

## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	Cabinet	<b>Date</b>	14 July 2020
<b>Title</b>	Procurement Strategy 2020-24		
<b>Report of</b>	Director of Corporate Services		
<b>Purpose of Report</b>			
To seek approval of the Procurement Strategy and action plan for 2020-2024.			
<b>Key Decision (Y/N)</b>	<b>Y</b>	<b>Date of Notice</b>	<b>15 06 20</b>
		<b>Exempt (Y/N)</b>	<b>N</b>

### Report Summary

The report seeks approval of a revised strategy and action plan for procurement to cover the next four years. Whilst the strategy maintains a focus on value for money in procurement decisions, it also sets out the importance of the Council's procurement to the local economy and an ambition to maximise expenditure with local organisations, enhance community wealth building and seek increased social value from spending decisions.<sup>A</sup>

### Recommendation of Councillor John Reynolds

1. Cabinet adopt the Procurement Strategy and action plan for 2020-2024.

### Relationship to Policy Framework

The Procurement Strategy will assist in the delivery of the Council's recently adopted priorities.

#### *An Inclusive and Prosperous Local Economy*

- *advocating for fair employment and just labour markets that increase prosperity and reduce income inequality*
- *supporting new and existing enterprises in sustainable innovation and the strengthening of local supply networks*

The objectives set out in the Procurement Strategy cover the maximisation of social value benefits. This will include incorporating adoption of fair work charter in the evaluation criteria. The objectives also set out how the Council will support local businesses and this will include developing local frameworks and supply chains.

#### *A Sustainable District*

- *net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal*

Minimisation of environmental impact will be incorporated into evaluation criteria.

#### *A Co-operative, Kind and Responsible Council*

- *providing value for money and ensuring that we are financially resilient and sustainable*

The objectives set out in the Procurement Strategy cover maximising value for money as well as delivering wider economic, environmental and social outcomes.

In addition to assisting the delivery of priorities, the Procurement Strategy will focus on the key corporate themes of Climate Emergency and Community Wealth Building via the adoption of relevant measures to be included in evaluation criteria.

#### **Conclusion of Impact Assessment(s) where applicable**

Climate ✓	Wellbeing & Social Value ✓
Digital	Health & Safety
Equality	Community Safety

#### **Details of Consultation**

#### **Legal Implications**

The adoption of the Procurement Strategy will inevitably result in changes to Standing Orders relating to Contracts and Financial Regulations in order to incorporate social value considerations into spending decisions.

#### **Financial Implications**

There are no direct financial implications arising from this report which covers approval of a Procurement Strategy. However, as the strategy indicates, the Council will spend around £19m on goods and services in 2020/21 and therefore effective procurement decisions will secure value for money from Council expenditure as well as the delivery of wider economic, social and environmental benefits.

#### **Other Resource or Risk Implications**

It will be necessary to provide support to budget holders in order to maximise benefits from more proactive procurement. The action plan includes the development of a procurement toolkit including measures to show improved outcomes.

#### **Section 151 Officer's Comments**

The s151 Officer has contributed to the writing of this report and to the development of the Procurement Strategy.

#### **Monitoring Officer's Comments**

The Contract Procedure Rules and Financial Procedure Rules were not subject to the Council's Constitutional review in 2019. The power to amend both the Contract Procedure Rules and the Financial Procedure Rules lies with Audit Committee.

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#### **Links to Background Papers**

Procurement Strategy (2020-2024) and action plan is appended to the report.

## **1.0 Introduction**

1.1 The Procurement Strategy and action plan will reset and implement the Council's objectives with respect to procurement over the next four years. Crucially, the strategy sets out key principles which will enable to the Council to buy local more often whilst maintaining a focus on value for money. This will be achieved by introducing the measurement of social value, particularly in relation to the climate emergency and local community wealth building, as part of the procurement assessment process.

## **2.0 Background**

2.1 In January 2020, Council adopted revised priorities which place an emphasis on addressing the climate emergency, declared a year earlier, as well as community wealth building. Additionally, the Government, in its National Procurement Strategy, has highlighted the importance of driving community benefits particularly in relation to local economic, social and environmental well-being.

