

Norwich City Council
SCRUTINY COMMITTEE
ITEM 8

REPORT for meeting to be held on 18 March 2021

Draft Procurement and Contract Management strategy 2021-2024

Summary: Effective procurement and contract management matters to Norwich City Council. It not only ensures that we can source the goods and services required to deliver our services and manage our assets, but also helps us to meet our corporate priorities, contributes to the wider Norwich 2040 Vision and represents a significant opportunity to influence the local economy. This is the draft of the strategy that will shape the next phase of our approach to procurement and contract management.

Conclusions: The strategy is a key document to articulate how we approach procurement and contract management, but the full details of its implementation will need to be developed once this is agreed.

Recommendation: That the scrutiny committee considers the strategy and makes recommendations for cabinet to consider.

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1. Background

- 1.1. Effective procurement and contract management matters to Norwich City Council. It not only ensures that we can source the goods and services required to deliver our services and manage our assets, but also helps us to meet our corporate priorities, contributes to the wider Norwich 2040 Vision and represents a significant opportunity to influence the local economy. This is the draft of the strategy that will shape the next phase of our approach to procurement and contract management.
- 1.2. We have a track record of robust, compliant and effective procurement as well as the contribution to wider outcomes through our supply chain, such as reducing carbon emissions and encouraging real living wage adoption. This document builds on these strong foundations.
- 1.3. Although this strategy is primarily focused on our 3rd party commercial procurement, it sits in a wider context of commissioning that includes our grants, partnerships and grants-in-kind, all of which have a role to play in achieving our vision.
- 1.4. It also reflects that procurement is the start of the process which requires effective contract ownership management to drive efficiencies and added value.
- 1.5. It sits alongside and should be understood in the context of wider corporate policies and strategies, including:
 - Corporate plan 2019-22
 - Norwich 2040 Vision
 - Medium Term Financial Strategy
 - COVID-19 recovery blueprint
 - Social value framework
 - 2020-25 Environment policy
 - Commissioning Framework
- 1.6. Some of these documents provide further detail of how this strategy will be implemented and may require further review themselves to ensure they are in line with it.

2. Reviewing the strategy

- 2.1. The current Procurement Strategy ran to December 2020. This formed the basis of a draft strategy that has subsequently been shaped through engagement and feedback from internal stakeholders, including the corporate leadership team,

senior management team, the leader of the council and portfolio holders to arrive at the attached draft document.

2.2. This review has reflected where possible the changes to the legislative and commercial environment due to Brexit and the COVID-19 pandemic.

2.3. The draft strategy will be presented to cabinet in April 2021. Once finalised, it will then be published and become the basis for the detailed implementation planning.

3. Summary of the strategy

3.1. The strategy sets out the following vision for our procurement

- To procure and manage the supply of goods, services and works through the effective selection and management of third party relationships supporting the council and its wholly owned companies in the delivery of best value, innovative services and the achievement of its corporate priorities.

3.2. We will realise this vision by:

- Integrating our approach to managing the commercial life cycle (commissioning, procurement and contract & relationship management – see 3.2)
- Embedding both commercial and sustainable principles into our commissioning and contracting activities, such as ‘greening’ the economy and reducing inequalities
- Maintaining sound governance, transparency, accountability and probity with proportionality in our operational processes
- Working effectively with our delivery partners including local businesses and the voluntary, community and social enterprise sector to shape and inform our thinking
- Using digital technology to underpin the commercial life cycle providing automated processes and fit for purpose reporting planning/forecasting and analysis capability
- Making the most of our people, further increasing their capacity, knowledge and skills on all aspects of procurement and contract management council-wide
- Ensuring we have an appropriately resourced and skilled Procurement Team
- Managing and communicating changes both internally and externally
- Ensuring we play a role in stimulating and shaping the local economy, particularly during the period of recovery from Covid-19

3.3. We will focus on the following five areas to deliver this vision

- Providing an efficient and effective service
- Reducing commercial risk
- Working locally, ethically and sustainably
- Driving Value for Money
- Making procurement mainstream

3.4. We will aim to bring this Strategy to fruition over a period of four years and will implement it in three distinct phases:

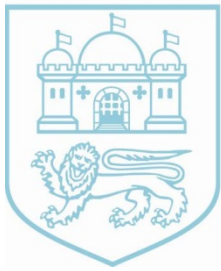
- PHASE 1 - BUILDING THE INFRASTRUCTURE
- PHASE 2 - EMBEDDING THE CHANGES
- PHASE 3 - DELIVERING THE OUTCOMES

4. Next steps

4.1. Once the strategy has been approved then a detailed implementation plan will be developed. Directorates have identified representatives from their areas and shall be instrumental in the development of this.

