

**BUSINESS SUPPORT OVERVIEW & SCRUTINY
COMMITTEE
25 JUNE 2015
PROCUREMENT STRATEGY**

Report from: Perry Holmes, Assistant Director, Legal and Corporate Services

Author: Perry Holmes, Assistant Director, Legal and Corporate Services

Summary

The purpose of this report is to update Business Support Overview & Scrutiny Committee on the progress made against the Council's Procurement Strategy 2013-16.

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 procedure 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 that.

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 was shared with suppliers at an event on 18 March 2015 at the St Georges Centre to which Members were invited.
- 2.5 The Cabinet asked the Assistant Director of Legal and Corporate Services in consultation with the then 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. Over 200 businesses from across Medway and the South East attended. There was positive feedback about the event and the Strategy and no alterations to the Strategy are therefore envisaged at this stage.
- 2.6 Julie Anderson, Director of Maidstone based Rap Interiors said of the event:

“What an amazing ‘meet the buyer’ event with Medway Council who genuinely want to do business with local small and medium sized enterprises (“SMEs”). It is so refreshing to hear that the Council is committed to spending with good contractors in Medway and Kent. It is up to the SME community to prove they are a remarkable contractor for Medway projects but I genuinely believe that there are some great working partnerships that will come out of today’s event...I wish there were more buyers with this approach to getting procurement right.”

3. Advice and analysis

- 3.1 The Council set out to provide a Procurement Strategy that was succinct in style, similar to that 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 at one of our early procurement events on the 30th April 2014:
- “Of all the councils in the county, Medway Council procurement team are probably doing the most to engage businesses”*
- 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 important 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.

- 3.5 In the first two years of operating in a new “category management” approach we have calculated that the Council has saved in the region of £8,800,000 by procuring differently. This represents savings compared to the previous year’s contract spend including both revenue and capital and spend in our ring-fenced areas such as public health and the Housing Revenue Account. That is for the financial years set out in Figure 1 below (£6,100,000 in 2013/14 and £2,700,000 in 2014/15) with the sum for 2015/16 being the target for this financial year.

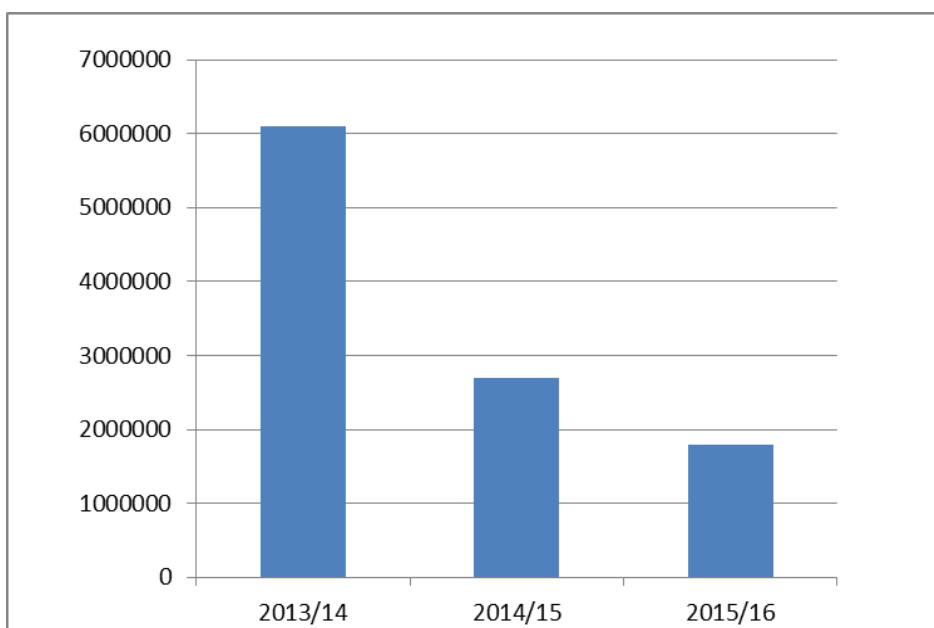


Fig1 procurement savings (actual for 2013-15 and targeted for 2015/16)

