

CIPFA Procurement Summit 17

19 October 2017 – London

Mohamed Hans
Solicitor
CIPFA Procurement & Commissioning Network
www.cipfa.org/procurement

The screenshot shows the website for the Procurement and Commissioning Network. At the top, there's a navigation menu with links for Home, Services, Networks, Procurement and Commissioning Network, and CIPFA Learning. Below the menu is a search bar and a 'Log In' button. The main content area is titled 'Procurement and Commissioning Network' and includes a description of the network's role. There's a 'Keeping you connected' section with a 'Subscribe to this network' link. Below that, there's a 'Latest content' section with three articles. On the right, there's a 'SERVICES' sidebar listing various services like Advisory and Consultancy, Risk Tool, Benchmarking, etc. Below that is a 'NETWORKS' sidebar listing various networks such as Better Governance Forum, Cross Networks Briefings, etc.

Timetable for today

- 10.00 – 10.05: **Welcome, Introductions and Overview of the Day**
Mohamed Hans, CIPFA Procurement & Commissioning Network
- 10.05 – 10.50: **Keynote Session I: Brexit Preparations – Supply Chain Mapping**
Charlotte Morgan, Partner, Linklaters LLP
- 10.50 – 11.30: **Navigating the Commercial Landscape**
Jamie Thomas, CIPFA Associate
- 11.30 – 11.45: Refreshments**
- 11.45 – 12.35: **So What Does Best Practice Contract Management Look Like?**
Walter Akers, Partner, RSM UK Consulting LLP
- 12.35 – 13.15: Lunch**
- 13.15 – 14.00: **Key Challenges for Procurement Teams Going Forward**
Colin Cram FCIPS, Leading Public Procurement Expert & Commentator
- 14.00-14.40: **Case Study – City of London Corporation's Procurement Success**
Christopher Bell FCIPS, Head of City Procurement, City of London Co.
- 14.40 – 14.50: Refreshments**
- 14.50 – 15.25: **Procurement Policy Update Session from the CCS**
Nick Caton, Head of Wider Public Sector, Crown Commercial Service
- 15.25 – 15.30: **Summary and Close**

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Brexit preparations and supply chain mapping

Charlotte Morgan
October 2017

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Outline

- Procurement in a post-Brexit world – models
- Similarities and Differences between EU law and the GPA
- Interim arrangements – assuming no agreement in March 2019
- Implications for business
- Supply Chain Mapping and Assessing Post-Brexit costs
- Managing the Supply Chain
- Ongoing procurements – issues to consider
- What outcomes does UK Government want to achieve prior to March 2019?

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Procurement in a post-Brexit world

- In 2015, the European Commission estimated:
 - > Public expenditure on goods, works and services to be 13.6% of UK GDP and 13.1% of the overall EU GDP
 - > Value of tenders published in EU's electronic database for public procurement represented 3.1% of GDP for EU and 4.9% of GDP for UK
- Any government procurement rules will apply key principles to promote market opening, good governance, transparency and integrity
- Possible procurement models for UK
 - > Implementing the GPA under the WTO regime
 - > EEA-model
 - > Specific EU-UK Agreement on procurement

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GPA under the WTO regime

- The amended GPA came into force in 2014
- GPA is voluntary, not all WTO members are parties – 19 Others considering parties (EU and member states, Armenia, Aruba, Canada, Hong Kong, Iceland, Israel, Japan, S.Korea, Liechtenstein, Moldova, Montenegro, New Zealand, Norway, Singapore, Switzerland, Taiwan, Ukraine, US)
- Some new parties are acceding to it (Australia, China, Russia)
- In the DIT Paper "Preparing for our future UK trade policy" released on 9 October 2017, the proposed Trade Bill is intended to enable UK to implement obligations arising under the GPA – whether this will be sufficient from an EU perspective will remain to be seen

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GPA and EU law (similarities)

- Both regimes:
 - > Apply the principles of transparency and non-discrimination
 - > Require open government procurement markets with competitive tender process following advertising
 - > Do not allow protectionism of domestic goods, services and suppliers
 - > Do not allow discrimination among foreign goods, services and suppliers
 - > Require transparency of award processes
 - > Allow review before national remedy bodies
 - > Current EU procurement law is compliant with the GPA

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GPA and EU law (differences)

- Differences include:
 - > The GPA does not include the requirement for electronic procurement
 - > The GPA has more limited rules on detailed criteria for the evaluation of bids and does not require a standstill period after the award decision
 - > The GPA has wider scope for the use of negotiations in most public sector contracts and for the use of qualification systems
 - > The GPA also sets out the weaker requirements on challenge procedures and remedies
 - > The GPA has narrower scope, reducing the scope of UK companies' access to EU procurement markets
 - > The GPA offers limited remedies including: limitation of damages (damages for lost profits are not required to be given) and final remedy may be limited to only damages (i.e. the awarded contract is not rescinded)

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EU-UK Agreement

- The other proposal that EU and UK may explore would be to set out relevant obligations in a separate agreement
- Proposals for EU Third Country Rules on public procurement are being developed:
 - > This will uphold the principles of non-discrimination
 - > Preferential treatment for national companies will be disincentivised
 - > EU has used the GPA as the basis for public procurement agreements with third countries (which are not party to the GPA themselves)

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Procurement in a post-Brexit world: UK views

