

**CABINET**  
**9 AUGUST 2016**  
**PROCUREMENT STRATEGY 2016-21**

Portfolio Holder:	Councillor Adrian Gulvin, Resources
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).
- 1.3 Approval of the Procurement Strategy is a matter for Cabinet.

**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 (agreed by the Cabinet in July 2013) but with additional objectives to account for the changing financial and legislative landscape.
- 2.5 The strategy does not make reference to a Diversity Impact Assessment (DIA) as the strategy is largely about how to support local businesses and employment opportunities for the people of Medway. There will be purchases where a DIA is necessary and these are traditionally undertaken by the service area that is commissioning the requirement.

### **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:
1. Supporting the local economy
  2. Reducing red tape
  3. Improved services, better outcomes
  4. Intelligent spending
  5. Sustainable procurement

#### Supporting the local economy

- 4.2 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

- 4.3 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

- 4.4 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

- 4.5 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

- 4.6 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**

<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. In addition, the Business Support Overview and Scrutiny Committee undertook pre-decision scrutiny on the Strategy (see paragraph 7 below).

## **7. Business Support Overview and Scrutiny Committee – 7 July 2016**

- 7.1 Members considered a report which set out proposals for the new Procurement Strategy 2016-21. The report stated the Strategy would be submitted to Cabinet on 9 August 2016 for approval.
- 7.2 Members raised a number of questions and comments which included:
- 7.3 **Child Sexual Exploitation (CSE) and Domestic Abuse** - Whilst it was positive that (CSE) and domestic abuse had been referenced within the Strategy, consideration should be given to including such references within the introduction and measures of success and that reference also be made to the White Ribbon campaign within the Strategy.
- 7.4 **Innovation Centre** - That consideration should be given to setting a target for companies moving out of the Innovation Centre as they grow and develop. It was noted that officers would give further consideration to this suggestion.
- 7.5 **Voluntary Sector** - Clarification was sought on the level of support the Voluntary Sector should receive for free given the commercial approach by the service suggested in the Strategy. The Head of Category Management (Place) explained the level of support given to the Voluntary Sector which included support and advice at the annual “Meet the Buyer” event.
- 7.6 **Purchasing cards** - In response to a question about the potential for fraud, the Head of Category Management (Place) explained the procedures that were in place to control any expenditure on purchasing cards. He also explained that there was an opportunity to earn cash back on the use of such cards.
- 7.7 The Committee agreed to forward its comments on the Procurement Strategy 2016-21, as set out above, to the Cabinet on 9 August 2016.

## **8. Chief Legal Officer’s comments**

- 8.1 The Business Support Overview and Scrutiny Committee raised a number of interesting points in its consideration of the report on 7 July 2016.
- 8.2 With regards to the White Ribbon campaign, this is now referenced in the Introduction to the Strategy as set out in Appendix A to the report.

- 8.3 With reference to the Innovation Centre and the suggestion that consideration should be given to setting a target for companies moving out of the Innovation Centre as they grow and develop, discussions will need to take place with colleagues in Physical and Cultural Regeneration and Corporate Performance and Intelligence plus the Portfolio Holder for Planning, Economic Growth and Regulation, to determine whether it is feasible to add such a target to the Council's performance monitoring regime.

## **9. Financial implications**

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

## **10. Legal implications**

- 10.1 There are no direct legal implications arising from the report.

## **11. Recommendation**

- 11.1 The Cabinet is asked to consider the comments of the Business Support Overview and Scrutiny Committee and approve the Procurement Strategy 2016-2021 as set out in Appendix A to the report.

## **12. Suggested reasons for decision**

- 12.1 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.

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### **Appendices**

Appendix A - Draft Procurement Strategy 2016-21

### **Background papers**

None





# Procurement Strategy 2016-2021



## Introduction

I am delighted to introduce our new procurement strategy 2016-19 which builds on three successful years since the introduction of a “Category Management” approach to procurement at the Council.

