

Procurement Trends Report 2019

Helping our members
make a *real* impact



Sarah Rothwell

Head of Member Engagement,
Fusion21



Foreword

Welcome to Fusion21's second annual Procurement Trends Report. Our aim when embarking on this study, was to understand the factors driving UK public procurement across the housing, local authority, education, blue light and health sectors.

Exactly **100** procurement professionals representing **92** organisations have contributed to this report, which highlights the experiences our members have in common, in addition to the ways they can potentially learn from one another.

Financial constraints weighed heavy on many of those who took part in this year's Procurement Trends Survey, with **59%** at least sometimes feeling under pressure to procure at the lowest price – a slight rise on last year, when **55%** of respondents reported feeling compelled to go for the cheapest option.

Some research participants shared details of how they continually strive to achieve high quality, despite having less money available. They do this by working more closely with potential suppliers, and carefully outlining their expectations.

However, the more sophisticated approach to procurement requires skills and expertise, and **43%** say they have faced – or are expecting to

face – difficulties when trying to recruit talented individuals to their teams.

Findings also revealed more than half (**53%**) of respondents outsourced procurement activity, with **49%** doing so in order to access technical expertise or support, and **41%** to access procurement expertise.

Fusion21 provides a range of national procurement and social value services to **540** public sector members who rely on us to provide support and expertise.

To date, we've delivered **£197** million savings through our procurement services, and we continue to expand upon our procurement offer, responding to member needs.

That's why we recently launched our national Construction Works & Improvements Framework, designed to deliver capital works programmes across the public sector and support all types of building construction activity.

We'll now be using this report, along with any feedback, to help us to understand the pressures public procurement professionals are facing, whilst gaining insights into their future aspirations. This knowledge will also help us to further shape the procurement services we offer to Fusion21 members.

Executive Summary

One hundred public procurement professionals from **92** organisations – representing the housing, local authority, education, health and blue light sectors – took part in the second annual Fusion21 Procurement Trends Survey, which ran in April and May 2019.



25% of respondents said procurement is viewed as a “highly important strategic function” within their organisations. However, a very similar proportion (**26%**) said their role is not considered to be even slightly strategic.



More than three quarters (**78%**) said building safety and compliance were their organisation's most important consideration when spending on property assets.



More than half (**55%**) said financial constraints had the biggest possible influence on their organisation's approach to procurement.



59% felt under pressure to procure at the lowest price – a small rise on last year, when **55%** reported being under this type of strain.



Almost two thirds (**64%**) said social value has become a more important part of their work over the last 12 months.



A third (**33%**) were planning to recruit more individuals into their team over the next 12 months. However, **43%** expect to face difficulties finding the right people.

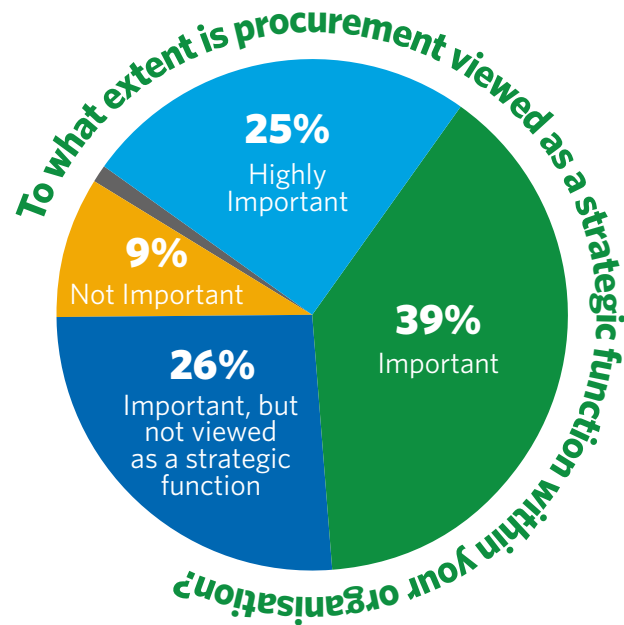


53% outsourced procurement activity, with **49%** doing so in order to access technical expertise or support, and **41%** to access procurement expertise.

Internal & External Influences

Procurement as a Strategic Function

Exactly a quarter of the public procurement professionals who took part in this year's Procurement Trends Survey said their role is viewed as a "highly important strategic function," within their organisations.



A further **39%** reported that, while their role isn't seen as crucial, it is, nonetheless considered to be of strategic value. That means, in total, almost two thirds (**64%**) of those who took part in our research reported procurement has achieved strategic status. However, not much has changed year-on-year in terms of the

proportion of participants who believed their role is not thought of as strategic – **29%** last year, falling slightly to **26%** this year. Meanwhile, **9%** are despondent, saying they believe their job is considered neither important nor strategic. This is up slightly on last year, when only **3%** stated that procurement was not valued.



of procurement professionals said financial constraints from within their own organisation had the most influence on their work

Inside out

When presented with a list of potential internal and external influences, more than half (**55%**) of those who took part in our research said financial constraints from within their own organisation had the biggest possible influence on their work.

