

Commercial and Procurement Strategy 2022-2025



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1. Foreword

This Procurement Strategy sets the framework in which North Tyneside Council (the 'Authority') will work to ensure that procurement delivers value for money across all services, and directly contributes to the achievement of our priorities set out within the Our North Tyneside Plan.

We recognise that our substantial spend on the procurement of goods, works and services has a major impact on many aspects of life in the Borough. This includes the environment, social factors and local economic development. This can be particularly important to those local businesses and the voluntary and community sector which form part of our supply chain. Wherever it supports achieving the best value for money, we wish to encourage our local economy and work with our public, private and voluntary sector partners to deliver services.

This Strategy is supported by a Strategic Action Plan, which sets out a programme of further development linked to the Mayor and Cabinet's objectives and aimed at improving our commercial awareness and our overall procurement offer. Together, the Strategy and the action plan within it set high standards for all involved with procurement and contract management within the Authority.

The Authority's commissioning requirements – identifying need, then planning how we will meet that need, procuring and delivering services and ultimately evaluating performance – also underpin and are reflected in this Strategy. Our commissioning is based on the Authority's overall vision and policy context – the 'Our North Tyneside' Plan, and our assessment of need is also reflected in the Joint Strategic Needs Assessment.

This Strategy was produced in the wake of the Covid-19 pandemic. Underpinning this Strategy is the requirement to stimulate our local economy, help local businesses do business with the Authority, through tender opportunities, contract breakdown and training/engagement opportunities to ensuring our supply chain is ready to bid for work with the Authority and wider region.

2. About this Strategy

Overview

This Strategy sets out to define how the Authority's substantial spend with external suppliers of goods, works and services should be procured and managed effectively. The strategy aims to set out our strategic ambition and our policy context taking into consideration what we procure and following feedback from internal and external engagement.

This Strategy is an important part of delivering the 'Our North Tyneside' Plan. We recognise that what and how the Authority buys can have a major impact on the Borough and the people that we serve. We also know that procurement decisions are central to the way in which the Authority does business, and it is therefore critical that our procurement approach matches and supports the key objectives of the organisation.

Roles and responsibilities related to this Strategy

The Director of Commissioning and Asset Management and Cabinet Member for Finance and Resources are the sponsors of this Strategy. The Director of Commissioning and Asset Management is responsible for maintaining, monitoring and developing this Strategy. Delivery will be the responsibility of all involved in the procurement of goods, works and services. Performance against the outcomes defined in the strategy will be measured via the Action Plan, included at the end of this document.

Our Commitment

The needs of the community will be fundamental to the decisions we make with innovative and agile procurement practices adopted to support the local economy and deliver more sustainable outcomes. To maintain the Authority's reputation and reflect the expectations we have of our suppliers all procurement activity will be undertaken to the highest standards of probity and professionalism.

Members and officers will not only be fair and ethical but will avoid conduct that is capable of being placed under adverse interpretation. Procurement will therefore be undertaken in compliance with the following principles:

- All procurement activity will comply with the Public Contracting Regulations 2015, UK Legislation, the Council Constitution and all other relevant policies and procedures
- Procurement will be fair, open and transparent and undertaken to the highest standards of probity, integrity, honesty and professionalism
- The Authority will undertake procurement activity using the most efficient and effective methods and will select the most appropriate delivery mechanisms to ensure value for money
- All procurement activity will include due consideration of social, economic and environmental factors and will be assessed on whole life costing

- Robust contract management will support improved service delivery through continuous improvement in the quality of goods, works and services

3. Policy Context

National Context and Challenges

National Procurement Strategy for Local Government in England, 2021

In 2021, the Local Government Association (LGA) published a revised National Procurement Strategy for Local Government. This sets out a vision for local government procurement and encourages all local authorities to deliver outcomes in three key areas:

- (a) Social Value
- (b) Commercial and Procurement Delivery
- (c) Skills and Capability for Procurement

These key areas underpin the strategic direction of this Procurement Strategy, which support the 'Our North Tyneside Plan'. Specific actions are set out in the Action Plan included at the end of the document and the outcomes are described in more detail below.

