



Policy and Scrutiny Committee

Date:	19 th October 2021
Classification:	General Release
Title:	Procurement Update
Report of:	Ed Humphreys & Nicole Repetto, Interim Director of Commercial Partnerships (Job share) - Procurement & Commercial Services
Cabinet Member Portfolio	Finance & Smart City
Wards Involved:	All
Policy Context:	Procurement activity at the Council is governed by the Procurement Code.
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1. Executive Summary

- 1.1 A review of Procurement Services at Westminster in 2018 identified the need for change and improvement across five areas: Target Operating Model, Strategy and Governance, Systems and Processes, Structure and Capabilities, and Engagement, Development and Culture. In April 2020, the new model was launched, with the intention of transforming the procurement function and driving improvement to the service. It replaced the historic category-focused approach with a business partnership model, which offers improved alignment to directorates and increased focus on business outcomes. It also incorporated procurement activity for Adults and Children's Services, previously managed in the respective directorates. The service, which leads on procurements over £100,000, is now structured around four specialisms:
- Business Partners – work closely with their respective business areas to provide commercial support and develop robust forward pipelines
 - Tendering Services – manage tendering activity for high value and more complex procurements in line with plans and priorities agreed with the Business Partners

- Contract and Supplier Management – providing dedicated support and capability building for contract managers, monitoring corporate supplier/ supply chain risk and leading cross cutting supply chain development
- Policy, Performance and Systems – providing critical systems infrastructure, policies, and performance monitoring for the team and the effectiveness of the policy and governance framework overall.

- 1.2 The new model was designed to enable a greater emphasis on the whole commercial lifecycle. Procurement is now working with departments to create strategic forward plans, supporting them to find additional in-life contract savings and supporting them in commercial negotiations.
- 1.3 A new team has been recruited into the transformed function, bringing extensive and diverse experience of best practice from a range of industries and sectors.
- 1.4 A new procurement reporting framework, including key performance indicators and a view of the forward plan, has also been developed to give the Audit & performance Committee oversight of procurement and contract activity across the Council. The first report was delivered to the committee in July 2021.
- 1.5 This report includes an update on progress in implementing the new operating model for the Procurement & Commercial Service, information about the drafting of the Responsible Procurement Strategy which will be going to Cabinet in December (more detail in [Appendix 1](#)) and provides information on four upcoming procurements projects ([Appendix 2](#)).

2. Key Matters for the Committee’s Consideration

It is recommended that the Committee note the contents of this report and provide feedback on whether it meets their needs, as well as suggesting any changes or additional content they would like to see in future reports. Committee members are also asked comment on the development of the Responsible Procurement Strategy.

3. Background

- 3.1 The following sections provide more detail on three key areas of current procurement activity:
- Progress in the Procurement Transformation
 - Development of the Council’s Responsible Procurement Strategy
 - Deep dives into four upcoming procurement projects

4. Progress in the Procurement Transformation

4.1 Procurement & Commercial Service Operating Model

4.1.1 A new operating model for the service was implemented in April 2020, is a composite of good practice from other areas. The model has aim of:

- creating an integrated 'Centre of Excellence' incorporating procurement activity previously undertaken within the adults and children's services;
- recruiting and retaining a team of high-quality professional practitioners, including a new Director of Commercial Partnerships and procurement leadership team;
- establishing procurement 'Business Partners' for each Service Area; and
- providing professional practice leadership for contract and supplier relationship management, including implementation of the Council's new Contract Management Framework.

4.1.2 Building a strong permanent team is a critical part of delivering the desired outcomes above, and excellent progress has been made in recruiting the new team, including an entirely new leadership team. Recruitment is almost complete, with only small number of junior roles left to fill in the team. The team has moved from being made up mainly of temporary workers (having only 36% permanent staff in November 2020) to over 80% of the team being permanent members of staff today. Due the specialist nature and risk profile of regeneration and capital works, the team now includes several specialist CapEx and construction procurement professionals. This recruitment progress has been a critical milestone for driving forward the transformation and improvement.

