

Prosperity through Procurement: A five-year strategy

2019 to 2024

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People’s health outcomes, education, employment prospects and opportunities to build wealth and improve wellbeing are significantly influenced both by people’s socio-economic status and where they live¹.

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¹ Organisation for Economic Co-operation and Development (OECD) (2014) All on Board: Making Inclusive Growth Happen (Paris: OECD).

Introduction

This five-year strategy sets out how the procurement activities for the council will contribute to driving the wealth of Luton. This is the council's first procurement strategy that focuses on achieving significantly improved outcomes in the community through its purchasing and commissioning activities.

We recognise that our corporate objectives to address poverty and inequality are complex and longer term, however changing our internal procurement arrangements represent an immediate and important shift while we develop other plans and work-streams.

This procurement strategy builds on the previous version (Luton Council Corporate Procurement Strategy 2015 to 2019) and provides increased focus on how effective procurement activities can enable wider community and organisational outcomes.

In Luton, we have the foundations in place to drive an ambitious programme for economic development and growth. The Luton Investment Framework and the Inclusive Growth Commission are central to the achievement of this. However, much greater impact can be realised if we harness the leverage of all our services and plans – and those of our partners - towards the continued development and improved outcomes for our communities and local economy.

This five-year strategy addresses two principle areas. Firstly, the way in which the services of the Council and other public and voluntary sectors' procurement and commissioning strategies can be used to deliver prosperity for our communities.

By harnessing relationships with all sectors, private and not for profit organisations, we can embed a Luton wide approach to maximise the wider economic benefits of our activity. The delivery of this relies on the second key area – the internal processes, ways of working and organisational arrangements that support intelligent, sustainable and responsible procurement.

Delivering prosperity for our communities

The 'public sector' is often amongst the largest employing organisation in any area and comprises:

- local authorities
- schools
- clinical commissioning groups
- NHS trusts
- emergency services
- further and higher education institutions
- central government delivery teams

Collectively we are the 'anchor institutions' and are significant contributors to the local economy.

Luton Council will engage with our Luton-based suppliers and other local public sector partners with the aim of developing shared objectives to encourage economic growth through procurement.

We'll:

- set out how we use our financial power to develop communities, voluntary and community sectors
- influence socially responsible investments
- undertake work to map the employment profile of the town
- target those areas where employment is low or where there are high numbers of low paid workers

- encourage suppliers to employ local people, and where appropriate on large value contracts (procured in line with the Public Contract Regulations 2015) to use local sub-contractors
- establish a social value framework in order to ensure that additional benefits are delivered from relevant tender activity

Our approach will be centred on three main themes:

- the real living wage
- local recruitment, skills and developing staff
- potential employees and community health and wellbeing

Small and medium sized businesses often find it difficult to engage with the public sector. This can be caused by a lack of understanding or awareness, and sometimes-onerous administrative processes, which can present obstacles to smaller organisations.

We'll:

- start a programme of engagement events to help promote ways that local suppliers can participate in tenders and look to remove some of the barriers
- ensure that all opportunities are published on our e-tendering portal to maximise interest and competition
- seek to diversify our supply chain and aim to at least double the spend with locally based suppliers by the year 2024

By doing this we intend our procurement approach to directly benefit people living in the town.

The Luton context

Luton at a glance

- Population of 214,700
- Third youngest City in the UK with 35% of population under 25 years
- With 49% of the population living in relative poverty
- The percentage of children living in poverty has increased to 37% since 2015
- With 15% of full time workers earning less than the Luton living wage
- Productivity is 7.5% below UK average
- With 25% of the economy in distribution, 19% in manufacturing
- Median house prices 9.57 x median Gross Annual Earnings
- Unemployment has fallen reflecting the national trend; 6,000 people in Luton are unemployed
- Commuters in Luton are more likely to earn higher wages than Luton residents

The Luton Investment Framework (LIF)

The LIF sets out the 20 year plan for the major transformation of Luton, focussing on:

- building opportunity, aspiration and prosperity
- delivering improvements in jobs, housing, health, culture and education

The LIF will utilise £1.5 billion investment to transform Luton.

The town faces significant challenges around poverty and social mobility; in 2015, Luton was ranked as the 59th most deprived local authority area in the country. Luton has nine output areas in the top ten per cent of the most deprived areas in the country. Child poverty has increased with an

estimated 28,400 children (46%) living in poverty. Projections suggest that child poverty will rise to record levels within the next five years.

