



Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL
MERTHYR TYDFIL
County Borough Council

Procurement Toolkit

June 2017

Introduction

This document has been written to help service departments and staff in Merthyr Tydfil County Borough Council, procure goods and services using category management techniques.

The process of category management has been divided into 4 main sections which encompasses the value (procurement) cycle.

1. Gateway 1
2. Gateway 2
3. Gateway 3
4. Supplier Management

Category Management

Category Management within the public sector operates by organising spend into categories and using business intelligence to understand the requirements of the consumer (internal departments and citizens) and the market providers that can fulfil our needs.

Services together with procurement are responsible for securing the appropriate quality, value for money and supply improvements across the life cycle of their services to support the delivery of the corporate priorities and single integrated plan.

The process is not designed to be rigid, but to be dynamic to meet the requirements of the diverse nature of services that council provides. Not all elements of the cycle need completing for all potential projects. Variances can be managed locally with the input of procurement staff.

The Vision

Utilisation of the Value Cycle will support the Council's corporate aims and objectives. It will deliver best value in the procurement of goods, services and works by procuring delivery partners on the basis of whole life costs and benefits to meet our customers needs.

Toolkit overview

The toolkit will be divided into four sections which incorporates the procurement or 'value' cycle. The fourth section concentrates on effective contract management.

All the menu items below are hyperlinks to the relevant sections in the document

Gateway 1		Gateway 2		Gateway 3		Supplier Management
Review	<ul style="list-style-type: none"> Contract Review Category Review Service and business needs review 	Analyse	<ul style="list-style-type: none"> Gap Analysis Market and Supplier analysis Risk analysis Resource analysis Category strategy and plan 	Tender	<ul style="list-style-type: none"> Tendering 	<ul style="list-style-type: none"> Operational supplier Management Strategic Contract management Supplier Development
Identify	<ul style="list-style-type: none"> Needs analysis and business requirements Spend analysis Service legislation, regulatory and policy environment Procurement Legislation 	Prepare	<ul style="list-style-type: none"> Service design & specification Final options appraisal & business case Procurement strategy and plan 	Manage	<ul style="list-style-type: none"> Transition and contract management 	
		Tender	<ul style="list-style-type: none"> Tender Document & preparation 			

1. Activity Cycle 1 – Review

1.1 Contract Review

Every arrangement/contract or framework should be reviewed towards the end of the term to inform future delivery and to identify how that provision was performed. The Contract Review Template should be used by services to complete a record of contract performance.

It is essential that a written record be held to document contract performance. This can be helpful in determining future service provision.

The review template is included in the document below. Roles and responsibilities outputs suggest a shared responsibility with the procurement team. All fields should be completed and signed off by the contract manager and procurement manager.



Post contract review
template.docx

1.2 Category Review

Category review contains a high level view of a determined category spend area, for instance adult social care. Within this category are a number of sub-categories such as Domiciliary care, residential placements etc. The high level category review pulls together some key information to help inform a procurement strategy.

The category overview template includes high level spend trends, sub-category identification, short term objectives, risks and challenges. As the Council does not operate a category management structure this template is not mandatory, but may have some benefit in completion

The roles and responsibilities output for Category review suggested that this element is shared 50/50 between procurement and services, therefore a joint completion will be required.



Category strategy
overview.docx

1.3 Service and Business Needs review

This activity should not be new to services, as this forms part of service planning and is reported through the self-evaluation process and performance challenges.

The importance of this from the value cycle perspective is that this information needs to feed into the procurement process, it is essential that the review of service needs based on historical data, feeds into future service needs and incorporates changes in outcomes based on the needs of the customer.

2. Activity Cycle 2 – Identify

2.1 Needs Analysis and Business Requirements

Needs analysis is wider than just the procurement cycle. This is the process where a service is evaluated and structured to deliver essential services to our customers. It is the basis and justification for service delivery and is driven by the requirement to meet the customers future needs. It ensures alignment with corporate priorities.

