
Report To:	Policy & Resources Committee	Date:	29th March 2010
Report By:	Chief Financial Officer	Report No:	FIN/26/11/AP/CM
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Subject:	Procurement - Update		

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 November. 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 2010 Procurement Capability Assessment results.

2.0 SUMMARY

- 2.1 The Corporate Procurement Manager has now been in post for 9 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. Good progress was made in 2010 to set up the basic policies and stakeholder groups required to deliver the Strategic Procurement Framework. Targets for 2011 deal with the improved management of Procurement on a Corporate basis including raising awareness of policies and procedures. An update on the progress being made against the Strategic Procurement Framework is detailed in Appendix 1.
- 2.3 Since the November report on Procurement, the Corporate Procurement Manager has identified other savings which could potentially be made in addition to the £441,000 previously reported. These are detailed in Appendix 2 and total £80,000. Procurement workstream savings would then be £521,000 against the £700,000 target for the period 2010/14.
- 2.4 Inverclyde Councils Procurement Capability Assessment was held in November 2010. This is an annual assessment that determines the performance of Local Authorities and other Public sector bodies against the 4 performance standards as identified within the McClelland report. The Inverclyde score improved substantially from 4% in 2009 to 15% in 2010, reflecting the work done to establish sound policies and practices for Corporate Procurement. Scotland Excel commented that, 'There clearly remains a great deal of work to be done, but the organisation is clearly making strong progress'.

3.0 RECOMMENDATIONS

- 3.1 That the Policy and Resources Committee note the progress made since the last Procurement report and note that further updates on the implementation of the Strategic Procurement Framework and Procurement savings will be submitted as required

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. 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

- 4.4 Although the improvement from 4% in 2009 to 15% 2010 may seem relatively low, the highest score achieved by any Local Authority was 55%. Moreover, the average score was 31%. Clearly Inverclyde Council has a lot of work to do to make the required improvements but the scale of measurement should be taken within the context of Local Authority performance as opposed to the wider public sector which has a much higher average performance.

5.0 CURRENT POSITION

- 5.1 As detailed within the update on the Strategic Procurement Framework in Appendix 1, the Council is still in position to achieve conformance status (25%) by December 2011.
- 5.2 The Procurement Programme Board continues to meet and make good progress as the consultative body for new policies and decisions resulting from work on the Strategic Procurement Framework. In particular, this group of key stakeholders were instrumental in the agreement and drafting of the new Contract Standing Orders approved by Policy and Resources Committee in February and the Corporate Purchase Card Policy approved by the CMT February 2011. Moreover, this work is now being extended into the completion of the Procurement Manual which will be operational in April.
- 5.3 In line with the delivery of the Procurement Manual a group of Procurement Practitioners will be established in April. The creation of this group will lead to greater co-ordination on Procurement matters and a greater consistency in the application of policies. This will result in a greater awareness of Procurement risk, mitigation of this risk and an ability to realise budget savings via innovative approaches to Procurement projects.

6.0 PROCUREMENT SAVINGS

- 6.1 Appendix 2 details a total of £441,000 in savings delivered via contracts for Electricity, Gas, Water, Telecoms and Mail in 2010/11. Service budgets have been reduced. This Appendix also details a total of £80,000 in savings expected to be delivered in 11/12.
- 6.2 Work is on-going to realise savings via national category A contracts. Procurement Scotland have recently agreed a new National contract for water and waste water supply which are projected to result in savings of £17,000 in 11/12 in addition to the savings already identified in 10/11.
- 6.4 The Multi-functional devices contract saving relates to a 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.
- 6.5 Further savings opportunities include roadstone supply, catering, organic waste, additional water and waste savings, Education Books and Library books are being progressed with Services.
- 6.6 These savings will assist in addressing future financial pressures. 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 common Procurement approach Council wide 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	2011/12	80,000	-	Service budgets will be reduced and 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.	Corporate Director Regeneration & Resources	Officer Group chaired by CFO established. First meeting due 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	Delivery date has slipped from December due to time to agree Contract Standing Orders and issues surrounding the Future Operating Model.	April-11
	Designated Procurement Officers will form a network to ensure consistency and adherence to Corporate policies/procedures	Corporate Procurement Manager	Delivery date has slipped from December due to time to agree Contract Standing Orders and issues surrounding the Future Operating Model.	April-11
	Establish a procurement practitioner operational group.	Corporate Procurement Manager	Delivery date has slipped from December due to time to agree Contract Standing Orders, issues surrounding the Future Operating Model and the general number of resource changes Council wide.	April-11