- Expectation is that there will not be a drastic change on the basis that:
 - > The government is obliged to secure "best value"
 - > There is already movement towards protecting regulation (such as "gold-plating requirements" under the Public Contract Regulations and the NHS (Procurement, Patient Choice and Competition) (No 2) Regulations 2013
 - > There is a common law duty to treat all tenderers fairly
- The DIT paper "Preparing for our future UK trade policy" proposes that a Trade Bill will be introduced to enable UK to implement obligations arising under the GPA and ensure UK can support developing economies through preferential access to UK markets

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Procurement in a post-Brexit world: Commission view

- Position paper released by the European Commission in September 2017 states that the Withdrawal Agreement should ensure that:
 - > Any procurement on-going on the withdrawal date to be carried out in accordance with relevant provisions of EU law until its completion
 - > The principle of non-discrimination will also apply and must be complied with by procuring authorities with regard to tenderers and contractors from EU as well as UK
 - > Review procedures and legal remedies to also apply in accordance with EU law applicable on the withdrawal date

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Interim arrangements

Assuming no agreement is reached between EU and UK by March 2019

- Goods:
 - > EU and UK will treat each other the same as all other countries
 - > Therefore, EU and UK will both likely charge tariffs on respective imports from each other.
- FTAs:
 - > UK will lose the benefit of EU's existing free trade agreements (such as with S.Korea and Canada)
 - > Until its own FTA is in place with such countries, no preferential rates can apply

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Interim arrangements (cont'd)

Assuming no agreement is reached between EU and UK by March 2019

- Services
 - > Currently governed between EU and UK through freedom of movement and EU-wide regulation
 - > From exit date, there may be:
 - > Increased regulatory requirements and standards leading to increased compliance cost
 - > Prohibition on the supply of certain services by UK into EU
- Procurement
 - > UK would not need to comply with EU procurement law
 - > However, likely to be no change immediately following exit date given current UK regulations

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Implications for business

Assuming no agreement is reached between EU and UK by March 2019

- Businesses are likely to face increased costs due to tariffs, customs checks and compliance costs (latter two are likely to prevail even after an agreement is reached)
- UK customs relies on private sector organisations
 - > Government collects duties on goods and conducts the checks but private sector provides the infrastructure, logistics and paperwork
 - > UK's 180,000 traders (including many SMEs) will need to prepare to make customs declarations for the first time
 - > Cliff-edge on the other side of the Channel – European ports will need to be prepared as well.

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Implications for business (cont'd)

- Increased costs may occur through:
 - > Accumulated costs in the supply chain: where products previously moved back and forth across the Channel multiple times, post-Brexit, this would lead to an increase in the ultimate cost
 - > Disrupted supply chains: delays may disrupt supply, requiring suppliers to hold more stock or seek local suppliers
 - > Specialised exports may struggle for new markets
- Potential offsets derived by benefits to UK economy from onshoring?

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Implications for business (cont'd)

- Businesses currently rely on a highly integrated supply chain – gross imports and exports constituted 60% of UK GDP in 2015
- Global value chains
 - > Between 2000-11, only a third of growth in UK exports came from finished goods, two-thirds came from the supply of intermediate goods or "parts"
 - > In 2011, a quarter of the value of UK exports came from imports
 - > This is higher in sectors where UK is more closely integrated with global supply chains (for e.g., 44% of the value of UK car exports comes from imported products)
- Supply chain integration with EU is even higher:
 - > EU accounts for 60% of UK's exports of intermediate goods

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Guide on Supply Chain Mapping

Public bodies will need to:

- Understand the origin of relevant products and how the Rules of Origin will apply
- Identify EU and non-EU countries with which they are trading and the value of such trade
- Identify the relevant international standards and regulatory requirements that they / their suppliers need to comply with
- Identify cross-border services that they utilise

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Assessing potential post-Brexit costs

- What tariffs apply to the goods?
 - > If imported from EU, EU tariffs for third countries will apply
 - > If exported to EU, UK tariffs for third countries will apply
 - > If exported to third countries (where EU has an agreement but UK does not remain a party to such agreement, e.g. S.Korea), tariffs imposed by such country on third country goods (as per WTO schedules) will apply
 - > If exported to third countries (with whom UK has negotiated a separate agreement), relevant tariffs agreed will apply
- What are the logistical issues and financial costs caused by delays in the supply chain?

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Managing the Supply Chain – Questions to consider

- What is the amount of the potential tariffs or customs duties that the relevant goods will be subject to?
- Where does the liability for tariffs lie in the current agreements with suppliers?
- What are the impacts (cost and time) of non-tariff barriers (customs checks, regulatory requirements etc.) on the supply chain?
- Are you reliant on the provision of services from EU?
- Can the supply chain be adapted (to reduce or avoid repeated tariffs for each movement through EU)?
- Could the whole or part of the supply chain be moved onshore into UK or conducted in countries with whom UK has / is likely to have its own trade agreement?
- How long will it take to adapt / change the supply chain?
- Are there break clauses in the agreements?
- What is the term of the agreement?

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Issues to consider in current procurements

- How are tenderers in ongoing procurements dealing with Brexit-related costs?
- Contingency in price and schedule (all risk in respect of increased costs arising from Brexit will sit with the tenderers)
 - Requiring a change in law adjustment to address consequences of Brexit (all risks in respect of increased cost or delays arising from Brexit will sit with the Authority)

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Questions?



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CIPFA The Chartered Institute of
Public Finance & Accountancy

Navigating the Commercial Landscape

Jamie Thomas

Challenging Commercial Landscape

- What are the main challenges facing public procurement teams?
 - Generating savings?
 - Falling market influence?
 - Political uncertainty?
 - Threat of legal challenge?
 - Supplier failure?
 - Recruitment and retention?
 - Internal cutbacks?
 - Contract management and value loss?