(a) Social Value

The National Strategy sets out that all contracting authorities should consider the following national priorities alongside any additional local priorities in their procurement activity:

- Creating new businesses, new jobs and new skills;
- Tackling climate change and reducing waste, and
- Improving supplier diversity innovation and resilience.

National policy supports taking a wider view of value for money, and we will include incorporating award criteria, where appropriate, for comparing bids and scoring their relative quality to encourage ways of working and operational delivery that achieve social, economic and environmental benefits.

Our new Buyers Guide will embrace the principles set out in the National Strategy together with the Council Plan Priorities. We will set a clear link between development of strategies and business cases for procurement, with a clear link between the specification, award criteria and assessment of quality when awarding contracts.

Social Value will be monitored, measured and reported to Cabinet as a minimum on an annual basis as described in Annex 1.

(b) Commercial and Procurement Delivery

The National Strategy sets out that all contracting authorities should consider whether they have the right policies and processes in place to manage the key stages of commercial delivery. The National Strategy sets out that contracting authorities should consider the following:

Consideration	Assessment
Publication of procurement pipeline	We currently produce a bi-annual Procurement Plan to Cabinet. The scope will be widened to give transparency over 4 years and include lower value contracts.
Market health and capability assessments	A contract management toolkit has been developed to help understand how our procurement can determine the health of a market and flex our approach accordingly
Project validation review	Whilst it is not currently envisaged, any complex* procurements will seek independent review prior to commencement of any procurement activity
Delivery model assessments	All procurement exercises will be tested as to whether the Authority should tender the opportunity, deliver in house or seek a public sector partner to assist delivery
Potential cost model	A total cost model will be produced for complex* procurements
Pilots	Pilots are used within the Authority where appropriate for first time delivery of services
Key Performance Indicators	The Contract Management Toolkit will set out minimum KPIs for contracts to ensure standard delivery and consistent monitoring
Risk allocation	Robust terms and conditions are reviewed annually or in-line with legislative or market conditions. In bespoke contracts risk apportionment is considered
Pricing and Payment Mechanism	Further work will be required to ensure that our contract management toolkit, KPIs and pricing drive the right behaviours and outcomes
Assessing the economic and financial standing of suppliers	In accordance with our Financial Regulations suppliers are assessed for financial viability. This is when the contract is let, in future this will be carried out on an annual basis
Resolution planning	Identifying our critical contracts. This will be developed with the Contract Management Toolkit

*Complex procurement occurs when the specification is difficult or is an innovative or bespoke product or service. Therefore, procurement becomes higher risk to the Authority.

(c) Skills and Capability for Procurement

The National Strategy states that all contracting authorities should consider their organisational capability and capacity, with regard to the procurement skills and resources required to deliver value for money. Authorities should be confident that they have sufficient capacity and capability to ensure tax payers money is spent effectively and efficiently. All contracting authorities should consider benchmarking themselves against other authorities. In benchmarking we will consider:

- Whether commercial objectives are aligned to relevant policies and organisational objectives;
- Whether governance, management frameworks and controls are integrated, proportionate and appropriate to the commercial work and level of prevailing risk;
- Whether work is undertaken and assigned to people who have the required capability and capacity to undertake it;
- Whether business needs are adequately informed by the commercial strategy to determine when, and how to procure services and works;
- Whether market conditions are sufficiently understood, and procurement routes align with supply capacity and capability;
- Whether contract management capability is sufficient and resources are proportional to complexity and risk;
- Whether appropriate procurement systems and data reporting enables process efficiency, robust controls and effective decision making.

