

# Procurement Trends Report 2020

Helping our members  
make a *real* impact

November 2020



## Andrew Gray

Member Relationship  
Manager, Fusion21



## Foreword

**Launched in 2018, Fusion21's annual Procurement Trends Reports have been able to track the impact of Dame Judith Hackitt's review of building regulations and fire safety, the progression of Brexit, the introduction of the net zero carbon agenda, and now, the COVID-19 pandemic.**

In this year's report, we have been able to both reflect on current concerns and long-term trends, using the evidence we've gathered through asking questions of hundreds of UK public sector procurement professionals.

Fusion21 provides national procurement and social value services to 673 public sector members who rely on our support and expertise. We view procurement as a strategic enabler, and we know that our members and supply chains are able to adapt to the challenges we're all facing at the moment.

Procurement has a huge responsibility to support the delivery of the government's policies and wider agendas through public spending, and we're committed to responding to what our members tell us and to providing the frameworks and services they need.

For example, we've changed the way we approach social value to provide a more local offer, allowing our members to choose from a number of options for investing in communities.

Over the last 12 months, we've launched a series of new frameworks - Lifts, Energy Efficiency, Heating and Renewables, Improvement Works and Material Supply and Associated Services - all to enable members to add increasing value to their organisations.

This report reveals that procurement professionals are often viewing their role as crucial in engaging with suppliers, creating employment opportunities, and providing compliance expertise - as well as reaching net zero carbon by 2050 and demonstrating the value of looking beyond immediate cost savings.

As the importance of their strategic input becomes more widely acknowledged, Fusion21 will be there to enable members to provide the support, expertise and frameworks they need to help their organisations make a real impact on people's lives.

# Executive Summary

**More than 100 procurement professionals - representing the housing, local authority, education, health and blue light sectors - took part in the third annual Fusion21 Procurement Trends Survey, which ran throughout July 2020.**



Almost one in five **(19%)** said their role is viewed as a "highly important strategic function," within their organisation



Meanwhile, more than a third **(35%)** expected their teams to grow during the coming year



**49%** said their contracts were typically weighted towards quality



**83%** of procurement professionals believed coronavirus had been "important" or "extremely important" in terms of its impact on their work during the previous 12 months



**54%** said Brexit had been "important" or "extremely important" over the previous year



**70%** prioritise social value outcomes related to skills and employment



More than two thirds **(68%)** had been involved in conversations about procurement and its role in achieving greater sustainability

# Coronavirus

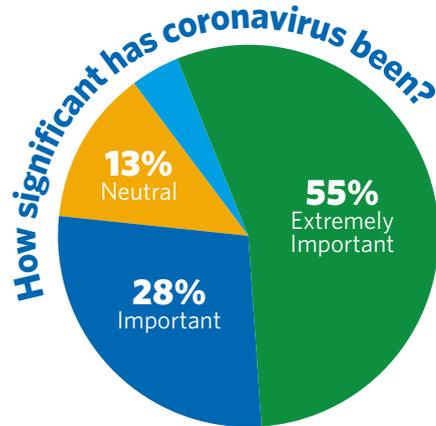
For those who took part in Fusion21's Procurement Trends Survey, coronavirus has been a hugely significant factor in the way they have been able to do their jobs.

Not only has the pandemic led to the obvious changes to where procurement teams work – mostly from home – it has also seriously affected their ability to fulfill their objectives.

When asked how significant coronavirus had been, in terms of its impact on their organisation's approach to procurement, **83%** of procurement professionals answered that it had been either "important" or "extremely important".

**How significant has coronavirus been, in terms of its impact on your organisation's approach to procurement during the last 12 months?**

- Extremely important **55%**
- Important **28%**
- Neutral **13%**
- Not important **4%**
- Not applicable **0%**



For example, a survey respondent wrote: "The virus has paralysed the procurement of items and meant no proper purchasing has been done."

One procurement professional explained how the crisis had pushed their organisation's procurement plans back by "at least six months", and another outlined how more contracts had been awarded directly to suppliers without going through the tender process, or existing contracts had simply been extended.

