

**BUSINESS SUPPORT OVERVIEW & SCRUTINY  
COMMITTEE  
8 OCTOBER 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 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 now has data for the year 2014/15 for each of the “measures of success” contained in the Strategy and have compiled a report which is attached at Appendix 1. The Committee received a report in June which set out the performance for the financial years 2012 to 2014. This report now adds the details up to April 2015. This gives a more rounded and detailed picture of the progress under the Strategy to date.

### **3. Advice and analysis**

- 3.1 The initial positive progress against the 14 measures of success has been sustained. The Council has now met or exceeded 11 measures and made good progress on the remaining 3.
- 3.2 Particularly important is the amount of our contracted spend that is awarded to small and medium sized enterprises (SMEs), which for last year stands at 59%, up from to 45% the previous year and our initial year figure of 42%. Our target by 2016 was 50%, so that has been met and exceeded. The Government set itself a target of spending 25% with SMEs nationally by way of comparison.
- 3.3 We have also increased the number of Medway SMEs we contract with. When the Strategy started we were at 21% and are now at 32%. The target for next year is to reach 40%.
- 3.4 Also notable is the reduction in the average timescale for procurements. When we started it used to take an average of 140 days or 5 months for the Council to complete a procurement. We have reduced that to 55 days or under 2 months, down 59 days in the previous year. Our target by 2016 of 50 days now looks achievable. This speeding up of the process is good news for our suppliers’ cash flow.
- 3.5 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 30 apprentice places which supplement the 200 or so places that are generated by the Council’s Regeneration team.
- 3.6 It is important that we tackle our so called “tail spend” the low level high volume spend which accounts for approximately £10 million of our spend. We now have a plan in place to address that through the use of a Procurement Card system. The Procurement card, or P-card, is issued to certain employees who can then acquire goods and services without having to process the transaction through the traditional purchasing procedure, such as using purchase requisitions or purchase orders.

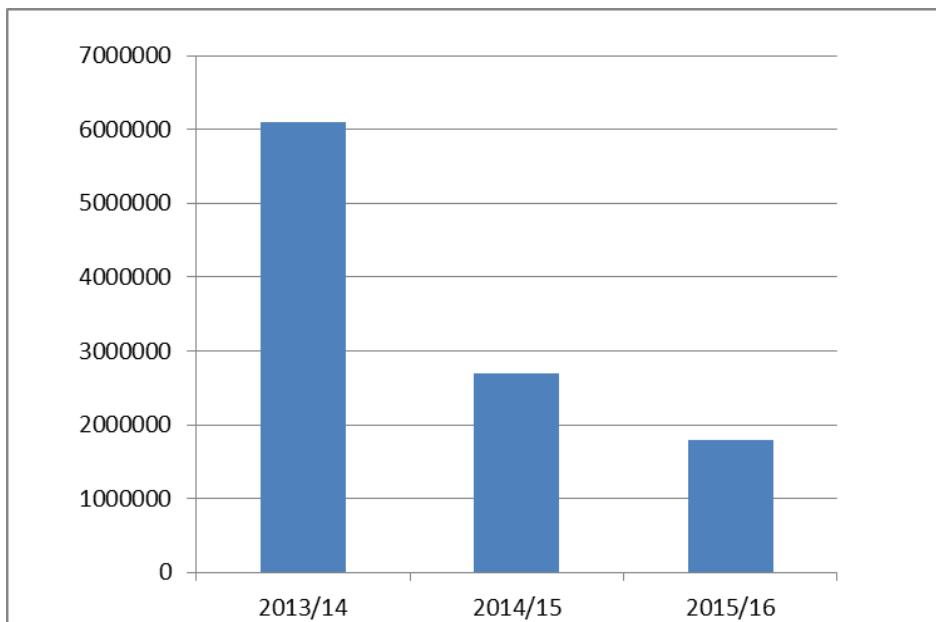


Fig1 procurement savings (actual for 2013-15 and targeted for 2015/16)

3.7 Figure 1. above shows that total savings over the three years of operating in a new “category management” approach are likely to exceed of £10,000,000 cumulatively by procuring differently. This represents savings compared to the previous year’s contract spend including mostly revenue but also capital and spend in our ring-fenced areas such as public health and the Housing Revenue Account.

#### 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. We will also seek external analysis of our performance from the Business School at the University of Kent.	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 We are making preparations for a further “meet the buyer” in 2016 where we will share the outcomes of the Strategy. We will also sound out our partners and suppliers as to what they would want to see in a future Strategy.

## **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](mailto:perry.holmes@medway.gov.uk)

### **Background papers**

None.

**Appendix 1** - Medway Council Procurement Strategy 2013-16  
Update September 2015