

CABINET
10 MARCH 2015
PROCUREMENT STRATEGY

Portfolio Holder: Councillor Alan Jarrett, Finance
Report from: Perry Holmes, Assistant Director, Legal and Corporate Services
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Summary

The purpose of this report is to update Cabinet on the progress made against the Council's new procurement strategy.

1. Budget and policy framework

1.1 The Council spends approximately £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.

2. Background

2.1 Medway has a local economy of £2.8 billion and therefore the public money we spend with third parties represents about 8% of the local economy.

2.2 In December 2012, a Category Management team was developed to create a capacity within the Council to spend public money better through smarter procurement of goods, services and works. More intelligent procurement was hoped to lead to a boost for local business, more efficient use of resources and cashable and non-cashable savings for the Council.

2.3 Cabinet approved a Procurement Strategy on 3 September 2013 which is available on the Council's website:

<http://www.medway.gov.uk/pdf/procurement%20strategy%20180914.pdf>

A draft of the Strategy was discussed at Business Support Overview and Scrutiny Committee in August 2013. It was also discussed with local suppliers at an event in July 2013. The final Strategy was developed with support from the Kent and Medway Federation of Small Businesses, the Kent Invicta Chamber of Commerce and also the Business School of the University of Kent.

2.4 The Category Management team have been compiling data to test progress against each of the “measures of success” contained in the Strategy and have compiled a report which is attached at Appendix 1. This will be shared with suppliers at an event on 18 March 2015 at the St Georges Centre to which Members have been invited.

3. Advice and analysis

3.1 The Council set out to provide a Procurement Strategy that was succinct in style, similar to that which many local authorities were adopting, which was short and in plain English. For Medway, the strategy is written with the intention that the main stakeholders (suppliers and customers) should be able to read the strategy and know what it means for them. We have committed to high levels of market engagement to keep the Strategy fresh.

3.2 That level of engagement is not without risk given the competitive nature of procurement and the need to maintain some distance from suppliers and ensure that processes are transparent and fair. It was however assuring that 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”** at one of our procurement events on the 30 April 2014.

3.3 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.

3.4 The delivery against the measures of success has been very positive so far with ten out of fourteen measures of success either already met or exceeded. Particularly impressive is the amount of our contracted spend that is awarded to small and medium sized enterprises (SMEs), which is up to 45% from 42% against a target by 2016 of 50%. Also notable is the reduction in the average timescale for procurements which is down to 59 days from 140 days against a target by 2016 of 50 days.

4. Risk management

4.1 The risks associated with the strategy relate to the Council being able to demonstrate that it remains relevant eighteen months after it was approved; see the table below.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Reputational	The procurement strategy does not continue to be relevant to the needs of the market, suppliers and residents, service users and the Council’s aspirations	Sharing the outcomes of the strategy so far to Cabinet for comment and further consultation events such as 18 March 2015 should keep the Strategy fresh and relevant.	Low

5. Consultation

- 5.1 The Procurement Strategy will be discussed at a supplier event on 18 March 2015 which will give suppliers, the Kent and Medway Federation for Small Business, the Kent Invicta Chamber of Commerce the opportunity to comment. We also maintain a strategic relationship with the Business School of the University of Kent and will be seeking their views. Any proposed amendments to the Procurement Strategy will be reported back to Cabinet for consideration and approval.
- 5.2 The Business Support Overview and Scrutiny Committee will continue to provide challenge and analysis on the Strategy.

6. Financial and legal implications

- 6.1 There are no direct financial implications arising from the report.
- 6.2 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.

7. Recommendations

- 7.1 That Cabinet consider the progress made against the Procurement Strategy and indicate any amendments to the Strategy for further consultation.
- 7.2 That Cabinet delegate authority to the Assistant Director of Legal and Corporate Services in consultation with the Deputy Leader, to engage in further consultation on the Procurement Strategy to ensure that it is robust and relevant, with suppliers, leading academics and other representatives of the business community and to report back to Cabinet should there be any proposed amendments.

8. Suggested Reasons for Decisions

- 8.1 To ensure that progress against the Strategy is maintained.

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Background papers

None.

Medway Council Procurement Strategy 2013-16

One Year On

Background

When Medway Council first presented its 2013 – 2016 Procurement Strategy it wanted to ensure that the work we were doing was making medway a great council to do business with.