The Authority completed the National Procurement Strategy Toolkit, liaising with the Cabinet Member for Finance and Resources, Director of Commissioning and Asset Management, senior contract managers and commissioners this highlighted the following three areas of good practice:

- 1) Culture – we act as a single team when dealing with external partners
- 2) Tendering – our tenders are bespoke to the opportunity, we approach this on a commercial basis to ensure value for money for the Authority
- 3) Forward planning – contracting will form part of the Authority's budget setting process. The team contribute ideas for savings and income generation

It is envisaged this will continue and underpins this Strategy.

The following areas were highlighted as areas of improvement:

- 1) Change control – no standard process in place for approving changes to contracts
- 2) Contract management – currently not deemed an essential skill across the Authority
- 3) Social value – no senior oversight for reporting social value

Taking each in turn, given the volume and quantity of suppliers and contracts, change control is difficult to manage. It is envisaged that the contract management toolkit and appropriate training will allow contract managers to take a reasonable and proportionate approach. We will tackle this starting with our highest value contracts.

Currently contract management has no baseline essential skills the action plan incorporated to this strategy will set a baseline for all officers working for the Authority.

A new social value policy, monitoring and reporting toolkit and capacity within the Commercial and Procurement team will give visibility of the excellent value our supply chain adds.

Local Context

Our North Tyneside Plan, 'Building a better North Tyneside' set out 5 priorities, below shows how our supply chain can assist meet our Council priorities:

- **A Thriving North Tyneside** – we will review how the Authority purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability
- **A Secure North Tyneside** – our procurements will help tackle health and socio-economic inequalities across the borough
- **A Family Friendly North Tyneside** – we will ensure that opportunities are available to support our young people
- **A Caring North Tyneside** - equality and diversity will be embedded within our supply chain
- **A Green North Tyneside** - we will utilise our supply chain to assist the climate emergency declaration, we will promote sustainability and carbon reduction throughout our procurement approach

This Procurement Strategy builds on work already undertaken by the Authority to date, including improvements to support local supply agreed by Cabinet, and measures taken to encourage prompt payment to our suppliers. The Strategy therefore further supports the aspirations set out in the 'Our North Tyneside Plan' with a programme of strategic ambitions over the next four years.

Through this new Strategy we expect to achieve the following strategic aims and ambition:

- **Value for money** – achieving value for money in public procurement remains focussed on securing from contractors the best mix of quality and effectiveness to deliver the requirements of the contract, for the least outlay over the period of use of the goods or services bought. Aligned to National Guidance this does not mean the lowest priced bid. We will take a broad view of 'value for money' which includes improvement of social welfare or wellbeing within the Borough.
- **Working Towards a Net Zero Carbon Future** - tackling climate change and reducing waste, contributing to the Authority's ambition to be carbon neutral by 2030. Reducing waste, improving resource efficiency and contributing to the

move towards a circular economy and identifying and prioritising sustainable procurement to deliver additional environmental benefits.

- **Social Value** - aligned to the Council Plan Priorities, social value will be embedded within our supply chain.
- **Buying from ourselves** - a growth in the role of the Authority as a seller of services, where we have the skills to deliver these services, as well as our traditional purchasing role.
- **Capability and Capacity**- recognition that our commissioners, procurers and contract managers are key to unlocking further efficiencies from our contracts and will be supported in this important aspect of their roles. Undertaking continual training and development of all employees with buying responsibilities will be key to success. Having consistent processes and data.
- **Commercial and Procurement Delivery** – clearer public facing information on our contracts, accompanied by better management information for our contract managers.

We will continue to deliver inhouse where possible and utilise the regional working arrangements and partnerships (such as the North of Tyne Combined Authority and NHS) to enhance our offer. We work closely with the North East Procurement Organisation, this will continue. A new 'portal' for receipt of tenders is envisaged during the course of this strategy. We will continue to use regional frameworks where the solution fits best the requirements of the Authority.