### The story so far

The Council has delivered against our previous Strategy and been recognised nationally at Go Awards in 2014 and again in 2016 for taking an innovative approach. The Category Management team has helped to procure £600 million of contracts in that time with a massive £21 million of whole life savings, helping to protect the delivery of frontline services. We have contracted with many hundreds of contractors and have smashed our target to give 50% of our contracts to Small and Medium sized Enterprises (SMEs) by achieving 64% last year (of which 37% were with Medway SMEs against a target 40%). Our “one in a million” scheme has created 30 apprenticeships. We have achieved the CIPS Corporate Ethics mark in 2015 demonstrating our commitment to ethical purchasing. We have adopted the PAS91 model Pre Qualification Questionnaire demonstrating our commitment to supporting SMEs and others through the tender process. We have vastly increased the speed in which we get to market and complete our procurements.

Our popular and well attended Meet the Buyer Events and contract specific supplier engagements have assisted Medway companies to improve the quality of their bids and be successful at the tender stage. This has led to improved services for our customers.

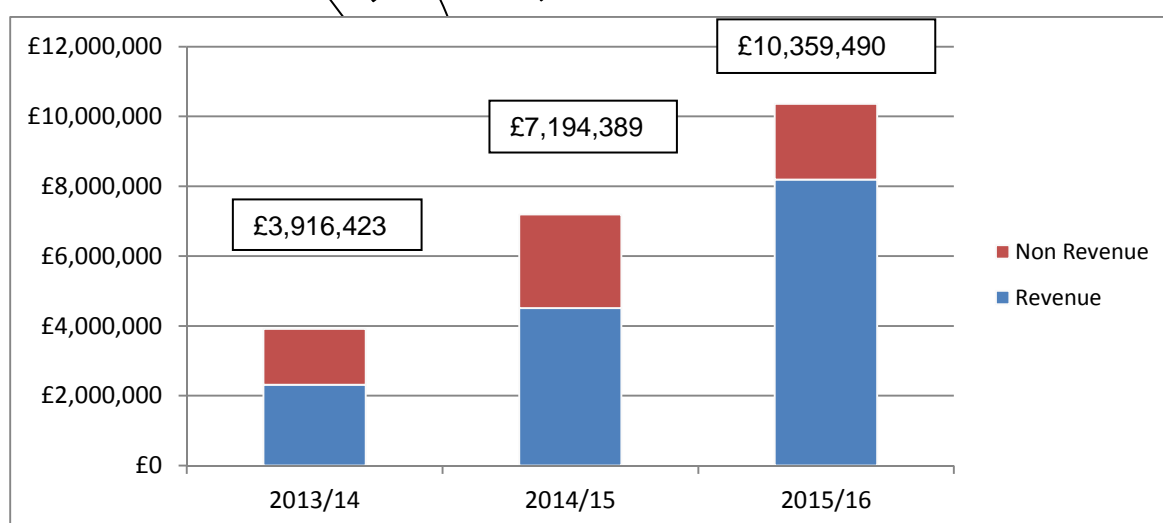


Table 1 procurement savings over the last 3 years

### Future proof

The Council and the Category Management team have acquired a reputation in Kent and the South East for best practice and openness in procurement. Good companies have utilised the feedback function that we provide at the end of each tender to improve their bids to win subsequent business with Medway.

With a continuing reduction in Government grant to Councils despite the improvement in the economy, Medway in common with other local authorities will continue to seek to protect frontline services while reducing back office and other central costs. We are going to shift our focus to a more commercial approach to service delivery and that will include procurement. We intend to use our procurement expertise to generate income.

We also want to continue to ensure that the public money we spend creates social value. We will therefore be looking to build on the success of our “one in a million” apprenticeship initiative and the employment of hard to reach individuals such as care leavers and those with learning difficulties.

We want to seek your support to promote the awareness of Child Sexual Exploitation and Domestic Violence, as part of the White Ribbon Campaign, and to refer any concerns you have to a specialist multi-agency team. We also want to enlist your support for our Healthy Workplace initiative too.

We have a clear set of new measures of success so you can track our progress enhancing Medway as a place to do business.

