

# Procurement Strategy 2021-24

## Foreword

*by Councillor Joanne Bell, Lead Member for Resources and Innovation*



Welcome to our 3-year Procurement Strategy. This strategy outlines our priorities for 2021-24 and shows how Procurement will contribute towards the attainment of the South Tyneside Vision 2011-31 objectives as well as South Tyneside Community Priorities.

South Tyneside Council spends over £190 million on commissioned services with external organisations, and we have a duty to make sure that this spending represents value for money for the residents of the Borough, through efficient and effective procurement policies and practices.

This strategy is designed to shape our approach to procurement and ensure it supports local priorities, whilst contributing to several of our most important strategic objectives.

As the Lead Member with responsibility for this key area, I recognise that effective procurement is fundamental to achieving our vision, protecting our front-line services and supporting a socially sustainable economic environment and that members and officers are committed to delivering this strategy.

## **Mission Statement**

***To work collaboratively with services, suppliers, partners and other public bodies to implement efficient, innovative and cost-effective procurement, that delivers Value for Money on Goods, Services and Works, whilst supporting the Council's Strategic Vision, which aims to drive broader economic, social and environmental outcomes for its local residents through Social Value "our inclusive growth".***

## **What is Procurement**

Procurement is the process of acquiring goods, services and works, from both suppliers and in-house providers. The procurement cycle spans from the identification of 'needs' through to the end of a contract, or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision, which may result in the provision of services in-house or through other supply arrangements.

Commissioning, whilst working closely with Procurement, is about assessing needs; the planning of services and outcomes, as well as the quality monitoring of procured services.

## **Why Is Procurement Important?**

The impact of procurement is far greater than just the definition of the 'process'. The vision, aims and objectives set out within this strategy, demonstrate the contribution that effective procurement arrangements can make to a range of social-economic agendas. These include a successful local economy, a thriving voluntary sector, community empowerment, environmental and ethical issues and value for money.

The Corporate Procurement Service undertook an extensive transformation programme as part of the Council's Strategic Partnership with BT Plc, which ended in 2018. This resulted in a greater commercial outlook when dealing with its suppliers and third-party contracts, and this approach has and will continue moving forward.

The service also monitors both local and regional spend as part of "Supply South Tyneside", an initiative which looks at maximising the amount of spend made within the borough. The current level of spend is 55%, which has increased from the original measure of 33% in 2010.

Wherever possible, the Corporate Procurement Service will continue to ensure that any Social Value identified as part of a new procurement exercise, will be aligned to Council priorities. As ever, these outcomes will vary from contract to contract, as are dependent on the type of contract. For example, the procurement of vehicle's could be linked to a positive environmental outcome, whereas a procurement in Adult Social Care could be linked to a positive social outcome in terms of jobs and local economic growth such as the recent Help to Live at Home Service delivering £1.4m of social value for each year of the contract.

Positive reductions in the use of plastics have been achieved, for instance the introduction of milk pouches as opposed to plastic bottles has seen an 85% reduction in the use of plastic.

In addition to the above, the Corporate Procurement Service operate an Early Payment Scheme, known as the "Supplier Incentive Programme (SIP)". The scheme has proven to be a win-win solution for both the Council and its Suppliers, with Suppliers paid ahead of their agreed payment terms, in exchange for a small rebate (a % of the invoice value). As well as

generating additional revenue for the Council, early payment results in improved cash flow for our Suppliers.

The Council is well placed as an Anchor Institution, to promote opportunities for SMEs, employee owned businesses, social enterprises and other community based or owned businesses, which in turn will help support the aim of recirculating wealth and surplus locally, but primarily, within the borough of South Tyneside. Procurement can be used as a catalyst to engage with other Anchor Institutions, to explore and incorporate this programme within their organisations. The development of strong links with other Anchor Institutions will give us the ability to leverage our collective spend, review economies of scale and see how best placed the community could support those procurement opportunities.

