

# Procurement Strategy 2017-2020

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## Foreword

In a time of reduced funding from central government, and increasing expectations of our residents, business and tax payers, it is more important than ever that our Procurement Strategy supports our key priorities:

- Increase fairness and respond to the aspirations of the Borough
- Empower our communities to help shape our Borough and the services we deliver
- Improve the quality of life and civic pride amongst our communities
- Transform our Council in tough times to be dynamic and responsive to the challenges of the future

We cannot afford to continue delivering the services needed in the way we deliver them today. There are ever growing demands for our existing services and there are new responsibilities that we have to meet. At the same time our resources in real terms will continue to reduce. The focus on our commercial arrangements, procurement, supplier and contract management is therefore key.

Procurement and Commissioning play a crucial role in our drive to continue to involve service users in designing and delivering innovative and effective services, working with our suppliers and providers, and developing effective partnerships to reduce costs and improve services.

It is with pleasure I put forward this revised Procurement Strategy, and look forward to be able to continue to celebrate the success of our procurement service through to 2020.

Cllr Kam Rai

Cabinet Member for Finance and Support Services

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## Purpose

This strategy sets out the Council's ambitions for procurement and supplier management and the actions necessary to achieve those. It has been structured into a series of overarching themes clearly setting out:

- The ambition
- The actions necessary
- The difference it will make to customers and staff
- The performance measures

It will be supported by an action plan to deliver each theme.

The themes have been identified following consideration of the current state of procurement, the context in which we currently operate and known future pressures. They also support Redbridge's corporate priorities for 2014-18, namely:

- Increase fairness and respond to the aspirations of the Borough
- Empower our communities to help shape our Borough and the services we deliver
- Improve the quality of life and civic pride amongst our communities
- Transform our Council in tough times to be dynamic and responsive to the challenges of the future

The Themes are:

- A commercial approach to supply chain management
- High quality & effective sourcing
- Partnerships, collaboration and integration
- Social Value
- The Right Resources

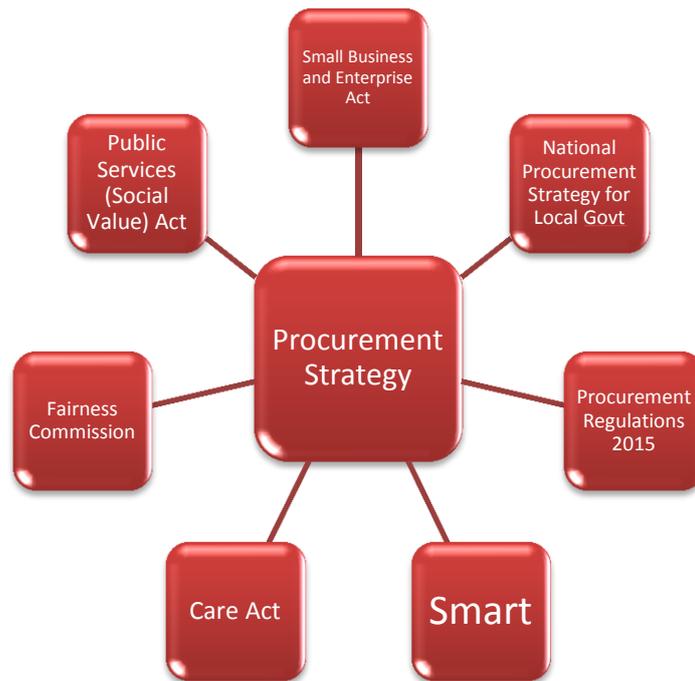
## Context for this strategy

Since 2011, the Council has approved savings of around £123 million while largely maintaining frontline services. The Spending Review in November 2015 introduced further reductions in public spending over the coming years (the Department for Communities and Local Government had already agreed a reduction of 30% over the 4 years to 2020). At the same time population growth will increase demand for Council services. This requires a fresh approach to procurement at Redbridge by applying a more commercial approach to the design and delivery of contracted services, whilst maintaining our legal obligations as a public sector Contracting Authority. Our procurement activity must be rigorous in reducing unnecessary spend to mitigate the impact on frontline services whilst at the same time recognising that the Council still has significant spending power through which it can deliver key policy objectives.

