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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b> 16 <sup>th</sup> November 2010
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/70/10/BH/AP
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<b>Subject:</b>	<b>Procurement - Update</b>	

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to update the Policy & Resources Committee on the progress being made with Procurement since the last report in August. This report focuses on the progress being made against the Strategic Procurement Framework, an update on the savings being made and a summary of the Council's performance against the National Best Practice Indicators.

## 2.0 SUMMARY

- 2.1 The Corporate Procurement Manager has now been in post for 5 months and is using the Strategic Procurement Framework to work towards achieving, "conformance status", against the McClelland report by December 2011.
- 2.2 The Procurement Manager has been working on the Strategic Procurement Framework by taking a two staged approach to its delivery. The Strategic Procurement Framework has clear goals set to be delivered by December 2010 which centre on the structure, processes and data associated with Procurement. Achieving these targets will be the first stage. Targets for 2011 against the Strategic Procurement Framework deal with the delivery of the improved management of Procurement on a Corporate basis. Progress on stage two cannot begin until stage one has been completed. An update on the progress being made against stage one is contained in Appendix 1.
- 2.3 The update report to the August Policy and Resources Committee detailed a significant level of savings already achieved. These savings totalling £445,000 are outlined in Appendix 2.
- 2.4 Since the August report on Procurement, the Corporate Procurement Manager has identified other opportunities where savings could potentially be made in addition to the previously identified £445,000. Work is ongoing in this regard and any savings will be scored against the £700,000 efficiency workstream target.
- 2.5 Further savings opportunities identified include Roadstone supply, road materials, Catering, Education books and Library books. Potential savings will not be known on these commodities as contracts for these have only recently been awarded and contracts have not yet started.
- 2.6 In April 2009 the Public Procurement Reform Board reaffirmed their commitment to the Best Practice Indicators (BPIs) project, and their expectation that public bodies will participate and report their BPIs. The fundamental principle of this project is to give procurement officers the tools and data they need so that they can decide what areas of procurement require development within their organisation and thereafter monitor progress. At a National and sectoral level, the BPIs will also allow external bodies to track the progress of reform.

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- 2.7 The Corporate Procurement Manager has submitted the Councils Best Practice Indicators for 2009/10. These are detailed within Appendix 3 and BPIs are reflective of the Council's current standing against the performance standards defined by the McClelland report. The Council was found to be at 'non conformance' level in November 2009. The Council's cash savings and spend on collaborative contracts benchmark well with other Councils. Improvements will be made on next years returns by virtue of the work being done on the Strategic Procurement Framework and the work being carried out by the Business Transformation Team on Transactional Shared Services. These projects are well positioned to deliver 'conformance status', by December 2011.

### **3.0 RECOMMENDATIONS**

- 3.1 That the Policy and Resources Committee note the progress made and note that further updates on the implementation of the Strategic Procurement Framework and Procurement savings will be submitted to the February Policy & Resources Committee.

Alan Puckrin  
Chief Financial Officer

## 4.0 BACKGROUND

- 4.1 There are 4 performance standards identified within the McClelland report on Public Procurement in Scotland; Non Conformance, Conformance, Improved Performance and Superior Performance. Inverclyde Council was found to be at Non Conformance status in November 2009 with a score of  $9/234 = 4\%$ . In response to this, the Policy and Resources Committee approved the Strategic Procurement Framework. This strategy has 6 work streams that are programmed to deliver Conformance status by December 2011.
- 4.2 Completion of the National Best Practice Indicators is a fundamental aspect within the measurement of a Councils performance against the 4 performance standards.
- 4.3 The Scottish Government are using a Procurement Competency Assessment as a means to measure each of the 32 Local Authority's Procurement performance. This assessment is an evidence based audit of procurement across 12 areas listed as follows:

Governance
Organisational
Resources and Skills
Practices and Processes
Information Systems
Collaboration
Corporate and Social Responsibilities
Reporting and KPI
Benchmarking
EU Legislation
Supplier Strategy and Policy
Overall Value of Results