## Managing risk within the supply chain

As the first wave of coronavirus swept the globe, and its economic fallout became apparent, the UK's public sector procurement teams feared for their contractors' and suppliers' businesses.

"COVID-19 has exposed vulnerabilities in the supply chain that were previously unheard of,"

wrote a procurement professional working in the health and social care sector. "This was outside the experience of the majority of staff within the procurement and supply chain functions."

At the beginning of the first national lockdown, the Cabinet Office issued procurement policy

notes asking for public bodies to review their contract portfolios, and to inform the suppliers they believed could be at risk that they would be paid as normal, even if service delivery was disrupted or temporarily suspended. Respondents to this year's survey reflected on how they had been able to reach out to contractors and suppliers.

"We are ready and willing to support smaller SMEs under the PPNs as appropriate," wrote one respondent who works for a housing association. "This meant we can support local workforces."

Procurement professionals commented on how coronavirus will have a longer-term impact on the way organisations enter into contracts, with the social distancing and other health and safety measures now a part of life.

"Prospective suppliers will have to include these in their risk assessments and method statements if they are going to be working in tenants' properties," outlined one participant who works for a local authority.

Procurement professionals also had concerns around the future pricing and availability of products, in light of the pandemic. "We've been having discussions with the market around the possibility of increased prices," wrote a procurement manager.

Another respondent believed it was too early to comment on the longer-term implications of the virus: "The full effects of COVID-19 are not known; therefore, establishing a long-term policy is problematic."

*"COVID-19 has exposed vulnerabilities in the supply chain that were previously unheard of."*

## Case Study

Coronavirus did raise the Procurement Team's profile for a while especially during the early stages of lockdown. As a team, we were involved in being part of the fight to source personal protective equipment (PPE) at the start of lockdown. This was particularly important to us at Broadland Housing Association, as we have our own in-house maintenance and cleaning teams.

We were also liaising with contractors and suppliers, gathering information on how their businesses were dealing with the crisis. At this point, we were providing updates to our Leadership Group on a regular basis.

Now we have had that experience of feeling closer to Broadland's Leadership Group and the wider Broadland team, we as a Procurement Team want to carry on building relationships. We are currently working on our first strategy document, which is aligned to the corporate strategy and demonstrates how we as a team can support the Broadland Housing Group's objectives.



**Barry Ashby**  
Head of Procurement  
Broadland Housing Group

# Procurement as a strategic function

Almost one in five (**19%**) of the public procurement professionals who took part in this year's survey said their role is viewed as a "highly important strategic function," within their organisations – this compares to the one in four (**25%**) who said the same last year, and **23%** the year before.

This suggests a slight fall in the perceived strategic value placed on procurement, despite the majority of procurement decisions still being made at a director (**24%**) or department head (**27%**) level.

There is a sense, among respondents, that dealing with the immediate fall-out from the coronavirus crisis is currently consuming organisations, but procurement will be an important part of longer-term strategies.

Working through a COVID-19 pandemic, "may get more senior people to be interested in procurement and planning", suggested one research participant.

Procurement is viewed as a highly important strategic function within my organisation

19% in 2020

25% in 2019

23% in 2018

Within **47%** of respondents' organisations procurement is its own stand-alone function, and there is some evidence that, in 2020, procurement professionals have been working hard to drive their own agendas.

For example, one respondent explained how, while there have been no organisation-wide discussions around social value or sustainability, their procurement team has been taking matters into its own hands. "The introduction of social value and ethical procurement are being led by procurement on our own initiative," they stated.

*"The introduction of social value and ethical procurement are being led by procurement on our own initiative"*

## The changing shape of procurement teams

Over the previous 12 months, respondents' procurement teams had mostly remained the same size (**51%**), while **26%** had grown and **15%** had reduced in terms of numbers of staff. Meanwhile, more than a third (**35%**) said they expected their teams to grow during the coming 12 months.

One reason that procurement teams may be set to expand is an increasing appreciation for the technical expertise procurement professionals often hold.

"I remember the procurement being referred to as the 'shopping department' and would often come to us after they'd already made a

purchase," sums up one housing association procurement manager. "These days, colleagues have started to recognise that we have a better understanding of specifications and compliance – they tend not to want to be accountable for purchasing for themselves, in case something goes wrong."

