

**Public Procurement Whitepaper**

# Procurement Blockers

*Raising* the profile of Public Sector Procurement



Sponsored by

**FUSION<sup>21</sup>**



## Sarah Rothwell

Head of Member Engagement,  
Fusion21

As frustrations emerge over how public sector colleagues view the role of procurement, Fusion21's members are keen to stress that not all is lost. By adopting a more progressive approach and striving to embed the function as a strategic enabler with a clear purpose, our members believe that a solution to the problem is well within the grasp of most public sector bodies.

This whitepaper explores the frustrations of public sector procurement professionals and also hears first hand about the innovation and continuous improvement initiatives underway to ensure best practice procurement can make a genuine impact on business performance.

## Introduction

**National procurement organisation Fusion21 represents more than 500 public sector members. During March this year, Fusion21 held a series of members forums across the country held in London, Manchester and Birmingham. The organisations who attended the forums act as representatives of the wider membership of Fusion21.**

At the latest meetings the groups sought to discuss and address key questions focusing on the subject of Procurement Best Practice in the public sector. Fusion21 is an official Chartered Institute of Procurement & Supply (CIPS) Knowledge Partner for the public sector.

We are continually looking to undertake research with our members to review the key issues facing procurement professionals working in the public sector and use these opportunities to share the feedback and knowledge gained with our wider membership.

# Procurement 'Blockers'

A common thread discussed across the groups and a phrase identified on numerous occasions was one of 'Procurement Blockers'.

It seems a key issue or barrier for procurement professionals working within the public sector is how they are perceived across the wider business. From gaining buy-in of the executive team to working with and gaining the cooperation of other departments such as the asset teams - being valued across the business has a clear impact on the success of procurement within any organisation.

The differences between public and private sector procurement functions were discussed. The majority agreed that in the public sector the main driver for procurement was around compliance, in contrast to the private sector where procurement as a function tends to focus on price and costs.

The association of being driven by compliance, from either a financial or legal perspective, usually lends itself to associate procurement teams with risk and negative opinions around the function of procurement being one that 'blocks' activity.

Participants highlighted that this is further reaffirmed by the fact that procurement within the public sector almost always falls under the jurisdiction of the Finance team.

The perception of procurement's main focus being around compliance meant that the functions ability to truly 'add value' was sometimes reduced. More importantly it was mentioned that this same perception tended to remove opportunities for procurement to have a place on the strategic table within organisations.

What was clear is that procurement teams want more influence; they want to move beyond being seen as just operational, it's important for the function that it is valued at a strategic level.



*"Procurement can be seen as a function that 'gets in the way', and working with the procurement team can be seen as a burden"*

**Procurement strategy should be an important part of an organisation's long term strategy. Obtaining buy-in from top to bottom seems to be a challenging process that never stops for procurement teams - albeit a slow journey, many believed it is a progressive journey for procurement professionals in the public sector.**

# Procurement is about much more than buying

Good procurement shouldn't just be about tendering, it should consider the end-to-end process and the effective management of that process.

A consensus across the groups was that they wanted internal teams to utilise procurement teams more often and more effectively. It was seen as important to be involved in planning at an early enough stage to make meaningful contributions. One participant said that it was difficult to get executive teams to fully understand what could be achieved from proper end-to-end procurement.

*"People know how to buy but not necessarily procure"*



Essentially, procurement should aim to deliver best value. Improving commerciality was a key issue that could help support the internal 'sell' of procurement - it was suggested that this could be undertaken through a range of training and awareness schemes internally within organisations.

In terms of organisational buy-in, we know that when there is a low procurement drive within any organisation, there is a tendency to repeat contracts and continue with the same delivery as always. Organisations with a low procurement drive will not see significant improvements in performance and will not ensure effective value for money, nor drive the right efficiencies.

**It's clear that to make a noticeable difference and contribute to the wider organisational strategy, procurement teams need to be able to participate and contribute to strategic objectives and not just be seen as a way to achieve compliance.**



# Key Questions: Procurement Best Practice

The aim of the research was to primarily allow members to discuss issues and best practice with fellow procurement professionals within a fairly informal environment.

We aimed to open discussion and share examples of different ways of working and best practice that could be either adopted or learnt from by others.

