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To: Policy and Resources Cabinet Committee

Date: 2 July 2026

Subject: Commercial and Procurement Performance Update
(Financial Year 2025 / 2026)

Classification: Unrestricted

Summary:

This report provides an overview of the performance of the Commercial and Procurement Division (CPD) covering the 2025/2026 Financial Year.

The paper summarises the CPD and wider Council's achievements in delivering against its strategic priorities for the reporting period. This includes delivery of financial benefits through procurement activity undertaken during this period. It discusses improvements both delivered and planned to strengthen supplier management, transparency and compliance throughout the Council's commercial and procurement activity.

The report outlines emerging risks and the areas of continuing improvement, explaining the actions planned to address these. This includes further information on improved policies, governance, investment in uplifting capability and systems, and continued collaborative working across the Council.

Recommendation(s):

Policy and Resources Cabinet Committee is asked to **consider** and **note** this report.

1. Introduction

1.1. The Commercial and Procurement Division (CPD) was launched in September 2023 with a vision of becoming the best commercial and procurement function in local government, working in partnership across the whole Council to help ensure we collectively deliver best value for the county's residents.

1.2. On 27 January 2026 Kent County Council launched its new Commercial Strategy for 2026-2028, setting out the following vision:

"We will deliver the best possible services and outcomes for Kent residents, securing Best Value at the least possible cost. We will achieve this through smart, innovative, and efficient procurement that supports the local economy and strengthens our communities"

1.2 This Strategy underlines KCC's commitment to taking a more commercially confident and strategic approach to support the Council's delivery of Best Value

and better outcomes for Kent residents. It focuses on four strategic priorities for the whole Council:

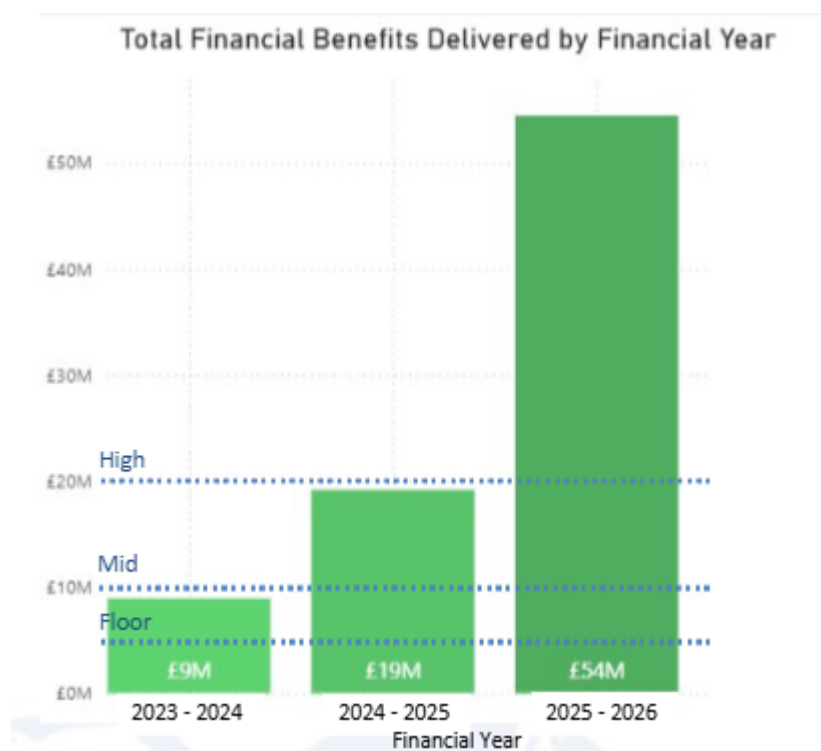
- Delivering Financial Benefits and Return on Investment
- Strengthening Supplier Management and Partnerships
- Supporting Local Economic Growth and Wider Public Value, and
- Ensuring Compliance and Transparency.

1.3 It is underpinned by a set of performance measures that build upon the original vision of the CPD, which will be included in the CED/DCED Performance Dashboard reported to the Committee, and an Implementation Plan, which includes actions that the CPD and wider Council can take to deliver on the Strategy to provide a greater spotlight on procurement benefits.

