

BUSINESS SUPPORT OVERVIEW & SCRUTINY COMMITTEE 28 NOVEMBER 2019 PROCUREMENT STRATEGY

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Summary

The purpose of this report is to update the Committee on the progress made against the Procurement Strategy 2016-21. Additional objectives have been suggested from the National Procurement Strategy for Members' consideration.

1. Budget and policy framework

- 1.1 Procurement is a Cabinet function. The Procurement Strategy was approved by Cabinet in August 2018.
- 1.2 The graph 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.
- 1.3 The Council has maintained an impressive level of contracting with local Small & Medium Enterprises which continues to exceed 70% of awarded contracts.



2. Background

2.1 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.

2.2 The Category Management team, since its inception, has been successful at delivering financial benefits back to the Council as demonstrated by the graph as outlined in paragraph 1.3. The impact of the team through enabling service colleagues to drive out contract savings, now totals £62m.

2.3 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

2.4 In August 2018 the Cabinet approved various changes to the Strategy which resulted in 23 objectives in total. A copy of the updated objectives is attached at Appendix 1. Below is a breakdown of these objectives with an indication of whether they have been achieved completely and if there is an on-going requirement:

Supporting the Local Economy	Delivered?	On-Going Requirement?
Continue to hold appropriate opportunity specific engagement events	Yes	Yes
Review the Council's Contract Procedure Rules and introduce more robust low value practices to encourage SME participation and speed up award.	Yes	No
Introduce Sustainable Flexible Framework to Level 3 to embed the delivery of the Social Value Act.	No	Yes
Develop upon the introduction of the Sustainable Flexible Framework to deepen Social Value deliverables within procurements delivered through the utilisation of the National Themes, Outcomes and Measures (TOMs) Framework.	No	Yes – Proposed to be replaced by new national objective (#16 in Appendix 3)
Speed up payments to Small and Medium Enterprises through the use of technology.	Yes	No
Reducing Red Tape	Delivered?	On-Going Requirement?
Increase use of model form documents to simplify all procurements for Small and Medium Enterprises (SMEs)	Yes	No
Embed passporting through tenders to speed up the application process for bidders who are pre-accredited against historic projects.	Yes	No
Embed use of model form contracts for goods/services/works contracts and frameworks. This	Yes	No

reduces legal costs and enables SMEs to participate in tenders more easily.		
Improved Services, Better Outcomes	Delivered?	On-Going Requirement?
Hold a voluntary sector specific supplier engagement day	Yes	No
Embed Supplier Relationship Management (SRM) through good contract management with KPIs	Yes	Yes
Collaboration across Public sector bodies to ensure buying power is efficiently utilised into attractive contracts that encourage SME participation.	Yes	Yes
Transparent costs for the goods and services that are bought by the council	Yes	Yes
Appropriate support from suppliers to combat CSE/Domestic abuse	Yes	No
Appropriate support from suppliers to promote workplace health	Yes	No
Intelligent Spending	Delivered?	On-Going Requirement?
Reduce fragmented spend. Make sure contracts we have in place are used.	Yes	Yes
Increased implementation and use of both Medway and external Frameworks	Yes	Yes
Introduce improved payment terms for all contractors	Yes	No
Automate Invoice Processing to speed up payments for Small and Medium Enterprises	Yes	No
Introduce Purchase 2 Pay system / e-catalogues, punch outs to reduce paper costs	Yes	Yes
Sustainable Procurement	Delivered?	On-Going Requirement?
Implement Frameworks to reduce time to market	Yes	Yes
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	Yes	Yes
Introduction of internal self-service for the use of frameworks using the e-procurement system to speed up awards.	Yes	No
Develop more strategic relationships with local public bodies and explore potential shared services.	No	Yes

2.5 It is proposed to keep the two objectives in the table below, where further work is needed to achieve them, in the re-freshed strategy, subject to Member approval.

Supporting the Local Economy	Delivered?	On-Going Requirement?
Introduce Sustainable Flexible Framework to Level 3 to embed the delivery of the Social Value Act.	No	Yes
Sustainable Procurement	Delivered?	On-Going Requirement?
Develop more strategic relationships with local public bodies and explore potential shared services.	No	Yes

Proposed adoption of elements of the National Procurement Strategy

2.6 To ensure the procurement function does not stagnate and is continuously improving, Medway Council's Category Management team undertook a self-assessment against the 2018 National Procurement Strategy. The main benefit of this exercise is that Medway can now reflect on its procurement

related strengths and weaknesses against the national agenda. The National Strategy has 59 objectives split into the following 11 sections:

