

BUSINESS SUPPORT OVERVIEW & SCRUTINY COMMITTEE

3 JULY 2014

PROCUREMENT STRATEGY REVIEW SIX MONTHS ON

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Summary

The purpose of this report is to provide a review of the Council's procurement strategy.

The strategy sets out how the Council will spend public money better by designing services that deliver better outcomes; ensuring that public money contributes to a thriving local economy and creating local employment; reducing the bureaucracy relating to procurement and using our intelligence about spend and the markets to achieve efficiencies.

1. Budget and policy framework

- 1.1 The Council spends £230 million with third parties each year, which is managed through various forms of procurement. These procurements are approved by Cabinet or under officer delegation in accordance with the Council's contract rules.
- 1.2 European Union directives, and the Regulations that implement them in the UK, sets out the law on public procurement. The rules apply to purchases by public bodies and certain utilities, which are above set monetary thresholds.

2. Background

- 2.1 Cabinet agreed on 9 July 2013 that the Council consult on the draft strategy. A Supplier Event took place on 26 July 2013 at the Corn Exchange where the strategy was presented. Over 100 representatives from the business community attended.
- 2.2 The strategy was brought to the Business Support Overview and Scrutiny Committee in August 2013 and they recommended the draft Procurement Strategy to the Cabinet for approval. The Committee also requested that a report on progress and impact of the Procurement Strategy, if approved by Cabinet, be brought to the Committee in six months time. In September 2013, the Cabinet approved a new procurement strategy.

2.3 The strategy sets out how the Council spends its money with third parties in relation to the four themes listed below:

- Better services, better outcomes
- Intelligent spending
- Reducing red tape
- Improving the local economy.

Better services, better outcomes

This theme relates to ensuring that innovation is a key feature of the procurement process so that service improvement is as important as efficiencies.

Intelligent spending

The Council spends a significant amount each year with third parties, which will benefit from the new category management approach to procurement. The category management approach is about smarter supply chain management, improved supplier relationship management and greater value for money. These are achieved through proactive dialogue, market research and spend analysis that contributes to evidence-based decision making.

Reducing red tape

The Council is changing its contract rules and tender documentation so that the suppliers experience fair competition regardless of size.

Improving the local economy

The Council has the leverage through third party spend to improve local employment and the local economy.

2.4 The strategy's format includes measures for success and case studies to demonstrate the council's commitment to improving procurement in Medway for the benefit of businesses and the general public.

3. Progress so far against the measures of success

3.1 The strategy has 13 measures of success and an update was shared at a provider event to understand if the perception by officers was reflected in the audience. The feedback from the event and other forms of consultation are in section 6 of this report.

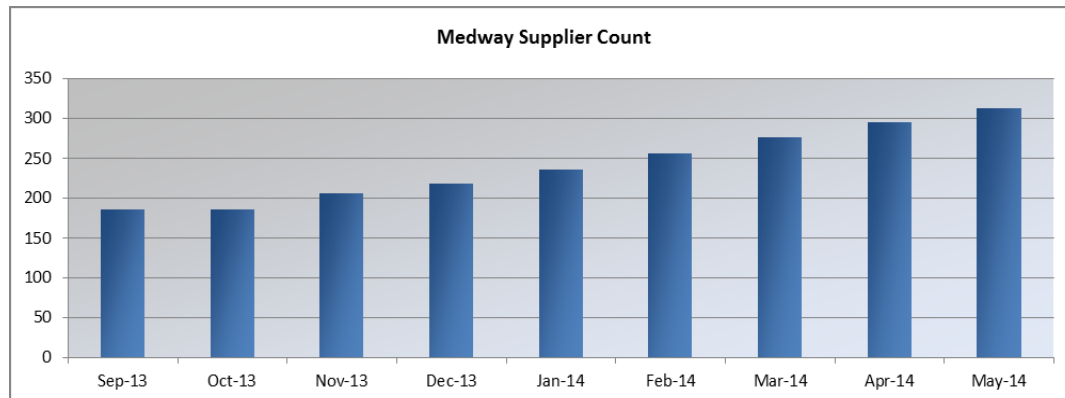
3.2 *We can show you examples of Council services that have improved through better procurement*

There are currently two case studies available on the webpage (Homecare and Chlamydia) with more due soon that show how better procurement has improved services. Visit <http://www.medway.gov.uk/businessandinvestment/procurement/casestudies.aspx>

