**Strategic Supplier Relationship Management**

**Purpose**

For information

**Summary**

This paper provides an update on work with local government’s key suppliers

**Recommendation:**

That the Improvement and Innovation Board considers the report.

**Action:**

Officers to initiate any required action.

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Following the March 2018 meeting of the Improvement and Innovation Board discussions were held with council officers and our National Advisory Group for local government procurement (NAG) to explore a sector-led approach to strategic supplier management. There was agreement and support that a sector-led approach to strategic supplier management would be helpful.

We then discussed which suppliers could be considered as ‘strategic’ to local government. We agreed that the focus needed to be broader than the value of spend because, although important, this would inevitably mean that it would be limited to relationships with construction related suppliers with whom the sector spends the most money. We were also keen not to duplicate the work of Government’s Crown Representative programme, but instead to work with them on work relating to local government’s key suppliers.

The following criteria were identified as being ways in which we could prioritise our resources:

## Spend across the sector, better to look at suppliers who contract with numerous councils

## Risk in continuity of services, we felt we should only engage with suppliers who delivered more strategic services

## Scope, where procurements were more complex and across key services

## Length of relationship, where longer term contracts rather than shorter term

## Potential for the relationship to deliver more than just the object of the contract, for example added social value and innovation

## Willingness to collaborate by the supplier

We identified a long list of suppliers, including asking our key stakeholders who they thought could be included and undertook further investigations based on the above criteria. The key suppliers finally identified were:

## Bupa – Care Homes and Home Care

## Capita – business outsourcing

## Microsoft – software licensing

## Amey - highways

## Cambian - children’s services

## Allied Healthcare – home care (through working with ADASS and the CHIP Team)

An update is provided below on work with each of the key suppliers.

**Bupa**

We have held a number of meetings with Bupa and are following up on a number of actions. Bupa (and other providers) are really keen for councils to have a ‘national contract’ (ie a set of common terms and conditions across all councils) for home care and care homes and we are currently investigating whether this would be used by enough councils to warrant the amount of work needed to create the resource.

Other issues such as councils allowing self-funders’ access to council rates, VAT issues and how BUPA can use LGA’s communication channels when addressing adverse publicity events were discussed and are being worked through.

**Capita**

We held a number of meetings with Capita and council Chief Executives over the past year and have also engaged with Government’s Crown Representative and cross-Government working group on the relationship with Capita. Although the initial meetings were concerned with Capita’s financial position we went on to discuss issues such as contract performance and Capita’s commitment to the local government sector. Capita advised that that they would be looking carefully at which contracts they would be considering bidding for in the future, taking a more strategic approach and focussing on the areas that they have expertise in (such as services that can be delivered using technology).

We recently received a letter confirming that Capita’s multi-year transformation plans are on track and that their 2018 final accounts are reporting a slightly better than expected performance following the rights issue in February 2018.

There are no plans to hold any further meetings with Capita, instead Capita have set up a local government sounding board. A number of chief executives have been approached by Capita and invited to become part of the sounding board. The LGA will continue to engage with Capita and the cross-Government working group to ensure the voice of local government is heard.

**Microsoft**

Central Government’s Digital Transformation Framework Agreement (DTA) which has recently come into effect has seen the removal of discounts for ‘on premise’ licenses in favour of additional discounts for ‘cloud’ related licenses. This has caused many issues in councils, some of whom are seeing price increases of up to 50 per cent. We have been negotiating with Microsoft for additional concessions to be made. So far we have achieved two extensions of time, so councils needing to renew licenses by June 2019 are able to (subject to confirming agreement now) take advantage of pre-DTA discounts. Microsoft have now agreed that if we identify 10-20 councils that are adversely affected because of their use of ‘on premise’ licensing they will extrapolate criteria and use those criteria to apply a further standard discount to all similarly affected councils. They will then also look on a case by case basis for any other customers who are adversely affected but don't meet the criteria. We have now provided the initial list of 20 councils and are awaiting Microsoft response.

**Amey**

We held an initial meeting with Amey and agreed to focus our attention on Highways services. Shortly after the meeting, Ferrovial Services, who own Amey announced that they were treating the Amey services part of the business (for example waste collection services) as ‘held for sale’ in order to focus on the highways part of their business. We are currently awaiting a date for a wider meeting with Amey and councils, this is likely to be held in April.

**Cambian**

There has been a Competition and Markets Authority investigation into the merger of Cambian and CareTech, both large providers of Children’s Services and Adult care services respectively. The two organisations have completed the merger and the deal has been approved by CMA. Cambian and CareTech have now agreed to meet with us to consider how we can move forward to develop a different, more strategic relationship between councils and them as a key supplier to local government. This meeting is expected to take place after Easter.

**Allied Healthcare**

Allied Healthcare were originally chosen as a key supplier to local government but prior to our engaging with them we received notification that the organisation were in financial difficulties and were looking to sell or transfer some or part of the business. Colleagues in the Care and Health Improvement Team (CHIP) worked closely with Allied Healthcare and ADASS during the issues to ensure that council commissioners had the most up to date information and were able to develop contingency plans that would need to be put in place to ensure continuity of care for vulnerable adults should the provider enter administration. The Productivity team took the lead in ensuring that council procurement colleagues were also kept informed.

Allied’s investors finally reached agreement and the organisation are now in a more stable period. The CHIP team continue to monitor the situation.

Board members may have also seen recent news about another healthcare provider, **Four Seasons**, who’s investors are preparing for an “orderly sale” of the business as a going concern in the near future. Again the CHIP team continue to monitor this situation and the Productivity team will continue to assist with communications to councils via the procurement channels.

**Interserve**

We are being kept up to date with news on Interserve Plc. Shareholders rejected a refinancing deal last week. The company have now proceeded to a pre-pack administration where the plc entity enters administration, the rest of the business, including all of the operating companies, is sold to a new company owned by the current lenders.

We were advised by Cabinet Office that there will be no effect on the Interserve operating companies (who provide council services), and therefore there should be no effect on delivery of services or the staff who provide those services. The Government is advising that councils should therefore continue to work with Interserve as per their contracts, including paying them on time. Any councils who hold parent company guarantees will need to novate these to the new parent company Interserve Group Limited.