The illustration below shows some of the many factors which impact upon the way the Council procures goods and services. There are common factors in many of these – for example, the Fairness Commission, the Public Services (Social Value) Act, Small Business and Enterprise Act, the Public Contracts Regulations and the Care Act all have

- a) Have a focus on small to medium sized enterprises (SMEs) either directly or indirectly and
- b) allow us to take measures through our procurement and contracting activity to enhance the wellbeing of the local area

The need for better value services and greater sustainability through the creation of local jobs and increased spend within the borough are not mutually exclusive and all form part of the same value for money equation. The outcomes possible through the award of a contract include the potential for local jobs, which results in more money being spent in borough, reduced demand for Council services, people being lifted out of poverty and improved public health outcomes. This does not need to come at additional cost, rather through more creative and intelligent procurement.



The Local Government Association produced a National Procurement Strategy for Local Government in 2014 with recommendations of the activities that Local authorities should be addressing in their procurement strategies. The national strategy has been taken into account in this document. This strategy provides a borough-centric approach to procurement aligned to the best practice approach recommended by the LGA. Where there are areas for improvement identified then these will be addressed via the action plan.

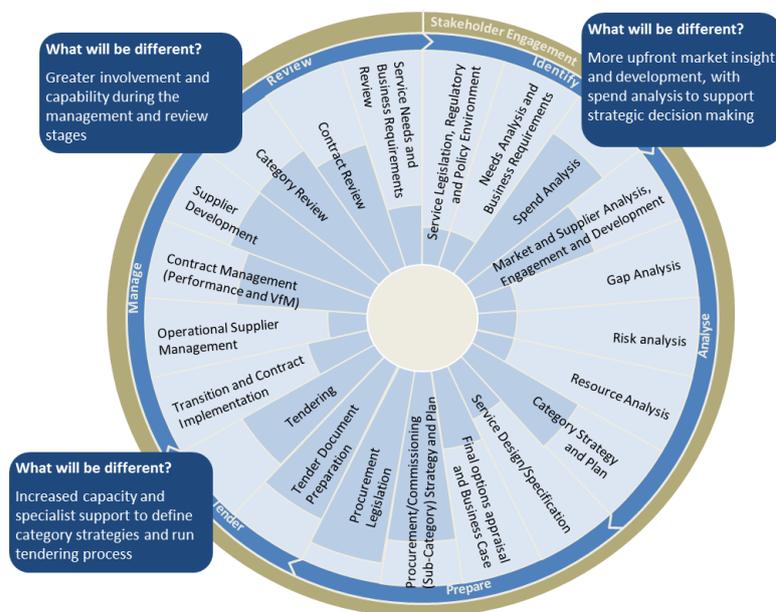
The previous Procurement Strategy 2013 established the principles of good procurement, this new strategy takes that further with a specific set of deliverables which will be monitored and reviewed annually.

## Role of procurement

LB Redbridge has operated a highly devolved model for procurement supported by a central Strategic Procurement Unit (SPU). SPU is as an advisory function and this is endorsed through the contract procedure rules which require service directorates to only consult with the SPU, rather than requiring the SPU to oversee or manage procurement activity. It is essential that more robust governance arrangements are established in relation to procurement activity. Procurement is not an activity carried out in isolation by one team but a process which draws upon expertise from all areas of the Council to ensure that we obtain value for money for our residents. It also requires a core of professional procurement practitioners.

The Council is working with its partner LB Waltham Forest to transform the way the Council procures and this strategy is the foundation of the new approach. A shared procurement service is being developed with London Borough of Waltham Forest, who have an award winning procurement function. Through that relationship Redbridge will gain from significant procurement experience and benefit from additional capacity. This transformation will introduce Category Management, an approach where spend is analysed and monitored across the organisation to identify opportunities for savings and efficiencies. This requires a cross cutting approach led by commercially minded category managers who understand relevant markets and can develop ideas in conjunction with commissioners and subject matter experts in services to drive out value from the Council's supply chain.

The 'activity wheel' illustrates the range of activities that take place from the initial identification of need, through to the analysis of options, sourcing suppliers and managing contracts. Crucially, at a time when the Council will be under further financial pressure, a key role for the procurement function will be to develop and shape markets as we seek new models of delivery and commercial approaches to contracts such as payment by results and outcome based commissioning.