3.3 *Suppliers tell us that our processes are straightforward, less bureaucratic and that we have reduced red tape*

Now that our new processes are in place we get feedback from suppliers on how they think this is going. This is done through questionnaires/feedback at supplier events and through focus groups and so far the responses have been positive. Many suppliers feel that the introduction of the Kent Business Portal (e-procurement tool) has led to organisations having a single place to find opportunities to work with the Council and confidence that the tender process is transparent because all the clarification questions and answers going through the portal. This has also led to an increasing number of Medway businesses

registering on the website, as indicated in the table below. By being part of the website, they not only see opportunities in Medway but across the County of Kent with organisations such as Shepway District Council, the Kent Fire and Rescue Service and Kent County Council.



- 3.4 ***Suppliers tell us they find it easier to spot opportunities to bid for work***
Feedback on this is obtained in two ways, firstly by asking suppliers what they think of the Kent Business Portal and secondly, by looking at the number of suppliers that bid for contracts. So far the response to the portal has been positive with 87% of suppliers responding positively to our questionnaires. One supplier took the trouble to write comments in their feedback questionnaire and said “*Staff were incredibly helpful. The web portal was generally good and Q&A timely.*”
- 3.5 ***Young unemployed people, care leavers, disabled people and ex-service personnel are getting apprenticeships through our suppliers***
We have encouraged suppliers to create links with Looked After Children’s team and other support services to advertise apprenticeships to these hard to reach groups. Two young people with learning disabilities and one care leaver has secured apprenticeships with suppliers to the Council.
- 3.6 ***The people that use Council services, residents, community organisations and partners tell us that the goods and/or services being procured meet their needs and, where appropriate, they are involved in the procurement process***
As the involvement of service users is not always necessary we will keep tabs on this measure by maintaining a list of where it is happening and ensuring feedback from users is taken into account when reporting on how contract are going. As part of a recent review of our Homecare contract we were pleased to see an average 83% quality score across the 19 different providers.
- 3.7 ***Our suppliers come to ‘meet the buyer events, engage in pre-procurement dialogue and, if appropriate, we secure their input and expertise to develop our services***
So far we have had two ‘meet the buyer’ events this year with high levels of attendance and positive feedback from attendees. We hope to maintain this level of involvement with suppliers in the future.

3.8 ***Local chambers of commerce, the Federation of Small Businesses, other local business associations, other representative trade and industry bodies and voluntary sector representative groups engage with us in developing our procurement approach***

We have invited the chamber of commerce and FSB to comment on the Procurement Strategy in the past. They spoke at the event and provided positive feedback about our intentions in the Strategy and the progress that we had made in engaging with businesses. Tudor Price, Business Development Manager of Kent Chambers of Commerce, said “*Of all the councils in the county, Medway Council procurement team are probably doing the most to engage businesses.*”

Both organisations have agreed to endorse our ‘How to do Business with Medway Council’ booklet and we hope to continue working together in the future to discuss our current process and to give us examples of best practice they have seen elsewhere.

As a consequence, we have invited representatives from the local Chambers of Commerce, Federation of Small Businesses, the Council for the Voluntary Sector and the Institute of Directors to meet with the council on a six-monthly basis to discuss our progress against the Strategy and initiatives in relation to procurements in Medway.

3.9 ***Third party controllable spend is with SMEs
50 per cent with all SMEs***

After running our 12/13 financial year data through a spend analysis tool we can see that 42% of our spend was going to SMEs, a great starting point for achieving this goal.

40 per cent with Medway SMEs

The 12/13 data also indicates that 21% of our spend was going to local (Medway) SMEs, a figure that we intend to improve on. We are in the process of analysing the data for 13/14 and this will indicate an increase in the percentage spent with local SMEs, which will further improve in 2014/15 so that following analysis of 15/16 will show that the target has been met.

3.10 ***Ensure that suppliers that have contracts with a value of more than £1million per year from the Council support at least one apprentice at any time during the life of the contract***

There is good progress on this target with 7 apprenticeships created through Medway Norse, 22 through HRA repairs and development work and a further 8 due to be supported through the construction phase of the Abbey Court contract.

We are encouraging companies regardless of the threshold to employ apprentices and in the meantime the Category Management Team is leading by example, and recruiting an Apprentice.

3.11 ***The Council will introduce an e-procurement system that will enable providers to register once and be alerted about all procurement opportunities***

ProContract has been put in place since September 2013. So far feedback from suppliers has been good with 87% saying they felt positively about it in our external satisfaction survey.

