

Corporate Policy and Scrutiny Committee

Procurement Overview

February 2020

Procurement Services

Realising Essex's potential through our suppliers



Essex County Council

Agenda

February 2020

- Review of approach to procure contracts and the effectiveness of this approach
- Review ECC's capability for procuring large/high value contracts
- Discussion item
 - Consideration of procurements that the Committee could engage in through a Task & Finish

Welcome to Procurement

**DID
you
KNOW?**

£5.8bn
is the value
of all
managed
contracts

306
contracts
managed

1300
suppliers
managed

150
sourcing
projects in
2018/19

£5.7m
average
value of a
sourcing
project

**ECC is
the only**
CIPS
accredited
County Council

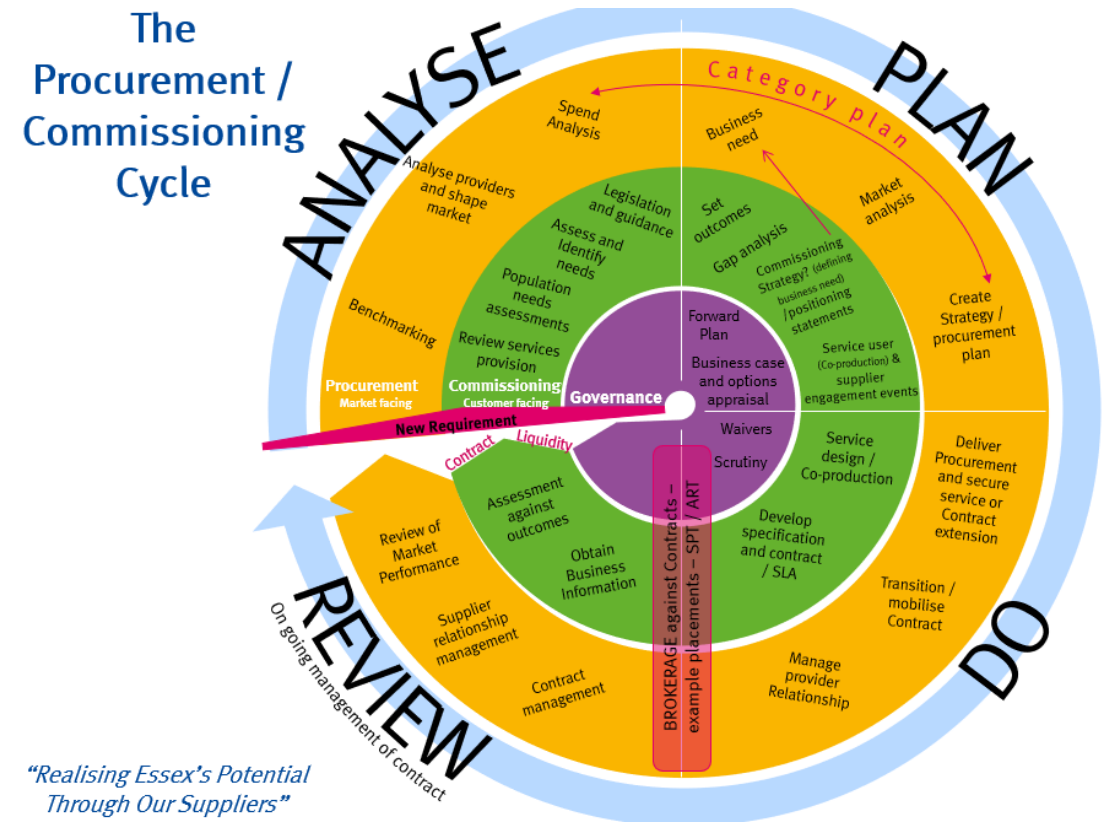
9%
is the value of a
contract that can
be lost with poor
or no contract
management



