

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

30 NOVEMBER 2017

PROCUREMENT STRATEGY

Report from: Perry Holmes, Chief Legal Officer

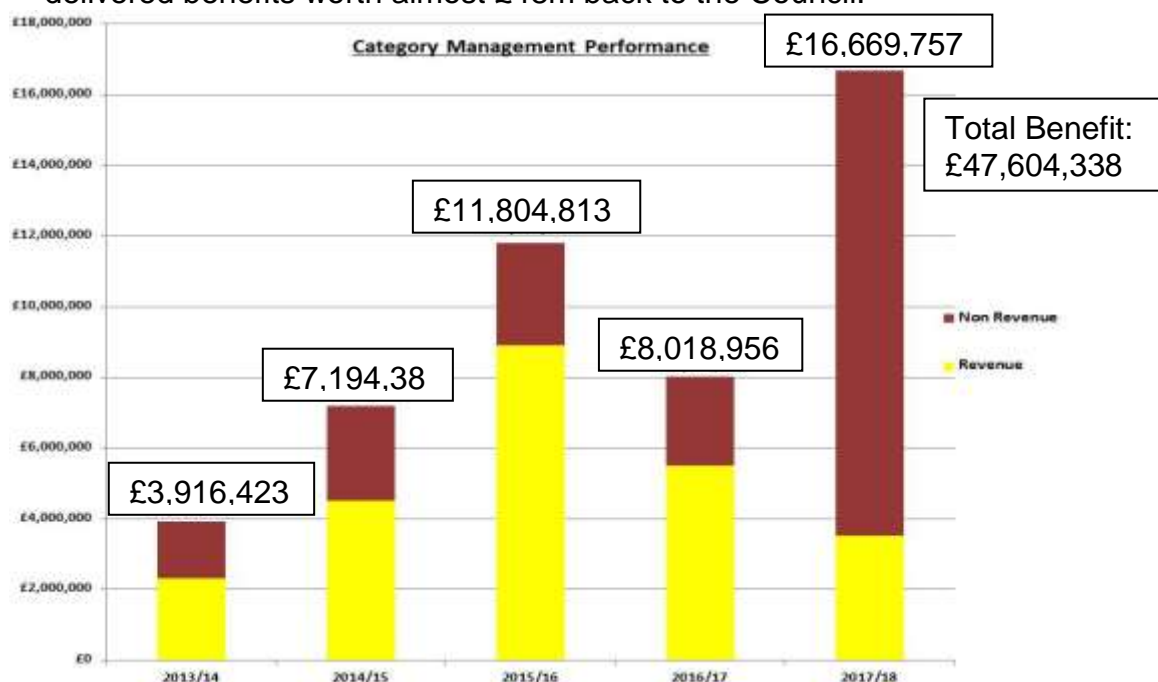
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Summary

The purpose of this report is to update the progress made against the procurement strategy 2016-21.

1. Budget and policy framework

- 1.1 The Council spends in excess of £300 million with third parties each year, which is a mixture of revenue funds and capital/grant monies managed through various forms of procurement. These procurements are approved by the Cabinet or under officer delegation in accordance with the Council's Contract Procedure Rules.
- 1.2 The team since its inception has been successful at delivering benefits back to the Council as demonstrated by the graph below. The team to date has delivered benefits worth almost £48m back to the Council.



2. Background

- 2.1 Medway has a local economy of £2.8 billion and therefore the public money we spend with third parties represents over 10% of the local economy.
- 2.2 Cabinet approved the new Procurement Strategy 2016-21, 9 August 2016. Progress against the new Strategy was discussed at Business Support Overview and Scrutiny Committee in January and July 2017.
- 2.3 The Category Management team have been delivering against the new strategy and have provided an update against some progress in the attached report.

3. Advice and analysis

- 3.1 The delivery has seen progress against the objectives, as set out in Appendix 1 to this report. The Council continues to support SMEs through our tendering exercises. SMEs continue to be successful, winning a total of 70% of projects overall since April 2017.

4. Risk management

- 4.1 The risks associated with the strategy relate to the Council being able to demonstrate that it remains relevant 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 for comment should keep the Strategy fresh and relevant.	Low

5. Consultation

- 5.1 The Business Support Overview and Scrutiny Committee will continue to provide challenge and analysis on the Strategy.

6. Financial and legal implications

- 6.1 As referenced in the quarter 2 revenue monitoring, the Category Management division is projecting a shortfall against its income target. The capital programme by its nature cannot provide a guaranteed pipeline of work for the Category Management division and the high number of vacancies in the team since August 2017, has meant that there is no capacity for compensating income generating activity.

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 the Public contracts Regulations 2015.

7. Recommendation

7.1 Members are asked to consider the progress made against the Procurement Strategy 2016-21.

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Background papers

None.

Appendices

Appendix 1 – Progress against the Procurement Strategy

Medway Council
Procurement Strategy
2016-21

Update November 2017



Spending Public Money Better

We launched our new 2016 – 2021 Procurement Strategy to ensure that we improve on the last strategy and continue to make Medway Council a great council to do business with.

We set ourselves 22 'objectives' across the following five key strands:

- Supporting the local economy;
- Reducing red tape;
- Improved services, better outcomes;
- Intelligent spending;
- Sustainable Procurement; and
- Innovation.

Below is a summary of our progress in the year July September 2016 to November 2017 against those objectives. As you will see there has been some progress made.