In addition to discussing what was meant by 'procurement best practice' we also asked the groups a series of specific questions including:

**Q1** **What are the daily procurement challenges you face and how do you overcome them?**

**Q2** **What does value for money mean to you and how do you build this into your procurement strategies?**

**Q3** **How do you see procurement evolving?**

**Q4** **What key skills do you think are needed to be successful in a procurement role? Are these skills transferable across various sectors?**

*“Undertaken properly, procurement provides an opportunity to be a key driver in providing excellent and efficient services in ways that suit individual organisations helping to achieve wider organisational aspirations.*

*Too often procurement just focuses on the specific scope of a particular contract, providing goods and services but ignoring how a more innovative approach could increase the benefits both within an organisation and to its customers.*

*Delivering better services with better value for money can be achieved, but only by agreeing and setting the right, appropriate procurement strategy up-front. This can be achieved by embedding procurement services and principles within an organisations’ services, and not being seen as a ‘bolt-on’ to be engaged when a contract is due to expire.*

*A collaborative approach to procurement within an organisation encourages early, regular and healthy challenge of service needs to determine what outcomes really matter, allowing effective procurement to be tailored to deliver what really matters. This may be targeting SMEs, improving social value, training and increased employment within a community, but will be different for each organisation. ”*



Paul Griffiths, Head of Housing Assets and Development,  
Dudley Metropolitan Borough Council

## What are the daily procurement challenges you face and how do you overcome them?

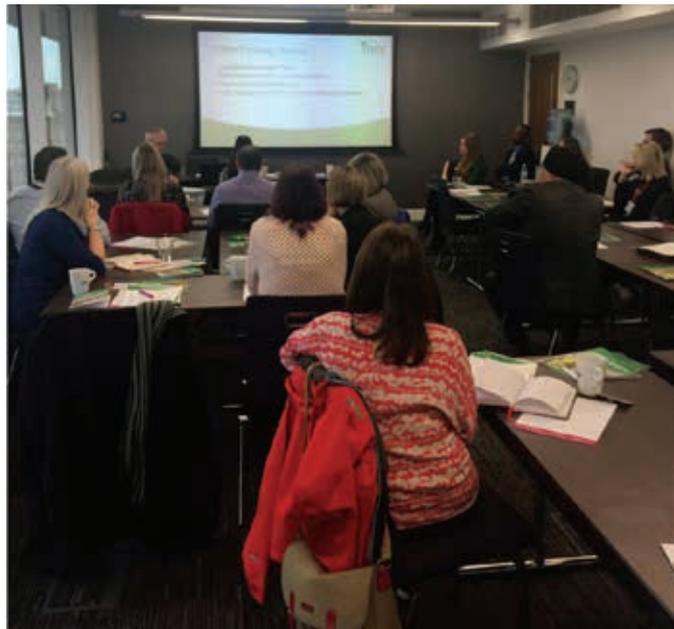
Across each event the same common issues in terms of challenges faced by procurement teams arose. The majority of feedback from the groups aligned to issues around data, timescales and limited technical knowledge.

**Failing before we start** was a key concern of participants. Overriding this was a difficulty to define the exact outcomes wanted from procurement at the very beginning of any process. Failure to provide a clear brief combined with a clear goal at the very beginning was viewed by participants as a huge obstacle in determining the ultimate success of procurement.

**Quality of data** was seen as a main procurement challenge. Poor or limited data held by internal teams can often be passed to procurement. Participants felt that internal teams often had an over reliance on existing suppliers for correct and accurate data on stock.

The groups agreed that not having the right information, or enough information at the very beginning of a procurement process was a common procurement challenge.

A solution to the issues around data was to ensure that internal teams could work with procurement in advance to ensure better forward planning was undertaken - ultimately ensuring that the right data could be collated in time.



**Appropriate timescales** was another main challenge for procurement teams. Ensuring adequate time was given provided procurement teams with the opportunity to undertake early market engagement with suppliers and soft market testing. Both were seen to positively contribute to procurement exercises undertaken by any organisation.

Following on from having the opportunity to undertake early market engagement included more simple tips relating to timescales, such as ensuring tender periods were long enough to allow effective engagement with suppliers, contributing to higher expressions of interest and tender returns across the market.

**Limited technical knowledge** was also a key challenge for many organisations. Recent cuts across the sector have impacted on internal resource meaning many organisations possess limited knowledge of how to write and define specialist specifications internally. If specifications did exist, ensuring that these were kept up to date and relevant was also viewed as a key challenge for procurement teams.

**The need for agility** and flexibility in procurement activity was seen as essential. Recent events such as the Grenfell tragedy have meant that procurement programmes have had to change quickly, with little notice to effectively plan.

Participants viewed having various routes to market as valuable, this included the use of pre-existing frameworks which can provide a quick and compliant route to market.



**Summary of challenges**

**Failing before we start**

**Quality of data**

**Appropriate timescales**

**Limited technical knowledge**

**The need for agility**

## What does value for money mean to you and how do you build this into your procurement strategies?

Value for money means many things and can vary depending on an organisation's strategy.

