

From: Roger Gough, Leader of the Council
Clare Maynard, Head of Commercial and Procurement

To: Policy and Resources Cabinet Committee

Date: 5 March 2025

Subject: Commercial and Procurement Performance Report
(Quarters 2 and 3, 2024 / 2025)

Classification: Unrestricted

Summary:

This report provides an overview of the performance reporting of the Commercial and Procurement Division (CPD) covering Q2 and Q3 of the 2024/2025 Financial Year.

The paper summarises the CPD and wider Council's achievements in delivering financial benefits and return on investment during this time period, detailing the value added and savings secured through commercial and procurement activity.

Additionally, the report highlights efforts to enhance wider public benefit, such as increased spending with local suppliers, SMEs, and VCSEs. The report also discusses improvements in category management, supplier relationship management, and transparency and compliance.

The paper further addresses the CPD's commitment to improved policies and procedures, governance, investing in staff capability, improved systems, and working collaboratively across the Council and with partners. This is especially important ahead of the new Procurement Act coming into force on 24 February 2025.

Finally, the report outlines the key plans and recommendations for further improvement are highlighted to explain how the Council can continue towards its vision to have the best commercial and procurement function in local government.

Recommendation(s):

Policy and Resources Cabinet Committee is asked to:

- **Consider** and **note** this report.
- **Approve** a six monthly reporting frequency to the Committee on these matters.

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. Effective commercial and procurement practices can support delivery of financial benefits and value for money, increased transparency, and responsiveness to changes in legislation and the wider operating environment. At its outset, the CPD highlighted the key priorities supporting the above vision; Financial Benefits and Return on Investment, Wider Public Benefit, Supplier Management and Partnering, and Transparency and Compliance
- 1.3. This report provides an overview of performance in Quarters 2 and 3 of the Financial Year 2024-2025 against the key priorities outlined. It will focus on the key achievements against those priorities, and future plans and recommendations to further enhance commercial and procurement practice.

2. Financial Benefits and Return on Investment

- 2.1. Delivery of financial benefits and return on investment through expert procurement and contract management is key in supporting KCC to provide quality services to the residents whilst delivering on Securing Kent's Future.
- 2.2. In this reporting period, 22 contracts were awarded that reported either financial benefits (14), wider public benefits (2), or both (6). This represents 58% of the contracts that were procured and awarded by the CPD in this time period and across those contracts reporting a financial benefit (20) there is a 4.3% "saving" that has already been banked by directorates. Regarding the financial benefits delivered, the CPD has seen a total of £5,033,756 financial benefit in this period, with a total of £19,042,997 value now having been delivered since the CPD was first formed in September 2024.
- 2.3. This added value has been realised through negotiation, by benchmarking against market rates to push for competitive pricing, and by making better decisions (e.g., around specifications) to avoid costs. Led by the CPD, working with Directorates, KCC has negotiated for margin reductions, or rate discounts, and reduced the scope or volume seen in contracts to help deliver savings, or avoid costs, while still meeting core and statutory requirements. Additionally, value has been added via securing lower prices compared to previous contracts or anticipated budgets and generating shared savings through collaboration.
- 2.4. This work also recognises the importance of social value, carbon reduction and recycling across the delivery of Kent services, with a financial equivalent value of £205,168,602 attributed to these benefits within Quarters 2 and 3.
- 2.5. The CPD and Directorates will continue to work closely, particularly on contracts valued above the UK Public Procurement Thresholds, to take advantage of opportunities to negotiate with suppliers. Continued engagement from the CPD and wider stakeholders with the procurement governance boards will be key to identifying savings opportunities in both specification development and contract management. The CPD will continue to improve how value added is captured and reported and ensure this becomes routine for all procurements undertaken.

3. Wider Public Benefit

- 3.1. Over the past year, the CPD has been reviewing the Council's contracted spend with Kent-based suppliers, Small and Medium Enterprises (SMEs), and Voluntary, Community and Social Enterprises (VCSEs).
- 3.2. So far, in 2024/2025, 62% of KCC spend was with Kent based suppliers and this exceeds the average across other local authorities which sits at 46%; this was also an increase in total contracted spend of 15% compared to last year. While the Council's spend with SMEs is currently below the local government average, there has been an increase of 17% spent with SMEs this year compared to last year, which shows a positive shift towards recognising the importance these businesses play in the Kent market. Kent has also spent an additional £3 million with VCSEs this year compared to last year, showing a positive trend of increasing KCC's spend within this key provider sector.
- 3.3. These figures do not capture spend with prime suppliers who sub-contract to SMEs, VCSEs and/or Kent-based suppliers. There are several examples across KCC where such arrangements are key to supporting small, local suppliers. Additionally, there is a notable volume of spend, which is uncoded in terms of supplier type, and so the Council's SME spend may be higher. However, the Oracle Cloud Programme will help to address this data quality concern.
- 3.4. With the introduction of the Procurement Act 2023, the CPD have also engaged with SME and VCSE forums to outline the changes introduced by the Act, as part of an ongoing dialogue to explore how KCC can reduce the barriers faced. Requirements under the Act for transparency of KCC's procurement pipeline, a duty to consider splitting contracts into lots, and having due regard for SMEs when designing a procurement procedure, can contribute to increased accessibility of contracting opportunities. The CPD is also working with Digital Services to develop advice and guidance for SMEs and VCSEs interested in tendering for contracting opportunities, to be available on the KCC website.
- 3.5. Social Value is continually championed by the CPD, with work underway to standardise Social Value reporting including efforts to support environmental sustainability and tackle the risk of modern slavery in KCC's supply chains. As new legislation shifts more focus on to considering such matters, the CPD will help to ensure Officers are considering Social Value from specification design, through the tendering process, and during the life of the contract.

