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# **Essex County Council**

## **Procurement Strategy**

**2022/23 – 2024/25**

**Version 0.3  
July 2022**



Essex County Council

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## **Product Control Page**

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## FOREWORD

Essex County Council spends circa. £1.2 billion annually on goods, services and works with external organisations. The organisation has an ambitious agenda under the Everyone's Essex plan to deliver a thriving County where levelling up in its broadest sense is a reality and where the value of every pound spent is maximised in pursuit of these goals.

It is equally recognised that the macro-economic outlook is highly volatile and uncertain. In March 2022, inflation (CPI) reached 7% as a result of the combined impact of the COVID pandemic and the war in Ukraine and this is forecast to peak at 10% in Q4 2022, the highest inflation seen in 40 years, before falling back in 2024. Most of this inflationary risk sits in the market and it is imperative that effective procurement practice is deployed to support the organisation in identifying savings and efficiencies to bridge an ever-increasing forecast budget gap.

This latest version of the Procurement Strategy aims to further align to the new Everyone's Essex organisational plan; meet the financial challenge through delivery of savings; prepare for new procurement regulations with enhanced flexibilities; drive forward collaboration with Essex Anchor partners and more integrated working with the NHS; maximise the use of technology to support efficiency in ways of working and continue to develop the skills and capabilities of the Procurement Service to be recognised as being at the forefront of excellence in public sector procurement.

Procurement has a major impact on many aspects of life in Essex, including economic development, social factors and the environment. Collaboration with our partners, communities and residents is key to meeting our organisational priorities and best outcomes for residents within our financial means. We will continue to develop and enhance these relationships, maximising outcomes for Essex residents.

The Procurement Team will continue to support an innovative, commercial and entrepreneurial culture across the organisation, ensuring the Council maximises the value of every pound spent and looks creatively at opportunities to drive income generation to maintain overall financial sustainability.

ECC is committed to the delivery of an effective Procurement Strategy and will continue to set high standards being recognised by peers as the leading procurement team in local government.



**Cllr Chris Whitbread**

Cabinet Member for Finance, Resources and Corporate Affairs

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## Introduction

- 1.1. This Procurement Strategy defines our organisational approach to procurement and has been developed to support everyone within the Council that has a role to play in delivering services within the external market. It equally supports the Procurement Service by articulating the priorities for the coming three years. Success of the Strategy will be measured in line with the metrics set out in section 8.
- 1.2. It sets out how the Council aims to further improve procurement activity over the next 3 years. It outlines the vision for the Team in the organisation and sets objectives which underpin the Council's overall approach. Commitment is required at all levels and across the organisation ranging from the corporate and political leadership teams to individual service areas to help deliver this Strategy.

### Essex County Council

- 1.3. Essex County Council is one of the largest county councils in England, in one of the most populous, complex and diverse counties of the country.
- 1.4. Essex County Council has developed a new plan, Everyone's Essex, aimed at levelling up the County in a post-pandemic world and it covers four key areas:

- Economy
- Environment
- Health
- Family

- 1.5. Each key area is supported by five commitments:

#### Economy

1. Good jobs
2. Levelling Up the Economy
3. Infrastructure
4. Future growth and investment
5. Green growth

#### Environment

6. Net zero
7. Transport and built environment
8. Minimise waste
9. Levelling Up the Environment
10. Green communities

#### Health

11. Levelling Up Health
12. Healthy Lifestyles
13. Promoting independence
14. Place-based working
15. Carers

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Family

- 16. Education outcomes
- 17. Levelling Up Outcomes for Families
- 18. Family Resilience and Stability
- 19. Safety
- 20. Outcomes for vulnerable children

1.6. Everyone's Essex also recognises the importance of delivering excellence in core service delivery, whether for universal services that touch every resident in Essex or those that target specific user groups, often the most vulnerable residents. Excellent value for money services lie at the heart of our role as a Council and Essex County Council has a strong record for delivering excellent, value for money services. In order to continue to improve the quality and cost effectiveness of our services, Everyone's Essex highlights five key elements:

- Addressing the causes that drive demand
- Investing in early intervention
- Sustaining excellence
- Collaborating with partners
- Empowering communities

