the council
SRM9	Benchmarking contract costs and supplier performance with other customers

### Strategy Theme 3 - Social Value

The Public Services (Social Value) Act 2012 places a legal obligation on councils sourcing services above the EU threshold (c£164,000 in 2016) to consider at the pre-procurement stage:

- how the service being procured may improve the social, environmental and economic well-being of an area (e.g. Adur and Worthing council boundaries, West Sussex, etc);
- how such improvements could be secured;
- an obligation to consult on these matters prior to procurement commencing.

This strategy proposes to extend the scope of social value considerations to cover all the councils' commissioning and procurement activities to ensure the councils get the best value from the monies spent through commissioning and procurement activities not just in terms of pure financial benefit but through applying whole life costing models across the triple bottom line, delivering social, economic and environmental benefits for the betterment of the local communities, and to deliver the councils' commitments outlined in *Platforms for our Places*.

Incorporating Social Value into our commissioning and procurement processes will require a change in organisational culture and individuals' attitudes by developing a commissioning "mindset" within the councils and creating "intelligent" commissioning and procurement process, being better informed about specific needs and tailoring each project outcomes around those

particular sets of needs and circumstances. It is also about being mindful of the suite of potential social benefits we may wish to realise but equally being open to those we may not yet have considered. Ultimately it is about delivering outcomes for the betterment of our communities.

By its very nature Social Value can take many forms, there is no “one size fits all” approach because every requirement, every circumstance and every community will have different needs and aspirations. Examples of Social Value include:

- Apprenticeship schemes
- Back to work initiatives for long term unemployed and people not in education or training
- Training and development programmes to up-skill employees
- Payment of the Living Wage
- Compliance with social and labour laws, e.g. prevention of modern day slavery, etc
- Volunteering initiatives
- Improving access for healthier lifestyle choices
- Creating a circular economy
- Reducing demand and reusing/remanufacturing products
- Reducing waste and diverting waste from landfill (e.g. recycling)
- Carbon reduction initiatives and carbon footprint measurement
- Substituting products for more sustainable items
- Protecting biodiversity
- Ethical and fair trade purchasing
- Supporting local businesses, ethnic minority owned businesses, SMEs and third sector organisations
- Encouraging local innovation

The Councils made a specific commitment in *Platforms for our Places* to become stewards of our natural resources and we will embed the *Ways of Living Principles* into our procurement processes and documentation:

1. Do more with less - reduce demand, standardise/change specifications, substitute products for more sustainable alternatives;
2. Embrace & Develop Community - place the betterment of our communities and residents at the heart of our procurement activities;
3. Smarter Purchasing - officer training and education, developing a commissioning “mind-set”; supporting local businesses;

4. Efficient Resource Use and Reduction - eliminate waste, energy efficiency
5. Celebrate and Cultivate Nature - increasing biodiversity; reconnecting communities with the natural environment

The councils will also draw up a *Procurement Charter* illustrating the Councils' commitments to responsible procurement and social value on a single A4 sheet. We will encourage our key suppliers to sign up to the same goals.

We plan to achieve this by:

SV1	Undertake a high level review the Councils annual expenditure, identify key categories of spend and the social value criteria most applicable to these categories.
SV2	Create a Social Value Toolkit to guide officers through the process of embedding Social Value in our key commissioning and procurement projects;
SV3	Engaging with local communities, service users and other stakeholders to fully understand and analyse their needs and aspirations;
SV4	Meeting with service providers and other organisations in the markets to understand the capacity, capabilities, constraints and potential developments and innovations taking place within these markets, both now and those likely in the future.
SV5	Developing appropriate capacity and capabilities in markets that are currently unable to meet our requirements;
SV6	Incorporating relevant social value criteria into specifications, contract documents and into our evaluation processes
SV7	Structuring our procurement exercises to remove barriers that may prevent SME, voluntary and community organisations from bidding for work. These may include reducing the minimum requirements for participation and dividing requirements into smaller lots or by geographical regions;
SV8	Reserving particular tender lots for organisations whose main purpose is the integration and employment of disadvantaged groups where this is practical or legal;
SV9	Evaluating our procurement on a whole life cost basis to include social value criteria
SV10	Ensuring that our quotation processes invite a least one local (located within the boundaries of Adur and Worthing councils) organisation to bid wherever possible. Ensuring that our tender processes are advertised on our e-tendering portal and <i>Contracts Finder</i> .
SV11	Developing and publishing the councils commitments in a Procurement Charter and encouraging our key suppliers to sign up and share our vision.



## Strategy Theme 4 - Staff Skills and Systems

In order to achieve the aspirations of this strategy and transform the councils procurement activities from reactive, transactional and compliance based processes into a more proactive and strategic operation we need to invest in our resources and improve our systems, processes and data.