35

%

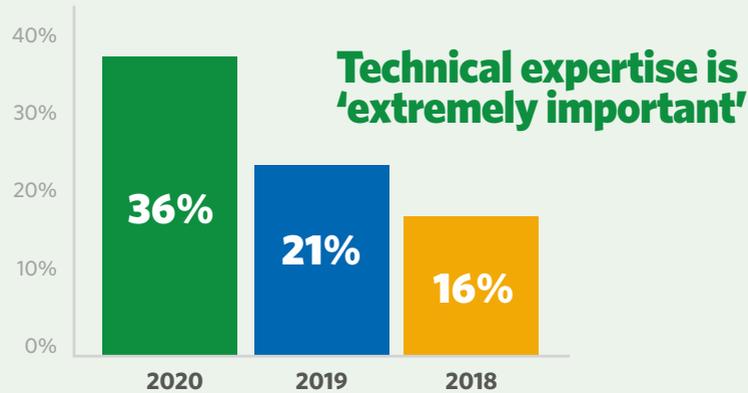
said they expected their teams to grow during the coming 12 months

## The value of technical expertise

More than a third (**36%**) of those who took part in this year's survey described technical expertise as not just 'important', but 'extremely important'. There has been a significant increase in the emphasis procurement professionals are placing on technical know

how over the three years Fusion21 has been running its procurement trends research.

This year, a huge **88%** of respondents described technical expertise as either 'extremely important' or 'important'.



## Case Study

As a five-strong procurement team, we're working to raise our profile within the rest of the organisation. For example, we are working on a customer satisfaction survey, which will be sent to all Citizen colleagues enabling them to give us honest feedback about the way we currently work with them.

We're also each taking responsibility for liaising with certain departments, so colleagues get used to talking to the same person and we can build that all important rapport effectively.

Occasionally, colleagues come to us after they've made a purchase, and we're currently working on an e-learning course for staff members, in order to ensure everyone is up-to-date with our procurement procedures and talk to us before they make a purchase.

There's more work to do to make sure procurement is more prevalent throughout the organisation, but we're getting there. We're providing monthly updates to our Senior Leadership Team, quarterly updates to the Board of Management, and making sure we're having constant conversations with colleagues.



**Gemma Wheatley**  
Senior Procurement Officer, Citizen

## Cost v Quality

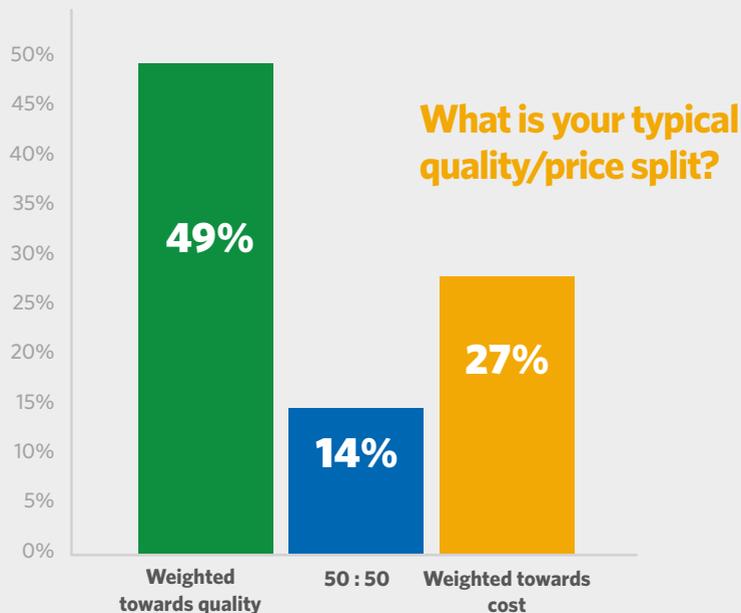
The emphasis public sector organisations typically placed on cost and quality when buying goods and services ranged between a cost : quality split of 70 cost : 30 quality (which was the case for **11%** of respondents) and 20 cost : 80 quality (which was the case for **4%** of respondents).

