

Appendix 1

COVENTRY CITY COUNCIL

PROCUREMENT STRATEGY **2020 to 2025**

Procurement – what is it?

“Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfil its strategic objectives”. (Source: Kidd, 2005)

Put more simply, for Coventry City Council, procurement is about establishing robust, legally compliant and commercially effective contracts with external contractors to provide the goods, services and works necessary to deliver services to the community that they serve.

Procurement Strategy 2020 to 2025

1. Introduction

This document sets out the Council's procurement strategy for 2020 to 2025.

Building on the previous strategy's themes of Making Savings (*efficiency and Value for Money*) and Demonstrating Leadership (*good governance*), the new strategy strengthens and broadens the council's focus through a greater emphasis on *creating community benefits and delivering social value*.

The 2020-2025 strategy has adopted the three fundamental themes within the National Procurement Strategy 2018, and retained the Efficiency and Value for Money theme, all of which are supported by our One Coventry Plan and One Coventry approach.

The strategic themes are;

- Efficiency and Value for Money
- Governance and Showing Leadership
- Achieving Community Benefits
- Behaving Commercially

Over the last few years, the City Council has introduced a Category Management approach to procurement; procurement resource is targeted to focus on specific areas of activity which allows improved market knowledge to be established, builds good working relationships with clients and is a working example of the 'One Coventry' approach in practice.

The remainder of the document sets out the high level ambitions for the strategy in more detail, and demonstrates the specific deliverables for each of the key themes.

2. Background

The Council has a revenue spend of approximately £250m per annum on bought in goods, services and works. In addition the City Council has a variable annual Capital programme which adds significantly to the total annual spend per annum. In 2019/20 the Capital spend was circa. £200m.

The Council uses a variety of approaches and contract types to deliver this expenditure in an open, fair, transparent and effective way. This includes the use of simple standard contracts for low value procurements, frameworks and Dynamic Purchasing Solutions, specific industry contract types and partnership arrangements.

Spending this money well through effective procurement is fundamental to achieving organisational success and for supporting prosperity across the City and wider West Midlands region. The Council's procurement activity contributes to a wide range of socio- economic benefits including a successful local economy, a thriving voluntary

sector, community empowerment, equality, consideration for the environment and value for money. Hence, whilst making savings is still an important driver for procurement activity, leveraging social value and delivering additional outcomes and sustainability in supply chains, at no extra cost, will be a significant focus of future activity. This supports our 'One Coventry' plan of being 'globally connected, locally committed'.

3. Scope of the Strategy.

This is an over-arching strategy that sets the strategic direction for procurement across the authority.

A clear, comprehensive and effective procurement strategy is crucial to ensuring that good value services are provided whilst driving change and continuous improvement.

4. 'One Coventry' Plan and the Procurement vision

The 'One Coventry Plan' (2016 – 2024) sets out the City Council's objectives/key building blocks to grow our City. Those building blocks map well to the priorities in the NPS 2018 and hence create the golden thread between our 'One Coventry Plan', the objectives and key areas of activity within this strategy and the national context in which we operate.

The Building blocks are:

- ***Globally Connected***

Promoting the growth of a sustainable Coventry economy • Supporting businesses to grow • Developing the city centre • Creating the infrastructure for the city to grow and thrive • Raising the profile of Coventry and making sure that residents share in the benefits by... • Helping local people into jobs • Increasing the supply, choice and quality of housing • Reducing the impact of poverty • Increasing access to arts, sports and cultural opportunities

- ***Locally Committed***

Improving the quality of life for Coventry people • Creating an attractive, cleaner and greener city • Improving educational outcomes • Making communities safer • Improving health and wellbeing • Protecting our most vulnerable people • Reducing health inequalities

- ***Delivering Our Priorities, with fewer resources***

Making the most of our assets • Working together with residents, communities and partners, enabling people to do more for themselves

The vision for the procurement service is:

'.....to continue to grow Strategic Procurement influence across the Council, contributing to realising our ambitions and objectives within the 'One Coventry plan', delivering economic, social and environmental benefits that support the needs of

Coventry and its' citizens'

It is therefore essential that we procure goods, services, and works by the most economic, efficient, effective and sustainable means to ensure that the needs of the community are met, within a clear framework of accountability and responsibility. In doing so, the procurement service within Coventry City Council will become best in class by adopting excellent procurement practices and techniques.