1.4 This report is aligned to the strategic priorities within the new Strategy. While CPD was already tracking and monitoring performance prior to the Strategy's launch, the Strategy has brought a renewed focus to this activity through a clearer framework for measuring progress. However, at the time of writing, it has only been three months since the launch of the Strategy and so the Council's performance is considered across the Financial Year 2025-2026.

2. Delivering Financial Benefits and Return on Investment

2.1. The delivery of financial benefits and value add through the Council's procurement activity is key in supporting KCC to deliver on the vision and strategic priorities in the Commercial Strategy. Over the 2025-26 Financial Year, £54 million of financial benefits were recorded. These were achieved through better rates, securing lower contract prices than were initially anticipated, and constructive challenge of specifications to focus on the most important requirements, avoiding higher potential costs. This value has been delivered through the hard work of Directorates, working with the CPD, applying negotiation skills and embracing constructive challenge, from specification to the procurement process, and contract award.



- 2.2. The reporting period included the successful delivery of a complex procurement for the Council's new Road Asset Renewal Contract (RARC). KCC was able to estimate an approximate £44 million financial benefit for this contract over its 10-year lifetime. Lower rates were agreed than originally anticipated, which will allow the budget for this contract to stretch further and more work to be completed within the financial envelope.
- 2.3. Excluding the significant value achieved within the RARC procurement, CPD has delivered over £10.4 million in financial benefits through a combination of competitive procurement, negotiation and cost avoidance. Over £3.6 million of value have been achieved through awarding contracts below the anticipated proposed costs, including the Bean Road Tunnel and Folkestone LUF.
- 2.4. Further £3.9 million value has been realised through benchmarking and cost avoidance, with the Adult Lifestyles service through market comparison and budget challenge, and the Place-Based Infant Feeding Peer Support Service avoiding additional costs by increasing delivery within the existing contract value. Similarly, Dry Mixed Recycling reduced processing rates to generate ongoing cost avoidance.
- 2.5. Additional £2.5 million benefits have been secured through effective negotiation and commercial strategy, including the Non-Maintained and Independent Special Schools DPS and the Construction Consultancy Framework, demonstrating CPD's ability to drive financial value through both upfront savings and longer-term cost control.
- 2.6. The financial benefits reported are those recorded through the CPD's Value Added Tracker over the 2025-26 Financial Year. However, there is not complete confidence that all benefits are being captured through this tool and further work is required to drive up awareness and engagement with reporting. This will support more consistent capture, validation, and communication, providing greater assurance around the Council's commercial efforts.
- 2.7. Even where financial benefits are not secured or reported, awarding a new contract within budget and on time can be a significant achievement in itself. This is particularly the case for high value or a complex arrangements, or those in high-risk markets where Officers navigate highly technical public procurement regulations. Over the 2025-26 Financial Year, a total of 56 contracts were awarded that had to overcome such challenges.
- 2.8. The CPD and Directorates will continue to work closely, particularly on contracts valued above the UK Public Procurement Thresholds, to negotiate with suppliers and to consider alternative decision-making (for example, around what we specify as our requirements) to realise greater value. Continued engagement with the procurement governance boards will be key to identifying value add opportunities such as those reported.

3. Strengthening Supplier Management and Partnerships

- 3.1. Strong supplier management and partnerships helps KCC maximises value from its third-party spend, drives improved performance, and builds

collaborative relationships that support the delivery of high-quality services for Kent residents. The successful KCC Supplier Day on 27 January 2026 brought together over 300 of suppliers, partners, and stakeholders to strengthen engagement and collaboration with the Council. The day provided a valuable opportunity to share key messages, raise awareness and understanding of how suppliers can work with KCC, and reinforce our commitment to openness, partnership and commercial best practice.