**49%**  
said their contracts were typically weighted towards quality

However, the most frequent weightings were more finely balanced between cost and quality, with **16%** of respondents using a 60 cost : 40 quality ratio, **14%** using a 50 cost : 50 quality ratio, and **38%** using a 40 cost : 60 quality ratio.

Overall, emphasis was placed on the standard of the goods and services available, with nearly half (**49%**) saying their contracts tended to favour quality over cost.





## A tender-by-tender approach

The findings of an independent inquiry chaired by Dame Judith Hackitt – the Building a Safer Future report, published in 2018, a year after the Grenfell Tower tragedy in June 2017 – called for housing providers to avoid a ‘race to the bottom’, with organisations moving away from rigid cost/quality weightings and towards whole-life costings.

A shift of this nature would require organisations’ executive teams to trust procurement professionals’ expertise – and judging by comments made by those who responded to our survey, procurement teams are, indeed, making more contract-specific decisions.

“Our cost/quality split is adjusted for each tender exercise,” wrote one housing association procurement manager.

“It totally depends on the services or works, and what we are aiming to achieve from the tender,” explained another.

## Under Pressure

When asked how significant Hackitt’s findings have been, in terms of their impact on your organisation’s approach to procurement, during the previous 12 months, **30%** of respondents to this year’s survey answered that they had been ‘important’ and **19%** ‘very important’.

However, financial constraints were even more significant, with **44%** saying they had been ‘important’ and **35%** ‘very important’. “Reduced income as a result of COVID-19 has led to an increased emphasis on

cost reductions,” explained one research participant.

“There is now more thought being put into cost savings,” wrote another.

## Bracing ourselves for Brexit

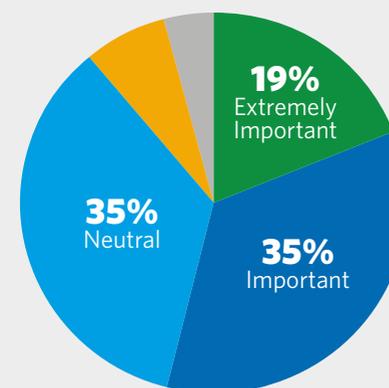
When, in 2018, we asked whether Brexit would change the way procurement teams buy goods and services, more than two-thirds (**67%**) said it would. However, two years on, with the UK having formally left the European Union, and the end of the transition period set for January 2021, Brexit does not seem to be preoccupying procurement professionals’ minds.

“COVID-19 has paralysed procurement,” stated one research participant. In light of this, they explained, “it does not matter much about

the Hackitt Review and Brexit”.

A local authority procurement manager added that the reason Brexit is not such a pressing issue is, “the very low awareness of the potential impact of a no deal Brexit”.

We expect next year’s annual Procurement Trends Report to reflect on this point, and to summarise how public procurement professionals fared during the UK’s first months outside of the EU.

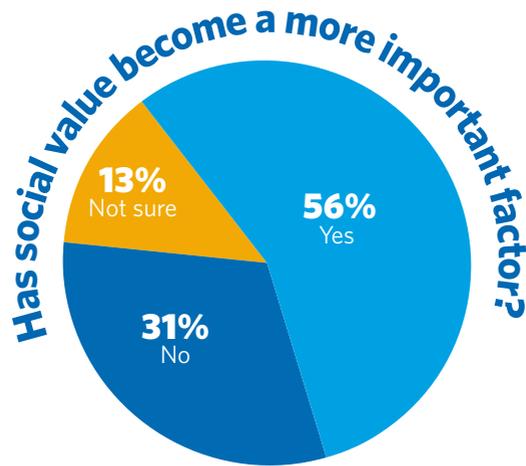


How significant has Brexit been, in terms of the impact on your organisation's approach to procurement, during the last 12 months?

- Extremely important **19%**
- Important **35%**
- Neutral **35%**
- Not important **7%**
- Not applicable **4%**

# Social value

More than half (56%) of public procurement professionals who took part in the Procurement Trends Survey said social value has become a more important part of their work over the previous 12 months.



In 2018, the vast majority (83%) of those who took part in our annual 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. This year, respondents have been working out how they can use procurement to help local communities as they contend with the social and economic impact of the coronavirus pandemic.