The needs and business requirements analysis should include a systematic process to analyse:-

- The priority concerns and requirements of the services' customers and stakeholders having due regards to corporate priorities
- Clarifying the current position, where the service wants to be and assessing the gap between the two (link with 3.1)
- The state of the service performance in relationship to the corporate priorities
- The state of knowledge and ability of the services employees.
- Identifying challenges or obstacles in the way of achieving requirements
- Development of a plan to bridge gaps (link with 3.1)

It will consider:-

- Geographic and physical aspects
- Economic conditions
- Current and developing technological capabilities
- Political and legal considerations
- Demographic and cultural factors

The needs and business requirements should include the following subject matter:-

- Business strategy and objectives
- Qualitative investigations
- Quantitative investigations
- Perspectives – stakeholder analysis
- Meeting the future needs of customers, community groups, clients, suppliers, employees in a sustainable way

The needs analysis will also reflect on reviews of contracts and business needs that have been delivered through existing or expiring contracts to ensure that past issues are addressed to deliver fit for purpose services in line with future needs.

2.2 Spend Analysis

The council should be using spend analysis data to leverage buying power, reduce costs, provide better management and oversight of suppliers, and to develop an informed procurement strategy. Spend analysis should include the identification, collection,

cleansing, grouping, categorisation and analysis of all spend data for the goods and services purchased.

A spend analysis is critical for supply management and business success. Insufficient visibility, incorrect or incomplete data can have serious consequences when contracting with suppliers.

Spend data is found in multiple systems across the council such as:-

- Agresso – AP and GL
- P2P
- Barclaycard spend management
- Atamis – spend analysis system

Spend analysis data should be pulled together from all known sources and consolidated into meaningful spend data trends ideally for at least three years plus the current year. Trends are important to identify if there are any external market forces acting upon pricing that need to be investigated at the Analyse stage of the procurement cycle.

Spend data must then be reflected against budget for a specific service area. This will identify any under or overspends leading to developing corrective action to manage and mitigate.

There needs to be clear case for moving a project forward based on available budget, projected spend and the potential efficiencies that can be levered from the project.

2.3 Service Legislation, Regulatory and Policy Environment

The Council delivers a wide range of diverse services, most are impacted by legislation, regulations or best practice.

Each individual service area needs to ensure that all external pressures from legislation & regulations are incorporated into the procurement cycle. Any third party organisations delivering services on the council's behalf must adhere to the same regulatory requirements.

2.4 Procurement Legislation

All external spend is governed by procurement legislation or policies. The public sector has a duty towards best value and this underpins local, national and European legislation.

Procurement will, working with services take into account all legislative requirements including but not limited to:-

- Public Contracts Regulations 2015
- Transfer of Undertakings (Protection of Employment) Regulations 2014
- Welsh Procurement Policy Statement
- Wellbeing and Future Generations Act 2015
- Council procurement rules
- Safeguarding Policies

Procurement legislation is created to promote open accessible competition, secure best value and protect the buyer against challenge.

3. Activity Cycle 3 – Analyse

3.1 Gap Analysis

The purpose of the Gap Analysis is to provide services with a format in which to do the following:-

- Compare best practice with processes currently in place with services
- Determine the ‘gaps’ between the services practices and the identified best practices.
- Determine how best practices are going to be adopted or where gaps in service provision are going to be accepted and managed.
- Determine if any non-compliance of national or local rules (legislation or policy) occurs within the service area

Services can use a gap analysis to identify shortfalls that may be addressed through either contract reviews or through the tender process.

3.2 Market and Supplier Analysis

Supply market analysis should be carried out in respect of the purchase of goods and services when they

- Are difficult to purchase due to the complexity involved
- Involve a high level of expenditure
- Are critical to the ongoing business of the Council

There are a number of reasons for analysing supplier markets:

- Better knowledge of supplier strategy
- Manage risk to the council
- Better informed council
- Allows for the identification of opportunities

These four points are expanded below

Better knowledge of supplier strategy

- Understanding how individual suppliers operate, their market position, why they want to deal with the Council and understanding longer term goals helps to obtain value for money. Understanding the supply market will
 - Provide valuable information about supplier’ strengths and weaknesses.
 - Identify comparable substitute goods and services that may be available from more competitive and less risky supply markets and could offer better value for money
 - Understand which suppliers are more technologically advanced
 - Identify opportunities to better manage the supply chain that will reduce the cost of purchasing goods or services

- Allow the council to become aware of all potential suppliers, and ensure that those suppliers are aware of the council's opportunities
- Provide a sound understanding of the council's attractiveness as a customer for the supplier. The more important the council is to the supplier, the more likely better service and price is delivered.