- 3.2. Feedback and engagement throughout the day demonstrated strong supplier interest in working with the Council, with meaningful conversations around where we are working well together and where we could strengthen our relationships, and valued networking opportunities for those in attendance. Building on this positive engagement, the next step will be to hold further, more targeted supplier events focused on specific supplier types, sectors, category areas and geographical areas. This will enable the Council to develop more tailored conversations with its supply base, strengthen relationships in priority markets, and identify practical opportunities to improve collaboration, access and value.
- 3.3. Beyond standalone events such as the KCC Supplier Day, the Council is improving the day-to-day management of its suppliers and the Council's contracts through the recent launch of a new Contract Management Policy. The policy promotes transparency, timely communication, and fair performance evaluation, enabling suppliers to operate with confidence and clarity. Guidance is in place to support delivery and the CPD are working closely with Learning and Development to embed training on contract management practices across the Council.
- 3.4. Aligned to the messages delivered at the KCC Supplier Day, the policy encourages consideration of the supplier's perspective, including the pressures they face and what delivering the contract means for their business. The policy also promotes prompt payment of suppliers, collaborative problem-solving, and innovation, helping to build strong relationships and ensuring high-quality service delivery. Robust contract governance, creates a stable and professional environment that encourages supplier engagement, long-term value, and drives continued improvements.
- 3.5. The Council has identified its key suppliers and will establish best practice principles for engagement through a Supplier Relationship Management framework. In parallel, it will continue to consider further measures to support SMEs and VCSEs, including through a planned supplier survey to help inform future activity.

4. Supporting Local Economic Growth and Wider Public Value

- 4.1. The Council is committed to supporting Kent-based businesses, Small and Medium Enterprises (SMEs), and Voluntary, Community, and Social Enterprises (VCSEs), alongside strengthening relationships with key suppliers. Over the 2025-26 Financial Year, 62% of the Council's spend was with Kent-based suppliers, with a £33 million cash terms increase in the amount spent with suppliers based in the county. Spend with SME's rose £20 million (22% of total contracted spend) while spend with micro-SME's increased by £22 million (6%).

Overall, the proportion of the Council's spend that was with such organisations was higher than the 2024-25 Financial Year.

- 4.2. The Council's VCSE spend decreased by 5% between the 2024-25 and 2025-26 Financial Years. While further work may be needed to support VCSEs to participate in and access the Council's procurement opportunities, this must be balanced with the need to secure value for money and ensure procurement decisions are taken in line with the Council's wider responsibilities.
- 4.3. This includes KCC representation on the Kent and Medway VCSE Best Practice Sub-Group for Commissioning and Procurement, which identifies barriers, supports commissioners and VCSE organisations, and promotes best practice and available support. It also includes greater pre-market engagement activity, improving access by simplifying our processes, and continued sharing of tender resources on KCC website.
- 4.4. These figures do not include indirect spend through subcontracting arrangements. Several major upcoming procurements, such as Older Persons Residential and Nursing Care and HomeCare, will create further opportunities for these supplier groups. A Tussell found SMEs, including micro-SMEs, accounted for 21% of direct public sector spend, the highest level in six years; KCC exceeds this at 28%. The Tussell Local Government Report also found that local government spend with local suppliers averaged 43% in 2024, compared with KCC's 62% in the last financial year, significantly above the average.
- 4.5. The Council continues to champion wider benefits for Kent residents through its contracting activity and is standardising how Social Value commitments are secured through procurement. The proposed '*Winning for Kent*' policy sets out how the Council will maximise value from supplier spend by seeking commitments that support local businesses, boosting local skills and employment, and resilient communities. Alongside this, a Responsible Procurement Charter being developed, to bring together our commitment to Social Value, protecting Kent's environment, and managing supply chain risks. Together, these documents will set our intentions around supporting Kent businesses, Kent communities, and the Kent environment. Completion of these documents will finalise the suite of documents supporting the Commercial Strategy.

5. Supplier Management and Partnerships

- 5.1. CPD uses Oracle Business Intelligence Spend analysis and the Oxygen Finance Insights tool to understand the Council's key suppliers by spend. Most present low credit risk, giving KCC confidence when dealing with high spend suppliers. KCC typically accounts for 5% to 100% of a supplier's public sector income; where this share is significant, it strengthens our influence in negotiations and can help secure better value for money.
- 5.2. The CPD will be developing category strategies and supporting Directorates to manage key suppliers, maximising value from KCC's third party spend. Updates will be provided in the next Policy and resources report. This work will support LGR through better oversight of spend and easier identification of opportunities

