Date	9th of November 2015
For the attention of	Corporate Scrutiny Committee
Title	Gwynedd Council Procurement Strategy: Category Management and Keeping the Benefit Local
Purpose	Update the Corporate Scrutiny Committee on the 3rd of December 2015.
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2	**Category Management**
1	Short explanation to remind Members what is Category Management *Category management is a new approach to purchasing which puts a greater emphasis on the strategic aims of the Council of keeping the benefit local, saving money together with meeting the needs of service users. Category management considers market facing categories of spend which cuts across traditional service boundaries.* *The methodology of category management ensures that:* *A strategic category purchasing plan is created for individuals market facing categories* *There is engagement and an understanding of the market* *Drives change to achieve better results* *The new arrangements will involve establishing new teams and/or setting specific responsibilities and duties involved with purchasing.* *The Category Teams will be responsible for:* *Challenging existing arrangements, in terms of how, why and how we buy goods and services* *Complete and agree a category plan with various Services* *Complete procurement activities such as tender exercises* *Manage contracts* *The new arrangements will allow the Council to better inform the market to compete for contracts. This arrangement will also consider strategies for engaging the local market by:* *Lotting contracts* *Forewarn the local market (including any accreditations needed, service requirements and procurement arrangements*

	• *Alternative business models* • *Constructive feedback following a tender exercise.*

2	Explain the progress to date with the implementation of category management within the Social Services
	
	April 2015
	
	Completed:
	
	Cabinet approval of the Business Case to change current procurement arrangements to arrangement based on category management:-
	
	   o *Establish 3 main categories – Environment, Corporate and People*
	   o *Establish a structure for the People category which includes 6 Full time equivalents (FTE's)*
	   o *Extend the arrangement to the Environment, and Corporate categories by Sept 2016*
	   o *Confirm the savings target of £2.3 million over the next 5 years*
	
	May to October 2015
	
	Completed:
	
	Design a structure for the People category
	
	   o *Engage with staff and the Service by conducting various workshops*
	   o *Evaluate existing procurement effort*
	   o *With the Department, design the process and model*
	   o *Agree a final model*
	
	Implement the new arrangements
	
	   o *Work with a specialist company to adopt a category management approach and methodology*
	   o *Create job descriptions for the new structure*
	   o *Appoint 5 members of staff into the new structure*
	   o *Design a governance process which included creating a Category Management Steering Group*
	
	November onwards
	
	To be completed:
	
	• *Design a work programme with the People Category*
	• *Appoint a Category Specialist which is currently vacant*
	• *Arrange meetings with Service Managers to ensure there is an understanding of*

	roles and responsibilities • *Confirm existing work programmes with the category, for example project and programmes within Social Services*
3	Has the implementation of Category management been completed within the proposed timescale? *The recruiting process has taken longer than expected due to availability of staff.*
4	Explain what lessons learnt as part of implementing Category Management in Social Services which will be of importance to consider when implementing the next categories. • *Significant effort needs to be undertaken to explain the new arrangements* • *We need to ensure that staff understand their duties and responsibilities within the new arrangements* • *There needs to be agreement on any new arrangement before initiating the implementation* • *Financial arrangements needs to be confirmed and internal processes need to be completed before any implementation work is initiated* • *We need to improve the process of collecting and assessing procurement effort. The questionnaire has been amended following the assessment made within the People category* • *Early engagement with staff to discuss the new approach to procurement has assisted the design and implementation process*
5	Please present the current work programme for implementing category management across the other two categories (including the timescales) *See attachment 1 – Work Programme*
6	Specific questions for the Senior Manager of the Business Unit whom is responsible for leading category management within Social Services (Meilys Smith) a. How has the new arrangement encouraged you to work differently compare to the old arrangements? *Ensures that key stakeholders are part of the commissioning cycle* b. In your opinion, have things improved? *It places greater focus on identifying the true need of the business before going out to market.*