## 5.0 CURRENT POSITION

- 5.1 As detailed within the update on the Strategic Procurement Framework in Appendix 1, the Council is still on target to achieve conformance status by December 2011. Moreover, the Business Transformation Team is working in parallel to the Procurement Manager on improving transactional aspects of Procurement. This project will provide the Council with the ability to provide tangible evidence that it has robust Information systems that will support the production of reports for KPIs.
- 5.2 The first meetings of the Procurement Programme Board have been held. This has resulted in greater consultation with Services on Procurement. The attendees from the Services act as a sounding board for their areas and provide input to new policies and procedures as well as giving feed back on structural changes.
- 5.3 In line with the set up of the Procurement Board a further team of staff involved in operational Procurement activity will be formed later this financial year. The establishment of this team will further enhance and improve the planning of Procurement activity, allow for greater communication between Services, greater opportunity to identify savings, and ensure compliance with EU legislation.
- 5.4 The Head of Legal and Democratic Services has been reviewing the Standing Orders for contracts with a view to getting these approved by Full Council in December.

## 6.0 PROCUREMENT SAVINGS

6.1 Appendix 2 details a total of £445,000 in projected savings applied via contracts for Electricity, Gas, Water, Telecoms and Mail.

The National category A contracts represent the quick wins available via National contracts and demonstrate the effectiveness of both Procurement Scotland and Scotland Excels increased buying power.

6.2 The Water contract savings are as a result of a newly negotiated agreement where the Council pays its water costs up front in exchange for a 4% saving. Water procurement has become part of Procurement Scotland's remit and it is hoped their increased buying power will deliver further savings in 2011.

6.3 The Supplier of Multi-functional devices is Konica Minolta who are part of the new National category A contract for this commodity. The contract works by the Council putting in place lease agreements for each of the individual machines. The current contract which was put in place by the Council has machines with leases that run out over the course of the next 4 years. By moving to new lease agreements on the new national contract, the Council will save in the region of 7% on current rates for each machine moved to the new rate. Further efficiencies will be realised as the Estate plan evolves as this will mean that less machines will be required.

6.4 Further savings opportunities identified include Roadstone supply, road materials, Catering, Education books and Library books. Potential savings will not be known on these commodities as contracts for these have only recently been awarded and contracts have not yet started.

6.5 These savings assist in addressing the future financial position. Moreover, further savings will be identified as work progresses with the Strategic Procurement Framework. In particular, the establishment of a Designated Procurement Officer operational group will engender a corporate approach to Procurement and bring further savings opportunities forward.

## 7.0 IMPLICATIONS

Financial Implications –

Financial Implications – Annual Savings

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Various	Various	2010/11	445,000	-	Service budgets will be reduced. Savings will score against the Procurement Work Stream.

## 8.0 CONSULTATIONS

8.1 The Head of Legal & Democratic Services is working closely with the Corporate Procurement Manager in addressing many of the issues in the Strategic Procurement Framework.

## Appendix 1

What we want to achieve	How will we achieve it?	Responsible	November 2010 Update	Timescale
A shared vision for the future of procurement across the Council with agreement on how we work together to drive and facilitate improvement.	Establish a Procurement Programme Board to lead and manage a corporate approach. This will be done via the OIP Resources Group.	Chief Financial Officer.	Officer Group chaired by CFO established. First meeting took place in August.	Complete
Provide clarity on who does what in the procurement process.	Implement designated procurement officer model. Only employees on an agreed list will be licensed to make procurement/contract decisions for the service/directorates.	Chief Financial Officer/Corporate Procurement Manager	Survey responses have been received. Report being drafted for Procurement Board. Thereafter will be reported to CMT.	Dec-10
	Designated Procurement Officers will form a network to ensure consistency and adherence to Corporate policies/procedures	Corporate Procurement Manager	Identified officers will form the procurement practitioner group which will create a network of procurement professionals from each Service area.	From February 2011
	Establish a procurement practitioner operational group.	Corporate Procurement Manager	See above	From February 2011