Deprivation has grown the result of increasing rents and house prices, increasingly unstable contracts and low paid work; welfare reform and skills gap will affect earnings. Projected growth is lowest for parents, the out of work, low to middle income working households, social renters, mortgagers and single adults.

Inclusive Growth Commission

The commission was established in 2018 to ensure residents across Luton benefit from the LIF investment. The key aims of the commission, formed of nine independent commissioners, will be on:

- improving skills and productivity
- raising aspirations
- attracting more quality jobs
- supporting communities to be healthier
- ensuring equality
- encouraging people to remain and spend their money in the town

This strategy will reflect relevant recommendations arising from their findings.

The way the council uses its spending leverage through procurement can significantly help deliver the LIF themes (outlined below).



Figure 1: Luton Investment Framework themes

The Joint Strategic Needs Assessment (2015) (JSNA)

The JSNA made clear a range of interconnected health and wellbeing challenges in the town, and has set out strategic recommendations in four areas.

- **Healthy place:** create an environment that promotes health and wellbeing and helps reduce inequalities.
- **Healthy Start:** support all children to realise their full potential through the coordination of early years support.

- **Adult wellbeing:** improve physical and mental wellbeing by supporting adults to have a greater ability to manage their own lives, to create stronger social relationships and to have access to improved care when they need it.
- **Ageing well:** support older people to age well and maintain their independence, building their resilience and giving them information and opportunities to make positive choices about their lives.

A new focus to using procurement in the council, and its public sector partners, will be central in helping to create an economy that delivers improvements across these areas.

What is local?

There is no consistent definition of the term 'local'. Additionally, public sector bodies are not all organised in a way that enables easy focus on aspects such as spend within Luton. For example, the police and fire services and University of Bedfordshire operate across the county, whilst the airport uses a different measure entirely.

This results in difficulty comparing sets of data in a robust and transparent way. To address this, we will develop our data with a primary and secondary 'local' definition.

For the purposes of this new strategy, we define local as either:

- a) any area having a Luton postcode
- b) any business or service within Bedfordshire

We recognise the importance of a regional dimension to our procurement aspirations. Luton is strategically important owing to its geographical location and transport links and its range of business and services. Our population is more mobile than ever and technological advances mean that work is not always restricted to defined physical locations.

In 2017-18 public sector organisations in Bedfordshire spent an estimated £800m² on goods and services. We'll continue to work with partners to understand the granular level of spend with Luton based companies.

We'll seek to establish a countywide partnership approach to procurement to:

- harness our collective ambitions
- better understand how we as a public contracting authority can encourage a local, diverse supply chain
- focus more of our spending power on local businesses
- build on existing local relationships and forge new ones to ensure we work collaboratively and strategically for the betterment of local residents and the wider economic environment

Procurement in Luton

'Procurement' is the term used for the whole process of buying or acquiring goods, works or services. It includes:

- the initial identification of a need for goods or services
- decisions about how and who provides the services
- selecting a supplier or partner
- receiving the goods, works or services
- managing a contract

² Data aggregated from published data for the year 2017/18

** source: Spikes Cavell Observatory reports

- achieving the benefits expected
- ending a contract or decommissioning services

When procurement is delivered effectively, it helps drive value in the supply of goods, works and services across the Council and helps deliver value for money.

In 2017/18, this council contracted with 4168 suppliers, of which 1249 were small and medium sized companies**.

51% of our expenditure was spent with SMEs**.

We worked with 269 local suppliers, accounting for 25% of our expenditure**.

Procurement activity is often responsible for up to 70% of an organisation's revenue expenditure, so small reductions in costs can have a huge impact on budgets and savings targets.

In the financial year 2017/18 Luton Council spent £238m on supplies and services.

Around £192m of which was spent on works, supplies and social care. In that period we engaged with over 4,000 different suppliers – half of which were small and medium sized enterprises.

Around a quarter of the expenditure for the council was with local suppliers in and around Luton.

Our intention is to significantly increase this as a key contribution to the economic development plan for the town.