Whilst cost and management of costs was a key variable for the groups, compliance and quality were considered main drivers.

Participants agreed that there has been a movement towards an increased focus on quality over cost on procurement exercises - with recent events highlighting that value for money is about much more than considering initial costs on bids.

In general, feedback was that the majority of evaluation weighting on tenders was a preference weighted towards quality, at around 60% of all criteria. More progressive organisations were also ensuring they awarded full marks to suppliers winning the top quality marks, meaning that overall scoring within evaluations were equal from both a cost and quality perspective.

**Pay fair value** was also highlighted by participants, the majority believed they should be paying reasonable costs for works and services procurement - with many giving examples of when they had disqualified bids where prices were believed to be too low and undeliverable based on the specifications provided.

**Improved supplier management** was also highlighted as important - and procurement teams now more than ever are considering the financial performance of suppliers prior to contract award. Supplier management also extended to monitoring the supply chain on projects where main contractors were involved, ensuring they are reviewing the treatment and payment terms for smaller businesses and sub-contractors.

The importance of considering the use of SME's was highlighted as an important value for money factor by many participants. **Localism** has been driving organisations to want to work with local SME's and ways to ensure this could be promoted through effective procurement. Examples of how organisations are supporting this were around providing tender support and improving payment terms for SME's where possible.

The groups discussed **social value** and how this could be provided whilst driving value for money. Ensuring that organisations had a clear CSR policy supported by robust social value objectives were viewed key in being able to deliver social value through procurement.

It was imperative that procurement teams could have a social value goal to work towards - ensuring that social value could be achieved and reported on at no additional cost. Some participants argued that social value objectives should be a part of the specification at the beginning of any procurement exercise.

Organisations who were wary of considering social value outcomes as an output of procurement suggested that it was because it usually carried an additional cost to the contract. It was also highlighted that whilst many considered social value at the start of the procurement process, implementation of or evaluation of social value outcomes delivered were often not checked post contract award stage.

*“Public sector procurement has become synonymous with the sourcing part of the procurement process. The key to getting procurement involved more strategically is to help senior managers recognise that procurement starts the moment they decide that they need something, not when they decide to buy it.*

*The only way to stop procurement being viewed as a compliance function is by changing our approach. Many colleagues that I have encountered have used the same approach to service provision as Legal and Financial Services. They are solely focused on the rules and the processes.*

*This service approach inevitably results in the function being perceived as compliance focused. If we want to get rid of this perception, a change to our approach is needed. We really need to master relationship management with our wider colleagues and teams.*

*The biggest opportunity to add value to procurement within the public sector is through contract management. When we see contracts failing through poor delivery, its often due to inadequate investment in providing resources to undertake contract management.”*



Rebecca Reading, Senior Procurement Business Partner,  
Warwick District Council

## How do you see procurement evolving?

We've already mentioned how procurement professionals and teams working within the public sector would like to have increasing involvement with key strategic plans across their organisations.

Common themes around how procurement is evolving were focused around the areas of contract management and category management.

**Involvement in contract management** - many participants talked of how they were increasingly involved in the management of contracts they had procured. It was noted that there was a growing expectation from internal clients for procurement teams to become involved in projects beyond contract award stage.

**Shifting towards a category management approach** - many of the progressive organisations who participated in the sessions discussed their increasing focus on a category management approach. It was viewed as crucial to have team members who were viewed as 'internal experts' in specific category areas, ensuring they could demonstrate that procurement staff were as knowledgeable in terms of innovation and product development as staff from other internal teams.

We also raised the question around **general procurement principles and Public Contract Regulations**. The groups were asked if their approach would change in any way if the regulations were no longer in place.

In general, many felt that it wouldn't, as it was felt the principles of competitive tendering, transparency and fairness would still apply to any procurement processes.

Some mentioned that it would be good to explore options around more flexible procurement methods, including two stage tendering and competitive dialogue. Currently these approaches are deemed higher risk and many are wary of legal challenge, but many could see the positives of exploring different ways of procurement if the issues around perceived risk or challenge could be overcome.

**Becoming more assertive** was another way that procurement teams could potentially evolve within their organisations. It was alluded to earlier in this paper that compliance is viewed as a key driver for procurement teams within the public sector.

It was asked and discussed how procurement teams ensure that all contracts across their businesses are compliant. Many discussed how they had informal processes in place but often instances of non-compliance by internal teams were not highlighted or escalated.

Suggestions as to how to increase awareness of instances of non-compliance across organisations included providing monthly reports broken down by categories to executive teams and highlighting areas of risk so full visibility is provided. Further suggestions were to include non-compliance information into staff annual performance reviews or via more informal quality assurance checks.