2.2 The revised Procurement Strategy responds to the local and national priorities in order to ensure that future spending decisions maintain good value for the taxpayer whilst delivering wider local economic, social and environmental benefits.

2.3 The Strategy sets out the following key objectives:

- Support long term financial sustainability of the Council by ensuring Value for Money via efficient; effective; transparent, legally compliant and equitable procurement activities.
- Maximise social value benefits from procurement activities by ensuring that the climate emergency and community wealth building measures are included in procurement assessments.
- To support local businesses to bid, win and deliver Council contracts.
- To adapt and respond to the changing landscape of Local Government.

2.4 In order to achieve the above objectives, an action plan has been developed. It includes changes that will be required to standing orders relating to contracts and financial regulations; these changes will have to be considered by Audit Committee. It also includes the development of a toolkit which covers the full procurement cycle from identifying need, to selecting a supplier and recognising the procurement benefits including wider economic, social and environmental outcomes.

### 3.0 Options and Options Analysis (including risk assessment)

<b>Option 1: Cabinet endorse the Procurement Strategy and action plan.</b>
<b>Advantages:</b> This will allow early adoption and completion of the action plan which will enable more pro-active procurement which supports the delivery of wider community benefits which address the climate emergency and community wealth building aspirations.
<b>Disadvantages:</b> None identified.
<b>Risks:</b> Potential for sub-optimal procurement decisions if processes for incorporating social value are not clear and consistent.
<b>Option 2: Do not agree the Procurement Strategy and action plan.</b>
<b>Advantages:</b> No changes to existing processes which are well established which focus on cost and quality (but not social value) and make use of national frameworks to deliver a combination of low cost and quality.
<b>Disadvantages:</b> Council will miss out on opportunity to address key corporate themes including climate emergency and community wealth building in procurement decisions and the wider social, economic and environmental benefits which would accrue from their incorporation in the assessment process.
<b>Risks:</b> Council may be assessed as not meeting its own corporate priorities and those set out in the National Procurement Strategy.

#### 4.0. Officer Preferred Option (and comments)

- 4.1 The officer preferred option is Option 1. Approval of the Procurement Strategy will allow for the action plan to be implemented which will deliver a more proactive approach to procurement and demonstrable improvements in social value arising from expenditure decisions.

# **Procurement Strategy**

**.....developed to establish the direction of how procurement should be organised in order to implement procurement policies.**  
(CIPS)

**2020– 2024**

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## Introduction

The procurement strategy aims to help us deliver excellence in the procurement and commissioning of goods, works, and services. It supports the delivery of the council's priorities and strategies in areas such as equality, asset management, climate change emergency and Local Wealth Building.

Procurement covers the whole process from the initial identification of a need for a service or goods, decisions about how and who provides the service, through selecting a supplier or partner, receiving the goods or service, managing a contract, achieving the benefits expected, to finally disposing of an asset or ending a contract.

Good practice and legislation encourages staff to consider wider social, economic and environmental impacts and outcomes from procurement decisions. It also stresses the need to include the public, customers and people who are the ultimate users of services in their design, selection and delivery, where appropriate.

The Council has a good track record of working in partnership with others such as the County Council, other District Councils, professional buying organisations and with consultants. The procurement function will continue to encourage working in partnership.

## Aims

The procurement strategy will communicate to all stakeholders, including Council Members, Chief Officers and Council staff the Council's vision for the way forward in procuring its goods, works and services.

The document seeks to set out the Council's high level, strategic plans for how procurement will be organised and managed in support of the Values.

Flexibility is required to allow the Council to respond to the rapidly changing environment surrounding public sector procurement, taking into account our own experiences and those of others and to integrate improvements into our processes and systems.

## Setting the scene

Getting procurement right is important not only because it is about improving the delivery and cost effectiveness of quality public services to our customers across the district, but also because the choices we make on a contract or partnering agreement signifies the type of authority the Council wants to be and how we are perceived by residents, businesses and other stakeholders.

Lancaster City Council has largely devolved procurement activity, more than 200 officers are involved in the procurement process using Civica Purchasing. However, other orders are raised relating to municipal properties and Council housing stock via Tech Forge and TOTAL. Many more officers are involved in the bill payment process and in the procurement process as project, budget and contract managers.