## Themes

### *Theme 1: A commercial approach to supply chain management*

Delivering savings through a category approach will be fundamental to our overall strategy. To drive the greatest benefits from category management we need to review our tools, processes and skills, and look across the profession to ensure our approach reflects the very best practice. We will underpin our category strategies with high quality insight based on market intelligence and spend analysis, married with insight to forecast future demand. It is also about recognising opportunities for further savings and driving forward innovation through the Procurement and Commissioning Board.

Alternative models of delivery such as joint ventures, social impact bonds etc will be explored to achieve outcomes. We must use our strong market awareness, understanding of cost, price and commercial structures to provide a commercial view to help shape and develop this thinking. The procurement function will provide a broader commercial consultancy role to the organisation beyond the 'traditional' procurement function. From renegotiation of contracts, to driving continuous improvement and innovation from suppliers the procurement function, as the centre of excellence, will take a lead in improving outcomes from the Council's supply chain.

To achieve this requires a corporate approach to supplier management with guidance, tools and training for staff to manage contracts, supplier performance and, for the key suppliers, develop supplier relationships. The procurement function will develop this approach.

### *Theme 2: High quality & effective sourcing*

Our customers, stakeholders and suppliers expect and demand a high quality & effective sourcing process for our contracts. Simple and streamlined processes, delivered by experts with a strong focus on the customer experience will be a core part of our offer. We will continuously review our approach to ensure we respond to feedback, and continue to develop the systems we use. We are responsible for optimising the statutory and legal boundaries of EU and UK Procurement Legislation to deliver the best outcomes for residents.

The success of our procurement function is measured on how we help our customers and stakeholders achieve the best possible outcome and the savings we help deliver. This is not just about the structure and governance of procurement, it is about bringing our skills, knowledge and commercial challenge to ensure intelligence-led decision making. We will continue to develop and deliver a focus on supplier analysis, intelligence, market knowledge and research and use this to directly influence the outcomes achieved, inform how we can meet changing demands, and how we can support new ways of working.

We will take advantage of the latest thinking and innovation in procurement techniques available in the Public Contracts Regulations 2015 and ensure that all council spend with third parties is procured effectively and efficiently. Contracts will be flexible enough to cope with the changing nature and funding of local government.

### *Theme 3: Partnership, collaboration and integration*

The public sector has to respond to increased financial and demand challenge, and Redbridge has recognised the importance of greater partnership and collaboration. We must

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work with others in local and central government, health and emergency services, the Voluntary Community and Faith Sector, the education sector and other private and public organisations to deliver the best possible outcomes for our residents. We will continue to seek benefits from collaboration with like-minded partners.

This new strategy commits to integration with Health, particularly to develop, support and manage the care market in the borough. Building on WF's experience of shared service and the expertise that has been developed further opportunities will also be explored to generate revenue through trading services under a commercial brand.

#### *Theme 4: Social Value*

With the Social Value Act, we need to have a consistent and best practice approach to using our commissioning and procurement to deliver broader value to our residents and the Redbridge economy and our environment. As highlighted in the Context section the wider benefits of effective procurement can be considerable. The challenge previously has been to provide staff with simple tools to ensure that social value is extracted.

This new strategy will deliver a practical toolkit for staff to increase benefits for residents and the community through our contracts. It will also ensure that our current and future supply chain are aware of our aims and align their service delivery to contribute to those aspirations. This cannot be achieved in isolation and there are interdependences between this strategy and the Fairness Commission.

#### *Theme 5: The Right Resources*

We will only be a success if we have the right people, with the skills, development opportunities and support in place. The shared service with Waltham Forest provides this opportunity with staff who are CIPS (Chartered Institute of Procurement and Supply) qualified or working towards their professional qualification. In addition we seek to develop talent by bringing through apprentices. This ensures that we can be confident our staff can bring best practice and professional insight to bear. We also have a wider role to play in the development of procurement, supplier management and commercial skills across the organisation to become intelligent clients.

Similarly we need to ensure that our systems continue to develop and provide the infrastructure necessary for effective spend analysis, procurement and contract management.

## **Theme 1: A commercial approach to deliver savings and generate income**

### **What is our ambition?**

To be the commercial centre of excellence for the Council by delivering the best possible outcomes through adopting a consistent and high quality category management approach to all services commissioned internally and externally. Use supplier and market insight coupled with commercial thinking to maximise the opportunities and potential savings. This approach needs to include the consideration of alternative delivery models such as joint ventures, social impact bonds etc

To enhance the organisation's performance and customer satisfaction as a result of embedding an effective supplier management regime.