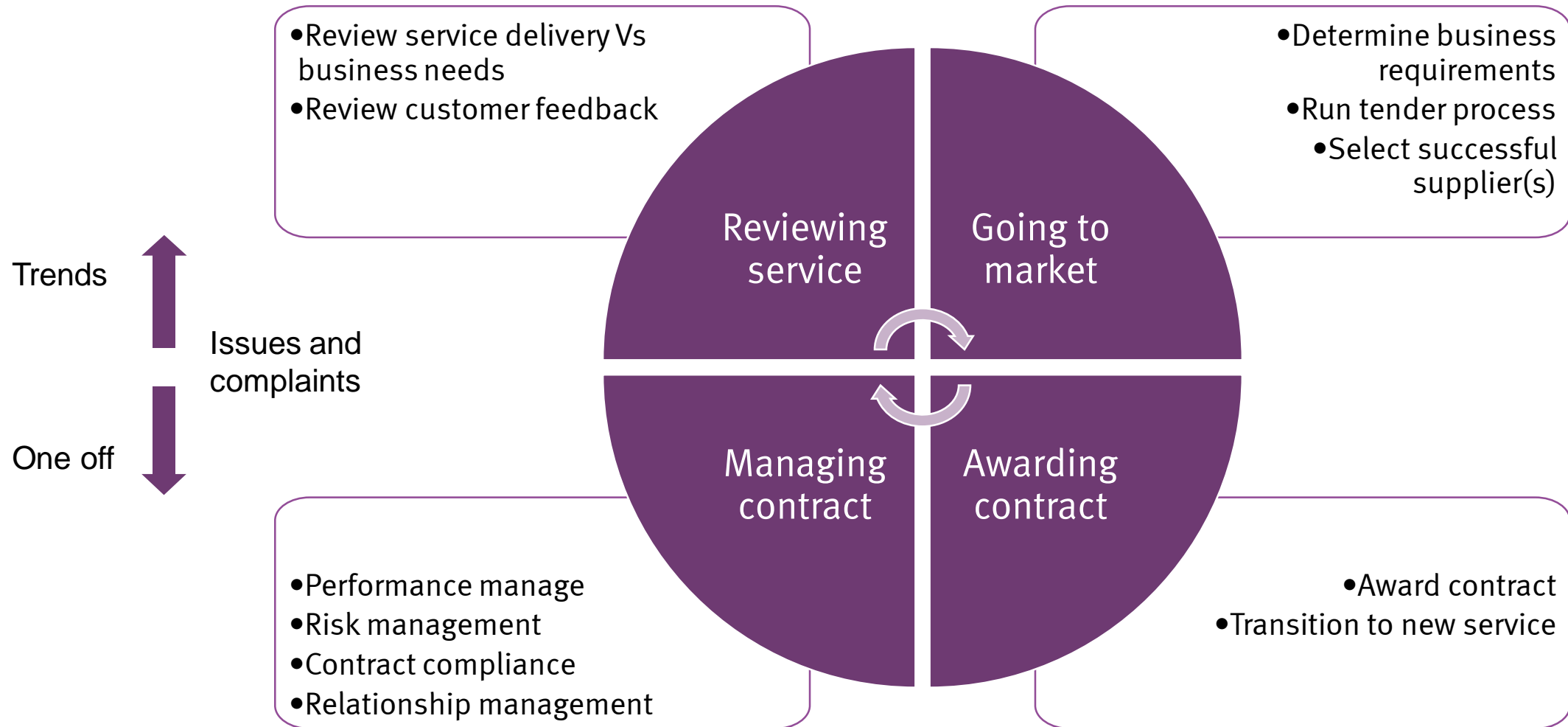
Essex County Council

Procurement and Commissioning Cycle

- Procurement are part of the end to end commissioning cycle and support through:
 - Category planning to help inform commissioning strategy
 - Running sourcing/extension activity
 - Contract management and Supplier relationship management throughout the life of the contract