Our Contract Standing Orders underpin delivery of our procurement offer. The Constitution is revised annually, and our Contract Standing Orders reviewed to ensure they are proportionate to protect the public purse at the same time as enhancing our supply chain.

Our procurement strategy must be aligned with National Legislation following departure from the EU. We know that procurement legislation is under review, the Public Contracts Regulations 2015 are subject to consultation and this may bring changes to the way we procure goods and services. We also know that a large proportion of our spend relates to social care, the Social Care Bill will be reviewed and we will maximise the benefit of the proposed changes. We will keep our policies procedures and strategies aligned with all relevant legislation.

4. Engagement with Key Stakeholders

We have engaged with several key stakeholders about the Authority's procurement activity in preparation of this Strategy. All of the feedback received has been useful and has helped us shape the Strategy, and the accompanying Action Plan. We would like to thank all those who provided views and comments. Any further contributions at any stage in the life of this Strategy will be welcome – contact details are provided at the end of this document.

The following stakeholders kindly provided feedback on drafts of the Strategy, or component parts of it (e.g. our revised approach to Social Value, described later in the Strategy):

- North Tyneside Business Forum
- North East Chamber of Commerce
- The Voluntary and Community Sector
- Construction industry
- Waste sector
- Social Care sector
- Trades Unions
- The Authority's Strategic Partners (S4NT, Capita and Engie)
- The Authority's Procurement team and wider procurement community (officers of the Authority involved in procurement, but who are not part of the Procurement Service)

All sectors were in principle in agreement with the strategy. The key elements were highlighted as key issues which we will keep under review:

- Social value needs to be proportionate
- Larger organisations will find this easier than SME's
- The price/quality methodology needs to be kept under revision – local suppliers may be losing out
- There was scope to further assist the voluntary and community sector (the social value matrix is updated to include this feedback)
- Pipeline and transparency of future tender opportunities was key

All feedback was taken into account when finalising the strategy.

4. What do we buy?

The Authority undertakes a wide variety of duties and delivers a vast range of services to the people of North Tyneside. In turn this means that the Authority's spend on goods and services is considerable.

During 2019/2020, the Authority spent approximately £260m (comprised of general fund revenue, housing revenue and capital expenditure) through its 'Supplies and Services' and 'Third Party Payments' budgets. Approximately 80% of our spend is within the top five procurement categories of:

- Strategic Partnerships and PFI arrangements
- Social Care
- Utilities
- Waste collection
- Construction

The Authority's Procurement Service was delivered by our business partner Equans, this service returned to the management of the Authority in 2019. The Procurement

Service undertakes the majority of procurement contracting (for goods and services) on behalf of the Authority. The Authority has detailed Contract Standing Orders, and Financial Regulations, which govern how this spend is managed, including an established budget management framework.

The Authority does business with approximately 4,000 suppliers. However, a large proportion of spend (83.6%) is with the top 100 suppliers. The Authority is therefore implementing a contract management toolkit as outlined in the Authority’s ‘Buyers Guide’ to ensure consistency and to maintain on-going supplier relationships.

Procurement is a key part of the Authority’s commissioning cycle. For us, commissioning is defined as the entire process of assessing the needs of people and communities, designing and securing services to meet need, and then monitoring and evaluating the impact this has made at a strategic, service and individual level. It is well known that over recent years there has been a substantial reduction in the funding available to local authorities, while at the same time demand for council services has been increasing. This has required us to think differently about how our services are delivered to effectively and efficiently meet needs. Commissioning is not just a technical process of analysis, procurement and review or one of managing providers or markets. Values and principles shape who gets what, how, when and where. There has increasingly been a shift in the focus of commissioning from service delivery to a greater emphasis on outcomes for end users. Public policy has made increasing reference to voice and choice for service users. Involving and empowering service users and the providers that work with them will lead to genuine service change and improvement.