### **Key actions in 2017 – 2020 to achieve our ambition**

- a) Identify and drive new commercial opportunities arising from category management.
- b) Deliver category strategies across all of our major areas of spend.
- c) Maximise the use of insight around supplier, market, service design and demand to pro-actively identify savings and shape future cost effective services.
- d) Ensure that savings are tracked and realised
- e) Develop and implement a new corporate approach to supplier management

### **How will our customers notice a difference?**

- Category strategies will support and complement the commissioning strategies and service plans of our customers and help shape and inform future planning.
- Customers will recognise the value which procurement add through their knowledge and understanding of a category of spend; including market expertise, cost and price factors, supply chain pressures and models of delivery
- Procurement will be recognised as delivering quality, service and cost improvements.
- More effective supplier engagement and performance management which in turn improves Council performance and customer satisfaction

### **How will staff notice a difference?**

- Staff will have access to the tools, development and support needed to deliver high quality category strategies and manage suppliers appropriately
- Staff will have strengthened support from stakeholders as a result of having an agreed strategy with recognised inter-dependencies with service plans and other council strategies.

### **Measuring our success**

- £ savings delivered through procurement, contract and supplier management activities
- £ contribution to the savings within the medium term financial strategy (MTFS)

- Improvements in service and outcomes achieved through procurement and supplier management
- Benchmark assessment of procurement maturity against independent model
- Evidence of consideration/application of alternative delivery models
- Feedback from customers

## **Theme 2: High quality & efficient sourcing**

### **What is our ambition?**

That our sourcing process should be simple, clear and efficient. We are leaders across the region in delivering a sourcing process that achieves successful outcomes and is a positive and effective experience for our suppliers. We maximise the use of a range of electronic sourcing tools; including eTendering, Dynamic Purchasing Systems, eCatalogues and eAuctions.

Processes should be compliant, yet appropriate and proportionate dependent on contract value and risk, and contracts must be flexible enough to take into account the changing shape and scope of local government services. Similarly standard terms and conditions of contract must protect the Council's interests whilst being appropriate for the nature and size of procurement.

### **Key actions in 2017 – 2020 to achieve our ambition**

- a) Ensure that the Council's e-tendering portal is used for all procurements over £5000 and that the system is simple to use for both staff and suppliers.
- b) Implement a consistent feedback process to capture the experience of both internal stakeholders and suppliers to improve and evolve the sourcing process
- c) Provide further, regular, training workshops for SME and voluntary sector suppliers to help them with tendering for public sector tenders
- d) Maximise the use of new tools such as Dynamic Purchasing Systems and the Competitive Procedure with Negotiation to deliver more effective procurement which deliver value for money outcomes.
- e) Understand pipeline of future projects to develop 'nimble' solutions eg frameworks for repeat purchases.
- f) Terms and conditions of contract refreshed and reviewed by working with Legal services

### **How will our customers notice a difference?**

- Internal customers will see shorter timescales for the sourcing process
- Suppliers will be engaged in challenging and reviewing our sourcing processes and will receive regular and constructive feedback
- We will engage with suppliers to offer full training on our sourcing processes
- Sourcing will be delivered to produce best value for all participants
- We will use the most appropriate route to market to deliver best value; frameworks, e-auctions etc

### **How will staff notice a difference?**

- The sourcing process will be simple and efficient and delivered by experts

- The route to market for low value purchases will be simple and clear, making best use of catalogues, PCards etc
- Options will be appropriately explored around use of flexible contract structures and lots which best allow the market to respond with quality, cost effective solutions that support access for local and SME organisations
- There will be access to compliant, value for money frameworks.

### **Measuring our success**

- Reduction in the time it takes to deliver a sourcing process
- All procurements (quotes and tenders) over £5,000 will be run through our etendering system
- Increase in SMEs bidding for, and securing, new contracts
- % spend against compliant contracts
- % spend influenced by Corporate procurement

## **Theme 3: Partnership and collaboration**

### **What is our ambition?**

The procurement function will maximise the opportunities for partnerships and collaboration with others to deliver better value for residents. We will also lead regional and national procurement activities where appropriate, and provide commercial leadership to partnerships with others in the public, private and the voluntary community and faith sector. Closer working with colleagues in health is essential, both in terms of developing, supporting and managing the care market in the borough and also recognising the government's aim to integrate health and social care by 2020 but also noting that plans have to be in place by 2017.