The Procurement Cycle



A Risk Based Approach to Sourcing

	<u>Very Low Risk</u>	<u>Low Risk</u>	<u>Medium Risk</u>	<u>High Risk</u>
Total contract value	<£10,000	£10,001 to £100,000.00	£100,001 to EU Thresholds (including Light Touch Services threshold)	EU Thresholds and above (including Light Touch Services threshold)
Responsibility	All ECC Officers	All ECC Officers	Procurement Officers	Procurement Officers
Process/ Tool	Self Serve Purchase Card (P-Card), Electronic Payment Request Tool (EPRT), Compliant Framework or TCS	Request for Quotation (RFQ via self-serve) or Compliant Framework	Simplified Tender via e-sourcing portal or Compliant Framework	Official Journal of the European Union (OJEU) Tender via e-sourcing portal or Compliant Framework

- Strategic contracts need to provide best value overall
 - so we may not always get the best price on every element of a contract
- Suppliers need sustainable contracts

Contract Extensions

New processes being developed following best practice work delivered on Mitie and Ringway Jacobs

Includes:

- Benchmarking
 - Market Insight
 - Peer Insight
 - Options appraisal
-



Why we Contract Manage

- Ensure the original objectives/requirements of the contract are met
- Work with suppliers to embed continuous improvements into service delivery
- Identify and deliver savings
- Work with suppliers to identify solutions for wider market issues (opportunity to learn from broader experience of our supply base)
- Ensuring our suppliers deliver value for money
- Satisfy audit requirements that the contracts are being managed in line with the agreed methodology (or agreed variation)



Horizon Scanning – Place and Corporate

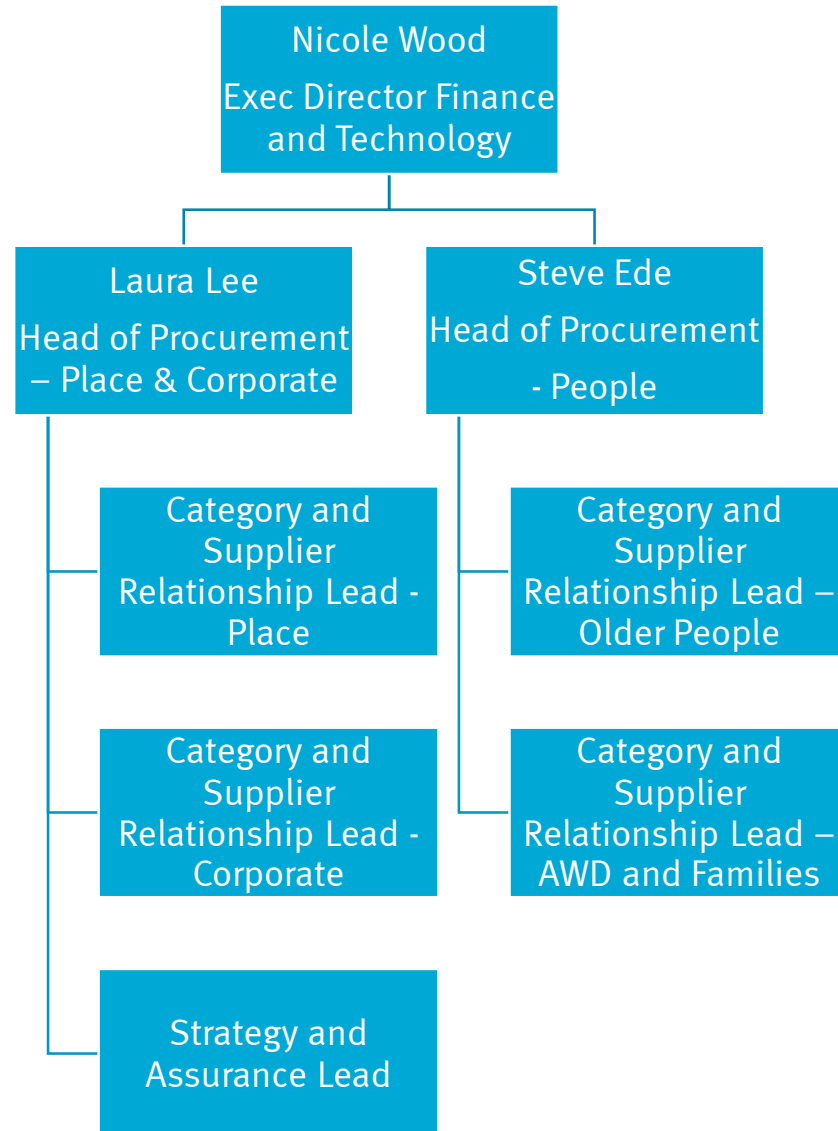
Supplier	Decision	By When
Veolia - Integrated Waste Handling Annual spend £14m	Extension or new procurement	31 Mar 2020. Contract expires 31 March 2022. Extension up to March 2029 possible - more likely to be new procurement.
Bio-waste Treatment, Transfer and Transport Services Framework Annual spend £6.2m	New procurement	Jan 2022. Contract expires Jan 2023.
Matrix (SCM) Annual spend £14.5m	Extension or new procurement	Oct 2020. Contract expires Sep 2021. 1 year extension possible.
DUCL Annual spend £9m	Extension or new procurement	Aug 2021. Contract expires Dec 2022. Extension up to 2 years possible.
Fujitsu Annual spend £5.5m	New procurement	Extension utilised till July 2021.
Servelec Annual spend £0.8m	New procurement	Extension utilised till July 2021.

