

East Suffolk Council

Procurement Task and Finish Group

Findings Report



### **Introduction:**

In the Summer of 2020, a motion was raised at a meeting of East Suffolk’s Full Council regarding how the authority procures goods, works and services. The details of the motion are as follows.

*“In addition to modifying or enhancing the three priorities in the current East Suffolk Economic Growth Plan that facilitate and signpost businesses towards their own economic growth or encourage inward investment, East Suffolk Council, as an anchor institution, has the opportunity in its revised Delivery Plan to kick start economic recovery through its own procurement policies and via its purchasing decisions to encourage/support local economic recovery and to build overall community wealth within the community through its significant purchasing power.*

*Keeping money in the local economy as a way of driving positive economic and social outcomes is not new and has been championed and promoted by Preston Council since 2012 (‘The Preston Model’). Its progressive procurement is now being followed by other councils throughout the UK and the Welsh Government.*

*At its heart is inclusive economic growth. By encouraging anchors, such as Councils, to spend their money locally and socially, the concept of Community Wealth Building has:*

- *Developed the skills of local people within Preston and the wider Lancashire area,*
- *Created stable, well-paying jobs,*
- *Reduced levels of in-work poverty,*
- *Kept money circulating in the local economy, and*
- *Demonstrated the power of anchor institutions to realise good local economies for people and place.*

Therefore, this Motion calls on East Suffolk Council to:

1. *Convene a cross party Member/Officer Task and Finish Group, chaired by the Deputy Leader/Cabinet Member with responsibility for Economic Development, and to task it with Investigate Community Wealth Building and embed it into our policies to enhance the quality of life and opportunities for people in East Suffolk*
2. *Instigate new procurement policies that*
  - a. *drive local economic growth within its Economic Growth and Recovery Delivery Plan*
  - b. *Identifying where the council spends its budget procuring goods and services, money and how much is leaking out of East Suffolk;*
  - c. *Researching procurement and community wealth building best practice nationally.*
  - d. *Reviewing the Council's procurement policies and practice, developing proposals for new procurement policies that will deliver a fully compliant procurement service leveraging maximum economic and social benefit for the Council and for residents and businesses of East Suffolk,*
  - e. *Reporting back to Cabinet Leverage maximum local and economic benefit from East Suffolk's spend on goods and services, shifting spend on local and socially responsible suppliers,*
  - f. *Encourage and monitor the percentage of suppliers that pay at least or more than the national living wage,*
  - g. *Develop the capacity of local business if local suppliers are limited in number,*
  - h. *Map where suppliers are located with ward level deprivation data*
  - i. *Develop a social value framework to procurement that*
    - i. *promotes local training and employment,*
    - ii. *supports the long-term sustainability of the VCSE sector,*
    - iii. *includes democratic forms of ownership such as co-operatives and promotes environmental sustainability.*
3. *Inspire other authorities in Suffolk to take up a similar stance*
4. *Encourage other anchor institutions within East Suffolk such as Scottish Power Renewables, EDF Energy, Felixstowe Port etc. to adopt similar first steps to deliver on a community wealth building approach for long term social and economic gain throughout the District region."*

## The Task and Finish Group:

In response to the motion, a cross-party group chaired by the Deputy Leader of the Council was created and met for the first time in October.

In that group, discussions were held on the motion, including the suitability of the Preston Model as the basis for a procurement strategy in East Suffolk. Over several months the group focussed on developing an “East Suffolk Model” to develop a strategy for procurement for a modern East Suffolk that would deliver on several important aspirations of the council:

- **Social value:** Economic, community and environmental concerns
- **Local supply chains** and how to support and engage them better
- Potential Requirements of a **Post-Covid 19, Post-Brexit** world
- Understanding the **positive impact** of our spending within communities
- **Allowing stakeholders to be more involved** in the design of outcomes

## Procurement at East Suffolk: Where are we now?

Whole life

The focus on time makes the process a very linear one, with limited member oversight beyond the point of cabinet approval:



Procurement may often not be involved in this process until the final stage ('purchase' in the diagram above). Members involvement comes only as a sign off with limited discussion or input on how the project could be procured and with no feedback on the outcome of the tender process

Indeed, success or additional value can often be lost or not go unmeasured. With this linear process even where these are measured there is no feedback to inform members of the success of any decisions.