Procurement plays an important role through the formation of all contractual arrangements, in terms of meeting quality outputs and service improvements. An excellent example of this can be seen within the Older Persons In-Borough Residential and Nursing Care sector; where the banding of quality related services are linked to rates of pay, with the emphasis on increasing quality within this sector through the delivery of robust contracts.

Collaboration plays a big part across the region via North East Procurement Organisation (NEPO), sharing best practice and having a single voice with suppliers, in terms of our processes and systems via the NEPO Portal. A new, all-encompassing, procurement system is being developed in 2021-22. This will build upon the single marketplace for Suppliers, with enhanced functionality in pre-procurement and market analysis, as well as a new contract management section.

The Corporate Procurement Service continue to lead on specific procurements for NEPO, on behalf of the region, and have recently led on the new Workwear and PPE contracts.

Following the success of the Early Payment Programme here in South Tyneside, the Corporate Procurement Service were also asked to lead on a regional framework for an Early Payment Programme, which a number of neighbouring authorities are now looking to introduce.

## **Procurement Governance**

Public procurement is a highly regulated environment, which is governed by legislation (UK Procurement Directives and Public Contract Regulations (PCR) 2015) and policies set by the UK government, nationally through statute and case law and locally by the Council's Constitution.

The Brexit transition period concluded on 1 January 2021. This means the UK is no longer a member of the EU, and is now a member of the World Trade Organisation's (WTO) Government Procurement Agreement (GPA)

In the Government Green paper 'Transforming Public Procurement', published in December 2020, there are a number of proposed changes, including:

- Both the number and methods of procurement routes to market;
- Increased transparency and reporting around procurement, including mandatory notices;
- The ability to consider a suppliers past poor performance;
- New process dealing with legal challenges within procurement;
- Further emphasis on prompt payments and management of payment delays further down the supply chain.

In May 2021 the Government produced its 'National Procurement Policy Statement', requiring contracting authorities to support to the Governments strategic priorities for public procurement, including:

- Reinvigorate the UK economy post-Covid and post-Brexit;
- Focus on Social Value, in particular the creation of businesses and jobs, tackling Climate Change and improving supplier diversity;
- New principles and practices, such as publication of procurement pipelines and benchmarking of procurement and commercial capability on an annual basis.

The Procurement Strategy must be reviewed and updated as these new legislative requirements come into effect.

### **Key Procurement Objectives:**

- Encourage flexibility in developing alternative procurement and partnership arrangements;
- Achieve community benefits by using procurement to deliver wider financial and non-financial outcomes, which include improving the local economy (as per the South Tyneside Economic Recovery Plan), the wellbeing of individuals and communities, Social Value and improved environment;
- Continue to support local suppliers and ensure a positive economic impact through early engagement;
- Support the Council in its response to the Climate Change Emergency motion declaration. The Council declared a Climate Emergency and aims to be carbon neutral by 2030, with strategic decisions, policies and strategies to be in line with the shift towards carbon neutrality by 2030;
- Seek continuous improvement in the provision of services;
- Tackle Modern Slavery and inequalities through robust procurement processes and work with responsible businesses;
- Continue to pay invoices on-time and to agreed terms for local, regional and national suppliers;
- Promote through effective delivery of the 'Supplier Incentive Programme' for mutual benefits including faster payments to the suppliers and income generation for the authority;
- Ensure the most advantageous balance of quality and cost, whilst maintaining robust management and monitoring of any external market forces and the necessary mitigation to minimise impact;
- Support the Council Community Priorities [Community priorities - South Tyneside Council.](#)

Procurement helps the Council to deliver its strategic objectives and supports the continuous improvement of its services, by enabling and encouraging innovative and effective requirements.

