

To: Policy and Resources Committee

From: Head of Commercial and Business Support – Tracey Stradling

Presenting officer(s): Head of Commercial and Business Support – Tracey Stradling
tracey.stradling@cambsfire.gov.uk
01480 444500

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Commercial and Procurement activity – Update

1. Purpose

- 1.1 The purpose of this report is to provide the Policy and Resources Committee with an update on the commercial activity of the organisation for the financial year 2021/22, the key priorities for financial year 2022/23 and an overview of changes to Public Procurement.

2. Recommendation

- 2.1 The Committee is asked to note the contents of this report and make comment as appropriate.

3. Risk Assessment

- 3.1 **Economic** - throughout all commercial activity ensuring the management of costs remains a priority; there is still a degree of uncertainty post Brexit, the pandemic and current conflicts, scarcity of supplies and increasing costs.
- 3.2 **Political** – the organisation must consider how Government policy, guidance and changes to best practice can impact on commercial activity and the markets we operate within.
- 3.3 **Social** – the organisation must ensure due regard is given to social value in all commercial activity by consideration of the impact on local communities as well as ensuring our supply chains can support maximising social value for the communities we serve and the economy. We must further consider changing demographics by ensuring the goods, works and services procured are flexible enough to meet changes within our workforce, communities and supply chains.
- 3.4 **Legislative** – the organisation must ensure all commercial activity is compliant with Public Procurement (Amendment etc) (EU Exit) Regulations 2020, the Trade Co-operation Agreement as well as other relevant

legislation, including but not limited to General Data Protection Regulation, Freedom of Information and other relevant acts ensuring, at all times, the basic principles of transparency, fairness and equal treatment are carried out.

- 3.5 **Technical** – ensuring as an authority we are compliant with the requirements for e-sourcing and build appropriate requirements into all commercial activity mitigating risk and cost to the Authority, meeting all compliance requirements in relation to transparency as well as the potential to deliver increased savings. Standardising bidding and opening opportunities to bigger markets. This also leads to a reduction in administrative burden and therefore returning a cost saving.
- 3.6 **Environmental** – there is a requirement for the Authority to deliver sustainable outputs through all commercial activity and improving social impact through supply chain (Social Value Act 2012).

4. Equality Impact Assessment

- 4.1 A high level equality impact assessment (Eq IA) will be undertaken for all procurements and commercial related policies and strategies. Full Eq IA's will be undertaken for those procurements which become full implementation projects or changes to equipment, clothing and/or training which have an impact on end users.

5. Background

- 5.1 The Procurement Team was renamed in 2021 as the Commercial Team to better reflect the core function, which is to ensure our managers are aware of their commercial responsibilities and seek to drive value for money. This remains particularly important at a time of global uncertainty for the world supply chains and rising inflation.
- 5.2 The team moved to a category management approach in 2017 and its current structure is as follows;

Head of Commercial and Business Support

Category Lead	Category Lead	Category Lead
Fleet	Clothing	ICT
Professional Services	Operational Equipment	Property and Estates

- 5.3 This change was made to enable fostering of commercial relationships with key suppliers within the market to deliver goods and services in the best way for the Authority and for the commercial category lead to gain a better understanding of the supply chain and therefore early identification of risks and opportunities within the market.

- 5.4 The category structure also enables the team to build relationships with key stakeholders within the Service to best deliver their requirements whilst ensuring compliant routes to market and reduce risk of challenge for the Authority.
- 5.5 The category structure is aligned with the National Procurement Hub Category structure. The Head of Commercial and Business Support has been the National Category Lead for Professional Services with the Chief Fire Officer being the Category Sponsor. This means that the Service can build relationships with the National Procurement Hub, influence national procurement frameworks across all categories by stakeholder engagement whilst ensuring the requirements of the Service are included where possible.
- 5.6 The Commercial Team played a significant role in the Services response to the pandemic ensuring PPE met the right clinical standards. They also worked closely with the National Procurement Hub and the Local Resilience Forum to ensure sufficient and fit for purpose supplies for the sector and partner agencies.
- 5.7 As a team, they ensure that rising costs and supply chain delays are tracked to ensure all risks and impacts for the Authority are known and understood. Where possible, these risks will be mitigated but the current global uncertainty is making some commercial activities extremely challenging.
- 5.8 Commercial awareness training is a priority for all of our managers driven by the ongoing financial uncertainty, shortages in supply, escalating costs and the imminent introduction of the New Public Procurement Regulations.
- 5.9 Commercial activity undertaken in financial year 2021/22 can be found at Appendix 1.

6. Key Priorities 2022/23

- 6.1 Pipeline planning – there is a requirement for fire and rescue services to share and publish their pipeline for three to five years to support collaboration across the sector. Whilst we have always had a procurement planning day and published our 12 month pipeline we will now have to start looking further ahead and planning. This will become a live document amended as and when changes and new requirements come to light through regular meetings.
- 6.2 Preparing for the New Regulations – there is sufficient information around what is to be expected within the New Regulations, some of which is already being implemented on the back of Brexit, to start planning for this and through Cabinet Office Policy Notes. The team will be reviewing processes to ensure a smooth transition to the new regime and some of the key changes we are expecting are detailed in Appendix 2.
- 6.3 Commercial Awareness Training – The Head of Group and the team will be delivering key commercial awareness training to the wider organisation. The team will meet with their key stakeholders and the Head of Group will

deliver a presentation to other Heads of Group. The Head of Commercial and Business Support will be invited quarterly to meet with the Integrated Risk Management Team to discuss their pipeline and look at commercial opportunity within their areas. Bite size courses are also being either updated or developed to deliver to the Service on topics such as;

- Basic procurement principles,
- New Regulations,
- Supplier relationships,
- Pre market engagement,
- Innovation and specification writing,
- Value for money, including innovation, sustainability and forecasting,
- Contract management.