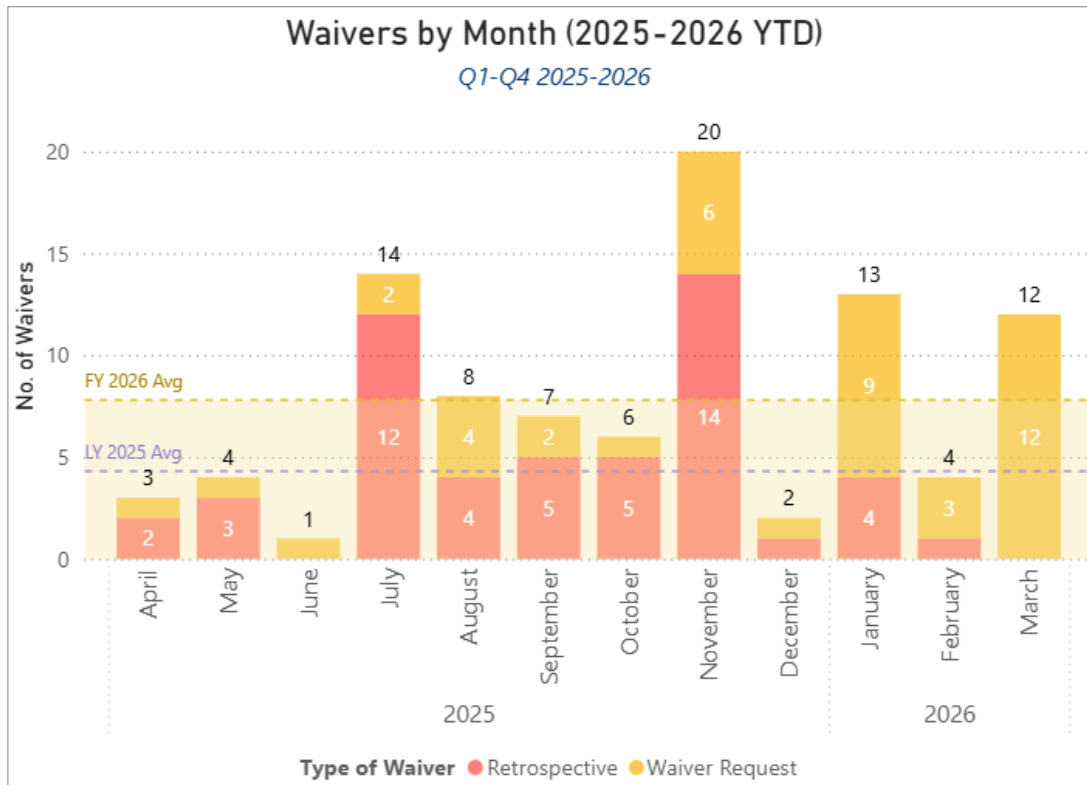
to consolidate or align contracting where authorities overlap. The CPD will also work with Directorates to roll out shared resources and systems, improve data sharing and identify opportunities for collaborative procurement and partnerships with other local authorities and public sector partners. Future reports will provide updates on this work, and, over time, include condensed summaries of performance across KCC's key contracts.

- 5.3. The successful KCC Supplier Day in January 2026 brought together suppliers and stakeholders to strengthen engagement and collaboration with the Council. It provided a valuable opportunity to share key messages, improve understanding of how suppliers can work with KCC, and reinforce our commitment to openness, partnership and commercial best practice. Feedback showed strong supplier interest, with meaningful conversations, networking and constructive discussion throughout the day. The event helped to build positive relationships to support future commercial activity.
- 5.4. Alongside understanding key suppliers, the CPD is improving supplier management through the recent launch of a Contract Management Policy. Effective contract management protects the Council's interests while benefiting suppliers through transparency, timely communication, and fair performance evaluation. It recognises the supplier's perspective, and what supplying the contract means for them as a business. Efficient processes support prompt payments, collaborative problem-solving, and innovation, fostering strong working relationships and ensuring high-quality service delivery. Robust contract governance creates a stable and professional environment that encourages supplier engagement, long-term value, and drives innovation and continued improvements.