<p>Employees engaged in the procurement process shall possess the necessary knowledge, skills and capacity to support strategic and operational needs in line with agreed policies and practises.</p>	<p>Recruit Corporate Procurement Manager.</p>	<p>Chief Financial Officer</p>	<p>Complete</p>	<p>Complete</p>
<p>Capacity to achieve substantive change within the scope of this plan.</p>	<p>Review Procurement capacity within the Council and recommend structural changes.</p>	<p>Chief Financial Officer/Corporate Procurement Manager</p>	<p>Complete</p>	<p>Complete</p>
<p>The adoption and corporate use of one integrated &amp; electronic approach for tendering, P2P transactions and contracts planning.</p>	<p>e-Procurement business case to be developed and aligned with the Operating Model.</p>	<p>Corporate Procurement Manager &amp; Head of Customer Services &amp; Business Transformation</p>	<p>Corporate Procurement Manager liaising with the Transactional Shared Services project team to identify procurement, 'menu', of items that should be considered within the scope of the TSS work stream Development priorities being identified.</p>	<p>Nov-10</p>

	Establish contracts database and populate including Lead Officer and client info.	Corporate Procurement Manager/Head of Legal & Democratic Services.	A draft contracts database has been created. Legal Services will update database with contract award detail. Contract database to be shared with Services via ICON	Complete
Rationalise and standardise procurement processes consistently across the Council.	Create Procurement Manual.	Corporate Procurement Manager	Draft Procurement Manual created using Scottish Government procurement roadmap as best practice. Original date was August 2010 but has been moved in order to accommodate changes to the Standing Orders	Dec-10
	Develop and implement suite of standard tender documentation for use where appropriate across Council.	Head of Legal and Democratic Services	Created standard set of terms and conditions using Scottish Government as best practice. Currently discussing how these can be adopted with Legal Services	Dec-10
	Develop business case for increased use of e-tendering element of Public Contracts Scotland.	Corporate Procurement Manager	Discussing a pilot of e-tendering with Legal Services. Plan is to pilot within the Corporate Procurement Unit and use results to spread to wider Council	Now Dec 2010

	Re-engineer procurement processes and associated systems in line with the Operating Model.	Head of Customer Services & Business Transformation / Corporate Procurement Manager	Corporate Procurement Manager liaising with the Transactional Shared Services project team to identify procurement 'menu' of items that should be considered within the scope of the TSS work stream	Dec-10
Appropriate Purchase Card Usage	Obtain approval for revised Purchase Card Strategy reflecting a balance between flexibility and governance.	Corporate Procurement Manager	Corporate Procurement Manager has re-drafted the Purchase card strategy. Proposals being reviewed to ensure fit with TSS Proposals.	November 2010
Measure aspects of procurement performance.	Develop and adopt standard approach to Benefits tracking	Chief Financial Officer/Corporate Procurement Manager	Corporate Procurement Manager has agreed benefits tracking process with Chief Financial Officer. National Best practice Indicators also provided with this report.	Complete
	Review and implement internal Performance Measures.	Corporate Procurement Manager	Corporate Procurement Manager has agreed with Chief Financial Officer that performance measures will be agreed when procurement network is closer to being established	Now Feb 2011