Managing risk to the Council

- Analysing supply markets assists in determining the risks involved in purchasing particular goods or services. It can also identify ways to manage these risks.
Analysing the supply market will:-
 - Assist in the development of specifications to encourage competitive offers and reduce the possibility of purchasing goods or services which are not fit for purpose. Specifications are often too restrictive and reduce the number of potential suppliers.
 - Identify opportunities to increase the base of suppliers to meet the needs of the council

Better informed Council

One of the aims of the procurement toolkit is to create a better informed council. With market analysis the council understands how technology and other factors are driving changes in the market for the particular goods and services it requires. The council understands how goods and services are priced and how service quality and standards are set by suppliers

If the council can understand markets and its existing and potential suppliers better, it will be able to develop tenders which reflect the conditions in those markets. With this knowledge it is even possible to shape the market to an extent by developing the supply base to provide the goods and services necessary to assist the outcomes of the council. Our services are also in a better position to deal with suppliers on an equal basis when contracts are in place.

Allows for the identification of opportunities

Understanding the market can identify opportunities. There may be suppliers delivering innovative goods or services which can assist in the delivery of efficiencies, or they may be a smaller local supplier able to respond to issues better than a national or multinational due to the fewer levels in the supply chain. Knowledge of these facts can inform the procurement process and lead to more direct targeting of the market to deliver outcomes required of our services.

Conducting analysis of supply markets

Before conducting any market analysis, the relevant individual or services should consider the aims and objectives or the research so that the analysis will provide visibility of information required at the right time in the procurement cycle.

As an example, the service may want to consider whether the Council is seeking

- A reduction in cost and requires information on how the market prices a particular good or service
- To understand the range of suppliers in the market and the goods/services they provide in order to develop an appropriate specification
- To understand the latest trends in technology in a particular sector
- Achieve a specific environmental standard or particular social objective

Once the aim of the research is understood, the council need to identify potential information sources; identify any potential costs and set a timetable for completing the research. The level of detail in any research will vary with the complexity of the purchase and supply market. No two sets of data are likely to be the same and depend on requirements of the council. The research needs to be flexible as new information gathered may change the direction of the research.

The information gathered during the research phase can be analysed using supply market analysis framework. This framework can be used to examine the supply market for a good or service and focuses on 6 key areas

- Market structure
- Competition
- Supply chain
- Substitute goods and services
- The councils value as a customer
- Environmental factors

Market structure

Key areas to research

- How many suppliers are there in the market and what is each suppliers size
- How are the supplier geographically distributed
- Which suppliers are the market leaders and which are the market followers
- What are the type and level of barriers to entry and exit for potential suppliers (the ease that new suppliers can enter and secure a place in that market)
- What is the level of market concentration (do a small number of large companies make up the bulk of the turnover?)
- Have there been any mergers or acquisitions in the industry or are there any predicted?
- What is the level of product differentiation between suppliers
- Which suppliers appear to lead in price increases or decreases

Services should attempt to classify their supply base into the following categories. These categories make up the supplier positioning tool.

Relative Risk ↑	<p>Strategic Security (continuity of service is critical)</p> <p>Objective : Ensure Supply Example : Specialist Care</p> <p>Tactics: Long Term Contracts Partnerships Alternative Products/Services</p>	<p>Strategic Critical (high value/service critical/high risk)</p> <p>Objective : Maximise quality and outcomes Example : Construction projects</p> <p>Tactics: Market Knowledge Cost Analysis Manage & Develop suppliers</p>
	<p>Tactical Acquisition (low value/low risk)</p> <p>Objective : Minimise process costs Example : Stationery</p> <p>Tactics: Purchasing Cards Call off contracts/frameworks e-procurement</p>	<p>Tactical Profit (high value/low risk)</p> <p>Objective : Minimise price Example : IT equipment</p> <p>Tactics: Short term contracts Frameworks Flexibility</p>

Relative Spend →

Competition

Key areas to research

- Do suppliers compete on quality, service, price and/or other factors
- What are the trends in the supply market?
- Is there any obvious competitive advantage held by a supplier
- Is there an impact of any trade, consumer or environment legislation

Identifying the way in which supplier compete in the market provides information about supply market dynamics and what to expect from the market.