The Council's Procurement Strategy includes further detail on both the continuation of deliverables, as well as specific objectives across the following seven themes

## **1. Deliver Value from Procurement**

- 1.1. To maintain an open approach to the renewal of contracts and the identification of requirements, consider all options, including “make or buy” for the provision of the required goods, services or works;
- 1.2. Ensure that, wherever possible, specifications are not restrictive and are based upon the anticipated outcome/output of the contract;
- 1.3. Continue to ensure that the specification includes a properly aggregated requirement for the whole Council and any partner authorities or organisations;
- 1.4. Encourage suppliers to offer creative/innovative solutions and added value to requirements;
- 1.5. Maximise access for suppliers to encourage greater competition, increased efficiency and sustainable supply chains. Where appropriate consider the use of lots to potentially benefit SME suppliers and increase local spend;
- 1.6. Develop procurement pipelines to aid with market development and further support local suppliers and economic recovery;
- 1.7. Continue to work in collaboration with regional partners such as North East Procurement Organisation (NEPO) and other relevant public sector organisations, such as neighbouring Councils and Crown Commercial Services, to maximise output;
- 1.8. Award contracts on criteria which emphasise Value for Money including Social Value and whole life costs rather than lowest price;
- 1.9. Measure our success in meeting these objectives.

## **2. Social Responsibilities**

- 2.1. Work within the boundaries of UK Procurement Law to maximise Council spend with suppliers based within both the borough and the region. To achieve this the Council will:
  - 2.1.1. Continue to measure and monitor a Key Performance Indicator to measure local and regional spend and to maximise the output from this;
  - 2.1.2. Look to support the Procurement Procedure Rules as part of the Council’s Constitution and to support the continuous improvement in this area;
  - 2.1.3. Work with Suppliers and internal services to ensure early market research and engagement when developing procurement strategies.
- 2.2. Promote and deliver local sustainability, economic development and environmental objectives (Social Value) through procurement activities, such as:
  - 2.2.1. Continue to utilise Social Value and the use of the Social Value Portal’s themes, outcomes and measures (TOM’s) in all contracts over £100k in value, but not restricted to this if appropriate;
  - 2.2.2. Promote greater environmental sustainability: minimising waste and pollution, supporting carbon reduction initiatives, include Carbon Neutral Borough by 2030 and Single Use Plastic, furthering energy efficiency and other sustainability programmes;
  - 2.2.3. Ensuring that consideration is given to the inclusion of requirements relating to apprenticeships & local employment, within all relevant tender exercises;
  - 2.2.4. Ensuring that, as a key Anchor Institution, Social Value requirements are included as appropriate, to explore community wealth-building and continue “Supply South Tyneside”, to revive local economies through targeted local supply opportunities;
  - 2.2.5. Continue to include local spend targets in all relevant tenders, including encouraging the use of local sub-contractors where possible;
  - 2.2.6. Undertaking continuous reviews and updates to the information available to suppliers, on doing business with the Council;

- 2.2.7. We will continue to publish our Contracts Register and contact details for each contract, on the Council website;
- 2.2.8. We will increase the level of contact with local companies by working alongside organisations such as, NEPO Business Club and other Public Sector bodies to sponsor and support 'meet the buyer' events and development seminars;
- 2.2.9. Working with local companies to enable them to develop and compete more effectively in securing work from the Council;
- 2.2.10. Develop a 'Social Value Steering Group' to monitor and manage the outcomes or deliverables from procurement exercises that form part of any contracts;
- 2.2.11. Promote transparency and improve understanding for suppliers, in relation to procurement processes.

2.3 Ethical sourcing practices: ensuring compliance with UK, EU and international standards, promoting fair trade and fair pricing policies and good employment practices, tackling corruption and compliance with the Modern Slavery Act 2015. The Council will:

- 2.3.1 Ensure through its procurement processes that its suppliers comply fully with the Modern Slavery Act 2015, wherever it applies;
- 2.3.2 Regularly review our contracted spending to identify any potential issues with modern slavery;
- 2.3.3 Consider termination of a contract with any supplier awarded a contract who is later found to be or has been in breach of the Modern Slavery Act 2015;
- 2.3.4 Take action where policies and procedures are not adhered to, including any discriminatory behaviour by suppliers, throughout the supply chain.