	c. Explain what has improved in terms of the new arrangements? *It ensures the appropriate market understanding and highlights the importance of understanding business models and market characteristics*
7	Does each Senior Manager support/bought into the new arrangement (within Social Services and across the Council)? *We still need to explain and ensure there is an understanding of what the new arrangements entail across the Council before we can answer this question.* Explain any restrictions you have come across (in Social Service and across the Council) *Other Service priorities, restructuring within the Service and the financial cuts facing the Council*
8	Does the category management mean that the Council will be more effective and efficient whilst undertaking procurement? *Difficult to answer until the new arrangements are in place. However, the purpose of category management is to ensure that the individuals undertaking procurement have the required skills and understanding to undertake such tasks. This also includes and understanding of the market and what is best value. Buying by category will be a more efficient and effective approach compared to each service undertaking there own procurement.*
9	Whilst implementing Category Management can you explain how you will ensure opportunities for local suppliers? (within Social Services and across the Council) *The Council has published a contracts register and opportunity list which was launched during GEP (Gwynedd Economic Partnership) meeting. The list is updated by the Corporate Procurement Unit. A message was sent on the 2nd of November to encourage and remind staff to update the register.* Explain how the private sector and third sector in Gwynedd have been prepared and can take advantage of the new arrangement (within Social Services and across the Council) *The new arrangements will assess the best approach and create a strategy to maximise local supplier involvement where appropriate.*
10	How much background work has been undertaken to assess the need and understanding the market (within Social Services and across the Council)? *To early to report on the work of the category team at this moment in time. However as part of the keeping the benefit local programme a study was undertaken to assess current supply voids within the County which will be of use to the category teams.*

	The Business Unit within Social Services also produce Market Position Statements which 'presents a picture of current demand and supply and possible future trends'. Reports have been produced for the following fields: Learning Disability, Mental Health, Residential Care and Nursing. There is also information on the provision for accommodation for the elderly as part of the accommodation for the elderly strategy.
	Keeping the Benefit Local – specific questions following questions 9 and 10.
11	We request that you provide information on the following; spend with 'local' businesses: - Gwynedd - North Wales - Wales *See attachment 2 – Summary of Local Spend*
12	Explain what you have done to promote contact with local businesses and spending locally. *The Council as part of the keeping the benefit local strategy has created and appointed a Business Liaison Officer. The work programme of the officer includes engaging with local businesses and identify potential barriers stopping business competing for Council contracts.* *See attachment 3 for further details.*
13	Explain how you ensure that wider benefits are realised via social clauses across the County. *The Corporate Procurement Team promotes that officers across the Council use community benefit clauses. To ensure that such benefits are realised we monitor the 21st Century Schools Programme to ensure that the suppliers deliver the promised benefits.* *The keeping the benefit local programme will review how we can improve the use of social clauses. The category management arrangement will place greater emphasis on community benefit.*
14	By keeping the benefit local, it is important that local businesses are paid promptly. Can you report on the percentage of invoices which are paid within 30 days if the information is available? *The percentage of invoices paid within 30 days as reported by the Payments Unit are:* *2015/16 (data until Sept) – percentage of invoices paid within 30 days = 92%* *2014/15 - percetage of invoices paid within 30 days = 94%*
15	There is input from the Economic and Community Department and Corporate Support Department. What is the role of the Economic and Community Department, and what has been achieved to date?

The Economic and Community Department are part of the Project Board to ensure that the local benefit agenda is fulfilled. The Department supports the project, mainly via the Business Support Unit which:

- *Supports businesses to complete accreditations by managing a grant fund*
- *Working with the Corporate Procurement Unit and Business Wales*
- *Facilitate business events, relevant to the field of procurement*
- *Raise awareness of tender opportunities within the local business community*

There are a number of local businesses in Gwynedd that has received financial support from the Business Support Unit to complete specific accreditations. The support has enabled local businesses to be more competitive and better placed to respond to future business opportunities.