Next in line came the "risk of supplier performance," which was ranked number one by **17%** of all respondents. The Hackitt Report – the independent review of building regulations and fire safety, commissioned by the government following the Grenfell Tower fire – came in third (**16%**), and Brexit fourth (**9%**).

"Brexit was all everyone talked about for a while, but that has settled down. The delays have enabled us to spend more time planning and forward-purchasing certain items," wrote one housing association supply chain manager. "The Grenfell Tower tragedy and the Hackitt Review, did have a big impact on our

organisation. We spent 18 months focusing on fire safety work."

Survey respondents collectively own more than one million homes and other properties. When asked about their spending on these assets, **78%** of public procurement professionals said building safety and compliance were their organisation's most important consideration.

Nearly three quarters (**72%**) included compliance with procurement regulations as an 'extremely important' aspect of their day jobs. Almost half (**47%**) pointed to cost savings, over a third (**39%**) to quality, and around one in five (**21%**) to cost avoidance.

72%
included **compliance with procurement regulations** as 'extremely important' in their day jobs

47%
pointed to **cost savings** as an important aspect of their day jobs

Cost v Quality

More than half (**59%**) of those who took part in this year's Procurement Trends Survey reported they sometimes felt under pressure to procure at the lowest price – a slight rise on last year, when **55%** said they felt that way.

"It's short term thinking, driven by budget cuts," said one procurement professional who works for a housing association. "It's about getting as much done for as little [money] as possible."

While some procurement professionals insisted their organisations always focus on quality above all else – "Quality is always most important," stated one housing association manager – others explain that it depended upon the goods and services being procured. One in five reported they "often" felt compelled to purchase at the cheapest price. Again, this was up on last year, when **16%** said they frequently felt under pressure to drive costs as low as possible.

Digging further into the thinking behind procurement decisions, research confirmed our respondents generally considered "anticipated spend" to be a higher priority than longer-term "life cycle costing."

"It's about getting as much done for as little [money] as possible"

Do you feel pressure to procure at the lowest price?

20% said often

39% said sometimes

41% said no

More with Less

The emphasis public sector organisations placed on cost and quality when buying goods and services ranged between a cost/quality split of **70:30** and **30:70**. One procurement officer who works in higher education said that his organisation uses an **20:80** ratio to ensure quality; however, the most frequent cited breakdown was **40:60**.

Some of those who took part in our research made comments such as, "Quality is important, but if it doesn't correspond with the lowest price, it can cause a reluctance to award following an evaluation;" and "Budgets are always stretched and we can't always afford to pay for the quality we aspire to."

There were respondents who outlined how they continually strive to achieve high quality, despite having less money available. "Budget constraints mean the best of both worlds is required: highest quality, but still at the cheapest price," said a department head of a blue light organisation.

"Despite government cuts, it is essential we try to continue to provide the same services without compromising quality," wrote a housing association procurement manager. "We set key performance indicators within tender documents, and ensure suppliers deliver what we expect."

Case Study

"We usually define the cost envelope within our invitation to tender, and then we procure 100% on quality. This means that suppliers' costs have to come in within that envelope and they have to tell us how they would be able to provide the service.

A lot of work is carried out prior to the procurement process around gaining market intelligence, and we work closely with our local partners, as well as potential suppliers, to co-design our tender information. For example, if we were procuring a new health-related service, we would spend at least six months working with organisations to understand what the best design of the service would be and where cost pressures are likely to arise.

It's about building relationships with our suppliers, so they understand what our strategic objectives are, and the outcomes we expect.

For us, the tender is the end part of the procurement process."



Michelle van Toop

Associate Director of Procurement & Contracting

NHS Leeds Clinical Commissioning Group

Social Value

Almost two thirds (64%) of public procurement professionals who took part in our research said social value has become a more important part of their work over the last 12 months.

64% of respondents say social value has become more important over the last 12 months