4. Supplier Management and Partnering

- 4.1. In the past six months, the CPD engaged the consultancy firm 'Efficio' to categorise the Council's third-party expenditure and provide a comprehensive overview of KCC's supply base. This process involved a detailed analysis of invoicing data and the alignment of supplier spend within specific spending categories. This work has improved spend visibility and, in the longer-term, will facilitate greater cost control and supplier consolidation. It will also enhance how the Council strategically sources, manages its suppliers, mitigates risks, and takes advantage of the Council's negotiating power.
- 4.2. Building on the work of Efficio, the CPD will be developing category strategies and supporting Directorates to manage key suppliers, getting even greater value from KCC's third party spend. There will also be further interrogation of

those suppliers that comprise 80% of spend per category. The CPD will collaborate with Directorates to roll out shared resources and systems, ensuring shared data and identifying opportunities for collaborative procurement and partnerships with other local authorities and public sector partners. The ambition for future reporting is to update on the above work, but also, over time, to include condensed summaries of performance across KCC's key contracts.

- 4.3. In addition to supplier and spend categorisation, the CPD identified the Council's key suppliers (based on spend) using Oracle BI Spend Analysis Dashboard and Oxygen Finance Insights tool. This will support KCC to identify where it is most critical to build strong supplier relationships, but also ensure KCC explores negotiation opportunities, manages risks, and collaborates with other contracting authorities and public sector partners. KCC's key suppliers, based on annual spend, are predominantly associated with the GET Directorate. However, there are also significant expenditures with single providers in ASCH and CYPE, in the adult and children's social care markets.

5. Transparency and Compliance

- 5.1. The CPD are key holders for the spending rules set out in Spending the Council's Money, and reports against compliance with these rules as part of this role. Within Spending the Council's Money, there are provisions for when Officers must request to waive their obligation to follow the internal rules, if these cannot be followed. Only if approval is offered can the internal rules be waived in that instance. The CPD monitor when and how this occurs including instances where an action that has already taken place which did not follow the mandatory spending rules, which is acknowledged via a retrospective waiver.
- 5.2. In Quarters 1 to 3 of this Financial Year, the CPD has received 35 requests through the 'Waiver Process', 26% of these have been retrospective. This is trending down, however the aim for the CPD is to reduce the retrospective waivers to zero, and as such the CPD will increase the reporting with Directorates and the Corporate Management Team and work closely to understand the trends behind the retrospective waivers. The CPD will engage with the directorates to ensure the expectations set out within Spending the Council's Money are clear and understood.
- 5.3. With the publication of the new National Procurement Policy Statement in February, the CPD are working to ensure that our practices align with the new guidance and expectations for public procurement set out by the Government. Additionally, Government are developing an Insourcing Playbook, which will include an assessment tool that supports Local Authorities to assess whether services would be better delivered 'in house'. The Head of Commercial and Procurement and Corporate Director for Finance were recently interviewed by the Ministry of Housing, Communities and Local Government and are supporting with the design of this assessment tool.
- 5.4. Working with Finance, the CPD also introduced a No PO No Pay Policy in November 2024 to ensure that all Council spend is approved through the correct authorisation process before any purchases can be made. This will ensure that the Council has robust control over its budgets, whilst accountability for spending decisions will always sit with those who are authorised to make

them. Over the 6-month period, there were 15,271 retrospective POs to 46,228 purchase orders: making up 33% of the total. However, in the last quarter there was a decrease with retrospective POs making up 30% of the total. The expectation is that this downward trend will continue as the No PO No Pay Policy is more widely embedded and understood following its implementation.

- 5.5. Implementation of new policies, refreshing of Spending the Council's Money and dedicated work to ensure all guidance and templates utilised by procurement officers are of the highest quality will be key activity for the CPD going forward and into the new legislation introduced on 24 February 2025.
- 5.6. The Commercial and Procurement Oversight Board (CPOB) and Contract Management Review Group (CMRG), each including CPD, Finance, and Legal representation, are essential for ensuring that commercial and procurement activity is effective, compliant, and ultimately results in the delivery of Best Value for Kent residents. There have been several positive implications of the Board and subsequent improvements to the Council's approach on strategically important procurement projects and contracts. Both CPOB and CMRG have proven to be a valuable forum for providing constructive challenge and identifying common areas for development that should be addressed.
- 5.7. Going forward, especially in the current financial climate and with key changes to public procurement regulations, CPOB and CMRG will remain a key part of KCC's commercial and procurement governance structure, supporting compliance, promoting best practice and collaboration with Directorates, ensuring that best value is achieved. These will be but one core component of the wider governance arrangements KCC has in place to provide robust oversight and assurance of such activity, which will be increasingly important.

6. Conclusion and Next Steps

- 6.1. The Commercial and Procurement Division (CPD), working closely with Directorates, has made significant progress towards achieving its vision of becoming the best commercial and procurement function in local government. The Division's efforts have resulted in substantial value added to contractual spend, enhanced supplier management, and increased transparency and compliance. However, there is still work to be done to fully realise this vision.
- 6.2. Moving forward, the CPD will continue to focus on delivering value for money, supporting local businesses, and promoting Social Value and environmental sustainability through procurement practices. The Division will also work on improving data quality and reporting, ensuring that all procurement activities are aligned with the latest legislation and best practices. Continued collaboration and engagement with all stakeholders will be essential in driving further improvements and achieving the best outcomes for the residents of Kent.
- 6.3. The CPD are proposing to return to the Policy and Resources Cabinet Committee on a six monthly basis to provide an update on the performance against the key priorities outlined within this report.

7. Recommendation(s)

Policy and Resources Cabinet Committee is asked to:

- **Consider** and **note** this report.
- **Approve** a six monthly reporting frequency to the Committee on these matters.

8. **Contact details**

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