In January 2020 Council adopted the outline Strategic Priorities (appendix A) the overarching Priorities and Themes will be taken forward within this procurement strategy.

On 30<sup>th</sup> January 2019 at Full Council, a Climate Emergency was declared, with the Council aiming to be net-zero carbon by 2030.

July 2018 saw the launch of a new national procurement strategy 'Delivering the Ambition'. This strategy focuses on three themes, which consultation has shown reflect local government's priorities:

- Showing leadership
- Behaving commercially
- Driving community benefits

Each theme has a number of key areas and four enablers have been identified:

- Developing Talent
- Exploring digital technology
- Enabling innovation
- Embedding change

Procurement will respond to the challenges of the corporate Priorities, Themes, Climate Emergency declaration and the National Procurement Strategy.

It should also be noted that work is being undertaken by the Lancashire Economic Development Officers Group (LEDOG) to progress the way in which Public Procurement with a particular focus on using standard processes to realise wider economic, social and environmental outcomes. Procurement will contribute and will work to regionally standardise processes and procedures across Lancashire, where this should benefit SME<sup>1</sup> suppliers

<sup>1</sup> SME – Small, Medium Enterprises definition, The category of micro, **small** and **medium**-sized **enterprises** (SMEs) is made up of **enterprises** which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.



## Objectives

This strategy aims to pull together Lancaster City Councils Priorities, Outcomes Based Budgeting Principles, the relevant National Procurement Strategy 2018 themes and enablers and to:

- to support the Council's long-term financial sustainability and drive efficiencies by ensuring all procurement activities are efficient; effective; transparent, legally compliant and equitable, thereby delivering value for money for the local economy and commercial and social benefits.
- to support local economic growth whilst responding to commissioning requirements, encouraging and supporting local organisations to bid, win and deliver Council contracts where possible.
- to optimise the social value deliverables and opportunities through contracting arrangements where appropriate and proportionate to do so, delivering wider social, economic and environmental benefits to the people and communities of the Lancaster district.
- Respond responsibly to the changing landscape of Local Government
- Support and contribute to the delivery of Lancaster's Outcomes Based Budgeting Principles, introducing, Climate Action, Community wealth Building, and Community engagement, in the evaluation of significant contracts.

It should be recognised that the environment is fast changing and that developments in the withdrawal from the EU, may require changes in strategy sometime in the period covered by this strategy. Any targets, recommendations and outcomes linked to this strategy will be delivered as resources allow and many be ongoing.

## Steps to Achieve the Procurement Strategy – Meeting Lancaster’s Values

Procurement is a small corporate resource with a vision to be an enabling function that supports the Council to be effective, providing value for money, supporting local business and achieving social value to meet the needs of Lancaster’s residents and business. In 2018/19 the budgets available for spend on goods, works and services was £20 million pounds and for 2019/20 was £19 million, highlighting that as a Council we need to do more for less and think of ways in which the Council can use its spending power to deliver further benefits to the district. In order to achieve the objectives of this Procurement Strategy Procurement staff, will provide high quality procurement support to individual officers and services in commissioning and procurement activities to shape the local economy to deliver community benefits, value for money and to support the Councils declaration to be carbon neutral by 2030. Whilst complying with regulations using the following as a framework to establish a work plan.

- Introduce local supply chain opportunities into our procurement activities.
- Develop and implement a Social Value Procurement Policy with supporting guidance for officers on the application and appropriateness of the National Social Value Measurement (TOMs) Framework. Provide suppliers with a toolkit to give guidance, information and support when considering social value in response to an opportunity.
- Work with first tier suppliers to create supply chain opportunities for Lancaster businesses.
- Work within legal frameworks to proactively source goods, works and services from suppliers within the District, where there is the capability, competence and competition, ensuring that best value is achieved.
- Measure local spend as a means of identifying and reducing barriers to SME and Micro-organisations.
- Introduce an Ethical Procurement Policy.
- Improve contract management across the Council.
- Ensure the potential for procurement fraud is minimised.
- Staff that show clear and visible personal commitment to all the council’s services and show enthusiastic tone and ethos.
- Insist on main contractors acting fairly with supply chains, mandating timely payment through contract clauses.
- Develop a baseline of council Expenditure and a commitment to increase spend in the local economy (or if this is a significantly high % already use ‘maintain’ instead)
- Promote council contracts through a single portal to make it easier for local SME’s to access more procurement opportunities.