<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 & 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 & Head of Customer Services & Business Transformation</p>	<p>Need for e-Procurement at this stage being reviewed with CMT. Alternative use of some of the £180,000 set aside being considered.</p>	<p>April-11</p>

	Establish contracts database and populate including Lead Officer and client info.	Corporate Procurement Manager	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 and Corporate Practitioners Group.	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. Delivery date has been moved in order to accommodate changes to the Standing Orders	Apr-11
	Develop and implement suite of standard tender documentation for use where appropriate across Council.	Head of Legal and Democratic Services & Corporate Procurement Manager	Created standard set of terms and conditions using Scottish Government as best practice. These will be adopted using the new Procurement Manual	Apr-11
	Develop business case for increased use of e-tendering element of Public Contracts Scotland.	Corporate Procurement Manager	Currently piloting e-tendering on lower value bids. Will roll out comprehensively to procurement practitioner group in later part of year	Nov-11

	Re-engineer procurement processes and associated systems in line with the Operating Model.	Head of Customer Services & Business Transformation / Corporate Procurement Manager	Date has slipped from December whilst overall Operating Model is on hold.	tbc
Appropriate Purchase Card Usage	Obtain approval for revised Purchase Card Strategy reflecting a balance between flexibility and governance.	Corporate Procurement Manager	Complete	Complete
Measure aspects of procurement performance.	Develop and adopt standard approach to Benefits tracking	Chief Financial Officer/Corporate Procurement Manager	Complete	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	Apr-11

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	Complete	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 Renfrewshire Council 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	Apr-11
	Review need for current Standing Restricted List.	Head of Legal and Democratic Services and Corporate Procurement Manager	Complete	Complete

Appendix 2

10/11								
Service	Commodity	Current Supplier	New 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	Scottish Power	A	01/04/2010	£500,000	20%	£65,000
Property	Non Half Hourly Electricity	Scottish and Souther Electricity	Scottish and Souther Electricity	A	01/04/2010	£1,030,000	10%	£100,000
Property	Gas	Total Gas	Total Gas	A	01/04/2010	£1,030,000	22%	£227,000
Customer Service & Business Transformation	Telecoms	Virgin Media	Virgin Media	A	01/09/2010	£74,000	9%	£7,000
Legal & Democratic Services	Mail	TNT	TNT	A	01/06/2010	£80,000	21%	£18,000
Property	Water	Business Stream	Business Stream	C	01/08/2010	£600,000	4%	£24,000
Previously Reported Full Year Saving								£441,000
11/12								
Corporate	Multi Function Devices	Konica	Konica	A	01/04/2011	£302,000	10%	£30,000
Property	Water	Business Stream	Business Stream	A	01/04/2011	£576,000	3%	£17,000
Property	Meat	Campbells	Campbells/ Brakes	B	01/10/2010	£111,000	6%	£6,000
Property	Washroom Solutions	Initial	Healthcare Environmental	B	01/11/2011	£25,000	28%	£7,000
Education	Library Books	Bertram	Bertram	B	01/09/2010	£120,000	10%	£12,000
Environmental	Catering Disposables	Various	Various	B	02/07/2010	£42,000	19%	£8,000
Environmental	Organic Waste	Greenlight Environmental	Scottish Water	C	01/04/2011	£315,000	TBC	TBC
Environmental	Roadstone	Tarmac	TBA	C	01/07/2011	£600,000	TBC	TBC
Potential Savings to be applied								£80,000