Challenging Commercial Landscape

- What are the main challenges facing public procurement teams?
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 - Contract management and value loss?

How are these issues connected to your commercial position?

Who are the clients?

- Many contracting authorities provide contract access or procurement support to others.
 - Maintained schools
 - Academies
 - Housing Associations
 - "Teckal" entities
 - Police and fire services
 - NHS trusts and CCGs
- Who else?

Who are the clients?

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- Who else?

- **What about your competitors?**

What about clients who aren't CAs?

- Public contracts, especially Frameworks, should only be accessed by "those contracting authorities clearly identified" in the OJEU notice.

- Does this limit your ability to provide services to clients who are not public contracting authorities?

- Is there an opportunity we would like to take advantage of?

What about clients who aren't CAs?

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- Is there an opportunity we would like to take advantage of?

- Is a Local Authority Trading Company a solution? Are there other options?

- Central Purchasing Bodies?

- General power of competence?

Durham context

- Procurement team of 23 officers - centralised procurement team
- Procurement team **87%** self-funding in 2016-17
- Target to become **100%** self-funding
- Income breakdown:
 - Supplier rebates – 60%
 - Service fees – 35%
 - Bespoke projects – 5%
- Authority third party spend fell from **£620m** in 2011-12 to **£445m** last year.

Durham context

- Our clients:
 - Maintained schools (100% buy-back)
 - Academies (84% buy-back)
 - Police and Fire services
 - Housing associations
 - Parish and town councils
 - Community leisure trusts

Procuring for others

- Understand the client – operationally and strategically.
- Client’s needs may be different from your own.
- Do your contracts account for them?
- Be aware of any differing legal requirements – NHS procurement regulations for example.

Selling your services

- Understand the strengths of your offer – may include:
 - Compliance with regulations
 - Effective, competitive, process delivering reliable suppliers
 - Saving time and resource for client
 - Social value and other wider benefits
- After-sales support!
- Are your contracts and your services good value?

Selling your services

- How are your services priced? Access fees, rebates, or both?
- How are they marketed?
- Do you need an "account manager"?
- What about supplier relationship management?

Final points

- Not for everyone – some public bodies more suited as clients than service providers
- How does your commercial strategy for procurement fit wider organisation plans and objectives?
- Who owns the commercial approach? Is it joined up?
- Can be a worthwhile investment!

Any questions?

CHALLENGES FOR PUBLIC PROCUREMENT

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AGENDA

- Key Challenges Facing Public Procurement
- Growing the Influence of Procurement
 - Giving your CEO a Good Night's Sleep
 - Procurement Objectives
 - Delivering Savings
 - Social Care
 - Organising for Influence
 - Re-Shaping Procurement. Relative Merits and Risks of Collaborative Procurement Models

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COLIN CRAM: BRIEF HISTORY

35 years Procurement
10 years Fraud Investigator

- HM Treasury
- Cabinet Office
- Central Unit on Purchasing (Fore-runner of CCS)
- Fraud Investigator (Customs and Excise)
- First Director of Benefits Agency Procurement
- First Director of North West Universities Purchasing Consortium
- First Director of Research Councils' Procurement Organisation
- Director North West Centre of Excellence
- Consultant/Adviser to Large Private and Public Sector Organisations and UK Parliament

CURRENT POSITIONS AND MEMBERSHIP

- Managing Director Marc1 Ltd
 - Chair/CEO Open Forum Events Ltd
 - Chair/CEO Open Forum Enterprise Pte Ltd
 - Contributing Editor: Guardian Global
- <https://www.theguardian.com/profile/colin-cram>
- Associate Fellow at Manchester Business School (part of University of Manchester)
 - Fellow at University of Bangor
 - Fellow: Chartered Institute of Purchasing and Supply (CIPS)
 - Member: IACCM (International Association of Contract and Commercial Management)
 - Associate Member: Association of Certified Fraud Examiners
 - Member: Society of Local Authority Chief Executives (SOLACE)
 - Member: Asia Strategic Sourcing Alliance

<https://publications.parliament.uk/pa/cm201314/cmselect/cmpublicadm/123/123vw26.htm>

<https://publications.parliament.uk/pa/cm201314/cmselect/cmcomloc/712/712.pdf>

CHALLENGES FOR PUBLIC PROCUREMENT

CHALLENGES FOR PUBLIC PROCUREMENT

- Influence and Respect
 - Speaking Truth to Power
 - Demonstrating Value
 - Managing Procurement for the Big Spends
 - Early Involvement
- Squeeze on Public Finances
 - Greater expectations
 - More for less
 - Brexit
 - Price Rises
 - Ministers 'dumping' procurement problems on local government
 - Insourcing, Outsourcing
 - Procurement Strategies for Local Government and the NHS
- Ensuring Probity
- Greater Complexity
 - Globalisation and increased supply chain risks
 - Contracting
- Supporting SMEs and 'Voluntary' Organisations

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ACHIEVING INFLUENCE





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**WHAT KEEPS YOUR CEO, LEADER,
PERM SEC, FD AWAKE AT NIGHT?**

ACHIEVING INFLUENCE

- Prioritise: Do What Matters
- Procurement Objectives Aligned with those of one's Organisation
- Deliver Savings and Worthwhile Benefits

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WHAT IS THE MOST EFFECTIVE MEANS OF MAKING SAVINGS?

1. Negotiation? Driving a Hard Bargain?
2. Tendering?
3. Reducing Suppliers' Costs/Taking Out Cost and Risk out of the Supply Chain/ Procurement Cycle?