4.2. Part of this process shall be to engage with the local business, voluntary, community and social enterprise sector to ensure we understand their issues and can assist in breaking down any barriers to engage with our procurement.

4.3. Members of the scrutiny committee are invited to comment on the strategy and provide recommendations for cabinet to consider.



NORWICH
City Council

Procurement and Contract Management Strategy

2021 – 2024

Building on Success

CONTENTS

1.	One Minute Summary	4
2.	About this Strategy	6
	2.1 Why we need this strategy	6
	2.2 Why procurement matters	6
	2.3 Ownership & Scope	7
	2.4 Reporting and Measurement	7
3.	Our Strategy for Change	8
	3.1 Our 2024 Procurement Vision	8
	3.2 Managing the commercial life cycle	8
	3.3 Our priorities	9
4.	Making it happen	13
	Appendix 1 – Implementation	14
	Appendix 2 - Documents Referenced	15

Foreword by Councillor Paul Kendrick
Cabinet member for resources

To follow

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1. ONE MINUTE SUMMARY

Effective procurement matters to Norwich City Council. We spent about £80M directly in 2020 with third party suppliers including local businesses and the voluntary, community and social enterprise sector, in the context of our wider commissioning activity which includes grants.

This activity is the responsibility of our service areas and wholly owned companies, supported by our dedicated Procurement Team. How we source and deliver these services has a direct impact on the ways in which both local people and other stakeholders view and/or measure our performance.

These measures include:

- **Service outcomes** – the quality and frequency of what we do and how we serve local people set against increasing demand in many areas and changing demographics and expectations
- **Local economy** – the amount of money we spend with suppliers and service providers in the local economy through a coordinated and consistent approach to local businesses and the voluntary, community and social enterprise sector
- **Social value** – the added benefits that we achieve in our contracts for the community, particularly in deprived areas (e.g. new facilities, jobs or an improved living space)
- **Sustainability** – the way in which our suppliers / providers use scarce natural resources and their impact on the environment and the health and well-being of people (e.g. carbon emissions, recycling or conservation)
- **Use of financial resources** – the funding of services delivered by suppliers / providers from within smaller budgets while maintaining and improving standards wherever possible

Delivering against these measures is even more important now as we seek to recover from the impact of Covid-19. This offers us an important role in stimulating and shaping our local economy.

We have prepared this strategy, ***Building on Success***, to help us plan and coordinate our responses and build on our earlier success with sustainable procurement. We will develop our procurement activity over the next four years to meet the following vision:

To procure and manage the supply of goods, services and works through the effective selection and management of third party relationships supporting the council and its wholly owned companies in the delivery of best value, innovative services and the achievement of its corporate priorities.

We will realise this vision by:

- Integrating our approach to managing the commercial life cycle (commissioning, procurement and contract & relationship management – see 3.2)
- Embedding both commercial and sustainable principles into our commissioning and contracting activities, such as ‘greening’ the economy and reducing inequalities
- Maintaining sound governance, transparency, accountability and probity with proportionality in our operational processes
- Working effectively with our delivery partners including local businesses and the voluntary, community and social enterprise sector to shape and inform our thinking
- Using digital technology to underpin the commercial life cycle providing automated processes and fit for purpose reporting planning/forecasting and analysis capability

- Making the most of our people, further increasing their capacity, knowledge and skills on all aspects of procurement and contract management council-wide
- Ensuring we have an appropriately resourced and skilled Procurement Team
- Managing and communicating changes both internally and externally
- Ensuring we play a role in stimulating and shaping the local economy, particularly during the period of recovery from Covid-19

We will focus on the following five areas to deliver this vision:

- Providing an efficient and effective service
- Reducing commercial risk
- Working locally, ethically and sustainably
- Driving Value for Money
- Making procurement mainstream

We will aim to bring this Strategy to fruition over a period of four years and will implement it in three distinct phases:

PHASE 1 - BUILDING THE INFRASTRUCTURE

PHASE 2 - EMBEDDING THE CHANGES

PHASE 3 - DELIVERING THE OUTCOMES

An outline of what each phase is included at Appendix 1.