- Provide commercial acumen to Services to assist with key projects and to identify improved procurement opportunities.
- Encourage early engagement of the procurement team with Services in strategic decision-making to maximise savings and service delivery.
- Review whether efficiencies could be achieved by joining up contract management teams.
- Ensure procurement has early engagement with services on re-procurements
- Explore opportunities to procure through existing routes to market.
- Ensure all significant contracts are effectively managed by improving our approach to Contract Management. Where applicable incorporate KPI's into contracts to measure contract outputs including Social Value outcomes and ensure competitiveness over the life of the contract.
- Maintain Lancaster's electronic capacity whilst working with suppliers to conduct more e-business. E.g. supporting the P2P project.
- Review our procurement processes, systems and tools to ensure they are fit for purpose.

Appendix B provides an action plan covering the above steps which will ensure that the objectives of the Procurement Strategy are delivered at the earliest opportunity.

## The Nation Procurement Strategy – Delivering the ambition

The Councils Procurement Strategy (2020 – 2024) builds upon the previous strategy and reflects both local and national priorities. It describes the ambition for Strategic Procurement and the role in which procurement officers will play in achieving the Councils priorities and Principles.

The 2018 national strategy is not about compliance or tactical issues, it focuses on three themes which reflect local government's priorities until 2022. The themes are broken down into several key areas. The themes are presented as maturity models to make objective setting and measurement easier. Councils are expected to use a toolkit to set local goals and assess progress against each of the theme's maturity level. Each Council will have differing objectives and levels of maturity they want to set as a target. Lancaster's Priorities and Theme's fit within the model of the National Procurement strategy and will support the level of maturity that Lancaster can attain.

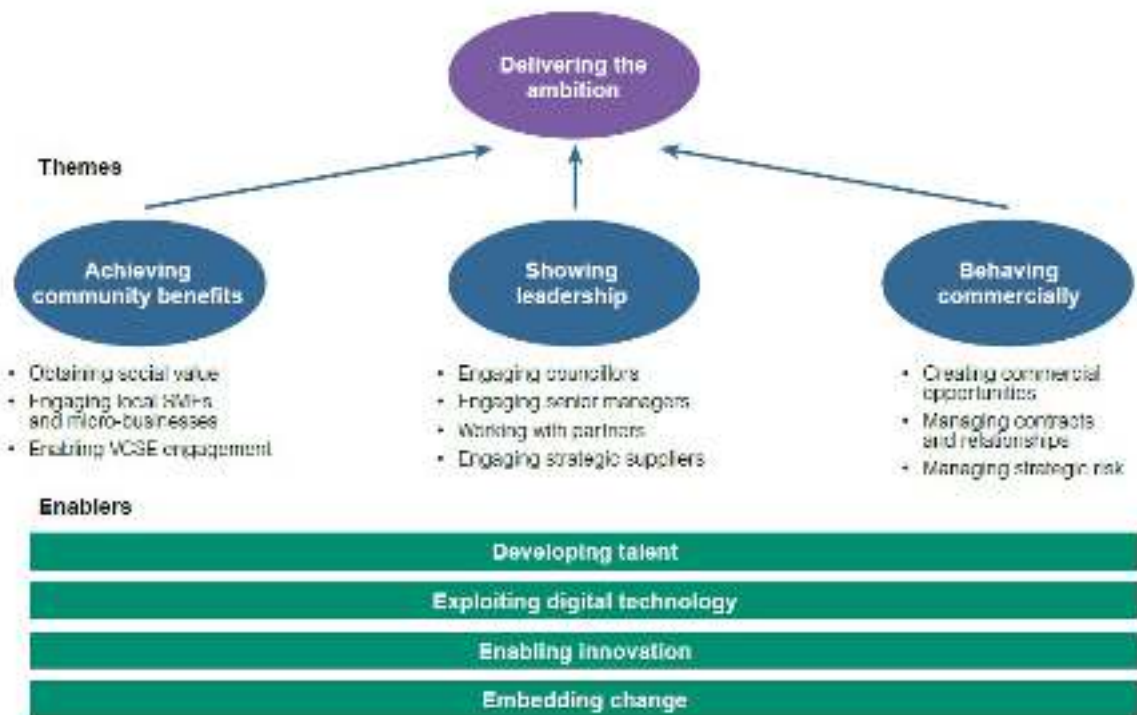
The strategy identifies four enablers which will address several cross-cutting issues that will need to be facilitated in order to realise our ambitions in the key areas