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MAKING SAVINGS



METAL FURNITURE

- Steel is 60% of Cost of Manufacture
- Assume 20% Profit
- Selling Price Equals 120 Units of Cost
- Then Cost of Steel equals 50% of Selling Price
- Reduce Cost of Steel by 20% (to 48 Units of Cost)
- Then Cost of Manufacture Drops by 12% to 88% of Former Cost
- Add 20% Profit Margin (17.6% of former manufacturing cost)
- New Price: 105.6 Units

PRICE SAVING: 12%

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PROCUREMENT CAN REDUCE SUPPLIERS' COSTS

- Commitment
- Aggregate Demand
 - Enables Supplier to Exert Leverage over Suppliers/Sub-contractors
 - Supplier Can Buy in Bulk
 - Supplier Can Plan Ahead
- Avoid 'Leakage' – Ensure Contracts Compliance by Internal Staff
- Consistent Quality Contracts
- Harmonise Contracts Ts and Cs
- Sensible and Consistent Contracts Management Arrangements
- Harmonise Procedures
- Simplify Processes and Procedures - eProcurement
- Consistent Policies and Policy Implementation
- Consistent Legal Interpretations
- Consistent Specifications
- Standardisation
- Consistent Design
- Allow for Innovation
- Cut Out Duplicate Contracts and Framework Agreements
- Cut out Unnecessary Qualification Demands and Costs

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PROCUREMENT CAN REDUCE SUPPLIERS' COSTS FURTHER

- Employ First Class Procurement and Contracting Specialists
- Employ First Class Category/Commodity/Market Specialists
- Forecast Demand and Procurement Pipelines
- Smooth Demand
- Share Future Plans
- Streamline Processes
- Relationship Management: Work with Suppliers on
 - Reducing Supply Chain Costs
 - Reducing Waste
 - Value Analysis
 - Understanding Commodity/Materials Pricing Trends to Enable them to Procure Most Cost Effectively
 - Identifying Suitable Alternative Materials
 - Identifying Creation of Cartels in Supply Chain
- Encourage Joint Procurement by Suppliers
- Be a Trustworthy and Reliable Customer

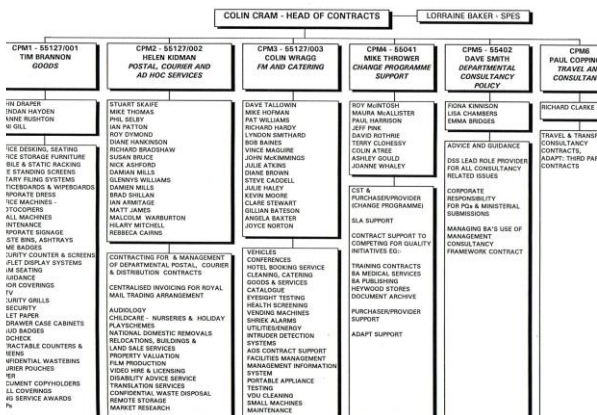
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PROCUREMENT CAN REDUCE COSTS FURTHER

- Aggregation
 - Professional Negotiation
 - Demand Forecasting
 - Understand Suppliers' Cost Structures
 - Understand Supply Markets Cost Structures
 - Market Management
- Focus on Big Spends – areas that matter most
- Focus on Big Suppliers
- Renegotiate – through an understanding of total spends with big suppliers
- Benchmark
- Specifications that Enable Lifetime Costs to be Reduced
- Get Contract Management Arrangements Right
- Incentivisation (but not too generous)
- Resource Contracts Management Properly
- Payment Terms/Finance
- Assurance of Prompt Payment
- Discourage and Watch Out for Possible Fraud/Corruption

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BA CONTRACTS ORGANISATION CHART



WHAT SAVINGS CAN BE MADE THROUGH REDUCING SUPPLY CHAIN COSTS?

Furniture	30%
FM/Outsourcing/Major Contracts	Up to 35%
Laboratory Consumables	Up to 90%
IT	5 – 80%
Construction	5 – 15%
Construction Management	5 – 15%
Reprographics	15-45%
Social Care	10%
Legal Services	10%
Good Contracts Management	5 – 35%

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TAKING OUT COST COSTS TO SUPPLIERS OF TENDERING

- What is the Cost?
- What is the Cost of Duplicate Tenders?
- What is the Cost of PQQs?
- What is the Cost of Tendering when one has little choice of Winning?
- What is the Cost of a Good Tendering Team?

TENDERING CAN CREATE COST FOR EVERYONE

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COMMISSIONING IN CRISIS: Lloyds Bank Foundation

- file:///C:/Users/Cram/AppData/Local/Microsoft/Windows/INetCache/IE/Y1FHAH3Y/Commissioning%20in%20Crisis%202016%20Full%20Report.pdf

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WHY IS SOCIAL CARE TENDERED?

Does it Provide the Right Answers or an Alibi? How Much Cost does it Add?

- Tendering timescales cut massively. 4 weeks too short
- Insufficient information to tender sensibly
- Commissioners provide poor responses to questions
- Too much risk passed to providers. Either not bidding or inflate prices
- Specialist Transformation Care. 70% price, 30% quality
- 90% of business is through tenders

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SOCIAL CARE: ALTERNATIVE TO TENDERING?

1. Commissioners clear about minimum standards
2. Commissioners clear about benefits of exceeding minimum standards
3. Commissioners advertise in appropriate media that a contract is to be let. Also, get in touch with local organisations .
4. Any interested party to write in and state why they should be chosen to take on contract. Must indicate price.
5. Shortlist
6. Meetings with shortlisted organisations to explain in more detail what is required. Assess how well one may be able to work with them.
7. Further meeting with bidders to clarify.
8. Contract award

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RE-SHAPING PROCUREMENT PROCUREMENT'S OPPORTUNITY TO TAKE CONTROL

- Independence, Collaboration or Integration?