Our Executive Director of Corporate and Commercial Services is the strategy owner and our Business Relationship and Procurement Manager will oversee the actions associated with the Implementation Plan. However, success is totally dependent on buy in and active involvement from the whole council, especially our service areas and wholly owned companies that commission and contract with our third party suppliers and the voluntary, community and social enterprise sector.

This strategy will be made publicly available on the council website.

2. ABOUT THIS STRATEGY

2.1 Why we need this strategy

Our third party expenditure is crucial to the way we deliver our core services to our local communities and the outcomes that we achieve.

How we source and deliver these services has a direct impact on the ways in which both local people and other stakeholders view and/or measure our performance. These measures include:

- **Service outcomes** – the quality and frequency of what we do and how we serve local people set against increasing demand in many areas and changing demographics and expectations
- **Local economy** – the amount of money we spend with suppliers and service providers in the local economy through a coordinated and consistent approach to local businesses and the voluntary, community and social enterprise sector
- **Social value** – the added benefits that we achieve in our contracts for the community, particularly in deprived areas (e.g. new facilities, jobs or an improved living space)
- **Sustainability** – the way in which our suppliers / providers use scarce natural resources and their impact on the environment and the health and well-being of people (e.g. carbon emissions, recycling or conservation)
- **Use of financial resources** – the funding of services delivered by suppliers / providers from within smaller budgets while maintaining and improving standards wherever possible

This strategy sets out our vision and aspirations for the development of our procurement of goods, works and services over the next four years, so that it can:

- Contribute to the delivery of the council's strategic policies and direction
- Respond to a rapid changing world, ensuring that we keep up with best practice and the latest thinking
- Ensure that we can contribute measurable improvements to the value for money and outcomes that we achieve
- Develop its skills so that it can support service areas effectively to meet the financial, economic and social challenges that lay ahead
- Maintain the highest standards of compliance, transparency and accountability

2.2 Why procurement matters

Our expenditure with third party suppliers and service providers was about £80 million in 2020.

Spend which helps us deliver:

- **Key infrastructure for Norwich**, such as all buildings, social housing and communications, including environmental efficiencies such as alternative heat sources, low energy lighting in multi storey car parks
- **Community services**, such as events, play areas and leisure facilities and rough sleeper accommodation
- **Environment services**, such as street cleansing and waste collection

- **Supporting equipment and services**, such as technology and equipment and materials to maintain our infrastructure

Contract failure or underperformance can have a disproportionate impact on our reputation, budgets and erode our ability to fulfil our commitments to local communities. Similarly, we must manage our third party expenditure effectively and in a fully transparent way to ensure that we:

- attract the best suppliers, encouraging greater opportunity of local businesses and the voluntary, community and social enterprise sector
- keep within our approved budgets and deliver efficiency savings
- encourage and promote social value
- ensure that we do things sustainably at all times as well as encourage our partners to do likewise

This is widely known as sustainable procurement. By following this method we already have made an impact on real living wage take up and reducing carbon through our supply chain.

Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment'¹

2.3 Ownership & Scope

Our Executive Director of Corporate and Commercial Services is the strategy owner and our Business Relationship and Procurement Manager will oversee the actions associated with the Implementation Plan, to ensure a successful implementation.

It will apply to the acquisition of all of our third party goods and services, regardless of whether they are through new or existing contracts. Reviewing the **Commissioning Framework** shall form part of the Implementation Plan arising from this strategy.

We will ensure that we reflect the objectives agreed in this strategy in the Service Reviews which form part of the council-wide transformation program and resulting Action Plans.

We will review it annually in the light of Council priorities, the regulatory and commercial landscape and stakeholder needs to ensure that it remains current and relevant to local and national priorities.