### Themes

- **Achieving community benefits**
- **Showing Leadership**
- **Behaving Commercially**

### Enablers

- **Developing talent**
- **Exploiting digital technology**
- **Enabling innovation**
- **Embedding change**



## Summary

In order for Lancaster City Council to achieve the ambitions of this procurement strategy a number of key changes, need to happen, be created or developed.

The key areas for the next four years will be to embed a philosophy/culture of achieving Local Wealth Building within the supply chain and directly apply social value criteria to all contracts over a value of £100k. Any opportunity below this threshold should always seek to extend the value of the public spend where appropriate and proportionate to do so.

Procurement will, in addition to the adoption of the Local Wealth Building philosophy and culture, seek to drive further improvement in the procurement discipline. Procurement has a significant part to play in the adoption of the P2P (Procure to Pay) process, work will continue to support this efficiency project, exploring new and underused technologies.

Procurement is a devolved activity with a large number of staff within the procurement process having very little relevant procurement experience beyond the administrative function. More senior officers undertake tendering processes as part of a multi-skilled role and are not classed as contract commissionaires or managers. This situation limits the central resources ability to deliver a more strategic, corporate and aggregated approach.

The policies and procedures for the commissioning and procurement of goods, works or services will be reviewed and updated, introducing new policies in line with current best practice and in support of the Outcome Based Budgeting Principles. These will be, but not limited to-

- Ethical Procurement Policy
- Social Value procurement Policy
- Statements and guidance for suppliers on Lancaster City Councils commitment to Social Value and the role they can play in helping the Council achieve Local Wealth Building
- Revision of the Contract Procedure Rules to enforce Lancaster's Principles of Social Value in commissioning and procurement
- Production of a Social Value Toolkit for officers and suppliers.

<p><b>Priorities</b></p> <p><b>Themes</b></p>	<p><b>A Sustainable District</b></p>	<p><b>An Inclusive and Prosperous Local Economy</b></p>	<p><b>Healthy and Happy Communities</b></p>	<p><b>A Co-operative, Kind and Responsible Council</b></p>
<p><b>Climate Emergency</b> <i>Taking action to meet the challenges of the climate emergency</i></p> <p><b>Community Wealth-Building</b> <i>Building a sustainable and just local economy that benefits people and organisations</i></p> <p><b>Community Engagement</b> <i>Drawing on the wealth of skills and knowledge in the community and working in partnership</i></p>	<ul style="list-style-type: none"> <li>↗ net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal</li> <li>↗ moving towards zero residual waste to landfill and incineration</li> <li>↗ increasing the amount of sustainable energy produced in the district and decreasing the district's energy use</li> <li>↗ transitioning to an accessible and inclusive low-carbon and active transport system</li> <li>↗ supporting our communities to be resilient to flooding and adapt to the wider effects of climate change</li> <li>↗ increasing the biodiversity of our district</li> </ul>	<ul style="list-style-type: none"> <li>↗ supporting the development of new skills and improved prospects for our residents within an environmentally sustainable local economy</li> <li>↗ advocating for fair employment and just labour markets that increase prosperity and reduce income inequality</li> <li>↗ supporting new and existing enterprises in sustainable innovation and the strengthening of local supply networks</li> <li>↗ using our land, property, finance and procurement to benefit local communities and encouraging residents, businesses, organisations and institutions to do the same</li> <li>↗ securing investment and regeneration across the Lancaster and South Cumbria Economic Region</li> </ul>	<ul style="list-style-type: none"> <li>↗ supporting wellbeing and ensuring local communities are engaged, involved and connected</li> <li>↗ addressing health and income inequality, food and fuel poverty, mental health needs, and loneliness</li> <li>↗ focused on early-intervention approaches and involving our communities in service design and delivery</li> <li>↗ (re)developing housing to ensure people of all incomes are comfortable, warm and able to maintain their independence</li> <li>↗ improving access to the arts, culture, leisure and recreation, supporting our thriving arts and culture sector</li> <li>↗ keeping our district's neighbourhoods, parks, beaches and open space clean, well-maintained and safe</li> </ul>	<ul style="list-style-type: none"> <li>↗ listening to our communities and treating everyone with equal respect, being friendly, honest, and empathetic</li> <li>↗ working in partnership with residents, local organisations and partners recognising the strengths and skills in our community</li> <li>↗ investing in developing the strengths and skills of our staff and councillors</li> <li>↗ focused on serving our residents, local organisations and district</li> <li>↗ embracing innovative ways of working to improve service delivery and the operations of the council</li> <li>↗ providing value for money and ensuring that we are financially resilient and sustainable</li> </ul>