Maximise buying opportunities through collaboration (internal & external) while minimising the need to undertake single client contracts.	Develop and communicate a database of collaborative and one off contracts for use by Council. These include Procurement Scotland, Scotland Excel, OGC, other public bodies in Scotland and the United Kingdom as appropriate.	Corporate Procurement Manager	Contracts database being created and includes full detail of collaborative contracts. Collaborative contracts will be highlighted and communicated via ICON	Complete
	Develop a range of collaborative contracts with neighbouring councils – but only where there is clear evidence that benefits will provide a return on the time invested.	Corporate Procurement Manager	Corporate Procurement Manager has been attending meetings with other Councils where a programme of collaborative opportunities are being investigated	2010/11 and ongoing
Be viewed as an organisation which companies want to supply with goods, services and works.	Include section in Procurement Handbook and update the Council Website on how to do business with the Council.	Corporate Procurement Manager	Procurement Manual will include section on how to do business with the Council. Corporate Procurement Manager attending Construction Forum with local suppliers to inform them of Tender opportunities coming up with the Council	Dec-10
	Review need for current Standing Restricted List.	Head of Legal and Democratic Services and Corporate Procurement Manager	Head of Legal and Democratic Services currently re-drafting standing orders in consultation with the Corporate Procurement Manager and Services. Standing List will be removed and replaced by requirement to advertise on Public Contracts Scotland portal.	Dec-10

## Appendix 2

## Inverclyde Council Benefits Tracking

Service	Commodity	Current Supplier	Cat A,B or C	Start Date	Annual Spend 09/10	Savings as Percentage of last years spend	Projected Full Year Savings
Property	Half Hourly Electricity	Scottish Power	A	01/04/2010	£325,000	20%	£65,000
	Non Half Hourly Electricity	Scottish and Southern Electricity	A	01/04/2010	£1,000,000	10%	£100,000
Property	Gas	Total Gas	A	01/04/2010	£1,030,000	22%	£227,000
Property	Water	Business Stream	C	01/08/2010	£600,000	4%	£24,000
Customer Service & Business Transformation	Telecoms	Virgin Media	A	01/09/2010	£82,000	13%	£11,000
Legal & Democratic Services	Mail	TNT	A	01/06/2010	£120,000	15%	£18,000
Corporate	Multi Function Devices	Konica	A	01/11/2011	£302,000	TBC	TBC
Environmental	Roadstone	Tarmac	C	01/04/2011	£600,000	TBC	TBC
Environmental	Lighting Maintenance	Lightways	C	01/01/2011	£500,000	TBC	TBC
Environmental	Road Materials	Various	B	01/08/2010	TBC	TBC	TBC
Education	Library Books	Bertram	B	01/09/2010	£120,000	TBC	TBC
<b>IC TOTALS</b>					<b>£4,679,000</b>		<b>£445,000</b>

<b>Best Practice Indicator</b>	<b>09/10 reported</b>	<b>08/9 reported</b>
Total savings achieved, cash	£560,000	£220,000
Total savings achieved non-cash	£0	£0
% of annual procurement spend that is channelled through a collaborative contract with other publicly funded bodies.	10.00%	Not reported
% procurement spend with contracted suppliers	Not available as Scottish Government have not uploaded data to national database	Not reported
% procurement spend on contract with contracted suppliers	Not available as Scottish Government have not uploaded data to national database	Not reported
% of procurement officers who hold the professional procurement qualification, Member of Chartered Institute of Purchasing and Supply	25%	25%
% of procurement officers with an appropriate procurement qualification	25%	25%
% of procurement spend actively influenced by a procurement professional	35%	39%
% procurement staff (FTE) who are undertaking formal training towards a procurement qualification	25%	25%
How many contract notices did your organisation publish in total over?	87	Data unreliable
How many contract notices did your organisation publish electronically?	7	4
% of contract notices did your organisation publish electronically	8%	NA
How many contract award notices did your organisation publish in total over?	1	2
How many contracts award notices did your organisation publish electronically over ?	1	2
% of contracts awarded electronically	100%	100%
How many tendering processes has your organisation managed over ?	87	43
How many tender processes has your organisation managed via e-sourcing/tendering system over ?	0	0
% of tenders carried out electronically	0%	0%
How many purchase transactions has your organisation made in total?	57,613	Data unreliable
How many purchase transactions (i.e, e-requisitioning, e-ordering, e-receiving) has your organisation made using an electronic procurement system?	8021	Data unreliable
% of PO's done electronically	14%	NA