2.4 Reporting and Measurement

We will make progress reports at key milestones to the Resources, Performance and Delivery Board

We will develop appropriate and simple measures, which we will reflect in the Implementation Plan [NB – we will develop this after the Strategy has been approved].

¹ *Procuring the Future – June 2006 Department for Environment, Food and Rural Affairs*

3. OUR STRATEGY FOR CHANGE

3.1 Our 2024 Procurement Vision

To procure and manage the supply of goods, services and works through the effective selection and management of third party relationships supporting the Council and its wholly owned companies in the delivery of best value, innovative services and the achievement of its corporate priorities.

We will realise this vision by:

- Integrating our approach to managing the commercial life cycle (commissioning, procurement and contract & relationship management – see 3.2)
- Embedding both commercial and sustainable principles into our commissioning and contracting activities, such as ‘greening’ the economy and reducing inequalities
- Maintaining sound governance, transparency, accountability and probity with proportionality in our operational processes
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- Making the most of our people, further increasing their capacity, knowledge and skills on all aspects of procurement and contract management
- Ensuring we have an appropriately resourced and skilled Procurement Team
- Managing and communicating changes both internally and externally
- Ensuring we play a role in stimulating and shaping the local economy, particularly during the period of recovery from Covid-19

3.2 Managing the commercial life cycle

Commissioning is the entire cycle of assessing the needs of people in a local area, designing services to address those needs and securing a cost-effective service in order to deliver better outcomes. Whole life is the period from the initial definition of the business need through to the end of the useful life of the asset or service contract, including disposal where relevant – see Figure 1

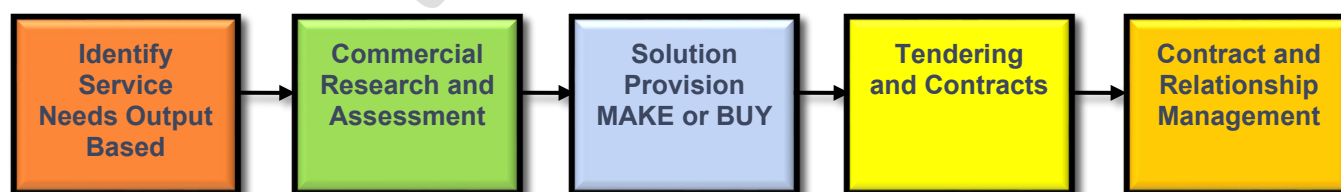


Figure 1 – The Commercial Life Cycle

Our **Commissioning Framework** describes procurement as buying in services through a contractual relationship, and seeking to secure specific goods, works or services from third party suppliers that will meet the Council's defined outcomes without specifying available resources.

Subsequent to the procurement strategy being agreed the Commission Framework shall form part of the Implementation Plan arising.

We must manage each of the activities in Figure 1 on an integrated basis if we are to achieve successful and sustainable outcomes even when they are organisationally cross cutting, involving different stakeholders sometimes with conflicting priorities. Failure to achieve this visibility and integration leads to:

- fragmentation of expenditure and waste of resources
- loss of our commercial leverage, particularly with large firms
- cost overruns and sometimes poor contractor performance
- reactive 'firefighting' as opposed to proactive relationship building with our partners and stakeholders

3.3 Our priorities

This section summarises our priorities for developing the council-wide procurement service and delivering this strategy. Our focus will be on:

- Providing an efficient and effective service
- Reducing commercial risk
- Working locally, ethically and sustainably
- Driving Value for Money
- Making procurement mainstream

3.3.1 PROVIDING AN EFFICIENT AND EFFECTIVE SERVICE

We will continue to develop our council-wide procurement organisation to be efficient and effective by making the most of our human and technology resources. Support for our internal customers, external stakeholders and our wholly owned companies remains our top priority. In addition, support for individual procurement projects needs to be proactive to accommodate local and national initiatives. It must be capable of dealing with continually changing markets by researching and obtaining the most favourable arrangements.