3.12 ***The Council will reduce the average timescale of procurements from 140 days to 50 days***

Measuring this Measure of Success has been delayed. Through the use of Frameworks, Prior Information Notices (PIN) and e-Tendering we are working towards reducing the timescale of procurements. Now that definitions for the start and end of a contract have been agreed, officers will be able to report on progress on the first anniversary of the Strategy. Officers will measure the duration of procurements by starting the clock at the point at which the Council engages with the market (excluding PIN notices and Pre-tender dialogue events) and the clock will stop when the decision to award the contract is taken.

3.13 ***A minimum of 80 per cent of procurements over £3million will include pre-procurement dialogue with suppliers***

This is currently collected as part of the Category Management feedback questionnaire. So far no contracts with a value of over £3million have gone through in the reporting period, nevertheless we have undertaken 5 pre-tender dialogue meetings, notably for housing related support services and the Temporary Agency Worker requirements, and used the feedback from these to adjust how we have approached the contracts.

3.14 ***Reduce by 25 per cent the number of invoices with a transaction value of less than £500 with the introduction of purchasing cards***

This will be a challenging target because there are concerns about financial controls of p-cards, which we are working to resolve.

4. Advice and analysis

4.1 Progress against each measure of success is reported in section 3 of this report. By delivering against the measures of success the Council's procurement activities should deliver the four themes (outcomes) of the strategy.

4.2 By providing updates about the progress, the Council also demonstrates a commitment to making the strategy a live document that can continue to be influenced by key stakeholders such as the (potential) supplier base. It also forms part of the mitigation of the identified risks in the last report to the Committee

5. Risk management

5.1 The identified risks associated with the strategy continue to be the same as those identified in the last report.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Reputational	The Council does not deliver against the performance indicators in the strategy	The Category Management team could provide a briefing note about the team's performance against targets to the Business Support Overview & Scrutiny Committee on a six monthly basis.	Low

The mitigation in the last report also included a proposal that the Category Management Team would hold six monthly events to meet with suppliers and confirm our progress

against the targets in the strategy. A consultation event did take place on 30 April 2014. However, further reviews will take place on the anniversary of the strategy being reviewed.

6. Consultation

6.1 A Supplier Event took place on 30 April 2014 at the St George's Centre where an update about the Council's progress against strategy was presented. About 80 representatives from the business community attended. We also published an online questionnaire for those that could not attend.

6.2 At the event, attendees were asked to have a discussion on their table about the strategy and provide initial feedback in the context of three questions relating to:

6.2.1 What feedback can you give us on our 'Measures of Success'?

40% of our spend going to local SMEs

Officers' assessment of where the Council is spending its money is based on suppliers who were registered in Medway (Gillingham, Chatham, Rainham, Rochester, Strood and related rural areas). Some suppliers suggested that this should be extended to other areas such as Maidstone, Sittingbourne etc as these are local to Medway.

Whilst this approach would make it easier to achieve the target in terms of counting, Officers consider that taking this approach would undermine the definition of 'local'. In drafting the Strategy, the Portfolio Holder made clear that local must mean Medway so that the intended consequence of supporting the local economy is achieved.

The Council has a second target in relation to SMEs of 50%, so organisations located in Maidstone, Sittingbourne, and other adjoining boroughs will be included in these figures. However, Officers could narrow the second target so that the Council spends 50% of its spend with Kent SMEs.

Some suppliers also raised the issue of larger companies who have their company registered elsewhere but have an office in Medway that employs local people, these companies are currently not counted as local but they felt that they should be as they are part of the local economy.

Again, whilst this approach would make it easier to achieve the target in terms of counting, Officers consider that taking this approach would undermine the definition of 'small or medium enterprises' the intended consequence of supporting the local economy by spending the turnover in Medway.

Sub-contracting opportunities

When the Council gives large contracts to companies such as Medway Norse, suppliers felt that we should ensure that they are advertising any subcontracting opportunities through the Kent Business Portal so that suppliers are aware and can bid for them.

Low value (under £10,000) contracts?

A few smaller suppliers wanted to know why not all contracts were being advertised through the Portal.

The Council's Constitution requires officers to get a single written quote for spend under £10,000. The Council has a high volume of transactions at this level and below. Whilst the Portal has the functionality to undertake quick quotes, the decision to advertise opportunities and secure quotes from suppliers would require a change in the constitution and working practices of the council.