Our commissioning intentions are driven by need and developed in the context of the Authority’s overall vision and policy context. They are driven by sustainability and viability with the markets. This includes the ‘Our North Tyneside Plan’ and our assessment of need reflected in the ‘Joint Strategic Needs Assessment’. The challenges we face are significant and require creative thinking and innovative solutions. Strategic commissioning will allow us to develop new alliances with all our partners, develop new service models and make the best use of our collective assets across the borough. We are looking to fundamentally redefine our role, purpose and relationship with our customers, providers and partners. This means transforming our service offer so that it is flexible, dynamic, and able to meet current and future needs across all our statutory obligations whilst delivering value for money.

5. Strategic Action Plan 2022 - 2025

The table below shows the activity to be undertaken by the Commercial and Procurement team together with support from officers across the Authority. Cabinet will have oversight of progress with an annual review.

(a) Value for Money	
Action	How will we measure success

Establish a Procurement Savings Delivery Programme and Savings Capture Process	Linked to the Medium-Term Financial Plan. Develop a programme to identify savings opportunities from our procurement activity.
Develop Procurement Management Procedures for lower value spend	Introduce spend management procedures to consolidate our low value supply base spend into corporate contracts to help deliver savings, whilst ensuring that buying behaviours and transactional volumes are reported and managed to improve compliance.
(b) Social Value	
Action	How will we measure success
Implement and further evaluate our new approach to Social Value	<p>Finalise testing our newly developed Social Value Matrix as set out in annexe 1.</p> <p>Implement the revised Social Value priorities included in the Buyers Guide.</p> <p>Report results on a bi-annual basis to Cabinet.</p>
Review Local Supply – Travel to Work Area SMEs and the voluntary and community sector	<p>Continue to gather data on the volume and value of contracts won by suppliers in the 'Travel to Work Area'.</p> <p>Analyse and evaluate results to support local suppliers.</p> <p>Annually review our contract standing orders to ensure tendering with the Authority is fit for purpose.</p> <p>Monitor spend into the voluntary and community sector</p>
(c) Capability and Capacity	
Action	How will we measure success
	Undertake a contract collation exercise and introduce a corporate

Implementation of our Commercial and Procurement Principles (Contract Management Toolkit)	repository for all contracts (linked to regional NEPO system). Develop and publish a comprehensive contract management toolkit.
Embed training across the Authority	Develop and embed ongoing training suitable for all officers with purchasing responsibilities together with elected member training.
(d) Buying from Ourselves	
Action	How will we measure success
How can we ensure that we determine whether “we can do it for ourselves” before procuring externally?	<p>Conduct an ‘in-house analysis’ – during the final term of the contract. Review whether this should be delivered in house, re-tendered or delivered with a partner organisation e.g. NHS).</p> <p>Reduction in third party reliance. Monitor and log contracts not subject to retender.</p> <p>NB. reduction in third party spend or increase in third party suppliers does not necessarily mean that internal delivery has increased.</p>
(e) Commercial and Procurement Delivery	
Action	How will we measure success
Review the Current Organisational Procurement and Commercial Capacity	<p>Review capacity within the Authority to deliver major procurements as well as day to day-tendering activity.</p> <p>Review commercial capacity to assist with Strategic partnerships as well as top 100 suppliers.</p> <p>Upskill where necessary and create capacity to deliver.</p>
Enhance transparency with suppliers	<p>Continue with engagement with suppliers.</p> <p>Undertake training as required both internally and with third parties (e.g. NEPO).</p>

	<p>Utilise feedback from the market to enhance specifications and create greater value for money.</p> <p>Bi-annually publish our workplan through Cabinet and via our website.</p> <p>Review contract standing orders to enhance value for money.</p>
<p>(f) Working Towards a Net Zero Carbon Future</p>	
Action	How will we measure success
Existing Contracts	<p>We will work with our existing suppliers utilising our influence to change behaviours.</p> <p>Annual service plans and contract management will capture benefits realised on behalf of the Authority.</p>
Future procurements	<p>All future procurements will consider net-carbon zero. We will maximise the benefit ensuring that specifications accord with our net-zero ambition. In line with the social value policy the benefits received will be reported to Cabinet.</p>

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Annexe A

Social Value Priorities

1. Background

1.1 The Public Services (Social Value) Act 2012 (the 'Act') requires local authorities to consider securing economic, social or environmental benefits when procuring services. To comply with this Act local Authorities must think about how and what they are going to buy, or how they are going to buy it, could add social value benefits.