The Procurement Team will work with service areas to:

- Be accountable for ensuring all procurement activity is governed and complies with this strategy, contract procedure rules and statutory regulations
- Ensure that our policies and procedures reflect latest legislation and are both current and fit for purpose, including the use of value thresholds and procurement routes
- Assess skills and knowledge requirements within the Procurement Team and service areas, developing a planned approach to delivering procurement updates and skills and awareness training. Ensuring the team is adequately resourced.
- Establish performance reporting to include savings opportunities and capture and other key procurement indicators such as commercial and social benefits
- Utilise digital technology to drive increased automation and better reporting and analysis capability across the procurement cycle

- Provide accurate and up to date management information to support commercial risk management and improve our forward planning capability

3.3.2 REDUCING COMMERCIAL RISK

Risk management is an integral part of the procurement process. These risks may be financial, commercial, operational, environmental, economic, social or reputational. Managing commercial risk refers to the impact by an external event such as Covid-19 (see **Covid-19 - A Blueprint for Recovery**), Brexit, supplier financial distress, government funding changes etc and our ability to maintain service delivery and avoid damage to our reputation and/or our financial health. We will require a comprehensive understanding of our procurement portfolio to achieve this and improved visibility of our contract and supplier relationship management activities.

The Procurement Team will work with service areas to:

- Identify categories of expenditure, individual contracts and relationships of significant risk or opportunity
- Establish a procurement structure across the Council with defined contract and relationship management roles and responsibilities
- Embed appropriate contract and relationship management, ensuring a focus on the performance of contracts and the delivery of intended outcomes and continuous improvement
- Provide support to service areas to manage their contracts effectively by providing training, guidance and templates
- Assess and manage identified risks involved, at an early stage of the procurement process
- Seek to ensure that we have identified appropriately trained contract managers who can proactively manage any relationships and contracts that are high risk
- Work with our strategic suppliers to improve performance, reduce cost, mitigate risk and harness innovation.

3.3.3 WORKING LOCALLY, ETHICALLY AND SUSTAINABLY

Our procurement activities will positively contribute to the Council's local, ethical and sustainability priorities including local economic development, environmental, equality and diversity and other social value objectives. The Council's **Environmental Strategy 2020-2025** highlights the responsibilities of the Council as a purchaser of goods and services. Similarly, our **Social Value Framework** provides a clear but flexible approach to valuing the delivery of wider social, economic and environmental benefits through our procurement and ongoing contract management.

As a Procurement Team we will work with service areas to:

- Encourage all new procurement activities to consider sustainability criteria as part of their selection such as the use of green energy, the offset of carbon emissions, apprenticeships and the use of SMEs
- Ensure that we consider our environmental objectives in all new procurements and in our contract management activities.
- Where appropriate include, the reduction of waste and the delivery of our high environmental standards in service area contract management activities
- Work with the Transformation Team to review and strengthen our **Social Value in Procurement**

Framework to ensure generates and measures social value

- Develop and implement a local supplier engagement plan including the use of targeted communication (such as social media) to local suppliers

3.3.4 DRIVING VALUE FOR MONEY

The Council's drive to achieve value for money services is linked to the government's efficiency agenda and the Council's **Medium Term Financial Strategy**. The financial pressures facing the Council from the impact of Covid-19, our forecasted budget deficit and changing government priorities call for on-going cashable savings to be achieved in part through effective procurement leading to overall cost reductions.

All our procurement activities must be conducted in compliance with the Council's **Contract Procedures** and the **Public Contracts Regulations 2015**, until they are changed by the Government (see Government Green Paper – **Transforming Public Procurement** published in December 2020).

Effective application of procurement across the Council will continue to be the responsibility of all those who control budgets and authorise expenditure as well as those with appropriate technical expertise and service experience in the service areas.

As a Procurement Team we will work with service areas to:

- Analyse our third party expenditure and target opportunities to save money, rationalise the supplier base and increase competition
- Ensure that we have full visibility of our contract portfolio so that we can plan and improve our risk management
- Seek more joint contracts with other public bodies where financial and other benefits are achievable – particularly for non-core services and goods
- Develop our market intelligence and research capability
- Engage early in the process with the business community and to identify opportunities to shape the local market

3.3.5 MAKING PROCUREMENT MAINSTREAM

Procurement can often have a reputation for simply being about buying goods and services and ensuring we achieve compliance with rules and procedures. Managing the commercial life cycle effectively requires team working and close collaboration. The uncertainty and thirst for change created recently by Covid-19 will have both a local as well as national impact.