6.2.2 What feedback can you give us on our 'How to do Business with Medway Council' booklet?

Further support on using the Kent Business Portal?

Although suppliers have provided positive feedback about using the Kent Business Portal, suppliers asked the Council to recognise the varying levels of computer literacy amongst suppliers and therefore some will need more support than others, especially when using it for the first time.

The Category Management do provide support to suppliers over the phone if they call. However, think that there is more that we can do and therefore we create video tutorials on how to use the system that can then be placed online for suppliers.

Bidding as a consortium or partnership?

Suppliers would like practical support for, and specific advice about, consortium bids.

The category management team will hold more networking events so that suppliers can get in contact with other similar suppliers to make these kinds of bids. The team will also work with organisations such as the local Chambers of Commerce, FSB and the Council for the Voluntary Sector to publicise and/or create mechanisms for collaboration amongst businesses.

6.2.3 Do you have any other comments?

Although suppliers were encouraged by hearing that the Council is committed to reducing red tape and supporting the local economy, they were more interested in practical advice, networking opportunities and a chance to speak to client departments at the council.

The Category Management team will make links with colleagues / Economic Development to explore how this could be achieved in a meaningful way. With the support of the six-monthly meetings, the agendas for such events will be tested for their potential impact.

6.3 As a result of the consultation in July the following consultation points were raised where we promised action:

Consultation point	What people said	How we will respond	Progress so far
Overall targets	Pleased with targets but concerned about monitoring of them.	Six monthly reporting to the Procurement Board will enable officers to be held to account for the delivery of the strategy, along with an implementation plan that will support the final draft of the strategy.	Reports in May and November of each are in the forward procurement plan
E-tendering	They are also keen to see the adoption of e-tendering and the Kent Business Portal providing that it actually works and they can easily navigate the system and receive notifications of upcoming contracts.	'Meet The Buyer' events where the council invites suppliers from a particular sector to meet with client departments and the category management team. Such events can be used as opportunities to provide training on the system and in any event pre-tender dialogue meetings could also be held in the first 12 months of introducing this system, although many providers who work with Medway Council also work with Kent County Council and other public bodies who already use the portal.	Two Meet the buyer events have taken place and 5 pretender dialogue meetings since the strategy was agreed. The category management team will work with colleagues in communications to develop mini-films about using the Kent Business Portal.
Simplifying the tender process	Suppliers are looking forward to a clearer and more simplified process of tendering	The changes to the contract rules were approved by Full Council and will be implemented from 1 September 2013. Tender documentation is currently under review.	The ITT document has been amended and the team are reviewing opportunities for creating pre-qualification assessments that can be used for subsequent tender submissions.

Consultation point	What people said	How we will respond	Progress so far
Apprenticeships	The apprenticeship scheme is seen as a big positive with some suppliers keen to see more of it but some are unsure where they would go to get apprentices.	Should the strategy be approved, the category management team will ensure that there is clear signposting in future tender documentation and on our websites for suppliers to Economic Development who support apprenticeships, Mid Kent College and any other agencies that support apprenticeships.	The category management pages on the Council's website has been updated to highlight The support available in creating apprenticeships and supporting apprentices.
Use of consortia	Suppliers recognise the benefits of consortia but feel they pose issues for some SMEs due to a perceived loss of identity and independence and some have suggested that the promotion of sub-contracting may be another way to go.	This comment provides helpful insight for the category management team in terms of developing a booklet called 'Doing Business with Medway council' which intended to promote the option of consortiums.	A case study is being developed about two recent successes in the private and not-for-profit sectors in relation to consortia bids. The 'Doing Business in Medway' booklet includes the promotion of consortiums, where appropriate.

7. Financial and legal implications

- 7.1 There are no direct financial implications arising from the report.
- 7.2 There are no direct legal implications relating to this report. However in implementing this strategy the Council needs to ensure that it balances its aspirations for local SMEs with its duty to comply with EU procurement rules and that where it proposes to give assistance to local SMEs, either by way of grant aid or otherwise, that it gives full consideration to rules relating to State Aid.

8. Recommendations

- 8.1 That the Committee notes the Council's progress against the measures of success in the Procurement Strategy.
- 8.2 That further reporting to the Committee should be on the anniversary, September 2014 of the strategy being approved and annually thereafter.

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Background papers

Cabinet report Procurement Strategy 9 July 2013

<http://democracy.medway.gov.uk/mgConvert2PDF.aspx?ID=2758&T=10>