1.7. At the heart of the Everyone's Essex ambition is the focus on levelling up coming out of the COVID-19 pandemic. A white paper has been produced highlighting why it is a priority for Essex, what it means and what the priority places and cohorts are for focused activity. By levelling up, we mean that everyone should have the opportunity to succeed in life and fulfil their potential; and that all places and communities should be able to share in this. The priority places have been agreed as:

1. Tendring
2. Basildon housing estates
3. Colchester housing estates
4. Harlow
5. Rural Braintree
6. Canvey Island

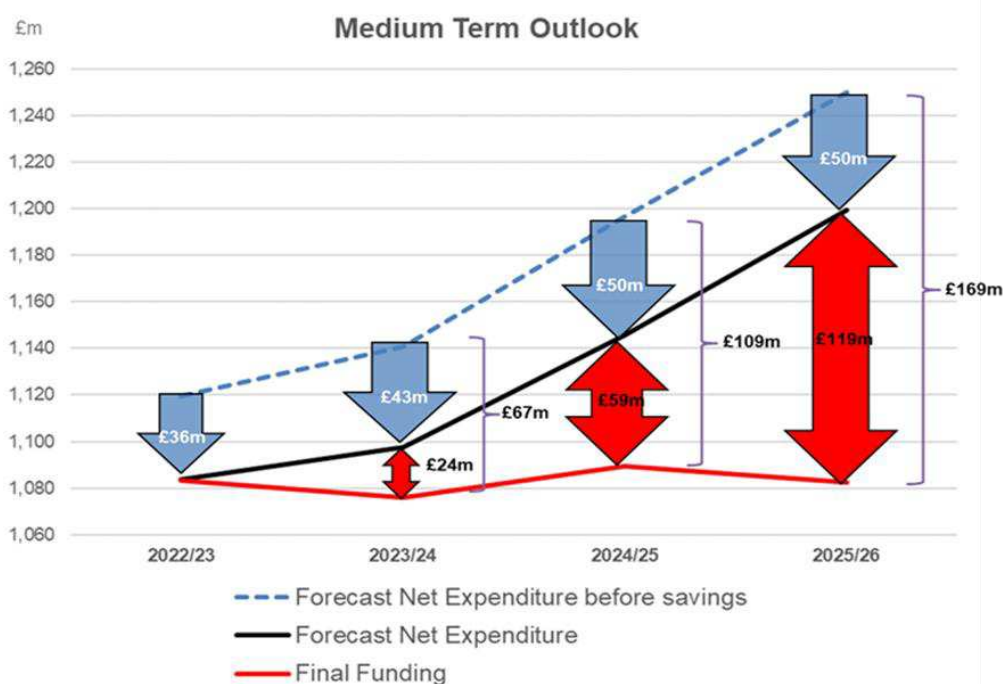
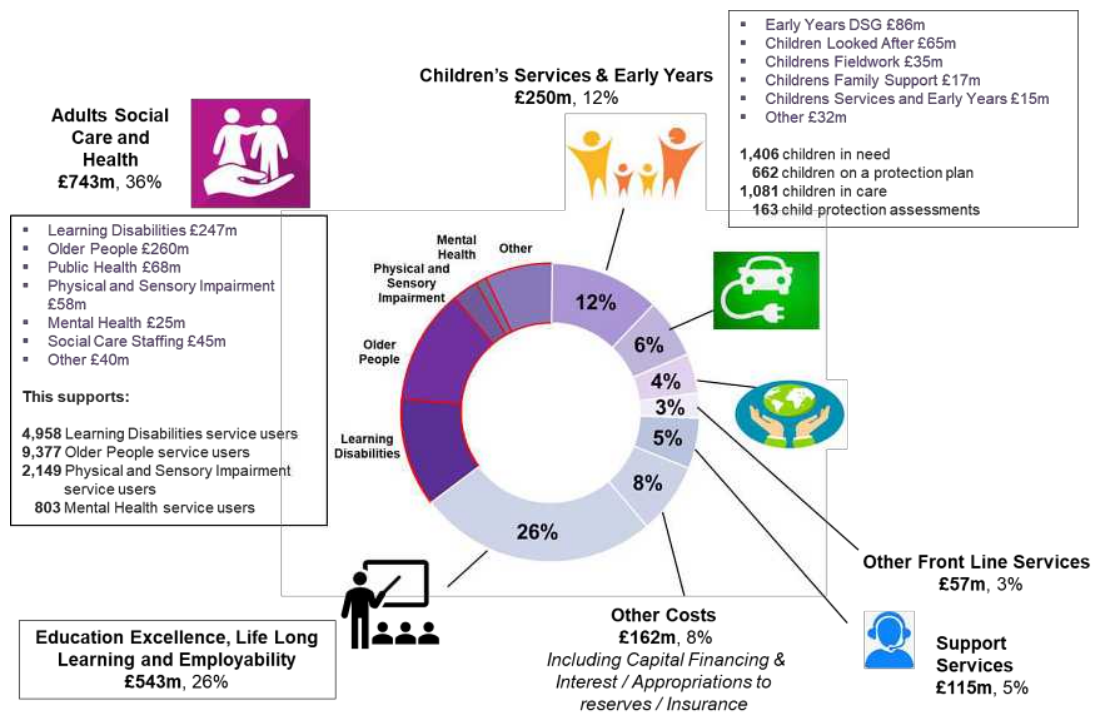
And the priority cohorts, regardless of location, as:

1. Children and adults with SEND, learning disabilities, or mental health conditions (taking an all age approach)
2. Children on free school meals
3. Working families
4. Young adults (16-25) who have not been in education, training or employment for around 6-12 months

1.8. This Procurement Strategy has been developed to support the strategic aims of the Council.

## The Council's Spend

1.9. The Council's projected gross expenditure budget in 2022/23 is circa £2.1bn, inclusive of Dedicated Schools Grant (DSG). The revenue element is £1.87bn and is broken down as per the below visual. The Council's third party spend (across revenue and capital) in 2021/22 was circa £1.2 billion on goods, works and services with external suppliers.



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- 1.10. The importance of professional procurement to the Council is clear. There is a projected budget shortfall by 2025/26 of c£119m after known savings are factored in so effective commissioning decisions are essential to enable the Council to invest in its priority areas.
- 1.11. It is clear that the macro economic outlook is unpredictable with inflation running significantly higher than original projections (forecast to reach 10% by Q4 2022 Vs 5% when the 2022/23 budget was set). Energy and fuel prices are of particular concern and a shortage of labour and key commodity items is causing supply chain disruption and leading to increasing costs. The medium term financial outlook is worse than originally assumed and the role of effective commissioning and procurement even more important to ensure the Council delivers its challenging savings targets and remains financially sustainable
- 1.12. The Council also recognises the importance of using its commissioned spend to further its wider organisational priorities, ensuring the value is maximised to further the economic development of Essex and wider climate ambitions.

## **2. Procurement**

The Procurement Function will:

- Ensure the Procurement Strategy, Policy and supporting Procedures are aligned to wider organisational priorities set out in the Everyone's Essex plan, looking to maximise the value of every pound spent on commissioned services to benefit Essex residents and businesses
- This includes evolving the approach to Social Value in line with Council priorities and ensuring climate considerations are embedded throughout the procurement lifecycle to support the organisation's ambition to move to net zero
- Act as a Centre for Excellence in Procurement to ensure the Council remains at the forefront of professional procurement practice
- Work collaboratively with partners in Essex and beyond to improve public services and maximise value for money to benefit Essex residents
- Work with the organisation to lead the development of Category Strategies covering all areas of third party spend, aligning business priorities with market expertise to find innovative and value for money solutions.
- Manage all strategic suppliers and contracts.
- Effectively manage procurement and supply chain risk for the Council.
- Lead all medium and high risk tendering activity for the Council.
- Support the organisation to develop the required procurement knowledge to facilitate self-serve of low value sourcing and low risk contract management
- Lead the development of markets to meet existing and emerging needs and to ensure Council priorities can be delivered.
- Use Data & Insight effectively as standard to drive improved decision making in relation to commissioned services



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### **3. Vision**

#### **3.1. The vision for the Procurement team is:**

“Realising Essex’s Potential Through our Suppliers” and our ambition is to be:

- Recognised by our peers as being the best procurement function in the public sector
- Recognised by internal customers as enabling and driving transformational change
- Recognised by partners as driving collaboration across the public sector
- Recognised by the market as an attractive and priority customer