Supply Chain

A supply chain consists of all organisations involved in the process of creating a good or service from production, distribution to servicing the end user. Supply chains need to be examined to identify the 'value added' element at each stage and to look for areas of possible supply vulnerability. Normally each organisation in the supply chain introduces a price mark-up which progresses through to the final price.

Key areas to research

- What organisations make up the supply chain
- How complex is the supply chain
- What does each member of the supply chain contribute to the end product
- What are the distribution methods of the supply chain
- Are there areas of potential vulnerability within the supply chain

- Are there any other sources of efficient supply

As an example, food buyers have to understand the whole supply chain as traceability of product is vital to ensuring food safety throughout the whole supply chain. The introduction of vulnerability at any stage of supply can impact on the health of consumers. Supply chain analysis in food supply has to be 'from field to fork'.

Substitute goods and services

Key areas of research are

- What goods and services are currently available to meet the needs of the service?
- Are there viable substitute goods and services that are currently under development that may be an alternative in the future?

Focussing on the outcome required from the purchase and not the process often opens the market to a wider range of products and suppliers. There may be a number of alternatives available that will meet the same needs. Often product substitutes are missed because of narrow focus or because specifications are too rigid. Sourcing substitute products increases the number of suppliers that may meet the services needs and reduces the possibility of challenge. A good example of substitute products is creating an output specification to source a vehicle rather than specify a 'ford'.

Maintaining a whole market focus presents an increased number of opportunities to source alternative goods and services. This process needs to be conducted in conjunction with the end users of the goods or services to ensure their needs will be met.

The Council's value as a customer

Key areas of research

- What is the total turnover in the market
- What is the turnover of individual suppliers that supply that product or service. This is to be compared to the potential value of spend of the service.
- What is the service's or council's market share as a customer (in some cases where we go to market as a collaborative, this can be significantly higher)
- Does the way the council conducts its business make it attractive (or unattractive) as a customer

It is important to consider the council's value to the supply market and individual suppliers within the market. Suppliers can segment their customers based on their relative importance based on among other issues, the revenue yield and attractiveness of the customer. They will lean towards concentration on valuable customers and will seek to retain those customers. Suppliers may be less interested in gaining or retaining new business, if it is not of sufficient interest or there is insufficient margin in that business for them.

The relative value of a service to a supplier is based upon the expenditure and attractiveness. Considerations include

- The percentage of a suppliers business that the council represents.
- The percentage of a suppliers business that the council could represent
- The council spending relative to the total market turnover

Attractiveness includes

- The profitability of selling to the council (sales less cost of sales)
- The reputation of the council
- The ease of managing the council account
- Certainty of payment
- The potential to use the council as a marketing platform

Environmental Factors

Understanding the competitiveness and reliability of the relevant supply market may also involve gathering information on external environmental factors affecting that supply market. Environmental factors include any legal, political, cultural, economic or technological elements that affect supply.

It is important to conduct an evaluation of all potential environmental factors for all purchases which are a sufficiently high value or where there is risk to the council arising from the purchase. Most factors are likely to be identified by consulting with end users of the product or service.

Retaining relevant information

Documented information gained through analysing supply markets is a key source of market, industry and supplier intelligence. Such information should be updated on an ongoing basis, in particular where the council purchases high risk services on a regular basis (food, social care). The supply base is constantly changing and suppliers are constantly updating their strategies.

Sources of information

Market and industry information is available from a variety of sources. There are two types of research methods – Primary and Secondary.

Secondary research involves investigating information that is already available on the market and should be conducted first. This is usually desktop and includes using the internet or downloading reports from D&B (which procurement have access to free of charge). Secondary research can provide a good background of information about the market and specific issues and/or suppliers.

