

CABINET

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PROCUREMENT STRATEGY 2021-2025 2021 UPDATE REPORT

Portfolio Holder: Councillor Adrian Gulvin, Portfolio Holder for Resources

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Summary

This report seeks to acknowledge the progress made against the 2021-2025 Procurement Strategy and to propose additional objectives to take forward into 2022. The Cabinet is asked to note the progress and to agree the year 2 objectives.

The report was considered by the Business Support Overview and Scrutiny Committee on 25 November 2021 and its comments are set out in section 5 of the report.

1. Budget and policy framework
 - 1.1. Procurement is a Cabinet function. The 2021-2025 Procurement Strategy was approved by Cabinet in December 2020.
2. Background
 - 2.1. The Council spends more than £200 million each year. 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. Since the introduction of the Category Management team, the collective approach has saved the Council more than £70million over the life of the awarded contracts, which is largely due to the effectiveness of the Procurement Strategy.
 - 2.3. The objectives within the Procurement Strategy come unabridged from the 'National Procurement Strategy' when Category Management conducted a

performance related self-assessment and isolated all objectives that scored less than a three (mature) out of five, on the scoring matrix.

- 2.4. Upon inception, the Procurement Strategy sought agreement to take forward the objectives that scored less than three at the time to 'baseline' the team's approach and then to annually identify key areas for future development.
- 2.5. Appendix 1 reviews year one's objectives and Appendix 2 proposes objectives to take into year two.

3. Covid-19 Pandemic and EU Exit

- 3.1. Whilst not directly worded within the objectives within the procurement strategy, it is worth highlighting the impact of Covid-19 and the United Kingdom's (UK) exit from the European Union (EU).
- 3.2. Firstly, Covid-19 has had an unprecedented impact on public sector procurement. During the term of the pandemic, especially during the response stage, specific dispensations relating to procurement were introduced via Procurement Policy Notes (PPNs) issued by the Cabinet Office. Whilst necessary and an important contributor to being able to find solutions to the pandemic, they did not necessarily compliment the objectives and otherwise redirected resources to problem solving.
- 3.3. Secondly, the UK's exit from the EU saw changes to the way in which Medway procures. Specifically, advertising within the Official Journal for the European Union (OJEU) was replaced with Find a Tender Service (FTS).
- 3.4. Whilst there were several minor amendments, the Public Procurement Directives within the EU legal framework were transposed into UK law prior to the transition hence the overarching principles did not change.
- 3.5. Whilst Medway Council's procurement activities rarely saw cross-border interest, many of our primary suppliers are reliant on importing various materials to fulfil their contractual obligations. When considering events such as the Suez Canal block and the cost of shipping dramatically increasing, this has inevitably had an adverse impact of procurement activity, although primarily focused on construction projects.
- 3.6. As such, the ability to deliver against all objectives has been challenging as the focus has primarily been on adapting resources to ensure core and primary functions continue to be delivered.

4. Analysis

- 4.1. Appendix 1 illustrates the initial objectives and scores as well as commentary with an updated score for 2021. Whilst not all the initial objectives have been delivered against, either directly or indirectly, external factors have, in most cases, been at play.

- 4.2. Within the adoption of this strategy, it was suggested that ‘the primary advantage of using a national framework to establish a procurement strategy is it facilitates a more diverse range of objectives whilst also including what Medway would most likely have considered in isolation, so in turn can create more positive change.’
- 4.3. As that holds true, the proposal is to continue baselining objectives to a score of three for the following calendar year, but to also focus on developing objectives under the heading of ‘Obtaining Social Value’.
- 4.4. A full list of objectives can be found within Appendix 3.
- 4.5. Obtaining Social Value has been chosen as a priority as, in the wake of the pandemic and the UK’s withdrawal from the EU, it would facilitate a stronger local supply chain and recovery for local businesses as well as providing local opportunity. It also supports other Council objectives, such as supporting the climate emergency agenda.
- 4.6. Whilst a different heading, or additional headings, may have been chosen, doing so could dilute the benefits of delivering Social Value.
- 4.7. As such, Appendix 2 outlines legacy objectives (those still not scored as a three from Appendix 1), as well as the following year’s objectives based on the above proposal.

5. Business Support Overview and Scrutiny Committee

- 5.1. The Business Support Overview and Scrutiny Committee considered the report at its meeting on 25 November 2021 and its comments are set out below.

5.2. **Discussion:**

Members considered a report regarding progress made against the 2021-2025 Procurement Strategy and proposed additional objectives to take forward into 2022.

The following issues were discussed:

- 5.3. **Climate change and social value** – a request was made that the next progress report to the Committee include tangible examples of what the procurement strategy was doing to address these issues. The Head of Category Management advised the Social Value policy operated in parallel with the Procurement Strategy and accepted there was a need to demonstrate practical social value benefits.
- 5.4. Whether contractors were asked as a matter of course about their climate change policies and whether there was an expectation their policies aligned with the Council’s were queried.

5.5. **Voluntary and Community Sector** – a point was made that the Strategy should encourage and support the sector to procure with the Council in a way which would neither advantage or disadvantage them. The Head of Category Management responded that a proportionate approach was needed. The team had a good partnership with the sector but there was a need to build on this through contract management.

5.6. **Single entity bidders** – reference was made to an outside body which often needed to contract where there was only one specialist bidder but experienced difficulties with the Council’s procurement processes. The Head of Category Management advised that in some markets there was a perceived single supplier, but the Council had a responsibility to broaden and expand the market.

5.7. **Decision:**

The Committee:

- a) noted the achievements of the first year of the first year of the 2021-2025 Procurement Strategy as outlined in in Appendix 1 to the report;
- b) noted the delivery of the objectives within Appendix 2 of the report.

6. **Risk management**

6.1. The table below outlines the risk associated with the implementation of the proposed procurement strategy.

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.	D3

7. **Consultation**

7.1. Officers have consulted with their equivalents within other local authorities and a consensus is that the proposed National Procurement Strategy is being more widely adopted.

8. Climate change implications

- 8.1. By focusing on obtaining social value, the Category Management team will be able to better understand, embed and report back on outcomes such as carbon reduction realised from contracts as well as many other social value benefits important to the local economy.

9. Financial implications

- 9.1. Whilst there are no financial implications associated to continued delivery of this Procurement Strategy, in subsequent years, seeking attainment of higher scores against select objectives may incur additional expenditure. There could be a point, for example, at which benefit diminishes yet direct cost increases for attaining higher scores, however, these will be addressed as part of the review process.

10. Legal implications

- 10.1. There are no direct legal implications relating to this report. However, the Council needs to ensure that it balances its aspirations for local SMEs with its duty to comply with the Public Contracts Regulations 2015.

11. Recommendations

- 11.1. The Cabinet is asked to note the comments of the Business Support Overview and Scrutiny Committee, as set out at section 5 to the report.
- 11.2. The Cabinet is asked to note the achievements of the first year of the first year of the 2021-2025 Procurement Strategy as outlined in Appendix 1.
- 11.3. The Cabinet is requested to agree the Year 2 objectives, as set out in Appendix 2 to the report.

12. Suggested reasons for decisions

- 12.1. The Procurement Strategy provides a holistic suite of objectives to ensure the service maintains national awareness but with the ability to focus on local issues effectively. Approval of the Year 2 objectives will ensure this can continue effectively.

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Appendices

Appendix 1 – 21/22 Procurement Strategy Objectives Update

Appendix 2 – 22/23 Objectives

Appendix 3 – Full list of Objectives

Background Papers

None.