Horizon Scanning – Social Care

Supplier	Decision	By When
Children's Residential framework Annual spend £12m	Extension or new procurement	Dec 2022. Framework expires Mar 2023. Possible extension to 2028
ER External Fostering Placements Annual spend £8.6m	New procurement	July 2021. Framework expires Sept 2022.
SIA -Semi Independent Accommodation and support services Annual spend £2m	Extension or new procurement	Framework expires Jun 2020. Possible 1 year extension.
ECL - Short Term Enablement Annual spend £8.4m	Extension or new procurement	Contract expires Apr 2021. 1 year extension possible.
Supported to Independence framework Annual spend £1.5m	New procurement	Jun 2020. Framework expires Nov 2020. 4-8 month extension then new procurement
Metropolitan - Intensive Enablement Annual spend £1.3m	New procurement	Jun 2020. Contract expires Nov 2020. 4-8 month extension then new procurement
Provide CIC - Integrated Sexual Health Services Annual spend £8.1m	New procurement	Mar 2022. Contract expires Mar 2023

Appendices

Procurement Structure (As at January 2020)



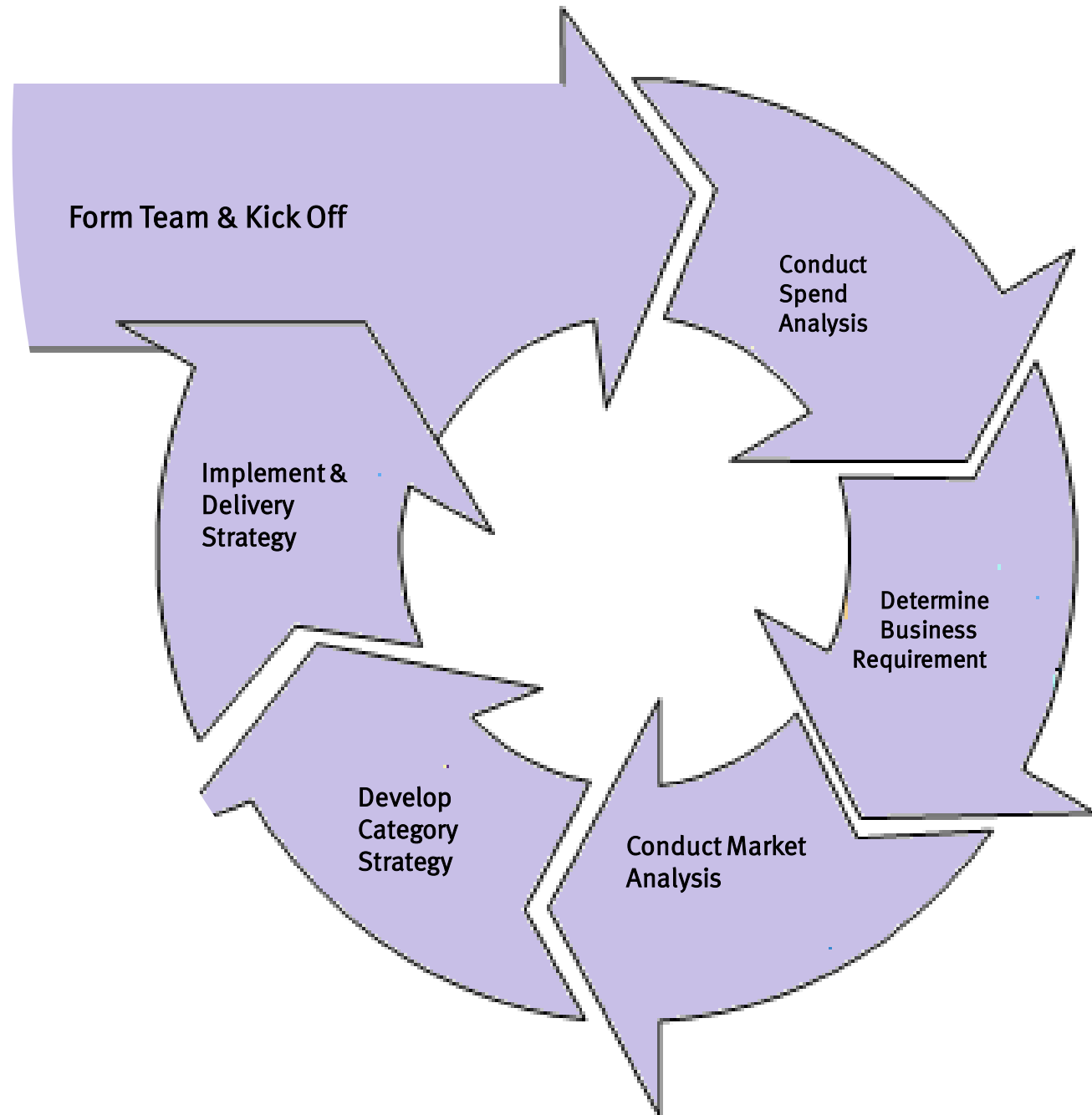
Procurement have a total of 84 employees across a range of disciplines

What is Category Management?

Category Management is the strategic 'end to end' process whereby supply / market capability is fully aligned to business goals and customer requirements.

Our intention is to engage all stakeholders, Commissioning Leads as nominated by the category sponsors, identified subject matter experts from both service and support services across the Authority to form a team (one team approach) who will analyse, understand and plan the future output and direction of this category

The output of this piece of work is to identify short /6 medium / long term procurement business plans to deliver best **quantitative** and **qualitative** outcomes for ECC.