### **Key actions in 2017 – 2020 to achieve our ambition**

- a) Promote and Support collaborative working across our key categories to maximise savings
- b) Continue to develop strong relationships with Health to promote collaboration and where appropriate provide an integrated procurement service.
- c) Establish closer relationships with other London Boroughs and public sector partners
- d) Continue to deliver a procurement service to existing customers and to sell the service to new customers under a new commercial approach.

### **How will our customers notice a difference?**

- Improved contracts either through sharing of best practice or better value for money from collaboration
- Reduced cost to procure through joined up approach
- Common processes which will benefit local providers

### **How will staff notice a difference?**

- Staff will be encouraged to develop partnerships that benefit their own expertise and the delivery of their roles, and supported to invest time in building positive relationships.
- Staff will be working on challenging & complex projects with stakeholders across organisations to deliver projects

### **Measuring our success**

- Savings from joint projects/collaboration
- Evidence of best practice shared
- Awards short-listed/won
- Revenue generated
- Evidence of broader market analysis and benchmarking to benefit wider public sector approach in the area.
- Alternative delivery options implemented

## Theme 4: Social Value

### What is our ambition?

Buying sustainably is about getting real value for money, not just lowest cost. It's about adding social value through jobs and training opportunities with our suppliers, economic value through getting local businesses into our supply chains so that more money is re-invested locally, and environmental value through asking our contractors to minimise their carbon emissions and waste. Many of these also have a positive impact on public health. Appendix 1 provides further detail of Redbridge's Sustainable Procurement approach.

### Key actions in 2017 – 2020 to achieve our ambition

- a) Raise awareness of this strategy and the specific actions in appendix 3.
- b) Ensure staff are trained how to implement Community Benefits in procurements
- c) Deliver workshops for SMEs to help improve chances of winning council contracts
- d) Work with larger organisations to maximise community benefits from their relationships with the local supply chain
- e) Increase apprenticeships through procurement
- f) Increase volunteering opportunities through contracts as a means of getting residents back into work.

### How will our customers notice a difference?

- More diverse and competitive market responsive to our requirements
- Greater opportunities for local businesses
- More residents employed locally and improving life outcomes (eg better health outcomes, less dependency on council services)

### How will staff notice a difference?

- Sustainability becoming part of the normal evaluation criteria in tenders
- Contract management with suppliers will also encompass the need to ensure that suppliers are fulfilling community benefit obligations
- Awareness of impact of spending power on local economy.

### Measuring our success

- Spend with SMEs and local organisations
- Number of apprentices delivered through contracts
- Staff trained on community benefit toolkit
- Explore the measurement of Social return on Investment
- Larger suppliers using local companies as part of their supply chain

## Theme 5: The Right Resources

### What is our ambition?

The procurement function will be the primary and leading source of commercial expertise across the organisation. Delivery will be by a professional core of skilled staff supplemented by appropriate expertise as required to provide an agile workforce. We will also ensure we have the appropriate tools to support the team.

### Key actions in 2017 – 2020 to achieve our ambition

- a) Ensure that the Procurement Function is trained in accordance with the CIPS Global Standard
- b) We will employ the best expertise drawing upon our shared service with LB Waltham Forest to provide resilience in a competitive market.
- c) Implement the update to the Council's e-tendering system and in particular evaluate and implement contract management functionality.
- d) Continue to develop our spend analysis capability by ensuring all procurement staff proficient in using the system and used as a matter of routines
- e) Develop the team, and the wider Council, to be more commercial in their outlook.

### How will our customers notice a difference?

- We will be the primary source of commercial expertise and intelligence on markets and suppliers across the organisation
- We will bring expertise around alternative/innovative procurement approaches commercial models when developing procurement options.