Adrian Gulvin

Cabinet Member for Resources



# Supporting the local economy

Focusing public money on local businesses and employment for local people

*"I think it is vitally important that Councils provide constructive feedback on tender decisions so suppliers can see what they did well and maybe not so well. By doing this as well I also feel it demonstrates that the tender was a fair and open procedure where every contractor had a genuine chance of being successful."*

**Luke Overall, Sales Executive, Caloo Ltd (17<sup>th</sup> November 2015)**

## 2016-2021 Strategy Objectives

We are keen to make the public money we spend go further. The Medway economy is worth around £2.8 billion per year and has an estimated 13,000 businesses.

We know that 80% of Medway businesses are SMEs so we will continue to ensure that it is just as likely an SME wins our business as a large supplier.

Our annual Meet the Buyer Event, where we provide an update on new opportunities along with tender training and e-tendering training, has seen an increase in bids and quality of those bids. We have liaised with the Federation of Small Businesses and the Invicta Chamber of Commerce to ensure our message reaches SMEs which means local businesses are getting support to increase their competitiveness for both public and private sector opportunities. We want local businesses to be good at pitching for our work.

### Measures of success

- Continue to hold an annual Meet the Buyer Event
- Review the thresholds at which we undertake 3 quotes. Ensure more competition and interest from SMEs Eg reduce threshold from £5k-£100k to £1k-£50k.
- Introduce Sustainable Flexible Framework to Level 3 to embed the delivery of the Social Value Act .
- Speed up payments to SMEs through the use of technology.

## 2013-2016 Strategy Objectives: How did we do?

**SO1: 50% of third party controllable spend in the borough of Medway with SMEs.**

We have achieved a percentage of 63% of spend with SMEs.

**SO2: Ensure that 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.**

We have achieved 8 apprenticeships with Medway Norse and 22 Apprenticeships via the HRA Repairs contracts.

### Did you know?

In 2014, more new businesses were set up in Medway than in any other area of Kent

**Photo?**

# Reducing red tape

Making competition for public contracts fair and possible for all businesses

*"It is exciting to hear there is potentially a great pipeline of opportunity in the region and hopefully many other clients will realise the benefit of the work you have done to establish this and will utilise the (Construction Professional Consultancy) Framework."*

**Ella Brocklebank, Business Development Manager Woodley Coles (4<sup>th</sup> December 2015)**

## 2016-2021 Strategy Objectives

Public procurement is highly regulated in order to ensure fair and open competition when spending tax payers money.

We will continue to make it easy for businesses to find tender opportunities via the Kent Business Portal and more recently Contracts Finder.

We will reduce the time taken to submit bids. The new regulations have removed the Pre-Qualification Questionnaire stage for opportunities that are below the European threshold which will reduce the time to win opportunities.

### Measures of success

- Increase use of model form documents to simplify all procurements for SMEs
- Embed passporting through tenders, bidders who are pre-accredited
- Embed use of model form contracts for goods/services/works contracts and frameworks. This reduces legal costs and enables SMEs to participate in tenders more easily.

## 2013-2016 Strategy Objectives: How did we do?

### **SO1: The council will introduce an e-procurement system**

Implemented September 2013

### **SO2: The council will reduce the average timescale of procurements**

Tender Timescales have reduced from 140 days to 55 days.

### **SO3: Suppliers tell us that our processes are straight forward, less bureaucratic and that we have reduced red tape**

*"We found the tender process Medway ran to be clear and well managed and it was refreshing that our submission seemed to have been really thoroughly read."*

Will Ainslie, Sales & Business Development Manager, Traffic Technology Ltd (7<sup>th</sup> December 2015)

### **SO4: Suppliers tell us they find it easier to spot opportunities to bid for work**

The number of Medway suppliers within the Kent Business Portal has increased to in excess of 1300.

## Did you know?

Good companies are not always good at submitting tenders. Category Management are able to support companies bidding for non Medway projects. Find out more by contacting:

[categorymanagement@medway.gov.uk](mailto:categorymanagement@medway.gov.uk)

## Photo?

# Improved services, better outcomes

Spending public money better for the benefit of all communities in Medway

*"You know better than most where we can take the next steps. You know first-hand where things are working well on the frontline of public services, but also where the waste is and where we can provide better services for less money."*

**George Osborne, Chancellor of the Exchequer (3rd August 2015)**

We want to increase the social value delivered through our procurement by seeking contractors support for key initiative such as combatting Child Sexual Exploitation (CSE). We want our suppliers to value their contracts and their relationship with us.