Legislative context

Procurement activities are subject to a wide range of legislation that collectively sets out very specific policy, directives, regulations and guidance about how procurement is to be undertaken in public services. Examples of this legislation includes:

- [Public Contracts Regulations 2015](#)
- [Utilities Contracts Regulations 2016](#)
- [Concession Contracts Regulations 2016](#)
- [Equality Act 2010](#)
- [Public Services \(Social Value\) Act 2012](#)
- [The Local Government \(Transparency Requirements\) \(England\) 2015](#)

The changing national context with the UK departure from the European Union will result in modifications to the Regulations, whilst retaining the principles of fairness, transparency and non-discrimination.

Our strategic aims for procurement

In 2015, the council created a centralised procurement and contract management function. This provides a basis for providing professional procurement and contracting advice and promoting good practice and consistency across the organisation.

The next phase of development builds on this and provides clearer focus on how the council's procurement activities can help deliver its wider ambitions for the town, directly contributing to the corporate objectives and helping deliver improved value and internal efficiency.

Our key aims are:

1. adding value to the community
2. contributing to the local wealth building
3. enabling innovation
4. delivering efficiency and financial savings
5. strengthening professional practice

Working with other public sector organisations in and around Luton can significantly increase our ability to drive better value in our procurement activities. A key part of this strategy will be to set out proposals to build synergies with partners and similar public bodies to explore how we might collectively work to support local suppliers and local jobs.

1. Adding value to the community

Intelligent procurement has the potential to deliver additional value to the community, particularly in terms of social value. We aim to secure this in a variety of ways:

- develop a social value framework, which has the commitment of other local public sector organisations
- voluntary and community sector – help them to prepare to be ‘market ready’ and increase our spend where possible
- support to local business on how to engage with the council
- tender documents to require suppliers to minimise transport needs and environmental harm
- offer regular Chamber of Commerce and Meet the Buyer events
- encouraging our suppliers to support local young people – and particularly those not in education, employment or training or in apprenticeships and especially those leaving care
- support wider public health outcomes such as the Luton Food Programme
- ‘quick quotes’ – requiring at least one local supplier
- develop a collaborative procurement approach with other public sector bodies to deliver visible social value and ‘the Luton pound’

2. Contributing to the local wealth building

- Encouraging and supporting local suppliers and SMEs to bid for work
- Reducing the barriers faced by tendering for the council
- Increasing the proportion spend with local suppliers
- Increasing the proportion spend with local SMEs
- Supporting suppliers to use locally-based employees
- Supporting suppliers to pay the ‘real living wage’ and invest in training and development to build skills and increase productivity;
- Developing our collaboration with local partner agencies to deliver a more comprehensive ‘buy local’ agenda

3. Enabling innovation

- Ensure that the appropriate procurement process, terms, and conditions of contract are adopted to allow for flexibility to allow for changes and developments in technology during the procurement process and subsequent contract.
- Focus on early market engagement and encourage innovative approaches from potential suppliers.
- Develop market intelligence capability to “horizon scan” for news on new models of delivery.
- Continue to develop e-procurement, e invoicing and use of E-catalogues to increase efficiency and agility.

4. Delivering efficiency and financial savings

- Take a corporate lead on achieving value from our supply chain.
- Continue to work with all departments to deliver compliant, effective contracts and financial savings.
- Continue to develop our governance to provide increased focus on high-value/strategically important contracts.
- Review financial thresholds to ensure the council is agile whilst still complying with legal requirements
- Develop a 'low value expenditure strategy' to take a lighter touch approach to lower value/low risk-less critical contracts.
- Promote clear principles of good procurement throughout the organisation.
- Reduce the risk of contract failure through robust contract management.
- Ensure clarity in roles and responsibilities to ensure compliance and transparency with all our contract and procurement practices.
- Develop our management information base and KPIs.

5. Strengthening professional practice

- Embed a corporate procurement service structure that provides career development opportunities for our staff.
- Secure training for all staff involved in the procurement and contract management cycle.
- Raise the profile of the service through engagement with National Advisory Group (LGA) and the Procurement and Commissioning Trailblazer Group (focused on advanced training for non-professional senior managers).
- Achieve a fully staffed, sustainable service.
- Improving governance, accountability, and clarity around roles and responsibilities.