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THE RISE AND FALL OF SOUTHERN CROSS

Ten years of triumph followed by a dramatic fall from grace: we chart the history of the largest operator in the care homes sector



HOME»COMMENT»TELEGRAPH VIEW

The NHS is paying for Labour's dodgy deals
The state faces huge costs because of flaws in PPP contracts agreed by the previous administration





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**RESHAPING PROCUREMENT
PROCUREMENT'S OPPORTUNITY TO
TAKE CONTROL
COLLABORATION vs INTEGRATION.**

- Collaboration Expensive
- Collaborative Costs rarely known
- Limited Commitment
- Limited Benefit
- Benefits Difficult to Measure
- Too great a Focus on Less Important Procurements
- Sharing of both Bad and Good Practice

Note: There are many different collaborative models, some much better than others. 'Collaboration' is a much misused term.

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JOINT PROCUREMENT IS BETTER THAN COLLABORATION RESEARCH COUNCILS' PROCUREMENT

Where We Were

Loose procurement collaboration between 5 councils and some research institutions

What We Became: JOINT SERVICE

- Big Savings in Year 1
- Running Cost Savings of 15%
- Workload Increase of 15%
- Performance Measurement
- Clear milestones
- Costs Known: Unit Costing and Charging
- Service Defined (Service Level Agreements - SLAs)
- Full Transparency and Accountability
- Respect from Industry – Lower Costs
- Specialist Expertise Used on behalf of All
- Projects contracts team – handling all projects (Independent support to individual projects)

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FIRST CLASS PROCUREMENT (1)

- Authority
- Capability
- Independence
- Reputation and Respect: Within the company and with markets and suppliers
- High Morale – Self Belief, Mutually Supportive, High Expectations
- Objectives in Line with those of the Company
- Performance Management
- Quality, Practical Systems
- Comprehensive Understanding of Procurement Spend
- Market Intelligence
- Involvement in Key Commercial Decisions

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FIRST CLASS PROCUREMENT (2): CAPABILITY

- Critical Mass
 - Sufficiently Resourced
 - Sustainable
 - Knowledge transfer
 - Learning Environment
- Expertise
 - Category
 - Markets and Competitors
 - Contracting
 - Contract Management
 - Procurement
 - Projects and Project Management
 - First Class Procurement Techniques:
- Taking Cost out of Supply Chain
- Value Analysis
- Market Management
- E-auctions
- Other up to date techniques e.g. 'twitter'

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Procurement Model/ Public Sector Key Objectives	Local/ Devolved	Influencing	Project Based	Region	National/ Integrate
Long Term World Class					
Lower Tax/Leverage/Savings					
Delivery of Government Policies and Programmes					
Social Stability					
Better Infrastructure					
Responsive and Quality Services					
Anti-fraud Culture/Fraud Reduction/Prevention					
High Quality Contracts Outcomes					
Consistent High Quality, Leading Edge Processes, Procedures, Documentation					
Efficiency					
Assurance and Accountability					
TOTAL <small>© C M Cram FCIPS</small>					

Procurement Model/ Public Sector Supporting Objectives	Local/ Devolved	Influencing	Project Based	Region	National/ Integrate
Leverage/Negotiation					
Market Management					
Consistent Specs/Quality					
Common Procedures/Processes					
Anti-fraud Culture/Prevention					
Fraud Detection					
Fraud Reduction					
Avoiding Conflicts of Interest					
Consistent Legal Interpretation					
Efficiency					
High Quality Contracting, Contracts Management Capability					
Specialist Category Expertise					
Responsive and Quality Service					
TOTAL <small>© C M Cram FCIPS</small>					

THANK YOU

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ISSUES

- Cost of Current Operations – Base-lining
- Work Volume of Current Operations
- Staff Concerned About Efficiencies
- Some Staff Not up the Job
- Directors of Procurement Unhappy
- Different Cultures
- Different Pay and Conditions
- Different Procedures, Processes, Finance Systems

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OTHER ISSUES

- The fragmentation and small size of purchasing units prevented the councils from getting best value for money.
- The fragmentation led to duplication and inefficiency.
- There was confusion and duplication in dealing with external bodies
- There was some protectionism, resulting in limited collaboration and, hence, inefficiency.
- Several units were too dependent on particular individuals and were too small to be viable in the longer term.
- Career opportunities were limited.

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OTHER ISSUES

- There was a huge imbalance in training opportunities.
- Particular types of expertise often resided in and were available to just one council.
- There were several 'single point failures'
- Performance measurement was almost absent
- Only two organisations knew the cost of their procurement.
- There were some long term problems, mainly concerning individual members of staff, that had not been resolved.
- Fraud, Corruption Controls were weak - often non-existent

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Case Study

City of London Corporation

City Procurement responsible success



Chris Bell



Horizontal lines for notes

Responsible Procurement

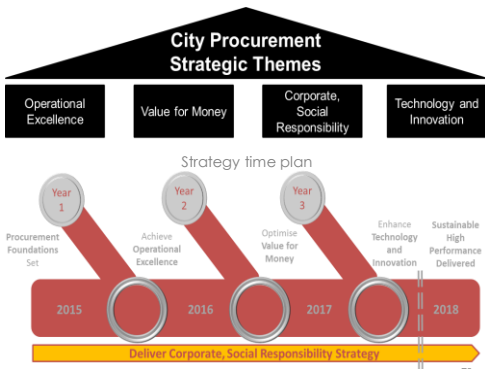
City of London Corporation	
Strategy:	City of London Procurement Strategy 2015-2018 City of London RP Strategy 2016 – 2019
Themes:	What does Responsible Procurement cover?
Implementation:	Mechanisms to achieve successful implementation
Examples:	General and specific examples
Q & A:	Any questions?