5. The Legislative Framework in which we procure

All of the above needs to be delivered within a legislative framework which is both significant and complex. The Public Contract Regulations 2015 (PCRs) enact the 2014 EU Directive (2014/24/EU) into UK law. The PCR's detail how public procurement must be undertaken.

Examples of other legislation which impacts upon procurement include: Public Services (Social Value) Act 2012, Competition Act 1998, Localism Act 2011. Modern Slavery Act 2015, Freedom of information Act 2000, Equality Act 2010 and General Data Protection Regulations (EU) 2016/679 (GDPR).

Furthermore, for purchases below the relevant thresholds for PCRs, the Council must follow its Rules for Contracts / Contract Procedure Rules, as set out within its own Constitution.

6. The National Procurement Strategy

In February 2018 the Local Government Association launched the National Procurement Strategy (NPS) for Local Government.

The strategy describes the good progress Authorities have made against the 2014 strategy, and in particular, the major theme of making savings. However, it recognizes that Councils continue to work in a very challenging financial environment, with rising demand for public services and increasing cost pressures.

The 2018 strategy is not about compliance or tactical procurement issues, but aligns the three key strategic themes that reflect local government priorities'.

NPS 2018 has been therefore been structured around 3 key themes:

Key themes

1 Achieving Community Benefits

NPS Priorities: Obtaining Social Value; Engaging local SME's and micro-businesses; Enabling VCSE engagement

2 Showing Leadership

NPS Priorities: Engaging Councillors; Engaging Senior Managers; Working with partners; Engaging strategic suppliers

3 Behaving Commercially

NPS Priorities: Creating commercial opportunities; Managing contracts and relationships; Managing strategic risk

In addition, there are 4 Enablers, which are **Developing Talent; Exploiting Digital Technology; Enabling Innovation and Embedding Change**. These cross cutting actions have been identified as being necessary for successful delivery against the three themes above.



7. Key areas for our Procurement Strategy

As described above, this strategy will build on the progress made over the City Council's previous strategy (2015 to 2020) and NPS 2014, where strong governance and efficiencies were delivered. Having reviewed the NPS 2018 themes and enablers, it is clear that these closely mirror the ambitions and objectives in the 'One Coventry' plan.

Hence, our strategic areas for focus, (with a particularly strong focus on 'Achieving Community Benefits'), for the period 2020 to 2025 will be:

- **Efficiency and Value for Money (Theme 1)**

As a result of the previous procurement strategy, significant savings were delivered through our procurement activity. For much of our revenue spend, the base unit cost of the goods or service being delivered is now considered to be at, or near to, its

lowest point. Therefore, any further savings opportunities are now more likely to be attained through either demand management or doing things radically differently. We will:

- Work with client functions to benchmark and review best practice elsewhere, consider approaches to demand management and/ or alternative models of delivery.
- Seek to ensure that all procurement activity and systems support the 'One Coventry plan' and that we drive value for money for each and every pound spent.
- Collaborate with others, where by doing so, we are either able to deliver better value for money through economies of scale or standardisation of specification or approach.
- Utilise Management Information to identify areas of inefficiency, duplication or lack of standardisation.
- Continue with a Category Management approach, taking a whole category view of spend and minimising 'off contract/maverick' expenditure.
- Continue to seek to make savings where possible, and where appropriate, working with Finance and other colleagues to implement budget reductions or reallocate savings accordingly
- Make process efficiencies by continuing to review and standardise documents and processes, making use of nationally available frameworks where available

- ***Governance & Showing Leadership (Theme 2)***

The Council has established strong Governance arrangements (see diagram in Appendix 1). All procurement exceeding £10,000 (total contract value) goes through some level of scrutiny, with procurements exceeding £50,000 having to be approved by a Procurement Panel, and if over £1m, by the Procurement Board. Audit & Procurement Committee maintain an overview of the procurement decision making process and where appropriate, make recommendations to the Cabinet member with lead responsibility for procurement (Cabinet Member (Strategic Finance and Resources)).

Both Procurement Panels (People and Place & Corporate) and the Procurement Board are made up of a cross cutting selection of senior officers of the Council, who meet on a regular basis to consider procurement processes, procedures and management approach.