### How will staff notice a difference?

- Staff will benefit from being supported in their development and empowered to think creatively
- Staff will be actively encouraged to look to the private and broader public sector for leading edge ideas

### Measuring our success

- Involvement and leadership in distinct commercial activities
- % Staff professionally qualified
- Absence and retention rates for Procurement staff
- Customer feedback

## Appendix 1 Redbridge Approach to Sustainable Procurement

### What is Sustainable Procurement?

Sustainable procurement means taking into account the wider social, economic and environmental impact when buying the services, works and goods we need, whilst still achieving value for money.

### What does this approach aim to achieve?

This demonstrates our commitment to sustainability going forward, and highlights some of the key ways we will develop sustainable procurement further. This is not an exhaustive list. We will take each pillar of sustainable procurement in turn: social, economic and environmental.

#### **SOCIAL**

We will make every effort to use the power of our procurement spend to get the best social outcomes for our local communities, leveraging training and job opportunities. Unemployment in Redbridge is 7.9% compared with an average of 6.1% across London (2015). With a higher jobs density in central London than in the borough it is vital that we ensure residents have the skills and education to take advantage of London's jobs market. One of our key responsibilities is improving training and skills opportunities for the hardest-to-help groups, including over-50s, ex-offenders, those with mental health conditions and those with learning difficulties.

We need to use our procurement spending power and other levers such as section 106 to develop training programmes and employment opportunities for these groups. By building social benefits into contracts we can develop apprenticeships, require that suppliers use our agencies eg Work Redbridge to recruit and also explore implementing London Living Wage in contracts and promoting its use by our suppliers as appropriate.

#### **ECONOMIC**

Redbridge benefits from many of the assets that are crucial to achieving economic growth: efficient transport links; high quality public realm and green space; and good housing stock. With a population of approximately 300,000 it is also one of the fastest-growing boroughs in London.

The Council has a key role to play in driving local economic growth, and spending more with small business is one way we can support the local economy. Federation of Small Businesses research shows that for every £1 spent with an SME, 63p is re-spent in the local area. This is compared with 40p in every £1 spent with a larger business. We therefore want to ensure our bidding processes are accessible to small businesses, so that they can supply Redbridge Council where it makes sense for them to do so. Social enterprises also contribute greatly to the local area, and therefore we will ring-fence contracts for them where appropriate.

Simple actions we will take to improve the local economy include:

- Mandating local quotes for contracts not subject to EU regulations;
- Publishing all tender opportunities online via our online portal, make it easier to hear about them;

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- Running 'Meet the Buyer' engagement events
- Providing support for small and local businesses in getting into our supply chain through local business development forums;
- We can build into our larger contracts the requirement to advertise their own supply chain needs within the local area as part of their own procurement strategy.
- Supporting social enterprises by exploring whether any opportunities would be appropriate to be ringfenced, where appropriate and lawful;
- In line with new EU procurement regulation, splitting larger value contracts into separate lots to make them more attractive to SMEs.

## **ENVIRONMENTAL**

We want to minimise any negative environmental impacts of goods, works and services purchased, right across their life cycle from raw material extraction to end of life.

Redbridge will seek to use the Government Buying Standards, which provide minimum environmental criteria for a wide range of commodities, for example FSC certified timber, lower emissions vehicles and efficient water-using products.

We will further manage and minimise our environmental impact in the following key ways:

Environmentally friendly materials:

- We will continue to build knowledge and understanding of the Government Buying Standards and Green Public Procurement across the council
- We will assess the sustainability impacts of proposed procurements
- We will specify the use of lower emission vehicles by our supply chain;

Air quality:

We are committed to creating a cleaner, healthier atmosphere for residents, visitors and employees. Procurement can support this by working with construction colleagues to ensure carbon and pollution reduction is built into the design of schools building projects, regeneration projects and refurbishments;

Sourcing food responsibly:

As catering contracts come up for renewal, we will champion Fairtrade, Sustainable Fish Cities and Food For Life standards.

## **CORPORATE PROCEDURES**

In order to embed sustainability into the way the Council procures we will:

- Ensure that sustainability is evaluated in relevant tenders, by mandating 10% of the criteria being attributed to social/economic or environmental considerations
- Ensure that sustainability is assessed by the Contracts Management Board for major contracts and especially with regards to the Council's obligations under the Public Services (Social Value) Act
- Mandating E-Tendering for spend over £5000, simplifying the tendering process, making it more transparent
- Developing the Community Benefits Toolkit to help staff incorporate sustainability benefits through procurement.