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Horizontal lines for notes

Developing a strategy



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Horizontal lines for notes

Game Changers - Introducing greater impacts through procurement



- Efficiency and Savings Process Manual – no blockages



- Creating a team with the right balance to deliver our aims and objectives



- Delivering Targeted Annual savings



- Consider and explore wider than procurement savings, make an difference

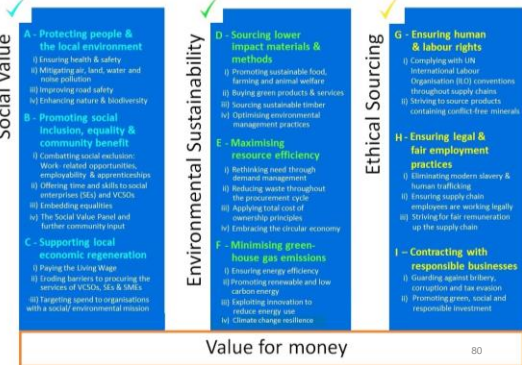
- **Responsible Outcomes**
- Commercialism
- Corporate change
- Income generation
- Branding



- Make fast impact cashable savings to gain support from leadership

Pillars of City of London Responsible Procurement

Overarching policies and key objectives



Responsible Procurement Strategy

- Buy in**
 - Dedicated resource, senior buy in, colleagues on board
- Justification**
 - Legislation, risk, benchmarking and added value
- Collaboration**
 - Alignment of focus areas and priorities, channelling offers, exchange of lessons learned and best practice

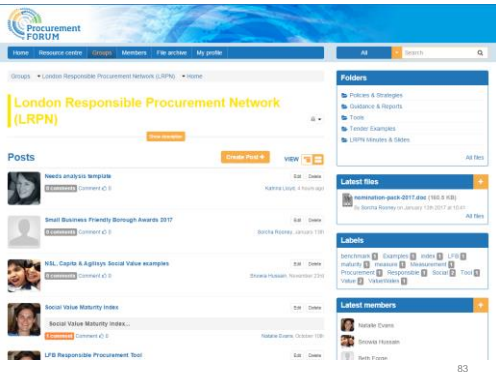


Supporting Corporate Policies, Strategies & Frameworks

City of London Corporate Plan 2015 - 2019	Responsible Business Strategy 2016 (EDO)	City of London Climate Change Adaptation Strategy 2010
Chamberlain's Business Plan 2015 - 2016	City Bridge Trust Strategy - 2017	City of London Air Quality Strategy 2015 - 2020
City Procurement Strategy 2015 - 2018	City of London Sustainability Policy	City of London Noise Strategy 2012 - 2016
Employability Framework (EDO) 2016	City of London AECOM (Strategic Energy Review) (targets 2015 - 2018)	City of London Biodiversity Action Plan 2016 - 2020
Enterprise framework (EDO) 2016	City of London Climate Change Mitigation Strategy (to 2020)	City of London Transport Policy
Local Plan – City of London (Planning)	City of London Considerate Contractor Scheme (DBE)	Construction and Street works Codes of Practice
City of London Cultural Strategy 2012 - 2017	City of London Education Strategy 2016 - 2019	City of London Visitor Strategy 2013 - 2017
Contaminated Land Strategy 2015 - 2020	Road Danger Reduction Plan and Programme 2016/17 (DBE)	Section 106 Policy and Guidance

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Establishing the LRPN



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Members of LRPN



Westminster	Hounslow	London Fire Brigade
City of London	Kingston	London Legacy
Barnet	Lambeth	London Universities Purchasing Consortium
Bexley	LB Hammersmith & Fulham	South London Freight Consolidation (SLFC) project
Camden	Newham & Havering	Southern Housing Group
City of London	Sutton	Cross River Partnership
Croydon	Tower Hamlets	Procurement Analysis
Ealing	Waltham Forest	Defra
Enfield	Greater London Authority	NHS
Haringey	Transport for London	National Audit Office
Hillingdon	Met Police	

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Successful implementation

Governance & Accountability

- Category Boards & objectives in appraisals

Prioritisation of focus areas

- Risk/ value/ influence + low hanging fruit & comms

Engagement & collaboration

- With colleagues from other departments
- With suppliers and industry reps

Transparency & ideas exchange

- London Responsible Procurement Network (LRPN) and
- Social Value Panel

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Social Value Consultation Panel

What is it?

- Made up of stakeholders representing a range of economic, social and environmental interests
- Provide feedback and input to improve the 'social value' of OJEU service contracts and other significant procurement projects, including works

What is the value for the City of London Corporation?



- Ensure compliance with Social Value Act
- Deliver better value from goods and services we procure, through greater positive environmental, social and economic impact
- Improve relationship with community stakeholders

What is the value for panel members?