We will:

- Review on a regular basis the procurement governance arrangements via Procurement Board and the Audit & Procurement Committee, ensuring the Council's Contract procedure rules are updated/maintained and complied with.
- Comply with all the applicable legal requirements, as outlined in section 5 above, ensuring we keep abreast of legal developments, guidance and case law.
- Review our Procurement structure to ensure that the current 'Centre Led Action Network (CLAN) model is still the most effective and efficient way to deliver procurement activity.

- ***Achieving Community Benefits, e.g. Social Value (Theme 3)***

We will seek to put an increased emphasis on the economic, social and environmental outcomes of our procurement activity, taking a planned and proportionate approach to Social Value that drive up returns without incurring additional lifetime cost. We will seek to drive up the proportion of our expenditure that remains within the local economy in an open, fair and transparent way. The Council has committed to pay all its directly employed staff the 'real living wage', and we will encourage our contractors/providers/suppliers to either pay or move towards payment of the real living wage (as defined by the Living Wage Foundation) through the course of the contracts we have with them. We will:

- Look to support our local supply base to be able to bid competitively and hence increase the level of local spend as a percentage of our total spend on third party supply.
- Develop our Social Value and Sustainability Policy, ensuring that objectives are met through the adoption of appropriate and relevant procurement processes.
- Consider Social Value in all contracts where proportionate and relevant to do so. We will move to make analysis of bids a mixture of both Objective and subjective criteria.
- Work with partners within the City to develop a 'One Coventry' approach to improving the lives of Coventry Citizens and stakeholders through effective collaborative approaches.
- Implement systems, terms and conditions and processes that will minimise the risk of 'Modern Slavery', and we will be pro-active with working with relevant parties to ensure our external spend does not become support organised criminal activity, whether directly or indirectly.

- ***Behaving Commercially incl. Contract Management (Theme 4)***

We will ensure that our Contract Management Framework is fit for purpose and that contract management systems and processes are proportionate to value and risk. We will seek to ensure that appropriate controls are in place, contracts are managed effectively against price/cost, and supplier commitments are delivered. We will take a pragmatic, and where possible and appropriate, an innovative approach to procurement, ensuring that contracts are not just re-let, but are reviewed and revised.

We will work with colleagues to seek ways to develop commercial opportunities for all areas of activity within the Council, not to drive income generation alone, but to seek new ways of service delivery and models of operation. In addition we will:

- Work with our Strategic Suppliers to ensure delivery and effective outcomes are met
- Grow our local markets to match our spend profile, and then look to increase our opportunity to buy locally

- ***Digitalisation (Enabler 1)***

We will continue to invest in the digitalisation of a number of systems and processes that will further increase efficiency and lead to a better stakeholder experience. These will build on systems that we already have in place for e-tendering, electronic order placement, payment and early payment of invoices and procurement cards (utilised for high volume, low spend areas). In addition, we will look to continually develop the digital skills of our staff to ensure that we are best placed to take advantage of new technical solutions.

- ***Capacity & Capability (Enabler 2)***

Over the last few years, the size, breadth and complexity of our Capital programme has placed significant pressure on the available procurement resource, both in terms of capacity and capability. The skills required to support such complex capital projects are scarce, even amongst a team of substantially MCiPS qualified staff, as well as from the market more generally. We have developed staff to undertake different category and contract types, and have successfully delivered the procurement elements of the capital programme without reliance on the external market. This, however, has put a significant pressure on the revenue procurement workplan and so a review on how we continue to manage capital projects going forward will need to be undertaken. There are also a number of key procurement system developments and/or implementations that will require embedding council wide, which may put further pressure on capacity.

With such a large and extensive spend, it is essential that training programmes are undertaken to raise/maintain levels of capability and understanding of procurement across the whole Organisation.

Note: Enabling Innovation and embedding change (the other 2 enablers in NPS 2018) are captured throughout the themes and have no specific indicators.

8. Implementation

The most effective way to meet the procurement requirements in both national and local contexts is to link our Procurement Strategy with the key themes and enablers of the National Procurement Strategy as described above. This will ensure that we minimise duplication of activity and measurement, whilst demonstrating effective procurement delivery in line with the national strategic direction, and at the same time, meeting local ambition and need.

We will monitor our progress against this strategy and give regular updates to the Procurement Board, with an annual update to the Cabinet Member (Strategic Finance and Resources) and to the Audit & Procurement Committee.

At the end of year 1 we will also report on the capacity and capability within the Council to deliver the programme of work that is required and to consider how well embedded good procurement practice is throughout the authority.