1.2 The Authority has developed a range of ways that the additional social value could be considered when procuring services. Engagement has been undertaken as detailed in the Procurement and Commercial Strategy. The Authority has made a commitment that it will consider social value for all procurements and not those which are subject to the Public Contracts Regulations.

1.3 This Strategy includes a matrix that will guide the measures which may be asked as part of all procurements so that the added value of any contract can be defined, measured and monitored.

1.4 This Strategy takes account of national priorities and our local priorities as set out in the Our North Tyneside Plan. The matrix gives a range of different ways of identifying and measuring social value.

1.5 The procurement team in consultation with the relevant Cabinet Member at the pre-procurement stage selecting those measures that are most relevant to the specific procurement exercise and agreeing the weighting they will be given. Normally this will be 20% broken down as 5% to the greener priority, 5% to the caring priority and 10% to the thriving, family-friendly and secure priorities as appropriate. Specific circumstances may require a higher social value weighting. This weighting will always be subject to the terms of any funding or any existing framework conditions.

2. North Tyneside Definition of Social value

2.1 Social Value is the way in which the authority identifies relevant and measurable social, economic and environmental benefits for the people and communities of North Tyneside through the procurement and delivery of services.

2.2 The Authority has agreed that Social Value will be considered in all procurement exercises. The weighting of Social Value may vary between procurement exercises and the priorities and measures chosen will be appropriate to the contract. The weightings will clearly be published with the procurement documentation.

2.3 Engagement with the relevant market will inform the Social Value weightings.

3. Social benefit priorities and their outcomes

3.1 As part of the procurement exercise it is important to be able to measure the outcome of any Social Value response.

3.2 The Social Value matrix below sets out the outcomes that will be used to measure social value offered by bidders during the procurement process. The benefits secured will be reported to Cabinet bi-annually.

Priority	Outcome	Measure
Thriving	T1. No of local direct employees	No of qualifying employees
	T2. Spend within local supply chain	% of value
	T3.no of residents employed	No of qualifying employees
	T4. Innovative measures to promote skills and employment	Hours invested
	T5. Donations in kind	£ invested
Family Friendly	F1. No staff hours on local school and college visits	No of hours
	F2. No week work experience/placements	No of weeks
	F3. No of apprentices employed	No of qualifying employees
	F4. No of hours of support to long term unemployed	No of hours
	F5. Innovative measures to promote local skills and employment	No of hours
Secure	S1. Initiatives aimed at reducing crime or enhancing safety	£ invested
	S2. % of contracts including sustainable procurement	% increase
	S3. % of contracts on which social value commitments are required	% increase
	S4. Initiatives taken to engage in healthy interventions	Hours invested
	S5. Equality, diversity and inclusion training provided	No of hours
Caring	C1. Spend with VCSE	£ value
	C2. % of staff paid living wage	% during contract
	C3. Initiatives taken to support older, disabled and vulnerable people	Hours invested
	C4. No of hours donated to support VCSe	No of staff hours
	C5. Initiatives to tackle homelessness	£ value
Greener	G1. Miles saved	No of miles saved
	G2. Single use plastic eliminated	KG of plastic reduced
	G3. Contribution to offset scheme	No of tonnes
	G4. Organisational carbon reductions	No of tonnes
	G5. Tonnes of waste diverted	No of tonnes