Roles and responsibilities

The council's financial standing orders define the thresholds for expenditure. These are currently set at:

- **spending below £1,000:** by the authorised budget holder using pre-existing contracts or available framework agreements or online catalogues
- **spending above £1,000 but less than £100,000:** by the authorised budget holder and with the engagement of the Corporate Procurement team who will undertake a quick quote or mini competition from a framework agreement via the e-tendering portal
- **spending above £100,000:** the Corporate Procurement team will lead the procurement part of the project but the service manager retains responsibility for ensuring the outcome is delivered locally to meet business objectives and therefore the project will be a collaboration between the professional/technical aspects
- the procurement cycle reflects a commissioning cycle and starts with the identification of need and desired outcomes, followed by a series of steps that set out clearly the means to address the identified needs and outcomes - clarity on roles and responsibilities across service teams will be embedded as part of the implementation of this strategy

We recognise that the compelling economic challenges for Luton require an organisation that is agile and responsive to emerging opportunities. As part of the implementation of this strategy, we will implement changes to the lower threshold to enable greater flexibility and responsiveness within our services.

The **new lower threshold will be £5,000**. We'll commence a review of the council's standing orders to reflect the revised thresholds and agree a detailed implementation plan.

The higher thresholds will remain unchanged.

Implementation plan

Activity	Owner	Start Date	Completion date
Adding value to the community			
<ul style="list-style-type: none"> Develop social value framework and toolkit that has the commitment of other local public service organisations. Encourage our suppliers to support young people – in particularly those not in education, employment or training – in apprenticeships. Support wider health outcomes such as the Luton Food Programme. 	Service manager - procurement	October 2019	January 20
<ul style="list-style-type: none"> Help VCS to prepare to be 'market ready' and increase our spend with them where possible. Configure our systems to better identify VCS suppliers and expenditure. 	Service manager - procurement	November 2019	February 2020
<ul style="list-style-type: none"> Support local businesses on how to engage with the council. 'Quick quotes' – requiring at least one supplier. Offer regular Chamber of Commerce and Meet the Buyer events. 	Service manager - procurement	September 2019	Ongoing
<ul style="list-style-type: none"> Tender documents to require suppliers to minimise transport needs and environmental harm. 	Service manager - procurement	September 2019	November 2019
<ul style="list-style-type: none"> Develop a collaborative procurement approach with other public sector bodies to deliver visible social value and increase the 'Luton Pound'. 	Service director – Inclusive Growth	August 2019	February 2020
Contributing to the local wealth building			
<ul style="list-style-type: none"> Encouraging and supporting local suppliers and SMEs to bid for work. Partnering economic development team to deliver events and supplier engagement. 	Service manager - procurement	August 2019	Ongoing
<ul style="list-style-type: none"> Reducing the barriers faced by SMEs in tendering for the council Review tender documents and guidance to reduce bureaucracy. 	Service manager - procurement and compliance	October 2019	Ongoing

Activity	Owner	Start Date	Completion date
<ul style="list-style-type: none"> Establish robust reporting of local/SME spend to trigger action. Increase the proportion of council spend with local SMEs. 	and data analyst		
<ul style="list-style-type: none"> Encourage suppliers to use locally-sourced employees 	Service manager - procurement	January 2020	Ongoing
<ul style="list-style-type: none"> Encouraging suppliers to pay the 'real living wage' and invest in training and development to build skills and increase productivity. <p>*to start engagement with suppliers; outcome to be met over the longer term)</p>	Service director – Inclusive Growth	November 2019*	Ongoing
<ul style="list-style-type: none"> Develop our collaboration with local partner agencies to deliver a more comprehensive 'buy local' agenda. 	Service director – Inclusive Growth	August 2019	December 2019
Enabling innovation			
<ul style="list-style-type: none"> Ensure that the appropriate procurement process, terms, and conditions of contract are adopted to allow for flexibility to allow for changes and developments in technology during the procurement process and subsequent contract. 	Service manager - procurement	November 2019	September 19
<ul style="list-style-type: none"> Focus on early market engagement and encourage innovative approaches from potential suppliers. 	Service manager - procurement	January 2020	March 2024
<ul style="list-style-type: none"> Develop market intelligence capability to 'horizon scan' for news on new models of delivery 	Business partner and service manager	December 2019	March 2021
<ul style="list-style-type: none"> Continue to develop e-procurement, e-invoicing and use of e-catalogues to increase efficiency and agility. 	Service manager - procurement	March 2020	March 2021
Delivering efficiency and financial savings			
<ul style="list-style-type: none"> Take a corporate lead on achieving value for money from our supply chain. Establish baseline data to set performance targets to reduce time wasted Analyse data to support change in governance and/or processes Develop our management information base and KPIs 	Service manager - procurement	September 2019	March 2020
<ul style="list-style-type: none"> Continue to work with all departments to deliver compliant, effective contracts and financial savings Promote clear principles of good procurement throughout the organisation 	Service manager - procurement	September 2019	March 2020