We will achieve our vision and ambition through:

- Working in partnership as standard to harness the collective capabilities of internal experts, suppliers/markets and partners to deliver the best value for money outcomes for Essex residents
- Investing in our workforce, policies and procedures to ensure we remain at the forefront of best practice within Procurement
- Aligning our approach and our supply chain strategy to support and enable organisational priorities and maximise the value from every pound spent
- Harnessing the power of intelligence and insight to develop forward thinking category strategies that push boundaries and drive transformational change
- Doing the ‘basics’ to the highest standard, delivering excellence in sourcing and contract management to ensure services continue to produce the expected outcomes for Essex and maximise commercial value

### **4. Objectives**

4.1. To support the delivery of our strategic aims, and ensure that savings are delivered and sustained, the following objectives have been agreed:

- Improve procurement capabilities and use Category Management to support delivery of better public services and delivery of corporate objectives;
- Continue to adopt a robust supply chain management methodology to manage suppliers and to drive improved relationships of mutual benefit;
- Stimulate and shape markets and build supplier capability where necessary;
- Collaborate with Essex partners and other organisations or agencies to maximise procurement benefits to the wider Essex system;
- Align procurement activities to strategic aims;
- Facilitate the development and implementation of appropriate category strategies to assist the Functions deliver savings, through more effective procurement.
- Maintain the balance between innovation and risk and cost and quality;
- Embed appropriate policies and procedures in order to reduce risk and demonstrate fair and efficient practices;

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- Maintain compliance, accountability and controls through improved procurement governance arrangements;
  - Conduct procurement in accordance with the sustainable procurement aims of the Council;
  - Simplify and 'lean' procurement processes wherever possible.
  - Embed social value and climate considerations in the sourcing process and throughout the contract lifecycle
  - Maintain and enhance the Council's CIPS Corporate Certification

## **5. Priorities for Next 3 Years**

- 5.1. Procurement will have a critical role to play in supporting the organisation to meet the significant financial challenges over the short to medium term horizon given inflation is forecast to reach a 40 year high by Q4 2022. The team will work collaboratively with service areas and corporate colleagues to identify areas for savings and efficiencies to offset the ever growing budget gap (currently predicted to reach £79m in 2023/24).
- 5.2. Procurement within the Public Sector is entering a period of significant change. As a result of the UK's exit from the European Union new legislation is coming into force in 2023 and will enable greater freedoms to align procurement practice to local and national priorities as well as increased flexibility to design procurement processes to meet the specific requirements for a particular commissioned service. This brings great opportunity but also an implementation and cultural challenge organisationally. A top priority for the coming year will be to adequately embrace and prepare for a new legislative framework both from a process and policy perspective but also in supporting the team and wider stakeholders to fully grasp the opportunities these increased flexibilities will bring.
- 5.3. Alongside new Procurement Legislation there is a new framework for Health and Social Care integration with Statutory Bodies being created to support increased join-up between NHS and Local Government. This will inevitably result in a new approach to Commissioning and Procurement of services, potentially on a more localised footing on occasion and the Procurement team will have to evolve and adapt to meet the increased drive for integrated working.
- 5.4. Technology is a key enabler and a focus for the coming three years will be on first identifying where technology solutions can enable Procurement to better support organisational outcomes and drive efficiency in ways of working and then develop and deliver a technology roadmap to support this to happen.
- 5.5. Procurement is continuing to ensure it is aligned to wider Council objectives and a key priority is to evolve our approach to Social Value and also to embed Climate and Ethical Procurement considerations within Commissioning and Procurement practice. The aim is to maximise every pound spent to benefit the residents and businesses of Essex and to support the organisational goal of reaching net zero by 2030.

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5.6. Essex County Council has an ambition to work more effectively across the Essex system. One area of potential is to look at opportunities to join up procurement activity more effectively. Work is ongoing to develop a structured approach to collaborative working with District partners to maximise the value of every pound spent to benefit Essex residents and businesses.