The council set itself fourteen ‘measures of success’ across the following four key strands:-

- Supporting the local economy
- Reducing red tape
- Improved services, better outcomes
- Intelligent spending



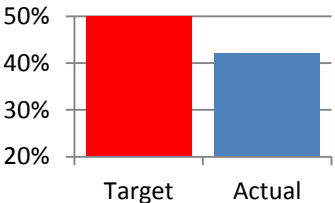
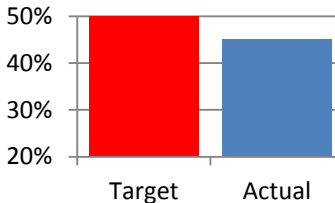



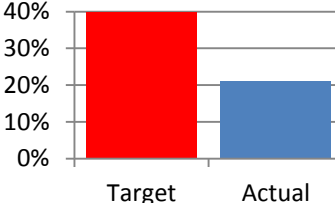
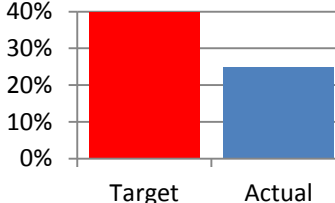
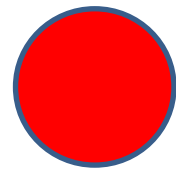








Below is a summary of our progress in the year 2013/14 against our “measures of success”. As you will see we have made real progress against the majority of our targets in this year and are positive that we will continue to achieve these going forward.

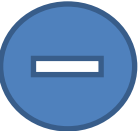









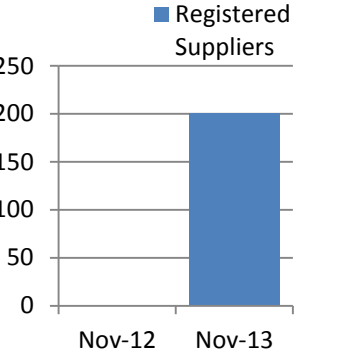
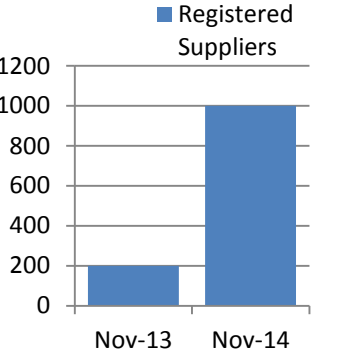


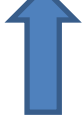
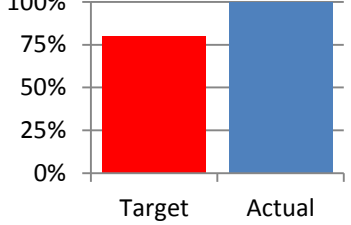
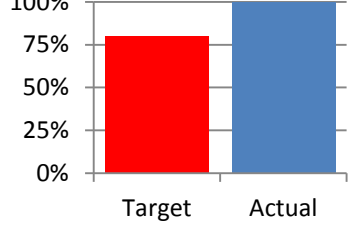




Summary 2013/14






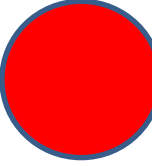






10 targets or “measures of success” already met or exceeded.

2 targets or “measures of success” slightly underachieved but good progress made.

2 targets or “measures of success” underachieved with further work needed.