6. Ensuring Compliance and Transparency

- 6.1. The CPD is responsible for the spending rules set out in Spending the Council's Money and regularly monitors compliance. The document sets out how Officers can request to waive their obligation to follow these internal rules, if they cannot be followed (no waiver can be given to avoid a legislative requirement). Waivers require CPD approval and, where necessary, approval from the Section 151 Officer and Monitoring Officer. The CPD monitors waiver activity, including when and how they occur. Cases where action was taken before approval obtained are logged as retrospective waivers.
- 6.2. In the 2025-26 Financial Year, the CPD received 94 requests through the waiver process, 55% of which were retrospective. Most retrospective waivers arose from urgent health and safety concerns, service continuity and time constraints for procuring, and due to limited supplier options. In several cases, works were directly awarded to contractors already on site to ensure continuity, avoid disruption, and meet critical deadlines particularly where competitive tendering was impractical due to market limitations or specialist expertise.
- 6.3. Although waiver requests increased by 71% compared with 2024-25, the value of the contracts linked to the waivers fell by 63% from £44 million to £16.5 million. This reflects a reduction in high-value waivers and a lower average waiver value, reducing the risk of challenge. It also indicates the impact of the CPD's work to improve understanding of the spending rules across the Council

and promote compliance. The CPD will continue to challenge waivers, direct officers to the relevant e-learning, and support procurement in line with the rules. This means that just 1% of our total procured spend was not following Spending the Council's Money.



- 6.4. Although greater engagement with the waiver process is positive, the rise in waiver requests and high number of retrospective waivers, particularly mid-year, remains a concern. The CPD is working with Directorates and the Corporate Management Team to encourage earlier engagement so commercial options and the implications of waiving rules can be considered sooner and these numbers reduced.
- 6.5. Compliance and transparency are supported by a strong commercial and procurement governance structure. The Commercial and Procurement Oversight Board (CPOB) ensures high value procurement complies with legislation and internal spending rules while promoting value-driven commercial activity for Kent residents. The Board now includes Internal Audit and Counter Fraud representatives alongside the CPD, Legal, and Finance. It oversees procurement proposals for the Council's key contracts and provides constructive challenge to ensure accountability and compliance.
- 6.6. In 2025-26 the CPOB reviewed 16 procurement proposals. It focused on improving the quality, transparency and robustness of Commercial Cases, with scrutiny centred on clear, evidence-based procurement design and stronger financial assurance through detailed cost, value and indexation analysis. The Board also prioritised risk management and governance, including engagement with Legal, Finance and Counter Fraud, and improved contract management readiness through stronger performance measures, invoicing assurance and auditability. It continued to emphasise data-driven decision-making and forward planning, including market insight, demand modelling and the implications of

Local Government Reorganisation to keep procurements deliverable and future-proofed.

- 6.7. The Contract Management Review Group (CMRG) reviews the value for money and effectiveness of contract management across the Council's major contracts. It includes Members from different political parties, alongside Legal, Finance, and CPD, and Counter Fraud. The Group provides constructive at mid-life and prior to extension to ensure Best Value and strong contract management standards. Since its relaunch in November 2025, the CMRG has reviewed four contracts across three meetings. Its scrutiny has focused strongly on value for money, contract management maturity and risk, while also challenging cost control, market conditions, evidence of value, assurance, and alignment KPIs with strategic outcomes.

7. Conclusion and Next Steps

- 7.1. Over the last financial year, the Council has taken several important steps to strengthening its commercial and procurement activity, with a strong foundation laid for KCC to deliver on the vision and strategic priorities within its Commercial Strategy.
- 7.2. Moving forward, the CPD and Directorates will work closely to deliver on this Strategy. In particular, there will be a focus on securing further financial benefits and improving the reporting of these, strengthening engagement with key suppliers and contract management, extending further support for local businesses and small organisations, and ensuring wider public value is secured from suppliers in a more consistent way. Tackling waivers, particularly retrospective waivers, will also be critical going forward.
- 7.3. This activity will play a pivotal role in supporting the Council through Local Government Reorganisation with sound commercial decisions, maintaining strong relationships with suppliers, upholding the spending rules and ensuring robust commercial governance incredibly important. These efforts will underpin best practice and resilience, ensuring that residents across Kent benefit from effective and sustainable services throughout and beyond the reorganisation process.

8. Recommendation(s)

Policy and Resources Cabinet Committee is asked to **consider** and **note** this report.

9. Contact details.

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