### **3. Clear and Transparent Communication**

- 3.1. Continue to promote clear strategic leadership across the Council, involving elected Members, Service Leads and Officers, to ensure alignment with the Council plans, procurement priorities and the governance framework.
- 3.2. Ensure good communication and the promotion of opportunities are made accessible to the local Voluntary/Third Sector and that this is maintained.
- 3.3. Ensure that continuous communication and dialogue between Procurement and other council services is maintained, in order to improve service delivery and understanding of the procurement function.
- 3.4. Provide advice and guidance, in relation to contract management and supplier management, to promote compliance and increase visibility of contracts available.
- 3.5. Continue to maximise collaborative opportunities by considering benefits for all procurement activities.
- 3.6. Actively promote collaboration where appropriate in order to share best practice and increase leverage, including improved opportunities for supplier involvement.

### **4. Effective and Efficient Sourcing**

- 4.1. Ensure all one-off or low value spend continues to be processed in line within the Procurement Procedure Rules, which form part of the Council's internal governance - as identified within the Constitution.
- 4.2. Maintain and utilise procurement tools which are relatively easy to use and do not impinge upon other procurement elements or areas of activity.
- 4.3. Continue to deliver e-Procurement (Oracle) training internally to staff and new employees.



- 4.4. Purchasing cards will be used where and if appropriate, in line with the Purchasing Card Policy adhering to rigorous policies and procedures that are in place, to reduce transaction costs particularly for high volume, low value and ad-hoc purchases.
- 4.5. Maintain and improve systems which feed into other automated systems and/or replace manual systems. These include market engagement, online catalogues and ordering systems, purchase cards, electronic invoicing, BACS and contract management systems.
- 4.6. Continue to develop the Council's purchasing and spend analysis information to maximise management information, contract compliance and supplier management.
- 4.7. Work with NEPO and our partners to continually enhance our processes and systems of engagement as a single voice across the region.

## **5. Working with our suppliers**

- 5.1. Maintain active engagement with our suppliers to demonstrate the transparency of our processes and improve access to Council spending.
- 5.2. Continue to utilise contract management that encourages two-way communication with contracted suppliers and helps develop services and relationships.
- 5.3. Continue to maintain and develop processes which deliver mutual benefit to the supply base, through initiatives such as the "Supplier Incentive Programme", i.e. paying suppliers in advance of agreed payment terms.
- 5.4. Ensure that procurement processes are appropriate to the scale and risk involved, so that they are not unduly onerous, especially for local and small suppliers.
- 5.5. Continue to update and publish our Contracts Register and forthcoming tendering opportunities via the procurement section, which forms part of the Council's website.
- 5.6. Work with both national and NEPO portals to advertise opportunities, as appropriate, to support the needs of the Council.

## **6. Risk Management and Procurement Positioning**

- 6.1. Maintain a clear, consistent and standardised approach to procurement across the Council, including any low value exercises.
- 6.2. Continue to monitor and manage all third party spend to ensure compliance with the Procurement Procedure Rules, as contained within the Council's Constitution.
- 6.3. Ensure that legally compliant procurement documentation, appropriate and relevant to the contract type, are utilised, reviewed and agreed by appropriate stakeholders.
- 6.4. Where appropriate, Business Continuity Plans (BCP) are included in contracts and that these are maintained and reviewed as part of contract management responsibilities.

## **7. Performance**

- 7.1. Continue to accurately report against the appropriate KPI's and continually monitor and review our performance management.
- 7.2. The Council will seek customer and supplier feedback to help inform improvement planning.
- 7.3. Manage the relationships with suppliers throughout the purchasing cycle, including once contracts are awarded, to ensure optimum service provision and continuous improvement.
- 7.4. Continue to work with the supply chain to reduce costs and improve efficiencies.

**Useful Links:**

**[Procurement and doing business with the Council](#)**

**[Climate change - South Tyneside Council](#)**

**[Economic Recovery Plan - South Tyneside Council](#)**

**[South Tyneside Modern Slavery Statement](#)**

**[Equality and diversity policy - South Tyneside Council](#)**

**[North East Procurement Organisation - NEPO](#)**