*“As horizons constantly change, procurement professionals need to adopt a flexible approach to solving problems but an inflexible attitude to gaining value and quality. To produce ultimate value, the procurement process doesn’t end at the contract start but is always involved and should see the job through. Building relationships is what it is all about”*



Barry Goodwin, Procurement Team Lead,  
Kireeles Neighbourhood Housing

**Summary of how you  
see procurement  
evolving**

**Involvement in contract management**

**An increased category management approach**

**Becoming more assertive**

## What key skills do you think are needed to be successful in a procurement role? Are these skills transferable across various sectors?

The groups discussed the issue procurement teams are facing at the moment from a personnel perspective. **Effective recruitment** was a key theme that was discussed.

Difficulties in finding and then subsequently retaining good procurement staff was identified as a major issue for teams.

Many participants spoke of problems they had finding staff with suitable skills and the right qualifications. It seems that good procurement managers, particularly those MCPIS qualified, are thin on the ground for public sector organisations who are trying to recruit into teams.

Adding to the difficulty in sourcing managers, it was also highlighted by some participants that there were issues with high levels of turnover of procurement staff.

The reasons as to why this may be varied. Some suggested that the role within the public sector isn't viewed as progressive, many discussed the limited opportunities available for career development within a procurement role, and others alluded that pay-grades within procurement are typically lower in comparison with other departments such as Asset teams.

Solutions to how organisations are looking to combat this issue included undertaking and providing certain levels of development for procurement staff, driving the idea of introducing a procurement apprenticeship role, and seconding procurement staff into delivery teams to support personal development and knowledge sharing.

**Transferable skills and softer relationship management** skills were highlighted as extremely valuable to staff working within procurement teams.

Key skills deemed desirable for procurement personnel included; thick skin, perseverance and persuasive skills. There was a consensus that these skills were more important than ever, as the emergence of relationship management becomes more important for procurement teams and across organisations.

Participants said that personality could be a key factor for procurement personnel, and those who could work across teams, have an understanding of the wider business context and gain 'buy-in' could really add value.

# In Summary

## Our research found that...

- Procurement's profile is gradually starting to become more important to organisations on a strategic level and procurement staff want to have more influence at a strategic level;
- It's important for procurement teams to clearly define outcomes at the beginning of a process; work with other teams to ensure data is accurate and ensure timescales are adequate to enable soft market testing;
- Different routes to market should be considered to compliment procurement strategies and support with technical knowledge, including the use of pre-existing frameworks;
- Quality is becoming increasingly important to public sector procurement teams and tenders are often weighted with a higher quality bias;
- Value for money can mean different things depending on an organisations' strategy, however localism, pay fair value and improved supplier management were viewed as key ways to achieve this;
- As procurement teams are evolving there is an increased focus on contract management for procurement staff and a move towards a category-based structure for the procurement team to drive specialist roles.

## Conclusions

At Fusion21 we understand and recognise the challenges our public sector procurement colleagues face during this challenging climate. However, we are encouraged by the extent to which the members who participated in our research had already embarked on a journey to address some of these concerns.

Compliance should be the cornerstone of any public sector procurement strategy and we wholeheartedly champion the need to recognise value for money and added value as equally important factors.

By striving to redefine the realm of best practice within the sector, organisations can only benefit from new thinking, new initiatives and an increased sense of the role that procurement can play in delivering organisational objectives.

# MAKE A *real* IMPACT

Fusion21 helps people buy smarter in the public sector and make a difference in communities across the UK. We've saved our members more than £197m with fully compliant procurement frameworks, while the social value of our projects currently stands at £78m. Talk to us about making a real impact.



**0845 308 2321**



**info@fusion21.co.uk**



**fusion21.co.uk**



**@fusion21SocEnt**

## Thanks to the following organisations for participating at our events:

Brighton Council  
City of York Council  
Curo Group  
Dudley Metropolitan Borough Council  
GreenSquare Group  
High Peak Borough Council  
Homes for Haringey  
Housing Plus Group  
InCommunities  
Irwell Valley Homes  
Kirklees Neighbourhood Housing

London Borough of Barking & Dagenham  
London Borough of Hounslow  
London Borough of Lambeth  
Metropolitan Housing Trust  
Midland Heart  
Mosscafe St Vincent's Housing  
Orbit Group Ltd  
Regenda  
Riverside  
Rugby Borough Council  
Sanctuary Housing  
Stockport Homes

Stonewater  
The Pioneer Group  
Thirteen Group  
Torus  
Walsall Housing Group  
Warwick District Council  
Waterloo Housing Group  
Waverley Borough Council  
West Lancs Borough Council  
WM Housing  
Your Housing Group