1. Engaging Councillors
2. Engaging Senior Managers
3. Working with Partners
4. Engaging Strategic Suppliers
5. Creating Commercial Opportunities
6. Contract and Relationship Management
7. Managing Strategic Risk
8. Obtaining Social Value
9. Local SME and Micro-Business Engagement
10. Engaging VCSE's (Voluntary, Community and Social Enterprises)
11. Enablers

2.7 Each of the 59 objectives has a score of one to five provided (with one being the lowest and five the highest) as to where the organisation saw itself. Whilst the meaning of the scores varied per question, they can be summarised as follows:

1. Minimum – There was no previous or planned action
2. Developing – Whilst there may be a lack of development, it was seen as an issue and worked upon
3. Mature – This is effectively the 'baseline' for effectiveness, action has been taken to a minimum standard.
4. Leader – Good practices conducted which yield demonstrable results.
5. Innovator – This is more forward thinking, all decisions are based on long term impacts with heavy cross-party and consortium based involvement. New concepts being delivered successfully.

2.8 Although there are 59 objectives in the National Strategy, the Council may decide not to pursue all of them.

2.9 For the purpose of this report it has been assumed that by scoring at least a '3' against an objective, there is no need to include it as part of the Council's on-going Strategy. Officers recommend this approach so that the Council can focus on the lowest performing objectives to reach a baseline of '3' across all relevant objectives. To avoid any dip in performance against an objective which is at level 3, all relevant objectives will continue to be internally monitored.

2.10 Taking a self-critical approach to the self-assessment, there are two sections where the Council scores 3 across all objectives.

1. Engaging Strategic Suppliers
2. Working with Partners

This therefore leaves 9 sections where the Council is not performing to the desired baseline;

1. Engaging Councillors
2. Engaging Senior Managers
3. Creating Commercial Opportunities
4. Contract and Relationship Management
5. Managing Strategic Risk

6. Obtaining Social Value
7. Enablers
8. Local SME and Micro-Business Engagement
9. Engaging VCSE's

- 2.11 To summarise, the self-assessment the Category Management team assessed the Council as '3', or better against 39 objectives representing 66% of the objectives in the National Procurement Strategy. The outstanding 20 objectives (34%) are illustrated in the attached Appendix 2 and, subject to Member approval, will be the focus of detailed work to improve the Council's performance.
- 2.12 In Appendix 2 (Procurement Strategy – Proposed Strategic Objectives, the column titled 'Risk of not delivering' has been populated using Medway Council's risk assessment classifications as outlined below. The 'tolerance' to indicate a red rated objective is 'C II' i.e. anything including and above 'significant' (likelihood) and 'critical' (impact).

Impact if it doesn't happen	
I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

Likelihood of it not happening	
A	Very High
B	High
C	Significant
D	Low
E	Very Low
F	Almost Impossible

- 2.13 Likelihood is assumed as the probability of the objective not happening, so the opposite of the usual treatment of "likelihood".

3. Advice and analysis

- 3.1 Cabinet approved the latest version of the new Procurement Strategy 2016-21 on 7th August 2018. Progress against the new Strategy was discussed at Business Support Overview and Scrutiny Committee in July and November 2018.
- 3.2 The Category Management team has been delivering against the new strategy and have provided an update against progress in the attached report. Based on the number of aforementioned delivered objectives, new strategic objectives derived from the national procurement strategy have been identified for Members to consider.
- 3.3 In the attached Appendix 2 is the detailed performance against each of the 22 (20 proposed new objectives arising from the self-assessment referred to above and 2 carried over) objectives. Most notably from what has already been achieved through continuous improvements to the strategy:
- The Council continues to engage with local suppliers and Small and Medium sized Enterprises (SMEs) at an impressive rate, in excess 70% in 2018/19
 - 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 within the Council.
- 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.
- The Category Management team constructively challenges services decisions to deliver better outcomes.
- Developed relationships with external organisations to deliver economies of scale with purchases and better utilise shared resources.
- The reputation of the Category Management team has improved, and more services are engaging earlier in the procurement cycle.
- The Category Management team has been proactive in delivering corporate requirements, such as Frameworks and Catalogues.

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. Recommendations

- 7.1 To consider the progress made against the Procurement Strategy 2016-21
- 7.2 To consider the new proposed strategic objectives set out in Appendix 2, including progress against the 2 objectives carried forward, and refer any comments to Cabinet

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Appendices:

Appendix 1 – 2018 Approved Objectives
Appendix 2 – Procurement Strategy Proposed new strategic objectives

Background papers

None