There is a need to ensure that staff have the appropriate skills, professional support, and electronic resources in order to make sound commercial and procurement decisions. This will be provided through appropriate training and systems development. The councils also need to ensure that there is an improvement in the quality and scope of data available to officers to assist them in making better informed decisions for the benefit of local communities.

We plan to achieve this by:

SSS1	Undertaking a skills gap analysis, creating and embedding a skills matrix of essential procurement and commercial skills into the PDR which staff involved in purchasing decisions should possess
SSS2	Developing a suite of procurement related training for officers;;
SSS3	Developing a Procurement Toolkit on the Councils' intranet site containing guidance and template documentation for officers;
SSS4	Creating, populating and maintaining a new Contract Register including digitising and hosting copies of contracts on the system
SSS5	Publishing the Contracts Register to ensure we are complying with the data transparency requirements
SSS6	Improving the level and quality of financial and procurement data available to us through the opportunity created by the acquisition of the new FMS solution
SSS7	Improving the relevance and quality of data available to us through our own contracts. Where practical we will make this data available for other parties to utilise;
SSS8	Collaborating with other third parties to share data for mutual benefit to help make better informed decisions about meeting the needs of our communities
SSS9	Reviewing the use and/or adoption of appropriate e-procurement tools including ones for e-tendering and contract management to ensure they remain relevant fit for purpose

## Strategy Theme 5 - Commercialisation

The Councils need to become more commercial across the entire range of services offered. This will include making best use of our assets and resources, seeking opportunities to increase income, reduce costs, better manage risks, improve service performance, and by working in partnership with other organisations to secure the best solutions to meet the needs of our communities and residents. This will require better management of our contracts and a closer working relationships with key suppliers, developing a detailed understanding of the breakdown of our suppliers' costs, the markets and supply chains in which they operate and an understanding of the issues and pressures affecting these supply chains and markets. It will also mean developing a understanding of our key suppliers' competitors and their cost models and supply chains.

It will also involve considering the most appropriate model for service delivery, whether that is the Councils acting as a service provider, or as an enabler with a third party delivering the service, or in a joint-partnership arrangement with one or more third parties. It may also involve redesigning services and being prepared to ceasing providing all or part of a service if it is no longer delivering the best value or desired outcomes.

We plan to achieve this by:

C1	Ensuring our key contracts are appropriately resourced and managed through better contract and supplier relationship management processes
C2	Reviewing contract provisions and clauses prior to tender, ensuring they are fit for purpose for the market
C3	Developing a more commercial and evidence based approach to contract negotiations and to be proactive in seek efficiency savings when market costs reduce
C4	Working in partnership with key suppliers to continuously improve service performance, manage risks and share efficiency gains from better productivity
C5	Reviewing opportunities to generate new or more income generation streams;
C6	Regularly reviewing the services offered and who is best placed to provide them. Being prepared to stop providing all or part of a service that no longer offer best value for money
C7	Having realised cashable savings of £750,000 by end of FY19/20

## **Strategy Action Plan**

This Action Plan will be revisited and refreshed every 12 months

<b>Description</b>	<b>Timescale</b>
Publish the Procurement toolkit	June 2017
Complete the next review of Councils expenditure, identify key categories of expenditure, key suppliers/contracts. Identify opportunities for category management, better contract management and embedding social value	July 2017
Review and update procurement and contract template documents to reflect the Councils' new corporate objectives	July 2017
Develop Contract and Supplier Relationship Management toolkit and templates	August 2017
Develop a Social Value toolkit	August 2017
Review/develop a robust procurement process to ensure: <ul style="list-style-type: none"> <li>● the needs of communities and service users are considered;</li> <li>● social value is embedded into documents/process;</li> <li>● capacity, capabilities and developments of potential markets and suppliers are understood;</li> <li>● barriers preventing smaller or younger organisations from bidding are understood and removed where practical;</li> <li>● procurements are undertaken using whole life costing where possible</li> </ul>	August 2017
Develop category management and strategic sourcing tools and templates	August 2017
Embed category management / strategic sourcing philosophy	September 2017
Review/develop Project management methodology and documentation <ul style="list-style-type: none"> <li>● project business case/sourcing strategy including options appraisal</li> <li>● risk &amp; issue logs</li> <li>● "gateway" reviews take place at key project stages</li> </ul>	September 2017
Complete the creation and population of a new Contracts Register	October 2017
Develop procurement training programme Year 1: CSO & Strategy, Intro to Contract Mgmt & SRM; Social Value Year 2: (determined by PDR skills gap analysis)	November 2017 November 2018
Publish Procurement Charter	December 2017
Create procurement skills matrix and embed into PDR	January 2018
Enhance the quality of reports and data available from our e-procurement and new financial management systems	March 2018
Deliver minimum of £750,000 procurement savings	March 2020