## Appendix B – Procurement Strategy Priority Action Plan

Action	Responsibility	Timeline
<p>Consider the adoption of the following social value measures as part of the assessment process:</p> <ul style="list-style-type: none"> <li>· reduction of carbon emissions</li> <li>· reduction of consumption of raw material and the re-use and recycling of materials</li> <li>· creation and protection of good quality jobs with fair and decent working conditions (ie. fair work charter)</li> <li>· creation of quality targeted employment opportunities including apprenticeships for Lancaster district residents</li> </ul> <p>These measures and any others selected to be issued as a Responsible Procurement Policy appended to the Procurement Strategy</p>	<p>Director of Corporate Services working with the 'circle' groups for Community Wealth Building and Financial Resilience.</p>	<p>August 2020.</p>
<p>Create a process (as part of a toolkit) which allows social value measures to be included as part of each procurement assessment and for social value outcomes and benefits to be captured as part of performance monitoring.</p>	<p>Procurement Manager. Head of Finance.</p>	<p>October 2020.</p>
<p>Review and amend Standing Orders relating to Contracts and Financial Regulations in order to incorporate social value considerations alongside cost and quality in the assessment process.</p>	<p>Head of Finance in consultation with Head of Legal.</p>	<p>September 2020.</p>
<p>As part of the Outcome Based Budgeting process undertake an analysis of current and future procurement spend with a view to considering how future spend can be planned in order to balance VFM with achievement of wider economic, social and environmental benefits.</p>	<p>Director of Corporate Services.</p>	<p>October 2020.</p>
<p>As part of the above, create and issue (on the website) a 3 year procurement plan which sets out to all suppliers the Council's upcoming procurement decisions.</p>	<p>Procurement Manager.</p>	<p>November 2020.</p>
<p>As part of the Community Wealth Building circle work, undertake consultation with local business representatives on initiatives which would improve local suppliers' capacity to bid for Council work including:</p> <ul style="list-style-type: none"> <li>· notification of council procurements</li> <li>· establishment of Local Frameworks</li> <li>· Local supply chain development and management</li> <li>· Suppliers toolkit assisting suppliers understand Council's priorities in respect of climate emergency, Fair Work Charter, apprentices etc.</li> </ul>	<p>Head of Finance Procurement Manager Head of Economic Development.</p>	<p>November 2020.</p>
<p>Work with other Lancaster district 'anchor organisations' on joined up procurement aimed at supporting local economic growth and delivering economic, social and environmental benefits.</p>	<p>Head of Economic Development.</p>	<p>December 2020.</p>
<p>Taking account of the above, develop the procurement service as an intranet led advisory service using workflow and an internal toolkit to ensure that all spending officers follow good practice guidelines for procurement and aim to maximise wider local community benefits for all future procurement.</p>	<p>Procurement Manager.</p>	<p>December 2020.</p>