



**BUSINESS SUPPORT
OVERVIEW & SCRUTINY COMMITTEE
5 JULY 2018
PROCUREMENT STRATEGY**

Report from: Perry Holmes, Chief Legal Officer

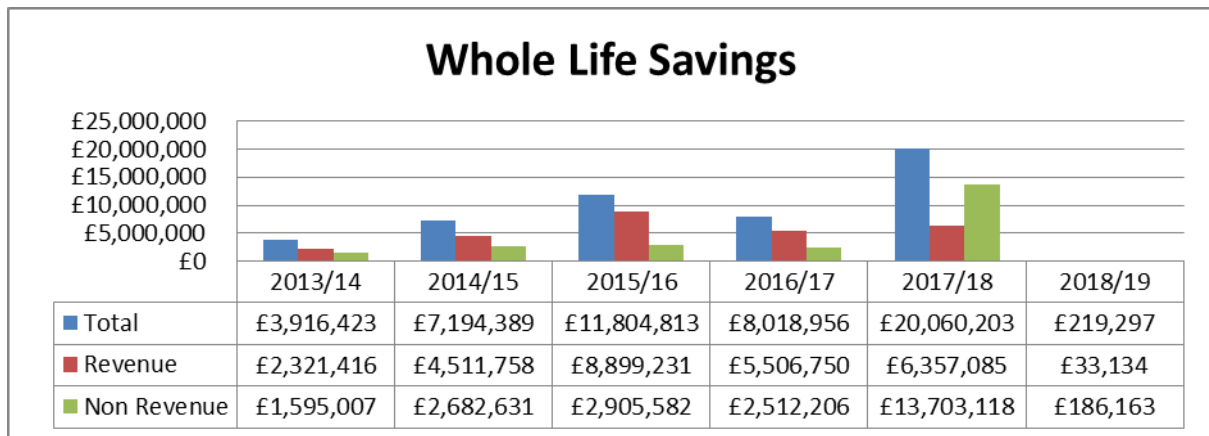
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Summary

The purpose of this report is to update the Committee on progress made against the Procurement Strategy 2016-21. Amended and additional objectives are suggested within the appendix for Members' consideration.

1. Budget and policy framework

- 1.1 The Council spends in excess of £230 million each year, which is a mixture of revenue funds and capital/grant monies. It is managed through various forms of procurement and undertaken centrally by the Category Management team. These procurements are approved by Cabinet or under officer delegation in accordance with the Council's Contract Procedure Rules, which in turn form part of the Council's constitution.
- 1.2 The Category Management team, since its inception, has been successful at delivering benefits back to the Council as demonstrated by the graph below. The team has delivered benefits worth in excess of £51m back to the Council.
- 1.3 The graph below illustrates the savings from 'revenue' and 'non-revenue' budgets. The annual fluctuations in the graph are due to; (1) the cyclical nature of procurements, (2) the reactive needs of services, (3) the resources available to deliver all projects in a particular financial year, (4) when the savings can be realized.



2. Background

2.1 The 2016–2021 Procurement Strategy was launched to ensure that we improve on the previous strategy and continue to make Medway Council a great council to do business with. As part of the new strategy, 22 ‘objectives’ across the following five key strands were originally set:

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

2.2 Of the original 22 objectives, it is suggest that 4 are replaced with revised objectives (as illustrated as struck through lines on the attached appendix). Revised objectives develop upon the strategic target of those they replace. There is also one additional target suggested.

2.3 Below is a summary of our progress against those objectives to date:

- 18 objectives have been completed (Green)
- 5 objectives are on target to be fulfilled. (Amber).
- 0 objectives cannot be achieved. (Red)
- 4 Objectives are proposed for removal (1, 2, 16 and 22)
- 4 New objectives are proposed to replace those formerly removed (1A, 2A, 16A and 22A)
- 1 New objective is being proposed (3A) – this develops on the work the team has conducted regarding Social Value.

2.4 In the attached appendix is the detailed performance against each of the objectives. Most notably:

- The Council continues to engage with local suppliers and Small and Medium sized Enterprises (SMEs) at an impressive rate.
- We have continued the reduction of the administrative burden on local suppliers and SMEs via standardising our tender documents.
- We have met and engaged with the voluntary sector to help them be more successful in tender opportunities.
- The Category Management team is working closely with the Finance team to minimise unnecessary spend.

- We have created Frameworks which reduce time for delivery and are being used by other public bodies who pay to use them. This in turn creates a financial income for the Council.

3. Advice and analysis

- 3.1 Medway has a local economy of £2.8 billion which is formed of some large businesses and approximately 13,000 small and medium sized businesses. Medway Council's spend is therefore representative of approximately 10% of the local economy
- 3.2 Cabinet approved the new Procurement Strategy 2016-21 on 9 August 2016. Progress against the new Strategy was discussed at Business Support Overview and Scrutiny Committee in January 2017 and July 2017.
- 3.3 The Category Management team has been delivering against the new strategy and have provided an update against progress in the attached report. Proposed amended and new strategic objectives have been identified for Members to consider.
- 3.4 As well as adopting a new 5 year strategy, the team has been able to focus resources on delivering of those strategic objectives which were in the previous strategy. For example the Council continues to support SMEs through our tendering exercises. SMEs continue to be successful, winning a total of 71% of our contracts 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.	(1) Periodically update and review the objectives. (2) Sharing the outcomes of the strategy for review against progress should keep the Strategy relevant.	Low

5. Consultation

- 5.1 Consultation on the original Strategy and the current version took place with local and regional businesses and other stakeholders. There was also pre-decision scrutiny undertaken. The Business Support Overview and Scrutiny Committee will continue to provide challenge and analysis on the Strategy.

6. Financial and legal implications

- 6.1 Whilst not a direct strategic objective, the Category Management team has a £250k income target (this is the team's income target based on providing procurement support to delivering capital projects and charging a fee on the awarded value for doing so).
- 6.2 There are no direct legal implications relating to this report. However in continuing 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 and comment on the suggested changes prior to approval by Cabinet.

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Background papers

Appendix 1 – Procurement Strategy Progress Report