4.1.3 In 2019-20, Procurement had one of the worst performing 'Our Voice' responses with an engagement score of 38% (30% less than F&R Directorate). This year after significant staff engagement and involvement, the engagement score increased significantly to 77% (a 39% positive shift and only 5% less than the F&R Directorate). The leadership team has a set-up a Staff Reference Group, a representative group of staff across the Procurement and Commercial Services meeting every six weeks, to support the development of the service. They have led the development of a People's Plan 2021/22, which aims to build on Westminster Way and the F&R Business Plan to create our own service level plan.

4.2 Procurement Code and Governance

4.2.1 The Procurement Code provides the legal and procedural framework for the procurement of works, goods and services. It forms part of the Westminster City Councils Constitution and serves as a guide to Officers, giving practical effect to Council priorities whilst at the same time mitigating against commercial and compliance risk. Over the last year, the Procurement Code has been updated and the new version was published in March 2021, superseding the previous version dated September 2017.

4.2.2 The updates reflect the changes to the department's operating model and governance procedures, as well as reflecting wider Council priorities such as City for All and the Climate Change agenda. The structure of the Procurement Code is also now much easier for stakeholders to follow and understand. Training on the new Code has been conducted with the Legal and Finance teams, and via education sessions across the Council.

4.3 Systems and Data

4.3.1 Successful commissioning, procurement and contract management at Westminster relies on having procurement and contract management systems that are fit for purpose, and robust contract and spend data. This area has historically presented some challenges for the Council, with the tendering system lacking sufficient contract management functionality, and contract data and spend data not being easily linked. This has impacted the ability to provide meaningful reporting such as on spend against contract or contract performance.

4.3.2 To improve future performance in this area, a procurement process has been conducted choosing a cloud-based eSourcing procurement and contract management system to replace the existing CapitalESourcing system. Three successful providers have been appointed to a Framework Agreement owned by the Council, which will commence in October 2021. The new system will be implemented from December 2021 with full go-live of all modules by Spring 2022. Benefits of the new system to the Council will include more efficient delivery of procurement processes, vastly improved reporting and data analysis, and improved governance and transparency. It will include contract and supplier management functionality not supported by the current system, as well as allowing better integration to the Council's IBC ERP/finance system.

4.4 Stakeholder Engagement

4.4.1 A core element of the new Procurement operating model is the introduction of a Business Partnering model. All four Business Partners are now in post covering GPH, ECM, Adults & Children's, and Corporate. They have worked with stakeholders across the Council to establish strong working relationships, jointly developing commercial pipelines setting out a forward plan of all upcoming commercial activity. This pipeline will enable earlier engagement and a more planned and pro-active approach to procurement activity which should reduce the number of direct awards and waivers requested and encourage more innovation. Strategic Procurement Boards have also been set up monthly with each Executive Director's SLT to improve forward planning, collaboration and oversight of procurement activity.

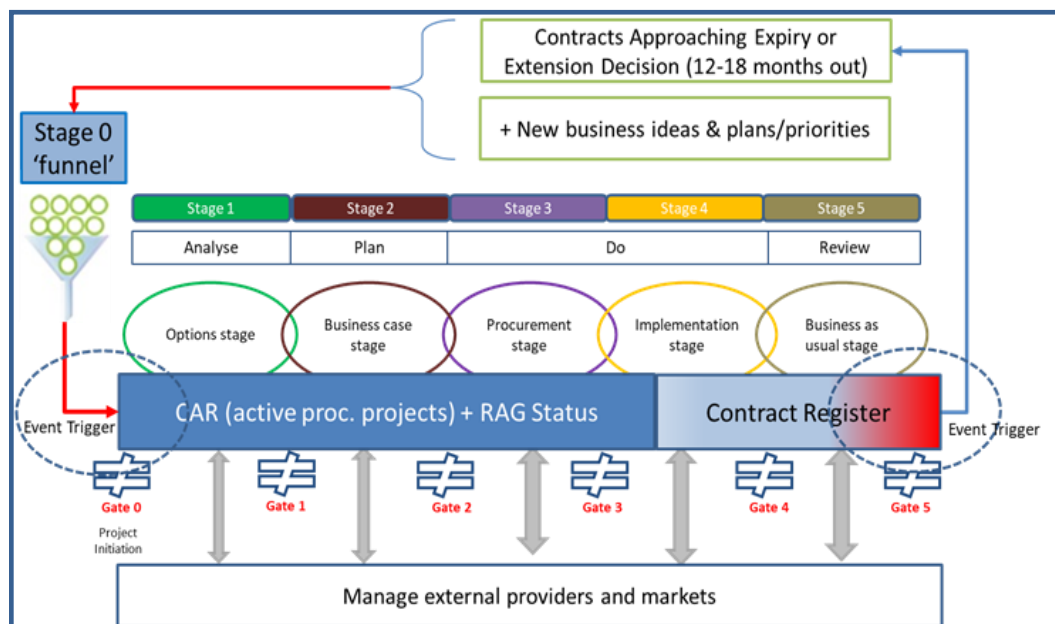
4.4.2 As part of improving procurement support to stakeholders and enabling the development of improved commercial skills and knowledge across the Council, Procurement's stakeholder-facing internal website has been completely rewritten and was relaunched across the Council in June 2021. The site provides information on our new service offer and the team, as well as access to key documents, information and guidance.