5.7. In support of the Council's ambition to support businesses in Essex to be successful, Procurement is leading a project to identify ways to streamline procurement policies and procedures, understanding and addressing the barriers faced by smaller organisations in accessing public sector business opportunities. There is an opportunity through our collaborative working with District partners to look at common processes and documentation that will further benefit SMEs within Essex.

5.8. The Procurement team recognises the power of data and insight to drive best decision making and will continue to develop this capability within the wider team to provide enhanced insight into commissioned services and support delivery of improved outcomes and value for money solutions.

5.9. Finally, we recognise that our people are our greatest asset and we need to embrace the new hybrid approach to work, investing in skills development, talent management and career progression opportunities to both attract new people but also retain our existing talent.

## **6. The Council's Approach to Procurement**

### Procurement Team Structure

The Procurement team covers the entire lifecycle from identification of business need, through to development of Category Strategies, Sourcing and then subsequent Market, Contract and Supplier Relationship Management. Teams are structured by Category as Procurement is market rather than internally focused although, generally, there is broad alignment to business structures and a business partnering approach is in place.

### Category Management

6.1. All procurement at the Council will follow a Category Management approach.

6.2. Category Management is a best practice methodology widely used in industry, which can be applied to all categories of expenditure. It is a cross-functional way of working with subject matter experts from across the Council, involving challenge, to align business priorities and needs with market capability and to identify creative solutions (and potentially sourcing) to deliver the best value for money outcomes.

6.3. It is a structured approach, which focuses on three key components:

- Total Costs - not just about price, as it includes quality, service and delivery over the total lifetime of the product/service. Total cost management tools such as demand management, business process improvement and more traditional contract negotiations are used to remove costs.
- Analytical Rigour – evidence-based and involves extensive research, spend analysis and market investigation in determining the optimum way forward.
- Wide Input – an inclusive process, as it facilitates a cross-functional way of working, ensuring there is a broad-based input.

### Supplier Relationship and Contract Management

6.4. Supplier Relationship and Contract Management (SRCM) is the management of the network of businesses that are involved in the supply of goods and services. Effective SRCM is key to retaining the negotiated value and unlocking additional value for the Council. SRCM is an integral part of the Category Management approach and involves a continuous review of changing supply market conditions to ensure that supply opportunities and risks are understood. SRCM ensures that an appropriate level of management is applied to different levels of spend and risk and manages and reports performance against the organisation's key criteria and requirements.

6.5. The wider benefits of effective Supplier Relationship and Contract Management include:

- Increased openness, transparency and efficiency in the management of supply chains, which can offer benefits to all parties involved in delivering services.
- Improved ability to identify strengths, weaknesses, opportunities and threats in supply chains.
- Increased value for money and efficiency.
- Better visibility of the routes available to suppliers to gain access to opportunities.
- Improved communications with suppliers, and where appropriate clients.
- Improved early and ongoing communications ensuring the supplier's expertise is harnessed in any future service development opportunities.
- Enhanced relationship between client and supplier leading to increased opportunity for innovation and joint development for mutual benefit.
- Systematic and efficient management of contract creation, execution and analysis for maximising operational and financial performance and minimising risk

### Market Management

6.6. SRCM is appropriate for managing strategic contracts and suppliers but in certain categories, market management is a critical element of ensuring services are delivered and function as required. This is particularly the case in Social Care and in Passenger Transport where there are several hundred suppliers, many small and of relatively low value individually. Managing markets as well as more strategic relationships supports the following to be achieved:

- A coherent strategy for ensuring the market is functional and sustainable in the long term and continues to provide sufficient supply to meet demand
- Provides the basis for the market development work required (see below) to meet existing and emerging needs
- Improved relationships and dialogue with all suppliers within a category especially where there is a need to develop services to meet changing expectations and demands

### Market Development

6.7. Market Development works to:

- Establish a vibrant and sustainable market place to enable choices for Commissioners in order to best supply and serve the needs of the people of Essex;
- Develop, capture and map market intelligence for coming years, so that market intervention can be pre-planned and targeted at key service priorities;
- Analyse and interpret future demand for services in a commercial way that can then be matched to supply – working through category planning for example;
- Adjust and intervene in the market place to encourage collaboration and innovation in terms of size and mix of suppliers; further encourage and establish a wide range of sectors from which supplier originate including the third sector and collaboration amongst often larger private sector partners;
- Focus on sectoral development to meet ECC priorities – this may include targeted work to ensure that smaller organisations are equipped with skills and information to maximise bidding opportunities and remain a sustainable first choice supplier;
- Identify fragile or scarce market segments and stimulate these to maximise opportunities and create innovative and lasting service solutions.