The other focus of procurement exercises is best value. Whilst we have moved away from price being the main factor by using a price/quality split that often favours quality, price is still the main factor in qualifying end value. Social Value and Local value are not often included in any procurements other than where we are legally obliged to consider it.

The challenge laid down by the council motion was to develop a procurement strategy that dealt with these issues and allowed the council to ensure that the money spent by the authority maximises benefit within East Suffolk.

## **What is Social Value?**

Social value as a measure was established in the Public Services (Social Value) Act 2012 (the Social Value Act) and has gained more traction in the last five years as councils seek to maximise the impact of the money they spend within their communities. Social Value is identified as *'value delivered, additional to that provided by the subject of the contract, that improves either the Social, Economic, or Environmental aspects of the community in which it is carried out'*. The Social Value Act requires contracting authorities, before starting certain procurement procedures, to consider how the services they propose to procure might improve these well-being factors (social, economic or environmental) within the area in which the services are to be provided

One of the main reasons this has been difficult to deliver has been due to quantifying the value of these offers. Standard metrics such as the National TOMS (Themes, Outcomes and Measures) from the Social Value Portal aimed to codify and quantify outputs and were made available free to the public sector.

Examples of additional social benefits of a procurement include leaving a skills legacy by employing locally and creating sustainable apprenticeships; boosting local small, medium and micro businesses and social enterprises by ensuring that they form a core part of the supply chain; reducing air pollution, maximising green space and ensuring the value of materials is optimised through a circular economy

Using metrics these can give a quantifiable proxy financial value to activities – for example, a supplier taking on a local apprentice in a deprived area could be helping support a wider social value with a value of around £35,000, when compared with typical outcomes for those young people not in work in that community.

Some local authorities are using social value calculators to quantify that social value saving – and factoring this into their decision making when carrying out a procurement.

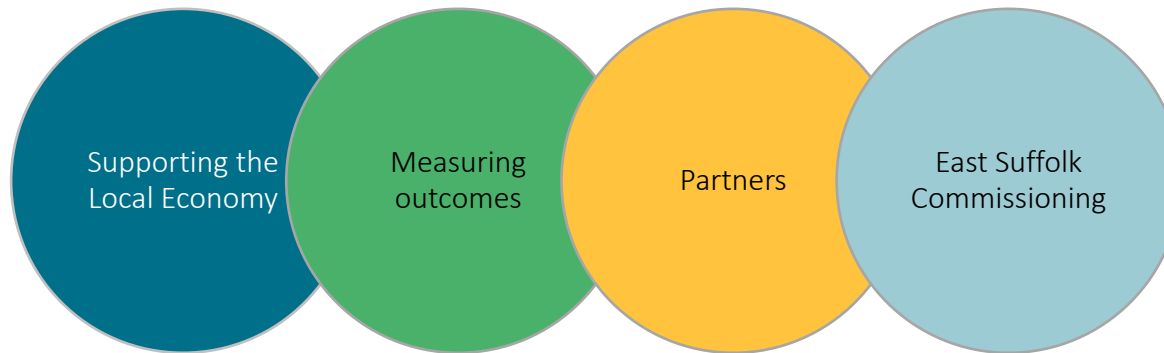
Social value, therefore, represents an area where additional community benefits can be derived. It allows councils to understand the wider benefit of the money they spend each year and provides them with the opportunity to look beyond the financial cost of a contract and consider how the services they commission and procure throughout all operational and service departments might improve the economic, social and environmental well-being of their community

More recently software systems have arisen to assist in automating what is an intensive manual process for suppliers and buyers in setting up relevant social value metrics, evaluating offers that go beyond just the core contract requirements and managing their delivery. These systems are defined here as Social Value Calculator Tools.

## An East Suffolk Model

These sessions identified four themes under which the ambitions of the motion raised could be grouped.

These are:



### Supporting the Local Economy

#### *Where are we now?*

Procurement regulations have always made it difficult to design procurements which support local businesses; frameworks tend to be national contracts to favour aggregation of pricing on the widest scale. EU regulations on procurement have meant tendering has to be advertised at the national and the EU level. These legislative issues have meant that it is difficult to design a specifically local solution.