4.5 Overview of current tendering activity & risks

4.5.1 The role of procurement starts from conception with pre-tender activity involving market engagement, developing new and innovative service models, procurement strategies, commercial modelling, contract development, supplier relationships, KPI alignment and stakeholder relationship building. Once the initial strategy stage has been approved, the team lead and deliver complex procurement processes including negotiated procedures, commercial negotiations with suppliers, framework delivery, evaluation and moderation processes and overall governance control. The team then support the contract sign off stage, following which the contract management is handed over to the respective services supported by the new Supplier Relationship function.

4.5.2 There are typically 300 live projects at any one time, at different stages on the Commercial Activity Register. This includes on average of 100 projects at strategy stage, 100 at procurement process and award stage and 70 projects in final contract stage. The remaining are at project initiation phase. Each project is managed with a formal assessment of risk at key decision points (Gates). This assurance is provided to the project sponsor by a Commercial Gateway Review Board comprising representatives from legal, finance and procurement.

4.5.3 The diagram below illustrates the project flows and decision points at a high level:



4.5.4 Important decision points are at 'Gate 2' – the decision to proceed to go to market with a tender and 'Gate 3' - the decision to proceed to award a contract. Gate 4 represents the end of the tendering process and the point of handover to the service for ongoing contract management.

4.6 Key Milestones for Procurement Service in 2021-22

- Approval and implementation of the Council's 'Responsible Procurement Strategy' (see section 5)
- Implementation of the core systems refresh including e-procurement, Contract Management and wider P2P integration
- Launch of Procurement & Contract management eLearning module
- The Contract Management Framework is drafted and going through a process of consultation with the service areas and contract managers. This will include introduction of tools, templates, and training for contract managers, to drive consistency and improved contract performance.
- Establish a Risk Management forum, to actively monitor and mitigate supplier and contract risks.

5. Responsible Procurement & Commissioning Strategy

5.1 The council spends over £500 million each year on third party services and contracts. It has significant potential to drive positive action on important issues such as tackling the climate emergency, contributing to local and national recovery, ensuring human and labour rights and driving forward greater diversity and inclusion in our supply chain.

5.2 Since March of this year, the Procurement and Commercial Service has been working with colleagues across the Council to develop a new Responsible Procurement & Commissioning (RPC) Strategy (please see an overview on page 1 of [Appendix 1](#)). This RPC Strategy aims to ensure that our commercial activities are fully aligned with City for All and deliver maximum value for Westminster and its residents and partners. The team is also collaborating with counterparts at the Royal Borough of Kensington and Chelsea to ensure alignment of our approach and with external subject matter experts on areas of national and global significance to ensure that our ambitions are set within the context of the United Nations Sustainable Development Goals (UN SDGs).