Once services have a good understanding of the supply market through secondary research, primary research can be conducted to generate a clearer, more detailed understanding. Primary research includes direct interviewing of those in a position to understand any issues about the goods or services required to meet needs. This should include current and non-current suppliers and end users.

Any service meeting with potential suppliers should be careful as to not give any representations or promises of work on behalf of the council, services should not divulge any specific information of our requirements that may compromise the position of council and improve the position of the supplier.

3.3 Risk Management

Risk management is an integral part of procurement. Effective risk management requires an understanding of the relationship between procurement and organisational objectives. Procurement and council services working together should play a significant role in managing organisational risk through contributing expertise.

- Risk is often specified in terms of an event or circumstance and the consequences that may follow from it.
- Risk is measured in terms of combination : consequences of an event and their likelihood
- Risk may have a positive or negative impact.

Procurement's role is to ensure that the council has a predictable supply of the external inputs it requires, offering demonstrable value for money and delivered in a cost effective manner to support the attainment of the council objectives. By its nature, procurement exposes the council to risk. Procurement practices have, for this reason been developed with inbuilt controls designed to deal with that risk, for example through public tendering to encourage competition and diminish the scope for corruption and collusion in the acquisition process.

Risk in procurement is often considered from a transactional viewpoint where risk management is focused on the things that can go wrong in the procurement process. This view is concerned with events that may contribute towards;

- Breakdown in process
- Failure to comply with required processes and
- Inadequacy of process to achieve the commercial outcome required.

Although this perspective is valid and important, it does not address the strategic objectives of the procurement function, or core business of the council. It is generally the concern of those who are direct stakeholders in the process. It is generally not seen at higher levels in the hierarchy as a matter that requires their attention, unless it arises in the context of a project of strategic importance or as an issue in corporate governance.

A major factor leading to a greater focus on risk management in the procurement context is the blurring of council boundaries through:

- Increasing use of a contingent workforce i.e. contractors rather than employees
- Outsourcing of transactional and operational functions, such as business processes to achieve strategic, competitive and commercial advantages and,
- The establishment of collaborative relationships with suppliers and customers as integral members in the overall supply chain.

The integration of best practice in risk management will better position procurement to manage stakeholder expectations, and facilitate outcomes that are within the risk tolerance of the council. Risk management, applied effectively, will assist procurement and services to identify changes to the procurement environment, implement treatment plans and re-engineer cost effective procurement processes to mitigate risk.

The consequence of not managing risk effectively can include:

- Discontinuity in the supply of essential goods or services
- Avoidable increases in project costs and in the unit costs of purchases, both immediate and longer term
- Loss of power and influence in relationships with essential suppliers
- Procurement outcomes that do not support the councils needs and objectives
- Opportunity for fraud and corruption
- Negative impact on reputation in the marketplace
- Exposure of officers to litigation
- Failure in corporate governance controls

There are many benefits in the effective integration of risk management with procurement, but there are three that would be almost universally achieved:

- Smarter procurement decisions – achieving both financial and non-financial benefits
- Fewer surprises, and better identification and achievement of stakeholder expectations through acknowledgement of risks and,
- Better procurement outcomes for buyers and suppliers, satisfying the commercial and relationship needs of both parties.

Risk management should be approached in the following way

- Establish the context
- Identify the risks
- Analyse and evaluate the identified risks
- Treat the risks

Further information on how to approach risk management within the council can be obtained by contacting risk management.

3.4 Resource Analysis

Resource analysis is a strategic planning tool which considers a) the resources required to support a particular strategy and b) the required competencies to effectively use those resources.

There are a number of ways to categorise resources

- Physical : for example buildings and capacity
- Financial : current and future budgets, sources of funds

- Human resources : numbers, and skill levels

Resource analysis needs to consider how resources are managed, deployed and utilised. The capability of services and 3rd party suppliers is dependent on the resources and competencies that they possess. In order to ensure a minimum level of service, a minimum threshold of resource in terms of numbers and capability must be set.

3.5 Category Strategy and Plan

A category strategy is one of the key outputs developed by a category management approach.

A category strategy should be developed for key areas of spend across the council and includes pulling in the majority of the information from the procurement cycle to form an effective implementation and action plan.

The key messages from implementation of category management techniques, is that the organisation becomes less reactive and is driven by market and customer forces.