This is starting to change. More recently use of certain procurement, processes have begun to set up more localised approaches. For example, Dynamic Purchasing Systems such as our own agreement for disabled adaptation used by housing created with localised “lotting” to break the work down geographically across the district and encourage local bidders to work in their own areas.

Localisation has been further modified by a change to UK procurement regulations since leaving the EU that allows some contracts to be specifically advertised at county level rather than nationally or pan-european. Whilst not perfect, it does increase the degree of flexibility that the authority has in designing a procurement.

In this regard, it's also worth noting that major UK procurement reform is anticipated later this year: we are awaiting a draft Procurement Bill and the government's response to the green paper consultation. This is likely to result in a more flexible set of procurement guidelines which this project needs to take advantage of.

Talking to the market, feedback from Chamber of Commerce members has indicated that often local businesses feel at a disadvantage to larger national companies when bidding for work with local authorities.

Suppliers also find public procurement processes complex – comparative to those with private sector equivalents. Large amounts of red tape, overly complex procedures, use of Jargon and complex language rather than plain English all deter their desire to engage.

### ***What could an East Suffolk Model look like?***

Whilst we would still be bound to meet any legislative requirements, education on how to bid more effectively, better publication of opportunities and more active engagement with suppliers would demonstrate our commitment to local supply chains and actively engage them in the bidding process.

This would be combined with simplified processes, and documentation to reduce the supplier resource on bidding (as well as our own)

More thought in the pre-procurement planning stages would produce procurements that can be designed so local supply chains are able engage with the authority.

Embedding social value in the built environment, for example during Lowestoft's Town Fund planned construction, means finding ways to add value across the full project process from early commissioning and investment decisions, through design, planning, and construction, into long-term operation.

## **Measuring Outcomes**

### ***Where are we now?***

Current systems mean very labour-intensive processes to produce simple spend data, while more complex data is required to benchmark our current position and show improvement on the targets outlined in the motion which is just not available at present.

Contract management and use of performance data is not universal through the authority – operationally contracts are managed regarding day-to-day performance in a tactical manner, but the strategic aspects of contracts are often neglected. This means the true added value within contracts through proposed efficiencies, innovative processes, collaborative working, and added social value (that is not linked to operational performance) may not be delivered.

### ***What could an East Suffolk Model look like?***

By using systems more effectively we would have more robust data, enabling better upfront decisions and allowing procurement to provide insight into spend trends and patterns, where to concentrate efforts for best returns etc and to design better procurements in terms of pricing matrices etc.

Establishing KPI data which is collected regularly (and checked) delivers effective *strategic* contract management in terms of performance and contractual requirements being delivered.

Knowing how things are performing will ensure the delivery of innovation in contract for areas which can be improved, or efficiencies identified and will also ensure the delivery of promised social value

By having this data benchmarking against external sources becomes possible allowing us to demonstrate the success of the East Suffolk Model.

## **Partners**

### ***Where are we now?***

The group identified both public and private sector partners having roles within achieving our aims but currently this is not as proactive as it could be

Our large private sector partners delivering, grounds maintenance, leisure and other services have dedicated contract managers working with them and agreements are being redrawn at contract review points to make sure working with them aids in achieving the council's strategic



goals. This is not ideal as in contract changes which do not benefit the supplier often come at a high cost. Similarly, not all key contracts have managers assigned to them

Similarly, as the Preston Model outlines, public sector “Anchor” institutions will have similar goals regarding use of local supply chains and social values to our own. This means there will be opportunities to collaborate with them on procurements and policies that are mutually beneficial which due to the time restrictions identified earlier and lack of data do not happen regularly

### ***What could an East Suffolk Model look like?***

Closer working with our commercial partners will create relationships that are genuinely symbiotic in nature thus better guaranteeing improvements in contract will be improvements for both parties. Coupled with improved performance data and clearer documents we can actively work with key suppliers regarding our long-term direction together for mutual benefit.

Regular conversations with other public sector entities will enable more collaboration, reduce the workload on any one procurement department, delivering better consolidated market power, create simplified procurement trends across a wider area and allow us to identify good practice we can share with others as well as absorbing it where appropriate.

By setting good examples with the partners we have in both public and private sector areas we can set an example to the wider supply chain that can help make broader change in the area.