# 70

# %

When asked what kind of work they prioritised and delivered through their social value work, more than two thirds (70%) cited skills and employment. Last year, only just over a third pointed towards this kind of activity.

## Thinking local

This year, 69% highlighted the way social value through procurement can lead to local economy benefits; this is a sharp rise on 30% last year.

While, last year, only 11% said social value activities could focus on health and wellbeing, this year it was identified by nearly a third (30%) of those who took part in our research.

Respondents to this year's survey explained how the coronavirus crisis had demonstrated, "deficiencies in the national sourcing activities, leading to discussions around more localised sourcing".

"There's a greater emphasis on local manufacture of critical products," summed up one assistant director of procurement.

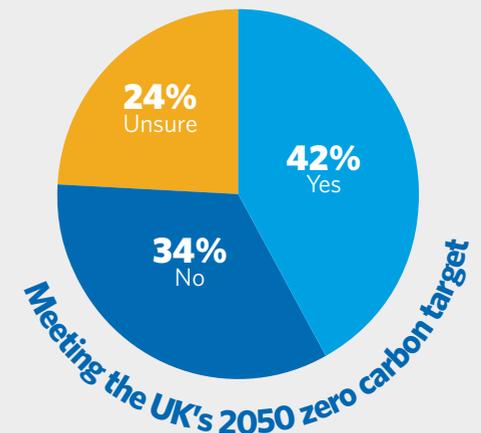
## Reaching net zero carbon

More than half (55%) had talked about the ways in which procurement decisions could feed into their organisation's wider sustainability strategy. Forty per cent of respondents said their organisation had begun focusing on the UK's 2050 zero carbon target.

"Achieving zero carbon is a council priority following recognition as an environmental emergency," said one local authority procurement officer.

"It is the council's intention that specifications will be written with carbon reduction targets embedded in future; in the meantime, an additional weighting of 10% has been attached to carbon reduction in tendering," wrote a council procurement head.

When making procurement decisions, has your organisation begun placing more emphasis on meeting the UK's 2050 zero carbon target during the last 12 months?



# Key Messages

## Conclusions

- Coronavirus is at the forefront of procurement professionals' minds, and it is clear that the crisis has heavily influenced the responses of those who took part in this year's research. **The way procurement teams have worked with contractors and suppliers throughout this crisis has demonstrated their strategic importance.**
- Brexit is fast approaching, and compliance with safety regulations are as important as ever; however, the current pandemic is sometimes making it difficult for decision-makers to think too far ahead. **Procurement teams have the insight and expertise their organisations are going to need to access during the coming months, presenting yet another opportunity for procurement teams to highlight their role as a strategic enabler.**
- What came through in this year's research, in a way that was not apparent in previous years, is that procurement professionals are communicating their ability to help meet some of the huge challenges public sector organisations are currently dealing with. **Procurement teams should keep up this good work, ensuring that colleagues across their organisations understand the work they do. Of particular value will be procurement's ability to achieve social value, not least in terms of creating employment and training opportunities.**
- Procurement professionals are able to add huge value to their organisations' work – and they're busy getting on with demonstrating how to build pro-active relationships with suppliers and use spending power to benefit local communities. **Strategic procurement leads to positive outcomes for communities. It is as simple as that.**

**The next 12 months** are set to be hugely challenging for public sector organisations and the communities they serve. Procurement teams are going to play a crucial role in making decisions that will lead to the continued delivery of services, and create the kind of social value that will make an impact on people's lives as they deal with the economic impact of the coronavirus crisis.

**At Fusion21**, we strongly believe that procurement can make a huge difference, and we'll be there responding to our members' needs as they continue to add value to their organisations and the public sector as whole.

**Let's continue getting together**, virtually and, hopefully eventually, face-to-face, and share all that we continue to learn. At Fusion21, we're committed to ensuring our members benefit from our technical expertise, and ensuring procurement professionals have access to the frameworks they need to enable their organisations to deliver excellent services.

# 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 £268m with fully compliant procurement frameworks, while the social value of our projects currently stands at £102m. Talk to us about making a real impact.



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