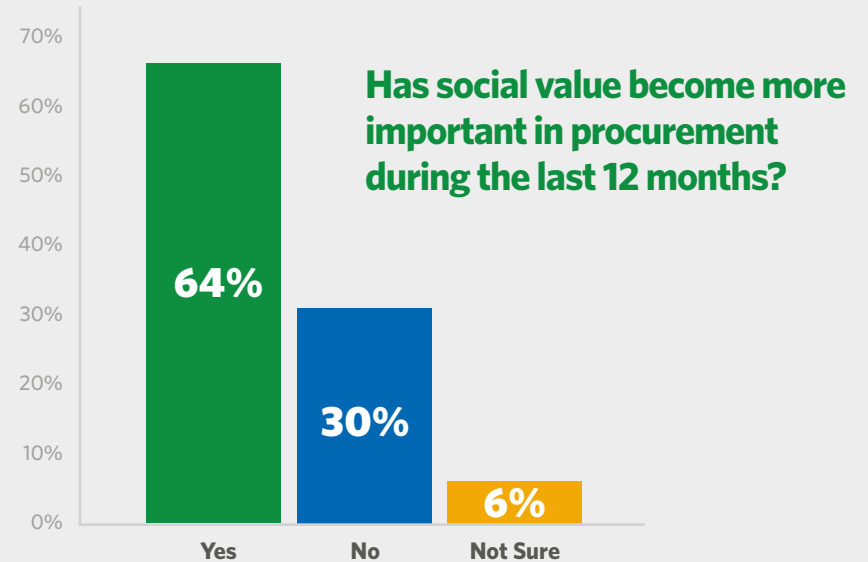
Last year, the vast majority (83%) of those who took part in our research said they believed The Public Services (Social Value) Act, which came into force in 2013, had been influential in terms of ensuring their organisation considers social value during procurement. It seems that, six years later, its impact continues to grow. This year, we expanded our questions around social

value, asking research participants to select the outcomes they prioritise and deliver through their procurement activity.

Skills and employment came out top, cited by 39%; next was local economy benefits, highlighted by 30%; and then health and wellbeing, which was mentioned by 11% of procurement professionals.

39%
said that they prioritise **Skills and Employment** during procurement

30%
said they prioritise **Local Economy Benefits** during procurement



Case Study

“At The Barnet Group (Barnet Council’s arm’s-length management organisation for housing) we have developed a unique procurement model, through which we award contracts based on **60%** quality, **10%** corporate social responsibility (CSR) and **30%** price.

Up until January 2018, we used a more standard **40:60** cost/quality split, but we found that suppliers were meeting our tender specifications without being clear on their CSR offer against what we aspired to see delivered within our communities.

Now we work in conjunction with other teams within The Barnet Group to incorporate specific requirements within our tender documents, asking what they would be able to achieve during the life of their contract with us.

We’re careful to ensure that the CSR activity specified is proportionate to the contract, and worth no more than 5% of its total value.

We ensure that any suppliers who work with us are aware that we expect a certain level of CSR contribution.”

Carol Connah

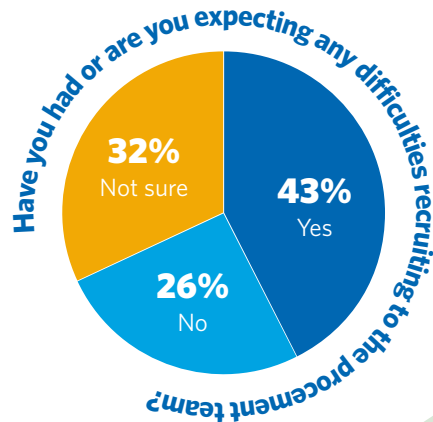
Group Procurement Officer, The Barnet Group

Procurement Skills and Expertise

Last year, around a third of respondents said their procurement team had grown during the last 12 months. This year, a similar proportion (33%) said they were planning to recruit more individuals into their team over the coming 12 months.

Forty-three per cent report they have faced – or are expecting to face – difficulties when trying to find the right people. When asked why, more than two thirds (68%) said there is a shortage of relevant skills.

Nearly a third stated there was a lack of individuals with Chartered Institute of Procurement and Supply (CIPS) qualifications. Meanwhile, 43% believed the salary their organisation was able to offer potential new recruits was deterring talented individuals from applying.



Outsourcing

This year – just like last year – more than half (53%) of research participants outsourced procurement activity.

Around half do so in order to access technical expertise or technical support, 41% to access procurement expertise, 39% due to a lack of in-house resource, and 23% to ensure compliance.



Case Study

"We tend to use procurement frameworks for speed, expertise, and in order to access greater buying power. Local authority teams do not tend to focus on one area of procurement, so it's useful to be able to outsource to people who are more knowledgeable.

Like in many councils, procurement's role is to facilitate the local authority's compliance. It is up to individual service areas to decide upon how they want to prioritise cost and quality. It's done on a case-by-case basis, but we lean towards prioritising quality over cost."

Rebecca Reading

Senior Procurement Business Partner at Warwick District Council

Conclusions

Public procurement professionals are facing similar financial pressures, regardless of the sector they work in. However, our Procurement Trends Report reveals how some organisations utilise their procurement function in order to provide quality products and services, despite having less money available.

It is possible to work with suppliers and other partners to achieve longer term positive outcomes, while also reducing the overall cost of contracts, but to do so takes skills and expertise, and an organisational culture that empowers procurement professionals to make strategic decisions.

At Fusion21, we're encouraging our members to network and share their ideas, so they can move towards seeing and acting on the bigger picture.

We're here to provide the skills and expertise our members may not have in-house, in order to help provide procurement services that generate efficiencies, deliver social value and make a real impact across the public sector.

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



Fusion21.co.uk



info@fusion21.co.uk



@Fusion21SocEnt

FUSION²¹