Activity	Owner	Start Date	Completion date
<ul style="list-style-type: none"> Ensure clarity in roles and responsibilities to ensure compliance and transparency with all our contract and procurement practices 			
<ul style="list-style-type: none"> Continue to develop our Governance to provide increased focus on high-value/strategically important contracts Reduce the risk of contract failure through robust contract management 	Service manager - procurement	September 2019	November 2019
<ul style="list-style-type: none"> Review financial thresholds to ensure the Council is agile whilst still complying with legal requirements 	Service manager - procurement	August 2019	November 2019
<ul style="list-style-type: none"> Devise communication strategy and plan to embed understanding of procurement and re-centre it as an enabling function. 	Service director – Inclusive Growth	August 2019	September 2019
<ul style="list-style-type: none"> Develop a 'low value expenditure strategy' to take a lighter touch approach to lower value/low risk-less critical contracts. 	Service manager - procurement	October 2019	March 2020
Strengthening professional practice			
<ul style="list-style-type: none"> Embed a corporate procurement service structure that provides career development opportunities for our staff. 	Service manager and business partners	August 2019	October 2019
<ul style="list-style-type: none"> Secure training for all staff involved in the procurement and contract management cycle. 	Business partners	April 2020	March 2021
<ul style="list-style-type: none"> Raise the profile of the service through engagement with National Advisory Group (LGA), the Procurement and Commissioning Trailblazer Group and national and regional events. 	Service director – Inclusive Growth	August 2019	Ongoing
<ul style="list-style-type: none"> Achieve a fully staffed, sustainable service. 	Service manager and business partners	August 2019	December 2019
<ul style="list-style-type: none"> Improving governance and accountability and clarity around roles and responsibilities. 	Service manager and business partners	September 2019	March 2020

Managing performance

Procurement activities are undertaken by a variety of services across the council, not all of which pass through the Corporate Procurement team. With our focus on building local wealth and prosperity, it is increasingly important for us to understand how effective our strategies are in achieving this.

As a result, we will develop our range of performance data and reporting to reflect a Council-wide understanding of our progress.

During 2019/20, we will develop a range of performance information to better understand how effective and efficient we are and identify areas where we need to improve. This will require agreed definitions of measures, such as defining 'local' in a consistent way across our partners.

Average procurement cycle time

Current:

- Quick Quote – 14 days
- Call off from a Framework – 45 days
- Restricted Procurement (Above threshold) – 120 days
- Open Procurement (Above Threshold) 60 days
- Framework (Over Threshold) 120 days

All dependant on complexity of requirement/market position.

2019-20: TBC

2020-21: TBC

2021-22: TBC

2022-23: TBC

2023-24: TBC

% local spend

Current: 25%

2019-20: 30%

2020-21: 40%

2021-22: 50%

2022-23: 60%

2023-24: 70%

Social value measures

Current: Baseline data will be collected in 2019/20 following the development of the Social Value Framework

2019-20: TBC

2020-21: TBC

2021-22: TBC

2022-23: TBC

2023-24: TBC

% SME spend

Current: Currently not identified within our systems.

2019-20: TBC

2020-21: TBC

2021-22: TBC

2022-23: TBC

2023-24: TBC

% spend with voluntary/community groups

Current: Currently not identified within our systems.

2019-20: 2

2020-21: 3

2021-22: 3

2022-23: 4

2023-24: 4

Number of events to support meet the buyer and similar forums

Current: 3 per year (18-19)

2019-20: 2

2020-21: 3

2021-22: 3

2022-23: 4

2023-24: 4

Numbers of exemptions received (18-19_

Current: 160 (115 approved, 45 rejected)

Note that in the short term this may increase due to greater vigilance over purchase order requests. Exemptions can be seen as a proxy measure for the awareness of procurement rules across departments.

2019-20: TBC

2020-21: TBC

2021-22: TBC

2022-23: TBC

2023-24: TBC

£ savings targets

Current: £4.91m by end of financial year 2019-20

2019-20: £2.5m

2020-21: TBC

2021-22: TBC

2022-23: TBC

2023-24: TBC