### End User Engagement

6.8. The Council is committed to involving end users in the procurement process where appropriate, as we recognise they can provide valuable insight to

- inform needs assessment processes and activity;
- provide feedback into quality assurance processes and activity;
- provide insight into uptake and accessibility of services;

### ESG (Environmental, Social & Governance) in Procurement

6.9. ESG procurement is the purchase of goods, works and services in a socially and environmentally responsible way that delivers value for money and long term benefits to the Council and to Essex.

6.10. The Council is committed to maximising the value to Essex of every pound spent on commissioned goods and services through embedding approaches to:

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- Social value
  - Climate in procurement
  - Ethical procurement

In December 2021, Cabinet approved a Social Value policy that articulates the importance to Essex of using its purchasing power to maximum effect and in support of organisational aims. ECC has adopted the national Themes, Outcomes and Measures (TOMs) approach developed nationally which has been customised to reflect the specifics within the County. Social value has been given up to 20% weighting in tenders and delivery of commitments are measured as part of the contract performance framework. Measures have been prioritised according to the level of alignment to organisational aims, with those relating to employment and climate given greatest weighting to encourage bidders to make commitments in these areas.

Whilst climate measures are given priority weighting within the Social Value policy it is clear that to achieve net zero ambitions more needs to be done to embed environmental considerations at every stage of the procurement cycle. The greatest impact can be made in ensuring the core specifications for goods and services reflect the ambition to reduce carbon emissions and other environmental considerations and deliver against the recommendations made by the Essex Climate Commission. Procurement has developed an action plan to support the organisation's ambitions in this area.

Ethical procurement looks to ensure supply chain practices are free from corruption, fraud, modern day slavery, human trafficking and wider issues such as child labour. The Council recognises its important role in tackling such issues both directly in Essex but also within its extended supply chain. The Council publishes a Modern Slavery Statement annually that sets out what it has achieved in the previous 12 months and what it will be doing moving forward to further address issues of this nature within its commissioned goods and services.

#### Public Sector Equality Duty

6.11. The Equality Act 2010 set out anti-discrimination law and requirements of the Public Sector Equality Duty (PSED). The PSED requires Essex County Council to have due regard when making decisions. Any decisions taken by the Authority must consciously consider the need to:

- Eliminate discrimination,
- Advance equality of opportunities
- Foster good relations

6.12. The Council has expanded beyond its legislative requirements to have due regard as to the impact of its decision on the nine protected characteristics to also include an assessment against the following:

- Levelling Up (priority cohorts and places)
- Impact on health inequalities and geographical groups
- Impact on families with children

- Digital accessibility
- Impact on climate change

An Equalities and Comprehensive Impact Assessment (ECIA) is completed at the start of any work to identify and mitigate any potential negative impacts and maximise what can be done that will have a positive outcome.

6.13. The ECIA will be utilised by the Procurement team to identify equality and wider considerations which need to be considered throughout the Category Management process by:

- Ensuring equality and wider issues are identified and clarify areas of responsibility
- Identifying any potential to widen market to increase the supplier diversity
- Assessing if equality or wider measures should be included to monitor impact and support delivery of the Authority's objectives
- Improving communications strategies
- Ensuring The Public Sector Equality Duty obligations are addressed when buying with and/or behalf of other parties.
- Encouraging, supporting and giving sufficient time to allow the formulation of any consortia when bidding for Authority's contracts.
- Where feasible, introducing smaller lots to encourage smaller business
- Encouraging the Authority's larger providers to support small, specialist or voluntary sector organisations via their supply chain engagement.
- Using the SRM process to innovate and monitor the Authority's PSED obligations.

## **7. Roles and Responsibilities**

7.1. The Procurement Team at the Council is led by the Director for Procurement as part of the wider Corporate Services function, who with a team of procurement professionals is responsible for the strategic direction of the Council's procurement activities.