- 3.6 Another measure of the success of the Strategy is the number of apprentices that we have been able to generate through our “One in a Million” initiative that sees suppliers required to offer at least one apprentice place for contracts over £1 million. So far our suppliers have provided 40 apprentice places which supplements the 200 or so places that are generated by the Council’s Regeneration team.
- 3.7 The target of 40% spend with local SMEs looks more challenging than we had expected but to improve from 21% to 25% is still creditable. The Government set itself a target of spending 25% with SMEs nationally by way of comparison. The other area where we have not yet made progress is reducing the cost of low value, high volume transactions. It is important that we tackle this so called “tail spend” and we will be revisiting the mechanisms to do that this year since this accounted for approximately £10 million last year.
- 3.8 We will shortly have the spend analysis for 2014/15 which will be shared with Members, suppliers, stakeholders and others in due course.

- 3.9 Members have previously asked what the Council has done to facilitate conversations between local businesses and particularly to facilitate collaboration. Since 2013 the Category Management team have run 12 “meet the buyer” events, engaging with over 1500 Medway & Kent suppliers and providing a good opportunity to facilitate those conversations and collaborations. We have provided support on tender writing as well as using our online tender portal to enable business to find contracting opportunities more easily. These events have been extremely well received by suppliers and feedback has shown that Medway Council is further ahead in its engagement than other surrounding councils.
- 3.10 The Kent Business Portal allows suppliers to register their company name and details and sign up for alerts to enable them to bid for opportunities through the year. It also allows suppliers the time to consider collaborating on tenders. We have provided advice and guidance to suppliers to help fast track their tender submissions by using PAS 91 (a standard pre-qualification questionnaire for use in construction contracts) & the Medway Passport (for other forms of contracts) which enables suppliers to provide one set of references, or financial background, or insurance etc. which can then be used for multiple tenders. To add to this, we have recently reviewed the tender documentation to reduce both the Pre Qualifying Questionnaire and Invitation to Tender to much smaller and easier to read documents, something that businesses asked us to do.
- 3.11 So we have responded to requests to improve our systems and processes and to make contracting with the Council as easy as possible. After initially considering how we might create the right environment for collaboration we have, in consultation with local businesses and the Business School at the University of Kent remained a facilitator rather than taking a more active role.
- 3.12 What we would like to establish is the full impact of the Strategy across the suppliers we influence or our “supply chain.” We are currently measuring the relationship with the first supplier we contract with. We know that each of those first tier suppliers will also have connexions through our contracts with sub-contractors and their own suppliers. We aim to map that broader supply chain this year and will report the outcomes to Members.

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 at consultation events such as 18 March 2015 should keep the Strategy fresh and relevant.	Low

5. Consultation

5.1 The Procurement Strategy was discussed at the supplier event on 18 March 2015 which gave 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 sought their views.

5.2 Professor Andrew Fearne from the Business School said after the supplier event in March:

"I have worked with Medway Council on a number of projects in the last two years concerned with improving their approach to procurement. I have been particularly impressed by their willingness to learn and make changes for the benefit of everyone involved in the delivery of 'more for less'. Their willingness to engage with their supply chain and to provide clarity about added "social value", such as securing apprenticeships on their larger contracts has been refreshing. Their work to support local SMEs and their ability to reduce contract costs though competition whilst maintaining quality has been impressive and their hunger for new ideas, innovative approaches and practical solutions sets them apart from any other local government organisation I have worked with."

6. Financial and legal implications

6.1 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 Business Support Overview & Scrutiny Committee considers the progress made against the Procurement Strategy 2013-16.

Lead officer contact

Perry Holmes

Assistant Director, Legal and Corporate Services

Tel: (01634) 332133

Email: perry.holmes@medway.gov.uk

Background papers

None.