We want to improve the value of our contracting in every sense so to drive out efficiencies but to increase quality. Therefore, we need to ensure that when we work with suppliers, we select the right suppliers for the right contracts. We want to work with the Voluntary Sector to ensure they get greater access to our contracts. We encourage collaboration by contractors to drive down costs.

## Measures of success

- Embed Supplier Relationship Management (SRM) through good contract management with KPIs
- Collaboration across Public sector bodies to ensure buying power is efficiently utilised into attractive contracts that encourage SME participation.
- Transparent costs for the goods and services that are bought by the council
- Seeking support from suppliers to combat CSE
- Seeking support from suppliers to promote workplace health
- Hold a voluntary sector specific supplier engagement day each year

## Did you know?

By adopting the one operator per school site for SEN Transport, the number of invoices submitted reduced to save Medway £15k pa.

## 2013-2016 Strategy Objectives: How did we do?

**SO1: A minimum of 80% of Procurements over £3 million will include pre-tender dialogue with suppliers**

100% of major projects have pre tender dialogue. Examples Include for the HRA Estates services contract, the SEN Transport Framework and the Construction Professional Services Consultancy Framework.

**SO2: We can show you examples of council services that have Improved through better procurement**

This can be evidence by looking at the SEN Transport Framework.

*"The new arrangement enables a single point of contact for issues and has led to the drivers and escorts communicating well with the school."*

Tina Lovey, Head teacher, Rivermeads School (15<sup>th</sup> December 2015)

**SO3: 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**

*"Thank you for allowing me to be part of today's interviews. As a tenant I feel privileged to be part of this process that will affect many tenants and lease holders"*

**Mr S, Medway Tenant Representative (12<sup>th</sup> March 2015)**

# Intelligent spending

Taking an evidence-based approach to procurement

*"The public sector cannot afford to continue delivering services as they do today. The technology to support some of the changes needed in order to make sustainable savings already exists. It offers rapid return on investment while maintaining, and sometimes improving, services to citizens"* Mick Wayman

**Your Ready Business (1<sup>st</sup> December 2015)**

"Follow the Money", so the saying goes. Analysis of what the council is spending, what it is buying, from whom it is buying and who is placing the orders gives a picture of areas to target in order to maximise benefit.

The use of Framework arrangements reduces the need to engage in full tenders and is a quick route to market for public sector bodies.

Not all spend can be put under contract such as high volume, low value purchases. Purchasing cards can offer an efficient, controlled buying power for the council, which will improve cash flow management for businesses by eliminating the need to manually process invoices.

E Invoicing and Purchase to Pay (P2P) offer organisations the opportunity to get spend visibility, control who can spend and on what as well as speeding up processes enabling employees to be more productive.

## Measures of success

- Reduce fragmented spend. Make sure contracts we have in place are used.
- Increased implementation and use of both Medway and external Frameworks
- Introduce purchasing cards to speed up payments for SMEs
- Automate Invoice Processing to speed up payments for SMEs
- Introduce Purchase 2 Pay system / e-catalogues, punch outs to reduce paper costs

## 2013-2016 Strategy Objectives: How did we do?

**SO1: Reduce by 25% the number of invoices with a transaction value of less than £500**

Reduction of 11% with Purchasing cards in the process of being introduced.

**SO2: 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**

*"What an amazing "Meet the Buyer" event with Medway Council I wish there were more Buyers with this approach to getting procurement right"*

Julie Anderson, Director, Rap Interiors  
(18<sup>th</sup> March 2015)

**SO3: 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**

*"It is great to see Medway Council changing the environment for SME procurement"*

Neville Gaunt, North Kent Chairman  
Federation of Small Businesses for Kent & Medway

## Did you know?

The real cost of ignoring low value high volume spend is higher prices, large invoice workload and exposure to risk.