The Category Strategy template in 1.2 may be used to capture this information.

Service planning should link to the category strategy to ensure that the needs of the customer is reflected and integral in ensuring that service plans which include the provision of services by 3rd parties are structured to meet those immediate and longer term requirements.

The strategy should be a live document that can react to market and customer trends which will inform future procurement strategy.

4. Activity Cycle 4 – Prepare

4.1 Service design and specification

The process of design is to make something better. It is an integrated approach to developing the design of services and their effectiveness for the customer. The service design has a direct impact on any specification that is used as part of a tender process. The specification must fit in with service priorities and form an integral part of overall service delivery.

The design of the service is critical to ensure that market assessments identify capable and innovative suppliers to perform the services required.

There is further information on the formation of the specification in the procurement guide which is embedded at the end of this document.

4.2 Final options appraisal and business case

The business case for proceeding with a procurement exercise is the Gateway 1 document. If there are requirements around changes to service provision, this may also trigger a business case that will be considered by the Change Management Steering Group. Similarly, a business case being considered through the change management process may trigger the requirements for a Gateway 1 document.

4.3 Procurement strategy and plan

Information provided at this stage will inform the procurement strategy. The strategy is owned by Procurement and service department to inform how we go to market. The information collated into gateway 1 would be interpreted into a procurement strategy to inform the ongoing process of tendering the requirement, selecting the appropriate supplier and ongoing contract management.

5. Activity Cycle 5 – Tender (1)

5.1 Tender document and preparation

In 2014 when our rules were updated, detailed procedures were removed from the rules, to allow these procedures to have flexibility to change over time. The 'procurement guide' was developed. This contains detailed information on tender development & procedures, the guide picks up some of the themes of the procurement cycle including activity cycle 4.

6. Activity Cycle 6 – Tender(2)

6.1 Tendering

The process of tendering is detailed within the Procurement Guide. This is an important activity that has to be managed in accordance with specific rules of engagement. Openness and transparency are vital to ensuring that the tendering process is not challenged by a tenderer and that no delays to contract mobilisation are encountered. All procurement activity should follow the principles of the procurement guide to minimise any potential procurement related risks and to maximise the potential for best value.

7. Activity Cycle 7 – Manage

7.1 Transition and contract management

Contract award, mobilisation and management are contained within the procurement guide. The complete operational and strategic management of suppliers and contracts is contained in the Supplier Management section at the end of this document which contains a link to the Contract Management Framework.



procurement
guide.docx

8. Supplier Management

8.1 Operational Supplier Management

Operational Supplier Management is concerned with the general day to day transactional requirements of the supply base and the achievement of objectives of service requirements.

It should be standard practice for Contract Managers to have regular communications with suppliers to ensure that service standards are being maintained. Operational supplier management should occur on a local level and be linked to specific contractual requirements i.e. measurement and achievement of any KPI's contained within a Contract.

Ensuring continued performance to stated standards and expectations is vital to maintaining a healthy relationship with your suppliers. Successful operational management of the supply base can also lead to further successful relationships in a strategic context.

It is not sufficient to assume that the supplier is 'doing ok', without regular focussed management, suppliers can interpret specifications in their own way and begin to drift from stated objectives. Appropriate management can ensure that any potential variations or changes can be managed in a structured manner and be properly recorded and/or varied in accordance with procurement rules.

Operational Management of suppliers should fall into three broad categories

- Contract Administration
This is the formal 'nuts and bolts', small print management of the physical contract and the adherence to the sections and aims of the Contract
- Service Delivery
This is the management of the delivery of the products by the vendor. It ensures that they meet the service performance and quality that is required. Service delivery is managed by adherence to several service level agreements and/or KPI's that are defined either in the Invitation to Tender or during the mobilisation stage of the Contract.
- Relationship Management
This ensures that the relationship between the company and vendor is mutually constructive and problem free

Due to individual requirements it is not possible to specify the exact activities that need to be undertaken. The categories above should be broadly adhered to in the course of business with the supply base to ensure that our suppliers are working with us and not against us.