A basic Commercial Awareness iLearn course will also be developed and it is hoped this will be a mandatory course for middle managers.

6.4 **Value for money** – to further embed value for money into all commercial activity, as stated above, the New Regulations are putting value for money at the heart of what we do, one of the principles to be enshrined in law. In order to achieve this the team will be;

- closely monitoring off contract spend and where appropriate tendering for these goods and services,
- looking at spend across all categories and opportunities for supplier rationalisation,
- ensuring specifications are drafted appropriately and not over specified leading to unnecessary costs and stifling innovation,
- reviewing attrition rates for key products to ensure optimum stock levels that provide business continuity assurance and value for money.

6.5 **Off contract spend** – monitoring the off contract spend will continue to be a high priority for 2022. There are still some areas across the Service that can be identified as not having contracts in place and where the Commercial Team can work with the stakeholders to implement opportunities to identify potential savings opportunities through aggregation of requirements whilst ensuring compliance with legislation.

6.6 **Embedding social value and sustainability into each procurement process** – The Public Services (Social Value) Act places an obligation on public sector organisations to ensure delivery of social impact through public money. A key driver within Public Sector Procurement Reform is to further embed social value into all procurement activity and our processes, evaluation criteria and guidance will be revised to ensure this is an integral part of our tenders. In addition to this, sustainability is an integral part of the proposed new regulations therefore there is a need to develop a “Sustainable

Commercial Strategy” that aligns with the Authority’s overall sustainability aims and ensures this is considered at each tender opportunity.

- 6.7 **Modern slavery** – it is a requirement of each public sector organisation to publish a modern slavery statement and work is underway to draft this and liaise with key stakeholders. Modern slavery considerations will be built into all invitations to tender where appropriate.
- 6.8 **Embed Equality Impact Assessments (Eq IA’s)** – ensure Eq IA’s are carried out for every procurement and policy change within the commercial function.

7. Current Challenges

- 7.1 **Financial austerity and increased prices** - whilst the financial situation remains uncertain, the Commercial Team have been undertaking significant work with suppliers to minimise price increases. With the fall of sterling and economic conditions unstable, this has impacted severely on supply chains and in particular costs have risen where goods and services are imported from overseas or due to conflict and rising fuel prices and labour costs, meaning the team have to find ways of mitigating these through the drafting of requirements and review meetings with contractors.
- 7.2 **Supply chain uncertainty** – as mentioned above, challenges facing the Commercial Team currently relate to increasing prices within our supply chain and the work being undertaken to understand cost breakdowns within our contracts and where applicable rises are justified and negotiate accordingly. Due to scarcity of supplies, we are having regular discussions within our supply chains around potential for delays and not being able to meet our order quantities, making stakeholders aware of the situation and putting appropriate resilience in place. We are also ensuring the Commercial Team keep abreast of and record the impact tracker risks which continue post Brexit, post COVID and in relation to the current conflict within Ukraine.
- 7.3 **Changes to policy and legislation** – the proposed new legislation sets out to bring more flexibility and improve efficiency in public spending by simplifying the rules and regulations. Commercial awareness and value for money are very much the focus within the proposed regulations and this is a key driver for upskilling staff across the organisation in these areas. In addition to this the new regulations provide considerably more flexibility with routes to market and increased transparency requirements, this brings risk of challenge therefore a further need for upskilling across the organisation to ensure we don’t fall foul of the requirements. For the Commercial Team it means a significant overview and rewrite of our guidance, processes, reporting and contracts.
- 7.4 **Over-specifying** – there can be a tendency to over specify for both goods and services, something which the new regulations are steering us away from. Requirements and subsequent contracts being too prescriptive can

limit competition and innovation within the markets and restrict the Authority from making best use of market information and achieving value for money.

- 7.5 Ensuring early engagement – it is now more important that before embarking on a procurement process to understand what the market can deliver. This helps build better relationships with the supply chain and provides the required clear visibility of future pipelines and opens opportunities for wider markets including small/medium sized enterprises. The Commercial Team will need to be involved early to be able to consider the market position prior to any commercial decisions. This will help determine best routes to market, appropriate volumes and contractual terms from the outset.

8. Summary of Progress

- 8.1 Work is progressing well with the keeping abreast of potential supply chain issues and forecasting attrition rates and forward planning for potential interruptions has meant little disruption to CFRS through supply chains.
- 8.2 Negotiations with suppliers on proposed price increases has resulted in more realistic uplifts based on a true on breakdown of costs.
- 8.3 The team are undertaking a review of the off contract spend and third party spend.
- 8.4 The work plan for this year, based on pipeline information has been drafted in readiness for discussions with the IRMP Team and Heads of Group.
- 8.5 There has been more robust challenge to exemptions, which in some cases has resulted in a procurement exercise and savings being achieved; Appendix 3 refers to some recent examples. That said there will be times when the exemption route provides more assurance and value for money to the Authority.

Source Documents: none.