# Sustainable Procurement

## Sustainable Services through procurement

*In light of both cuts to central government funding and a rise in demand for services, budgets for public services are growing ever tighter. .... the need to find alternative streams of income to sustain the delivery of public services has become critical.*

**Source: Inside Government (28th April 2015)**

Councils are facing decreases in their funding and have to review not just expenditure but how they generate income in order to protect valuable frontline services.

In common with Medway, a large number of councils are adopting a more commercial approach to their activities which also means ensuring better outcomes for their citizens.

One of the ways that Councils' can generate income is through service delivery by trading services with other councils or winning new business to deliver services to other parts of the public sector

### Measures of success

- Implement Frameworks to reduce time to market
- Medway Category Management seen by other public bodies as a beacon of best practice and professionalism and the go to team for procurement support and advice
- Launch of Procurement Consultancy to provide Procurement services to both Public and Private sectors
- Introduction of internal self-service for the use of frameworks using the e-procurement system to speed up awards.

## CASE STUDY

In 2015/16, the category Management team undertook projects for a number of other public bodies such as Clinical Commissioning Groups (CCGs) and Gravesham Council.

This has generated income for the team but also provided valuable assistance to other public bodies to ensure legal compliance with the regulations and provide a commercial insight required to ensure value for money.

## Did you know?

The average cost of running an open tender can be as much as £10,000 per exercise. Category Management are able to provide a more cost effective solution. Find out more by contacting [categorymanagement@medway.gov.uk](mailto:categorymanagement@medway.gov.uk)

## Our measures of success

Below are our measures of success as detailed in our strategy. To ensure that we keep to target, we have assigned a timescale to achieve these objectives.

Objectives	Timescale
<b>Supporting the local economy</b>	
<ul style="list-style-type: none"> <li>Continue to hold an annual Meet the Buyer Event</li> <li>Review the thresholds at which we undertake 3 quotes. Ensure more competition and interest from SMEs Eg reduce threshold from £5k-£100k to £1k-£50k.</li> <li>Introduce Sustainable Flexible Framework to Level 3 to embed the delivery of the Social Value Act.</li> <li>Speed up payments to SMEs through the use of technology.</li> </ul>	
<b>Reducing red tape</b>	
<ul style="list-style-type: none"> <li>Increase use of model form documents to simplify all procurements for SMEs</li> <li>Embed passporting through tenders, bidders who are pre-accredited</li> <li>Embed use of model form contracts for goods/services/works contracts and frameworks. This reduces legal costs and enables SMEs to participate in tenders more easily.</li> </ul>	
<b>Improved services, better outcomes</b>	
<ul style="list-style-type: none"> <li>Embed Supplier Relationship Management (SRM) through good contract management with KPIs</li> <li>Collaboration across Public sector bodies to ensure buying power is efficiently utilised into attractive contracts that encourage SME participation.</li> <li>Transparent costs for the goods and services that are bought by the council</li> <li>Appropriate support from suppliers to combat CSE/Domestic abuse</li> <li>Appropriate support from suppliers to promote workplace health</li> <li>Hold a voluntary sector specific supplier engagement day each year</li> </ul>	
<b>Intelligent spending</b>	
<ul style="list-style-type: none"> <li>Reduce fragmented spend. Make sure contracts we have in place are used.</li> <li>Increased implementation and use of both Medway and external Frameworks</li> <li>Introduce purchasing cards to speed up payments for SMEs</li> <li>Automate Invoice Processing to speed up payments for SMEs</li> <li>Introduce Purchase 2 Pay system / e-catalogues, punch outs to reduce paper costs</li> </ul>	
<b>Sustainable Procurement</b>	
<ul style="list-style-type: none"> <li>Implement Frameworks to reduce time to market</li> <li>Medway Category Management seen by other public bodies as a beacon of best practice and professionalism and the go to team for procurement support and advice</li> <li>Launch of Procurement Consultancy to provide Procurement services to both Public and Private sectors</li> <li>Introduction of internal self-service for the use of frameworks using the e-procurement system to speed up awards.</li> </ul>	

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