Transactional supplier approach – transactional supplier provide basic commodities and are the least complex. Almost all of the value in this area is driven by the suppliers unit pricing. All transactions of this type should be via P2P and be in compliance with the Purchasing Policy. Operational supplier management in this area will be local and generally concerned with delivery on time and dealing with short deliveries or damaged goods etc.

9. Strategic Supplier Management

9.1 Deliver the best outcomes for the people of Merthyr Tydfil

The aim of all Contracts sourced by the Council should be to deliver the best outcomes for the people of Merthyr Tydfil

We need to ensure that the end to end process of contracting is carried out in a way that delivers:-

- Ongoing Value for Money
- Solutions to meet ongoing demand
- Realisation of intended benefits (as identified in gateway 1)
- Sustainable service delivery
- Performance compliance
- Continuous improvement
- Management of risk
- Statutory obligations

9.2 The Contract Management Framework

The Procurement department is setting out its contract management framework based on a series of principles, commitments and 'enablers'.

Principles – The Council will look at end-to-end life-cycle management and encompass each stage of the commissioning cycle by:

- Clarifying objectives and agreements around procedures for managing the Contract at tender stage
- Holding regular monitoring reviews and triggering prompt corrective action to deal with poor performance
- Focusing on continuous improvement via incentivisation, not just compliance
- Emphasising that strong relationship management (internal and external) is a critical success factor.

Commitments – This procurement toolkit will drive a consistent Council-wide approach to Contract management with its strategic principles based on:

- Risk and Value based prioritisation – the more important, higher risk and/or value of the contract, the more comprehensive the contract management approach; priority to be given 'business-critical' contracts
- Integration – teams will work as one, across departments, and be engaged based upon the right expertise at the right time; agreeing that no significant activity is undertaken without wider team consultation
- Flexibility – not overly prescriptive or administrative

Enablers – investment to drive success will be provided through:

- Capable people
- Appropriate organisational structures
- Effective processes
- Appropriate systems and tools; and
- Meaningful data

The Contract Management Framework contains detailed information on how to approach and manage our relationships with suppliers to deliver the best possible outcomes from our contractual arrangements. The Contract Management Framework should be followed in conjunction with the toolkit to ensure that all opportunities are maximised throughout the procurement process.

There are two files, the first contains the keys points from the six step Contract Management Framework, this is an easier to digest version. The second file contains detailed information which should be referred to for specific guidance.



CMF key points.docx



contract
management framew

10. Supplier Development

Supplier Development can be interpreted as two separate activities.

1. Developing current suppliers to improve performance and capability, and;
2. Developing a potential supplier capabilities/markets in order for them to compete for Council business.

Developing current suppliers

Supplier development is different from operational contract management, in that it is an element of Supplier Relationship Management that focusses on helping to develop a supplier to perform at a higher level. At its most basic level this is concerned with ensuring feedback is given to the supplier to incentivise the supplier to improve – or where delivery is satisfactory, seek to improve or innovate and provide a service that exceeds expectations.

Supplier development ensures that any external impacts such as legislation changes are managed and structured in a formal way that incorporates all requirements without negatively affecting service performance.

Areas to focus upon may include

- Cost reduction that helps to maintain the supplier's profit margin
- Quality improvement that both reduces returns and improves the council's service delivery
- Improving lead times
- Improving product functionality
- Improving supplier support or value added functions (such as imprest stocking etc)
- Discussing options for staff training
- Scoping out carbon management reductions

Developing potential suppliers/markets

The other longer term area of supplier development is linked to economic development and is focussed upon upskilling or widening the scope of a supplier to enable them to be in a position to compete for Council business. Supplier development can also be concerned with developing a section of the market to enable innovative solutions to assist in the delivery of Council services.

The majority of supply markets that the Council engage are well established, seldom will be the requirement to investigate the potential for developing the market or potential suppliers. The Public Contracts Regulations 2015 support this type of development through a number of 'procedures' including 'Innovative Partnerships'. Further details of these procedures can be communicated on request from Procurement.

Procurement will work with departments on developing the supply base where required, this may be through meet the buyer events, or specific targeted upskilling of the supply base to enable the suppliers to carry out electronic tendering or to ensure that minimum requirements are met in an open and transparent manner.