- An opportunity to contribute to the impact of procurement decisions and better serve their interest groups
- Professional development - Opportunity to understand perspectives and context of local government procurement

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Voluntary members of Social Value Panel



Hayley Conboy (St Mungo's), Jean Duprez (Duprez Consulting), Peter Thackwray (Capital Enterprise), James Butler (Social Enterprise UK), Frank Funnell (Engage CSR), Simon Barnes (HS&M),
 Bryn Kewley (ESG), Jillian Lilico (John O'Connor), Karin Van De Laar (The Prince's Trust), Ian Skinner (T2P), Dan Hopewell (Bumble By Sea Centre), Ian Heptonstall (Action Sustainability),
 Nou Burger, Mona Lewis, Beth Forge, Natalie Evans

City of London Corporation

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Mechanisms – RP throughout the cycle

- Pre-procurement** = social value panel, soft market testing
- Supplier selection** = modern slavery (pass/fail), road danger (3 months), health and safety (SSIP, pass/fail)
- Specification** = government buying standards, supply chain mapping requirements, air quality menu
- Supplier evaluation** = bank of questions, flexible but with very clear response requirements, model answers
- Mobilisation** = involved in kick off – named personnel for follow ups, firm up offers and expectations
- Contract management** = contract and corporate KPIs/ scorecard on RP outcomes, testimonials from apprentices



Social Value

- Protecting people and the local environment**
 - H&S, air-, noise-, water-, land pollution, road safety and nature & biodiversity
- Promoting social inclusion, equality and community benefit**
 - Targeted employment, apprenticeships, skilled volunteering, equalities and community engagement
- Supporting local economic regeneration**
 - Eroding barriers: SMEs, SEs and VCSOs



Road danger reduction

Work Related Road Risk Requirements for HGVs (3.5tonnes+) <https://www.fors-online.org.uk/cms/register/>

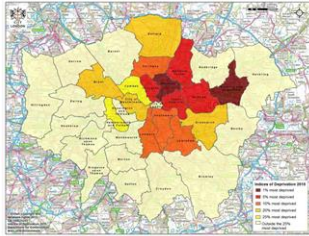
Contracts in scope:	Contract duration	Requirement	Deadline
Goods and services £250k and above	6 months and longer	Contractors are required to register with the Fleet Operator Recognition Scheme (FORS) and to have achieved bronze accreditation or scheme, which in the reasonable opinion of the corporation, is an acceptable equivalent to FORS. The requirement must be cascaded to any relevant sub-contractors.	Within 3 months of contract start
AND Works contracts valued at £400k and above	3 years and longer	Contractors are required to progress to Silver accreditation under the FORS or equivalent scheme, as above.	Within 18 months





1 in 3 Quotes: £10k - £100k

Officers must seek at least one quote from either a UK based SME, a social enterprise, or a local supplier



Local suppliers =

- The square mile
- City Fringe
- One of the 10% most deprived boroughs
- Other deprived areas in the proximity of satellite sites e.g. Slough.

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Eroding barriers to SMEs

- As part of Section 106 (developers procuring from SMEs)
- Accounts Payable: 10 day payment terms
- Procurement:
 - Breaking contracts into lots
 - Relevance and proportionality
 - Capital E Sourcing
<https://www.capitalesourcing.com/web/login.shtml>
 - Scoring based on robustness and clarity of commitments
 - Providing flexibility and choice

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Minimum 10% RP Weighting

Employment, Skills and Training Menu

Employment & skills	Detail	Partner	A	No.	B	No.	Total
1	Work placement (No. person weeks)		0.25		0.5		
2	Traineeship/ Pre-apprenticeship course (4 - 6 weeks)		0.75		1.5		
3	Traineeship/ Pre-apprenticeship course (8 - 12 weeks)		1.5		3		
4	NVQ during the contract period	No. trainees starting	2		4		
5		No. trainees completing	2		4		
6	Recognised apprenticeship	Apprentices starting	3		6		
7		Existing apprentices	2.5		5		
8	No. jobs advertised through organisations	specifically targeting people in target boroughs	0.5		1		
9	No. staff trained in specialist courses		1		1		
(Must add up to at least 10) Grand total:							

Socially excluded groups =

- LT unemployed, NEETs, lone parents, care leavers, ex-military, ex-offenders etc.

Bidders will be scored on criteria including:

- why the selected combination of opportunities have been chosen
- how and when candidates will be recruited/ trained
- which partner organisation(s) the bidder will work with and why
- why any particular demographics of focus have been chosen
- how candidates will be supported/ mentored by the bidder or third party
- any sustainable employment opportunities available to the candidates as a consequence of their work on this contract.

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Environmental Sustainability

Sourcing lower impact materials & methods

- Sustainable food, farming & timber, animal welfare, green purchasing, EMSs

Maximising resource efficiency

- Waste, TCO/ WLC/ LCC, circular economy

Minimising greenhouse gas emissions (GHGs)

- Energy efficiency, renewables, innovation, climate change mitigation and resilience



Government Buying Standards

- Timber must be purchased in accordance with [UK Timber Procurement Policy](#) i.e. only timber and timber products with the following origins can be purchased:
 - o independently verified legal and sustainable sources or
 - o timber from a licensed Forest Law Enforcement Governance and Trade (FLEGT) partner
 - o Recycled timber is also accepted.