By driving culture change the procurement team will, with service areas achieve this priority of making procurement mainstream

This strategy is aligned with the Council's vision, mission, priorities and core values. We recognise that this strategy must be relevant to our local circumstances and accurately reflect the key themes of the Council, captured in our **City Vision**.

As a Procurement Team we will work with service areas to:

- Promote long-term thinking and commitment to strategic procurement
- Ensure that we refresh the strategy at each annual review to take account of changes made elsewhere

- Seek input feedback from service areas on what matters to them so that we can address gaps in our knowledge and service capability
- Improve our understanding and knowledge of local business and voluntary, community and social enterprise sector to help shape our future services and policies
- Work with external stakeholders including businesses and the voluntary, community and social enterprise sector to understand and remove barriers to our procurements.
- Work with our external partners such as Crown Commercial Services, ESPO, Procurement for Housing, Eastern Procurement Ltd. and the East of England LGA

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4. MAKING IT HAPPEN

Procurement is an activity which involves all areas of the council but there are specific roles that the Procurement Team and service areas have to play and only by working together can we meet the vision set out in this strategy.

The procurement function will be accountable for leading and delivering the framework in accordance with the Implementation Plan.

The service areas are accountable for delivery of their services and for conducting their procurement activities within the framework and in line with the objectives of this Strategy.

The Procurement Team comes under the Corporate & Commercial Services directorate and the portfolio holder for resources at Council member level will have visibility of their work.

Delivering sustainable procurement requires skilled and experienced officers in the Procurement Team who are able to provide advice and guidance on all aspects of procurement to the colleagues across the Council. It is essential that they have knowledge and expertise of how to apply best practice in obtaining value for money and managing commercial risk.

APPENDIX 1 – IMPLEMENTATION PLAN

We will bring this Strategy to fruition over a period of four years and will implement it in three distinct phases. During the initial year of the strategy we shall be working to clarify and refine phases and timelines, in conjunction with service reviews which form part of the council-wide transformation program.

PHASE 1 - BUILDING THE INFRASTRUCTURE

This will involve:

- The detailed analysis and classification of our third party expenditure information
- The integration of policies, processes and systems underpinning the commercial life cycle
- The development of skills and knowledge programmes for those involved in any aspect of the commercial life cycle
- The reaching out to local businesses, including the voluntary, community and social enterprise sector to understand their priorities and what they want from us as a Council
- The piloting of a category review, refining processes and documenting lessons learned
- The creation of an ambitious cultural change management programme, which will include an analysis of the likely impact on different parts of the business, to underpin all of the above.

PHASE 2 - EMBEDDING THE CHANGES

This will involve:

- Refinement of our new policies, processes and systems to ensure that they are working correctly and delivering the intended results and outcomes
- Gaining internal stakeholder buy in to change
- Developing people skills and knowledge deployment to help individuals excel in their commissioning and contract & relationship management activities
- Introducing a marketing and communications plan to advance internal customer service capability and communicate effectively with our partners and suppliers
- Building internal capacity and expertise for the future
- Agreeing a rolling programme of category reviews
- Ongoing engagement with our sustainability and social value work

PHASE 3 - DELIVERING THE OUTCOMES

This will involve:

- Continuing to manage the changes and communications processes developed under phase 2
- Refining and developing our ability to meet changed priorities and targets
- Establishing a new 'business as usual' model

Implementing our vision will involve a significant transformation in our planning systems, operational processes and enhanced use of technology and systems.

APPENDIX 2 - DOCUMENTS REFERENCED

We refer to the following documents in this strategy:

- [Covid-19: A Blueprint for Recovery](#)
- [Social Value Procurement Framework](#)
- [2020-2025 Environmental Strategy](#)
- Commissioning Framework 2014 (not available as under review)
- [Medium Term Financial Strategy](#)
- [City Vision](#)
- [Transforming Public Procurement](#)

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