Attachments

Attachment 1 – Work Programme

(follows appendix 3)

Attachment 2 – Summary of Local Spend

The Council undertakes two assessments of its third party spend. Suppliers are assessed as being 'local' where the headquarters of the business has a post code within Gwynedd. We undertake the initial assessment using an analysis system provided by a company called Spikes Cavell, followed by a more detailed assessment undertaken by our Finance Department. The initial assessment undertaken by Spikes Cavell gives us an illustration of what the official local spend figures will be. The Council reports on the figures provided by our Finance Department.

1. **Spikes Cavell Assessment**

2012/13			
Total	Gwynedd	North Wales	Wales
£157,182,894	£65,486,549	£87,670,965	£103,272,829
	42%	56%	66%

2013/14			
Total	Gwynedd	North Wales	Wales
£163,910,180	£64,302,646	£94,771,196	£107,078,008
	39%	58%	65%

2014/15			
Total	Gwynedd	North Wales	Wales
£159,424,983	£64,437,868.	£88,278,640.20	£100,903,334.85
	40%	55%	63%

2. Spikes Cavell Assessment - Half Year Spend

We also use the Spikes Cavell system to review quarterly spend. This data is uploaded following the end of the second quarter. The data used only analyses spend with suppliers over the value of £1,000. This results in the data being different to the annual local spend performance figure produced annually by both Spikes Cavell and our Finance Department.

Data	Timeframe	Gwynedd Local Spend (%)
Gwynedd	Q1. 12-13	37.12
Gwynedd	Q2. 12-13	39.81
Gwynedd	Q3. 12-13	42.83
Gwynedd	Q4. 12-13	38.67
Gwynedd	Q1. 13-14	36.44
Gwynedd	Q2. 13-14	37.81
Gwynedd	Q3. 13-14	39.98
Gwynedd	Q4. 13-14	39.52
Gwynedd	Q1. 14-15	36.32
Gwynedd	Q2. 14-15	42.93
Gwynedd	Q3. 14-15	41.52
Gwynedd	Q4. 14-15	38.54
Gwynedd	Q1. 15-16	33.38
Gwynedd	Q2. 15-16	40.48

Total half year spend 2015-16

£61,355,624

Total half year spend 2015-16 (Gwynedd based suppliers)

£22,817,095

Spikes Cavell - definition

'Core-Trade: Suppliers with whom over £1000 has been spent in a 12 month period, that have also been classed as a trading organisation or as a non-trade social care provider'.

3. Finance Department Assessment

An assessment of the Council external spend with suppliers undertaken by the Finance Department.

2012/13			
Total	**Gwynedd**	**North Wales**	**Wales**
£159,636,555	**£65,908,183**	**£91,124,694**	**£97,240,051**
	41%	**57%**	**61%**

2013/14			
Total	**Gwynedd**	**North Wales**	**Wales**
£158,001,441	**£64,753,340**	**£91,347,161**	**£95,983,287**
	41%	**58%**	**61%**

2014/15			
Total	**Gwynedd**	**North Wales**	**Wales**
£157,340,255.98	**£63,709,888.54**	**£85,535,561.39**	**£91,993,887.49**
	40%	**54%**	**58%**

Attachment 3 – Business Liaison Officer

1. Re-calculating local spend performance measures

1) The percentage of local spend with businesses who have a branch within Gwynedd:

Local Spend (Spikes Cavell Data)			
	2012/13	**2013/14**	**2014/15**
Original local spend measure	**£65,486,549**	**£64,302,646**	**£64,437,868**
% of spend with local suppliers using original measure	**42%**	**39%**	**40%**
Local spend having included suppliers with local branches within Gwynedd	**£87,180,864**	**£89,601,749**	**£86,719,110**
% of spend with suppliers with local branches within Gwynedd	**55%**	**55%**	**54%**

2. Identifying and alleviating barriers

1) Completing a questionnaire and meeting with local businesses which identified the following main barriers:
   a. Lack of awareness of contract opportunities
   b. Procurement processes being to complex and frustrating
   c. Lack of capacity to fulfil contracts

3. Updating the guidance and documents to support businesses
   a. Working with Gwynedd
   b. Contracts Register
   c. Frequent mistakes

4. Targeting and specific support
   a. Food tender
   b. Social Service and Construction