- Wall paints must have a 'Low' VOC content of less than 8%
- All other paints and coatings (e.g. varnishes) must have a 'Medium' VOC content of less than 25%

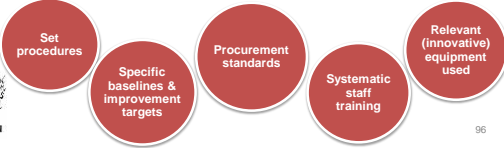


[Sustainable procurement: GBS](#)



Environmental Management Systems

Aspects to cover	Examples
Safeguard air quality	Using or at least trialling alternative fuel vehicles, dust suppression
Procure sustainable materials	How the highest impact materials are sourced
Minimise waste (incl. water)	Waste hierarchy, training on procedures
Minimise energy use (CO ₂ emissions)	Fuel efficient vehicles, new technologies, logistics, embedded carbon (energy intensity of materials)





Ethical Sourcing

Ensuring human & labour rights

- ILO conventions, conflict minerals

Ensuring legal & fair employment practices

- Modern slavery, illegal workers, fair pay

Contracting with responsible businesses

- Bribery, corruption, tax evasion, responsible investment)

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Modern Slavery & Human Trafficking

Modern Slavery Statements:

- o Stance/ commitment
- o Business (description of business – sector, geographical locations, no. suppliers etc.)
- o High risk areas
- o Policies
- o Supplier (policy, due diligence, contractual clauses)
- o Training
- o Performance indicators
- o Approval (signatory) of statement

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Supply Chain Mapping

Logistics and Inventory management

- Providing delivery to the client

Final point of Manufacture

- Assembly of components, testing, packaging and labelling

Component Manufacture

- Manufacture of components, sub-assemblies or materials used in the final product

Raw Material Extraction and Processing

- Point of extraction or harvest for raw materials and the points where these materials are processed into the base commodity feed stock for production processes

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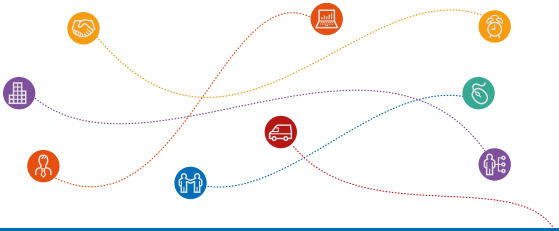
Thank you

Chris Bell
Commercial Director
City of London Corporation
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Welcome to Crown Commercial Service





The Public Sector Challenge

Annual population change
 - Green: Gross total change
 - Blue: Net migration
 - Red: Natural change

570,000 extra Secondary places needed by 2027

54,000 additional A&E attendances compared to the same time last year

14,200 more emergency hospital admissions compared to the same time last year

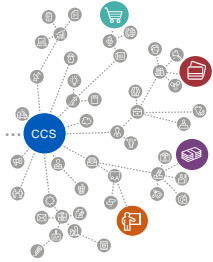
3.8 million pounds waiting for treatment in June 2016 - the highest level since December 2007

Issues Facing Britain: April

Health	100%
Education	95%
Environment	90%
Energy	85%
Local government	80%
Labour market	75%
Law and justice	70%
Transport	65%
Welfare	60%
Other	55%



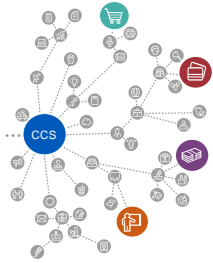
The Public Sector Challenge



- Increased demand for public services
- Continued financial constraints
- New ideas and technology are changing the way citizens interact with the state
- Expectations of public services are higher than ever before
- Need to balance ensuring good quality public services and delivering efficiency gains



CCS's focus and priorities



- Maximising commercial benefits
- Focusing on our customers
- Strengthening the UK economy through effective policy delivery



CCS provide solutions across all Common Goods & Services

Buildings	People	Technology	Corporate Solutions
<ul style="list-style-type: none"> ● facilities management ● maintenance & repair ● utilities & fuels ● construction 	<ul style="list-style-type: none"> ● temporary staff ● outsourced services ● advisory services (e.g. consultancy, legal and language) 	<ul style="list-style-type: none"> ● Cloud, digital & hosting solutions ● network services ● software ● technology products & services 	<ul style="list-style-type: none"> ● travel ● fleet ● office services ● marketing ● communications & research ● financial services ● contact centres



Delivering policy priorities



SMEs:

Increase SMEs' share of CG procurement spend
Support prompt payment manifesto commitment - develop new policy which links eligibility for government contracts to complying with principles of the Prompt Payment Code



Growth:

Ensure government procurement drives vfm, economic growth and jobs



Simplification:

Embed the flexibilities of the new regulations; cut red tape – be compliant
Reform/simplify CCS documentation and processes; easy to do business



Transparency:

Enable more transparent commercial information via open contracting data
Deliver initiatives on anti-corruption and beneficial ownership



Supporting Brexit



The Rules

EU procurement rules continue whilst we are a member of the EU
The existing scheme of UK procurement rules will be preserved under the EU Withdrawal Bill when the UK leaves the EU. This will provide certainty and continuity on day one of Exit



Work to date:

CCS is working closely with the Department for International Trade to ensure ongoing, reciprocal access to the public procurement markets of the world's major economies. This includes pursuing independent UK membership of the WTO Government Procurement Agreement.

It is too early to say what a future procurement regime will look like as it will depend on the nature of our exit from the EU



Consultation:

The UK is considering all the options extremely carefully, though can't comment on possible solutions at this stage



Any top tips?



Category Planning

Bring focus to the business challenges facing your customers not your procurement activity
Take a holistic view and be the expert in your area – this is your primary document and safe place



The Commercial Conscience

Ensure procurement drives economic growth, jobs and value for money
Keep your customer 'out of jail' and help them manage the agreement



Access knowledge

Collaborate and source with peers across all sectors, particularly in region
Industry bodies such as CIPS and CIPFA but leverage the events, formal development and of course networking events

Access government best practice documents <https://khub.net/gcf>



Keeping in touch

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🐦 @gov_procurement

📌 Crown Commercial Service

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