## **East Suffolk Commissioning – a new approach**

### ***Where are we now?***

Many procurement requirements emerge too late for procurement processes to influence them positively. If time is the major driver in a procurement, then this means both quality and price can both be negatively affected.

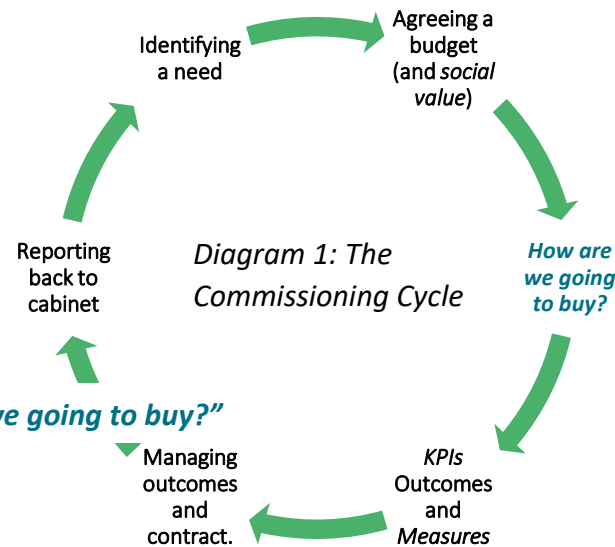
Insufficient time also stifled the opportunity for creative solutions or alternative delivery methods to be looked at as well as creating silo agreements which often mean the same resources are being procured multiple times a year by various departments or teams rather than a more inclusive approach that could reduce inefficiencies.

### ***What could an East Suffolk Model look like?***

The group recognised that with any project good planning and involvement from key stakeholders at an early stage could not only manage risk better but yield better results and make managing the resulting contract much easier.

Additionally, it was recognised procurement outcomes should be aligned not only to the service requirement but also the East Suffolk Strategic Plan and encourage bidders to show how they will help us achieve our aims.

To this end a model for commissioning was designed, moving from a linear process to a more cyclical one (see diagram below right) focussing on more outcome driven working and endorsing early understanding of local markets, thought-out processes, and give genuinely best value. Best value quality as social value is introduced finance don't balance but the and enable members to evidence of the considerations are listed in



specifications and collaborative stakeholder supplier engagement. It will allow better allow a more engaged supply chain, better members reassurance that procurements are will cease to be purely based on cost versus there could be scenarios where on paper the social benefit means it's the right course of action to the public the basis for those decisions. Some diagram 2.

Diagram 2: Detail behind "How are we going to buy?"

Strategic fit	Social value calculator	Measurements and KPIs	Supplier engagement	Stakeholder conversations
<ul style="list-style-type: none"> <li>• What can this procurement deliver against the five themes?</li> </ul>	<ul style="list-style-type: none"> <li>• What are we buying – and what is it's value?</li> </ul>	<ul style="list-style-type: none"> <li>• How will we measure the success of this service?</li> </ul>	<ul style="list-style-type: none"> <li>• Open days? Dialogue? Workshops?</li> </ul>	<ul style="list-style-type: none"> <li>• Councillors. Teams. Communities</li> </ul>

It is worth recognising that not all procurements will require the full commissioning process. Simple purchases, for example off the shelf items may require much less discussion and involvement, particularly where the cost of the activity outweighs the cost of the requirement, and we'd expect a reduced process to be employed in these cases.

## **Outputs**

The result of this change will mean procurements which are much more transparent, simplified in terms of red tape, open to all (to encourage Micro and SME bidders locally), and more attractive to the market, with reduced risk of Project failure or increasing costs, which should lead to better outcomes.

## **Recommendations**

It is suggested that members approve the following recommendations to enable the changes:

- 1) Approving the action plan and outcomes in T&F group Report ( Appendix 1)*
- 2) Creating a cross departmental project – to include consultation with members - to produce:
  - a) Revised procurement processes that support the new policy*
  - b) a Social Value and Sustainable Procurement Policy linked to our Strategic Plan to embed social value as a keystone to all council activity and*
  - c) implement the action plan attached to the report**
- 3) That as part of the work of the project group, a social value calculator tool is identified and purchased to inform decision making, with a maximum budget of £50k*
- 4) That ESC commissions work from the East of England LGA to carry out a review of procurement processes, and a 'healthcheck' to identify any changes that need to be made in order to implement the new policy.*