Strand	Measure of Success	Success Is	Short Trend	Financial Year		Progress to Date	Commentary
Supporting the Local Economy	50 % of third party controllable spend is with SME's			2012/13 	2013/14 	 This 'Measure of Success' is slightly below target	An analysis of our spend data for the financial year 13/14 shows that 45 % of our spend was going to SME's (compared to 42% for 12/13). This is a marked improvement on last year and shows significant progress.
Supporting the Local Economy	40 % of third party controllable spend is with local SME's			2012/13 	2013/14 	 This 'Measure of Success' is below target	An analysis of our spend data for the financial year 13/14 which shows that 25 % of our spend was going to local SME's (compared to 21 % for 12/13). Whilst not as high as we would like, it is a step in the right direction.
Supporting the Local Economy	Contractors that receive more than £1 million per year from the council support at least one apprentice at any time during the life of the contract					 This 'Measure of Success' has been met or exceeded	8 apprenticeships have been created through Medway's Joint Venture company - Medway Norse, 22 through the re-tendering of our HRA Repairs & Development Work contract and potentially a further 5 are due to be supported through the construction phase of the contract for Abbey Court.
Supporting the Local Economy	Young unemployed people, care leavers, disabled people and ex-service personnel are getting apprenticeships through our suppliers					 This 'Measure of Success' has been met or exceeded	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 have secured apprenticeships with suppliers to the Council.
Reducing Red Tape	The Council will introduce an e-Procurement System that will enable providers to register once and be alerted about all procurement opportunities by September 2013		Complete Sept 2013			 This 'Measure of Success' has been met or exceeded	The Pro Contract e-tendering system was installed in September 2013 and is currently used for all invitation to quote & invitation to tender opportunities above £10K. So far feedback from suppliers has been good with 90% saying they felt positively about it in our last external satisfaction survey.

<p>Reducing Red Tape</p>	<p>The Council will reduce the average timescale of Procurements from 140 days to 50 days by September 2014</p>			<p>2012/13</p> 	<p>2013/14</p> 	 <p>This 'Measure of Success' is slightly below target</p>	<p>Through the use of e-tendering, frameworks and Prior Information Notices (PIN), the Council has managed to reduce the average timescale for procurement let during the current financial year to just 59 days. We are on course to achieve this target.</p>
<p>Reducing Red Tape</p>	<p>Suppliers tell us that our processes are straight forward, less bureaucratic and that we have reduced red tape</p>					 <p>This 'Measure of Success' has been met or exceeded</p>	<p>Feedback has continued to be positive from our supplier events held throughout the year – specifically in relation to the Kent Business Portal. Many suppliers say that the introduction of a single place to find tender opportunities and the transparency of the system has improved our processes. <i>“It is nice to partake in such a well organised and efficiently managed procurement process”</i> – Rundle & Co Ltd.</p>
<p>Reducing Red Tape</p>	<p>Suppliers tell us they find it easier to spot opportunities to bid for work</p>					 <p>This 'Measure of Success' has been met or exceeded</p>	<p>The number of Medway suppliers registered on the Kent Business Portal has increased significantly during the last 12 months. As of November 14 there were in excess of 1000 Medway based suppliers compared to 200 suppliers the previous year increasing the visibility and competition for Medway opportunities.</p>
<p>Improved Services, Better Outcomes</p>	<p>A minimum of 80% of procurements over £3 million will include pre-tender dialogue with suppliers</p>			<p>2012/13</p> 	<p>2013/14</p> 	 <p>This 'Measure of Success' has been met or exceeded</p>	<p>100% - pre tender dialogue events have been held for all contracts in excess of £3 million covering areas such as HRA Repairs & Maintenance, Agency Staff, Carers Support, and Residential Care (DPS).</p>
<p>Improved Services, Better Outcomes</p>	<p>We can show you examples of council services that have Improved through better procurement</p>					 <p>This 'Measure of Success' has been met or exceeded</p>	<p>There are two case studies available (Homecare & Chlamydia Screening) via the Councils website that show how better procurement has improved services. Visit http://www.medway.gov.uk/businessandinvestment/procurement/casestudies.aspx.</p>

Improved Services, Better Outcomes	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					 This 'Measure of Success' has been met or exceeded	As part of the review of the Homecare contract we were pleased to see an average of 83% quality scored across the 19 new providers.
Intelligent Spending	Reduce by 25 % the number of invoices with a transaction value of less than £500 by September 2014 with the introduction of Purchasing Cards					 This 'Measure of Success' is below target	The introduction of Purchasing Cards will be re-considered in 2015.
Intelligent Spending	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					 This 'Measure of Success' has been met or Exceeded	A number of Meet the Buyer events have been held with high levels of attendance and feedback across categories such as Construction, Professional Services and People Services. Feedback has been key from these events in terms of understanding the market and helping to develop our respective procurement approach.
Intelligent Spending	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					 This 'Measure of Success' has been met or Exceeded	Both the Kent Chambers of Commerce and the Federation of Small Businesses have endorsed our 'How to do Business with Medway Council' booklet. 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 " at our Procurement Event on the 30 th April 2014.