### **Procurement**

7.2. The Procurement team work alongside Functions, other Support Services and service areas to develop and implement procurement strategies for the major projects and key areas of the Council's procurement spend, as well as managing markets, key supplier relationships and key contracts for the Council. Responsibilities include:

- Consult with the Council's Functions and service areas to develop, implement and manage delivery of the Council's Procurement Strategy.
- Lead on setting the corporate framework within which the Council's Procurement activities are conducted including provision of:
  - policies and procedures and procurement scheme of delegation
  - guidance and templates to support the procurement process



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- electronic tools to enable an efficient and transparent process
  - governance arrangements for award of contracts and scrutiny
  - measures and reporting including corporate contracts database
  - procurement skills and training framework
- Work collaboratively with functions and other support services to develop and implement a strategic approach to management of the Council's third party expenditure in support of wider Council goals.
  - Promote sustainable procurement methods to support delivery of the Council's corporate objectives, ensuring value for money is sustained long-term.
  - Identify opportunities for collaboration to leverage and influence the market.
  - Provide professional procurement expertise and advice to Council colleagues.
  - Lead on market management and agreed strategic supplier relationships and contract management.
  - Ensure procurement activities are performed in accordance with the Council's procurement policies, procedures and category plans and by those with delegated authority to perform those activities.

### Functions

7.3. Key responsibilities of Functions and service areas include:

- Support development and delivery of the Council's Procurement Strategy.
- Conduct procurement activity in accordance with the Council's procurement policies, procedures, category plans and only by those with delegated authority.
- Develop category plans with Procurement to identify and deliver desired outcomes.
- Embrace sustainable procurement and delivery of the Council's corporate objectives through procurement activities; always within the restraints of Council budgets and context of achieving and sustaining value for money.
- Provide timely and accurate information with regard to procurement activities.
- Participate in procurement training and development initiatives to keep abreast of changes in the procurement process.
- Work with Procurement to plan future procurement activity, seek professional procurement advice at the earliest opportunity; always with sufficient time to allow a procurement exercise to be performed.
- Specify requirements based on business need and aligned to wider Council goals, taking into account that non-essential requirements normally result in greater costs. Where possible specify requirements based on desired outcome, rather than how the outcome is to be met, to allow flexibility and innovation.
- Manage low value sourcing activity and low risk contracts utilising the framework developed by the Procurement function

### Members

7.4. The role of Members is based on their three-fold responsibility for (i) policy shaping, (ii) decision-making, and (iii) scrutiny. Their responsibilities are to be administered in a manner consistent with the Constitution of the Council. The primary responsibilities in relation to procurement are to:



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- Set the strategic direction of the Council's Procurement Strategy.
  - Align procurement decisions with the Council's corporate priorities and objectives.
  - Make decisions on awarding contracts on merit.
  - Monitor and review the performance of procurement.
  - Co-operate with any scrutiny relating to procurement in that it relates to a particular office of a Member.

## **8. Measuring Success of the Strategy**

8.1. Procurement will measure the success of this Strategy through the monitoring of performance measures aligned to the priorities and objectives articulated. These include

- Savings and efficiencies delivered through both sourcing and supply chain management activity
- Social value delivered through our suppliers (target of 50p per £ spent)
- Reduction in carbon emissions through the supply chain (baseline being established in May 2022)
- Savings, efficiencies and procurement activity delivered through collaborative working across the Essex system
- Proportion of spend with local suppliers and SMEs
- Internal measures of success such as audit ratings being at least satisfactory, vacancy level in team below 15% and employee engagement scores

## **9. Next Steps**

9.1. This Procurement Strategy will be reviewed on an annual basis and revised where necessary. A further review will be carried out in April 2023.

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# Glossary

<b>CM</b>	Contract Management
<b>CIPS</b>	Chartered Institute of Procurement and Supply
<b>DSG</b>	Dedicated Schools Grant
<b>eSourcing</b>	Electronic Sourcing
<b>KPIs</b>	Key Performance Indicators
<b>QBR</b>	Quarterly Business Review
<b>SRCM</b>	Supplier Relationship and Contract Management
<b>SMEs</b>	Small, Medium Enterprises
<b>Social Value</b>	Public Services (Social Value) Act 2012
<b>VCS</b>	Voluntary Community Sector