Appendix 1

Ref	Theme	Output	Actions	Measurement	Owners	Timescale
A	Additional Requirements	Having a procurement department able to meet the needs of the business	Design and Deliver a procurement department capable of delivering the required outcomes Restructuring of existing staff. Recruitment of any missing resource required.		Procurement manager and Operations Manager	TBC
1	East Suffolk Commissioning	Making it easy to bid	Clear specifications and clear procurement plans	Number/Type of Bidders Added Value Achieved Positive feedback	Authority Wide	TBC
2	East Suffolk Commissioning	Basing our scoring on our Strategic Plan	Strategic plan link in all tenders Produce a range of tools to include in evaluation to assess the relevant strategies for each opportunity (similar to that in Forward plan items)	Supplier Returns in line with our directions Added Value Achieved	Procurement Team	TBC

3	East Suffolk Commissioning	Designing the service that we are going to buy	Stakeholder identification/plan as part of procurement  Use Market engagement  'How we are procuring' - sessions with members/ stakeholders	Number/Type of bidders  Capture feedback  Successful delivery of specified outcomes  Improved specifications	Authority Wide	TBC
4	East Suffolk Commissioning	The commissioning process – designing the service with the market	Identify the desired outcomes.  Work with bidders to design a service through market engagement events, or the competitive negotiation route  Use relevant procurement routes to achieve outcomes	Designing a process that enables East Suffolk to have a dialogue with bidders and encourages innovative delivery models.	Procurement Team	TBC
5	East Suffolk Commissioning	Feedback: Closing the loop with cabinet	Regular reporting on outcomes	Cabinet/Full council feedback on reporting	Procurement Team or Contract Managers	TBC
6	Supporting Local Business	Raising awareness of opportunities for local bidders	Engage with local supply chain to raise awareness of future procurements.  Create “Doing business with East Suffolk”, supplier engagement video	Volume of local suppliers signed up (% of whole) including break down of SME and Not for Profit sectors.  Number of local suppliers bidding for work.	Procurement Team	TBC

				Number of views on engagement video		
7	Supporting Local Business	Improved support for local suppliers	ESC to run events to coach suppliers on how to work with the East Suffolk Council and our ambitions regarding our wider economic, social and environmental priorities.  Engage with third sector to support the development of community based solutions	Number/Types of local suppliers bidding  Number of Local suppliers winning work.  Surveys of local supplier awareness  Number of suppliers trained	Procurement Team and Economic Development	TBC
8	Supporting Local Business	Making it easier to bid	Produce simple, streamlined tender opportunities.	Supplier Feedback on documentation  Reduction in queries/ clarifications Increase in number of bidders per procurement	Procurement Team	TBC
9	Improved Data	Better understanding of the impact of the money that we are spending	Start using a social value calculator to show the wider value of our procurements.  Use the tool to set out the secondary outcomes that we are seeking to procure	We have a working social value calculator and use it to score our procurements  KPIs based on the calculator	Authority Wide	TBC
10	Improved Data	Understanding the benefit to the local economy of our spending	ED to produce a set of measures showing the benefit to the economy of local procurement	Index of measures - for example, GVA data, economic performance profile, local enterprise culture, skills and qualifications, labour market data, prosperity and deprivation,	Authority wide but especially: Economic Development	TBC

				health data (reduction in health inequalities), environmental enhancements etc  An annual review of economic and community impact.	and Communities	
11	Improved Data	Better information on what we are spending	Produce clear financial data on the council's spend to inform better decision making.	Financial dashboard  Spend data and invoice analysis	Procurement Team and Finance	TBC
12	Improved Data	Better information on performance	Produce clear contract performance data to manage the delivery and achieve added value.	KPI Performance  Active Contract Management	Authority Wide	TBC
13	Working with partners	Working with other public bodies	Identify opportunities to collaborate with other public sector organisations to secure best value.	Records of joint working projects and outcomes  Minutes of cross sector meetings.	Authority Wide	TBC
14	Working with partners	Working with the private sector	Identify activities which could be done collaboratively with The private sector to improve local value	Reports on projects which have made improvements as added value to the community to be used as case studies in supply chain forums where good practice is shared.	Authority Wide	TBC