

# **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**7 JULY 2016**

## **PROCUREMENT STRATEGY 2016-21**

Report from: Perry Holmes Chief Legal Officer

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### **Summary**

The purpose of this report is to introduce the new Procurement Strategy 2016-21 for the Council.

The new Strategy reports on the successes of the previous Strategy and maintains targets and expands to include new targets. The challenges of supporting the local economy and delivering value for money remain as valid now as they were in the original strategy and for that reason; the new strategy follows a similar format to the previous strategy.

### **1. Budget and Policy Framework**

- 1.1 The Council spends approximately £230m each year with third parties. This spend is controlled through a variety of procurement approaches from bespoke procurement to the implementation and use of Framework arrangements that allow a quick route to market.
- 1.2 All procurement exercises that are undertaken are made in compliance with the Public Contracts Regulations 2015 and covered at a local level through Medway Council's internal Contract Procedure Rules (CPRs)

### **2. Background**

- 2.1 Since the inception of the Category Management Team in December 2012, there have been some notable successes in the delivery of our Procurement Strategy including over £21m of whole life savings and benefits to the Council.

- 2.2 The continuing financial challenges have made the delivery of Council services problematic which has required different approaches to ensure that the delivery continues and is sustainable.
- 2.3 This has been achieved through a combination of approaches such as aggregation of like spend to deliver economies through bulk purchasing, renegotiation of existing contracts, bespoke procurement and the implementation and use of frameworks.
- 2.4 It is intended that the new Strategy will continue the good work of the previous Strategy but with additional objectives to account for the changing financial and legislative landscape.

### **3. Options**

- 3.1 The following options are available to the council.
- Continue with the previous strategy without updating
  - Update the strategy
- 3.2 To continue with the previous strategy, whilst very good, does not cover new elements that have evolved over the last few years such as the need to focus on income generation to sustain services or the impact of the recent change to the procurement legislation.
- 3.3 In order to continue to strive for a high class procurement service which incorporates changes and new requirements, it is recommended to update the Strategy.

### **4. Advice and analysis**

- 4.1 The strategy sets out the objectives that will enable improvements through procurement and also will lead to the mitigation of financial, commercial and legal risk. The 5 themes contained within the strategy are as below:
- 4 Supporting the local economy
  - 5 Reducing red tape
  - 6 Improved services, better outcomes
  - 7 Intelligent spending
  - 8 Sustainable procurement

#### Supporting the local economy

Small & Medium sized Enterprises (SMEs) are the life blood of the local economy with 85% of our 13,000 local businesses employing less than 10 staff. So it is right that we focus our efforts on ensuring that we continue to engage with SMEs via our Meet the Buyer events and project specific market engagement. It is also right that we continue to ensure that more opportunities are put into the public domain so that smaller SMEs can bid for them. We would also like to give a special focus to the Voluntary Sector as a subset of SMEs.

## Reducing Red Tape

As stated already, public sector procurement is highly regulated and therefore this can present obstacles to participation by SMEs and others. We have already had a number of successes which we intend to continue such as the use of model form documents for familiarity and “passporting” through pre-accredited suppliers so that bidders are not submitting the same paperwork repeatedly.

## Improved Services, Better Outcomes

We must ensure that the contracts that we have in place work for the authority but also for the suppliers who deliver the contracts. By ensuring that we purchase goods and services with suppliers who we have contracts with, we will ensure that those contracts are valued by the suppliers. This will lead to improved services and better outcomes for the people of Medway.

## Intelligent Spending

Through controlling where the money is spent, efficiencies will come in the form of savings, internal efficiencies and better pricing from suppliers. We will gain the advantage of transparency in what we buy which will enable better analysis to deliver further benefits to the council. This is not a one off exercise and requires continuous monitoring to ensure best value for money.

## Sustainable Procurement

The regulation of public sector procurement causes common concerns about the time that it takes to get contract delivery and the cost of procurement. The Strategy outlines ways to mitigate the time factor and to not only assist with costs but proposes that through the creation of a Procurement Consultancy LATCO, the council could receive greater value through reduced costs and the generation of income from selling our service to both the public and private sectors.

## **5. Risk management**

5.1 Please see below for risk.

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Reputational	The objectives set out in the strategy are not delivered.	Once approved, timelines will be added to each element and a report will be presented annually detailing progress.	Low

## **6. Consultation**

6.1 In order to ensure that the Strategy was relevant, the draft strategy has been shared at the annual Meet the Buyer event which was attended by 500 businesses. Comment has been invited and engagement has also taken place with specific supplier groups to ensure that we are addressing issues

and concerns. As an example, we met with the Voluntary and Community Sector and the Strategy has been modified to include support for that sector to navigate through the procurement process. This builds on our enhanced support over time to SMEs. Business Support Overview & Scrutiny Committee is being engaged through this report to engage in pre-decision scrutiny before the Strategy is approved by Cabinet.

## **7. Financial implications**

7.1 There are no direct financial implications arising from the report.

## **8. Legal implications**

8.1 There are no direct legal implications arising from the report.

## **9. Recommendations**

9.1 The committee provides comments on the strategy so that it can be presented to Cabinet for approval at its meeting on 9 August 2016.

## **Lead officer contact**

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## **Appendices**

Draft Procurement Strategy 2016-21

## **Background papers**

None