5.3 The RPC Strategy is structured around four themes, each with a local and a wider (inter)national focus, which recognises our responsibility as a local authority and the make-up and impact of our global supply chains. Each of the themes below are detailed in table 1 to 3 of Appendix 1:

1. Environmental sustainability
2. Community and business partnerships
3. Build back better
4. Inclusive, high-quality work

5.4 At a strategic level, the implementation of the RPC Strategy will involve setting clear policy commitments, standards and/or thresholds according to each category of spend, based on internal engagement and market intelligence. One key tool created will be the 'RPC directory', which will provide templates for procurement/design standards, supplier selection and evaluation criteria and

associated KPIs. This will be used alongside a Supplier Code of Conduct, which will be a set of requirements, tiered according to the value and strategic importance of the contract.

- 5.5 At an operational level, implementation will involve co-working between the Procurement and Commercial Service and service departments. For higher value or high risk/ opportunity contracts, this involves identifying the most relevant City for All commitments and supplier market engagement, which would allow appropriate tailoring of the parameters and focus areas to be embedded in the procurement and contract management. The key objectives are highlighted in table 4 of Appendix 1.
- 5.6 UK local authorities leading on this agenda are now attributing 20-30% of total supplier evaluation weighting to responsible procurement and 10% is now considered standard. WCC's draft RPS is considering supplier evaluation dedicated to responsible procurement or commissioning at WCC is increased from 5% to between 10-20%. The four areas of supplier evaluation below which could each be attributed a 5% weighting are described in more detail in table 5 of Appendix 1:
- Environmental
 - Diversity, inclusion and representation
 - Employment and skills
 - Social value
- 5.7 Alongside the strategic and contract specific implementation work, four standalone action plans are being developed for areas of particular importance, which merit a priority focus:
- **Climate Emergency** – sets out the steps our service and departments need to take to reduce carbon emissions associated with our third party spend and are working closely with I&C's Climate Emergency leads.
 - **Diversity, Inclusion and Representation** – covers action needed to improve the diversity of enterprises that we contract with, alongside the diversity, inclusion and representation of our contractors' workforces.
 - **Social Value** – Building on existing work, this action plan sets out the implementation of a new approach to increasing employment, skills and training, leveraging community benefit and creating impactful legacy projects. It is being developed through collaboration between Procurement, Legal and Finance teams and GPH's Responsible Economy and Regeneration teams.
 - **Modern Slavery** – this will become the Council's new Modern Slavery Statement, which public authorities are now required by law to produce annually. This work is being supported by the bi-Borough Modern Slavery and Exploitation Group and is underpinned by the bi-Borough Modern Slavery Strategy.

- 5.8 A comprehensive engagement programme involving staff across the council has already begun to inform and shape the RPC Strategy approach. It has been consulted on as part of the Senior Procurement Boards for all Directorates, as well as the management teams across various Directorates. It featured on Loop Live with follow up information on five two-hour staff workshops taking place throughout September, tailored for different directorates.
- 5.9 Supplier engagement and consultation has included a presentation to the Responsible Business Network and has a business engagement and supplier consultation event held in October (working jointly with the City of London), to be followed by a launch event in late January 2022 following Cabinet sign off. The full implementation plan is included in table 6 of Appendix 1.

6. Planned Procurement Activity – Deep Dives

- 6.1 In Appendix 2 are four ‘deep-dives’ agreed with the committee chair covering planned procurement projects over the next one to two years. The deep dives include the current service, contractual model and the recommissioning intentions. The projects detailed are:
- **Electric vehicle charging infrastructure** – Commissioning vehicle charge points and lamp column chargers across the borough.
 - **Car Clubs and Car Sharing** – Planning commissioning of flexible, fixed point and geo-fenced car sharing.
 - **Transformation of Home Care** – Commissioning a new bi-borough home service with improved outcomes.
 - **Church Street Site A Delivery Partner** – Seeking a delivery partner for to lead this flagship regeneration project.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact Report Author csmith@westminster.gov.uk

APPENDICES:

1. Responsible Procurement Strategy – overview
2. Planned Procurement Activity: Deep Dives

BACKGROUND PAPERS:

Procurement internal website & Procurement Code:

[WCC Procurement and Commercial Services - Home \(sharepoint.com\)](#)