Key stages – Restricted Process

High Risk

Understanding the requirement

Project preparation

Preparation of documents

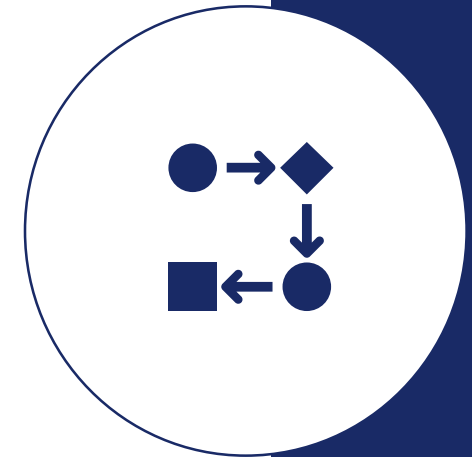
Tendering stage of SSQ

Tendering stage of ITT

Contract Award

Validations and Benefits

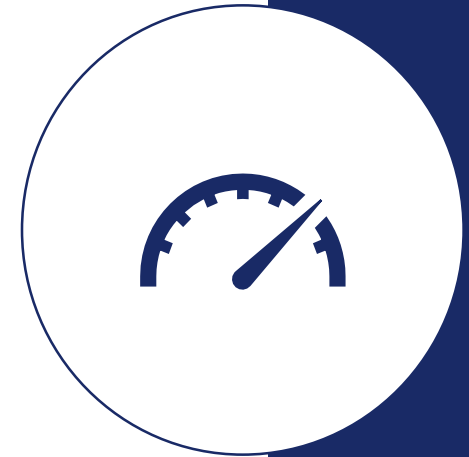
Transition



Why Contract Manage

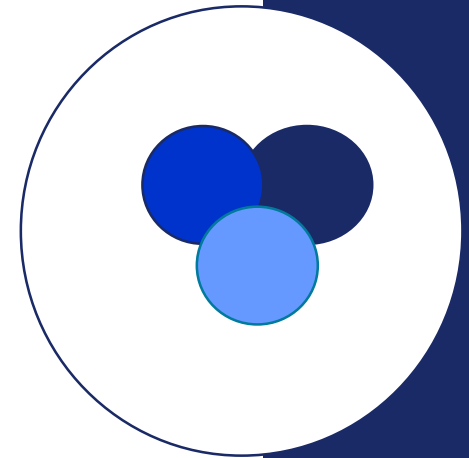
Poor contract management costs companies 9% of annual revenue

- Major areas of contract and management weaknesses leading to leakage are:
 - Disagreement over contract scope
 - Weaknesses in contract change management
 - Performance failures due to over-commitment
 - Performance issues due to disagreement over what was committed
 - Inappropriate contract structures
 - Disputes over pricing
 - Issues with subcontractors



Contract Segmentation

- Essex County Council segments contracts using The TaRT (Tiering and Resourcing Tool)
 - 8 measures to determine the Tier of the Contract
 - Spend
 - Duration
 - Replaceability
 - Criticality
 - Supply Risk
 - Segementation
 - Preferencing
 - Performance
 - Profile



High Level Overview of Contract Management workflow

Plan/Initiate

- Creating the Contract operations manual
- Developing a stakeholder map
- Develop/verify KPIs

Manage (Monthly/quarterly/six monthly depending on the tier)

- Hold contract review meeting
- Review performance reports
- Monitor and manage risk

Annual

- Review and log benefits
- Run contract compliance audits



Contract and Supplier Relationship Management

There are two common levels of management (they overlap by some degree):

- **Contract Management** – Managing the process of developing a contract and post-contract administration, including ensuring the performance of the contract.
- **Supplier Relationship Management** - This includes aspects of contract management but additionally involves a **focus on improving the performance** of the supplier in fulfilling the needs of the buying organisation.
- It also includes aspects of supplier management, but **additionally both parties actively seek to become sufficiently familiar with each other that they can predict how each other will react even in situations that have not so far been experienced.**

There are two key aspects to these types of relationship:

- Clear commitment between the two parties involved
- The objective of understanding, agreeing, and whenever possible codifying the interactions between the two parties



Supplier Relationship Management

SRM is a structure and a process that brings all of the players together to identify, plan and deliver measured improvements based on agreed objectives.

The purpose of investing in a relationship with a supplier is to improve their performance in fulfilling the needs of the buying organisation.

Performance management, managing changes to improve that performance, and monitoring performance by the buying organisation are at the core of SRM.

Different approaches are applied to best manage these suppliers in order to achieve:

- maximised value
- development opportunities
- reduced supply chain risk
- continuous improvement and innovation

Relationships can be close, long-term and enacted on a partnering basis as may be appropriate in high-value, high-risk projects such as joint ventures.