Summary

- 15 objectives have been completed (Green).
- 6 objectives are on target to be fulfilled. (Amber).
- 1 objective has not progressed (Red).

Headlines

In the attachment is the detailed performance against each of the objectives. The headlines are:

- The council continues to engage with local suppliers and SMEs via its annual Meet the Buyer Event which was held 23rd March 2017 for which we received positive feedback.
- We have reduced the administrative burden on local suppliers and SMEs via our standard documents and passporting process.
- We have engaged with the voluntary sector to help them be more successful in tender opportunities.
- The council is gaining some control over its spending practices by identifying maverick spend and working with finance to mobilise catalogues into the finance system.
- We have created Frameworks which reduce time for delivery and are being used by other public bodies in Kent & Medway including KCC.

Objectives	Timescale	Progress	RAG
Supporting the local economy			
Continue to hold an annual Meet the Buyer Event	March (Annually)	<p>March 2017 event successfully held. Quotes below <i>"We already work with Medway but I was particularly pleased to see how open and keen everyone was to work with suppliers in a positive way. The event, in itself, shows the commitment of Medway Council to engage with suppliers."</i> Suez</p> <p><i>"I feel that Medway's communication is better than most of the majority of other local authorities and other authorities that we work with further a field. Good to see and others could learn from your approach."</i> SEA Systems</p> <p><i>"We currently do not do Any business with Medway, but following conversations with category manager for IT we hope this will change."</i> hSo</p>	GREEN
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.	Dec-17	On target: Consult with all parties to find consensus.	AMBER
Introduce Sustainable Flexible Framework to Level 3 to embed the delivery of the Social Value Act.	Dec-17	On target: Steps to start implementing the steps to achieve target.	AMBER
Speed up payments to SMEs through the use of technology.	Complete	Complete: Finance have introduced EDI to speed up payments through electronic purchase order and invoice matching.	GREEN
Reducing red tape			
Increase use of model form documents to simplify all procurements for SMEs	Complete	Complete: Using PAS91 and implementing newest document from Crown Commercial Services	GREEN
Embed pass porting through tenders, bidders who are pre-accredited	Complete	Complete: Using evidence of previous Medway tenders or 3rd Party accreditation such as Constructionline, we are reducing the burden of suppliers.	GREEN
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.	Complete	Complete: Legal have approved model forms of contract to be used in tenders	GREEN
Improved services, better outcomes			
Hold a voluntary sector specific supplier engagement day	Complete	Complete: Event presented October 2016.	GREEN
Embed Supplier Relationship Management (SRM) through good contract management with KPIs	Complete	Complete: The team are currently working with service areas for each tender to include KPIs and then we are utilising the Kent Business Portal Contract Management Module to undertake and record the contract management.	GREEN
Collaboration across Public sector bodies to ensure buying power is efficiently utilised into attractive contracts that encourage SME participation.	On-going	We have put in place Frameworks that we have opened up for use by other public bodies in Kent and. We are currently working on a new Minor Works Framework to further this aim .	GREEN

Transparent costs for the goods and services that are bought by the council	On-going	We are currently working with finance to build up our list of catalogues so that when purchases are made, we are buying from the correct supplier at the correct prices.	GREEN
Appropriate support from suppliers to combat CSE/Domestic abuse	On-going	On Target: will be including this as part of the annual meet the buyer event.	GREEN
Appropriate support from suppliers to promote workplace health	On-going	On Target: will be including this as part of the annual meet the buyer event.	GREEN
Intelligent spending			
Reduce fragmented spend. Make sure contracts we have in place are used.	On-going	On-going: a review of the councils tail end spend has identified areas the council could gain quick wins on the revenue budget. To date the Cat Man team have identified £1.8m of spend that the council could stop spending, reduce its supply chain or tender to achieve savings. In support of this, the Council's contracts register is being regularly updated and published to ensure council officers know where to buy goods and services from. Need systems in place to ensure that council officers are buying from contracted suppliers.	AMBER
Increased implementation and use of both Medway and external Frameworks	On-going	On Target: Working with finance to control which suppliers are used.	AMBER
Introduce purchasing cards to speed up payments for SMEs	Apr-17	Having explored the options for the introduction of purchase cards, we have been unable to identify any providers willing to operate under terms that would provide the degree of control over expenditure we require.	RED
Automate Invoice Processing to speed up payments for SMEs	Complete	Finance are now introducing e-invoicing to speed up proceses and reduce errors.	GREEN
Introduce Purchase 2 Pay system / e-catalogues, punch outs to reduce paper costs	Aug-18	On-going: Work has progressed with finance to implement catalogues using a new management system within our current purchasing system.	AMBER
Sustainable Procurement			
Implement Frameworks to reduce time to market	Complete	Complete: Awarded Civil & Structural Engineering Consultancy Framework On target: Construction Minor Works Framework and other frameworks being considered e.g. clothing.	GREEN
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	Complete	Category management has worked with CCGs, Gravesham, Sevenoaks and Medway Norse to support their tender requirements.	GREEN
Introduction of internal self-service for the use of frameworks using the e-procurement system to speed up awards.	Complete	Complete: Council officers can be set up to run mini competitions from Frameworks within the e-tendering system.	GREEN
Launch of Procurement Consultancy to provide Procurement services to both Public and Private sectors	Complete	A business case for a Local Authority Trading Company was produced for Cabinet but not progressed at this stage.	AMBER