
Report To:	Policy & Resources Committee	Date: 20th September 2011
Report By:	Chief Financial Officer	Report No: FIN/82/11/AP/BH
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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 made with Procurement since the last report in March. This report focuses on the progress being made against the Strategic Procurement Framework and an update on the savings achieved.

2.0 SUMMARY

- 2.1 Good progress continues to be made in delivering the Strategic Procurement Framework which is aimed towards achieving, "conformance status", against the McClelland report by December 2011.
- 2.2 Most of the actions on the Strategic Procurement Framework are now complete with only a few items to be closed. An update on the progress being made against the Strategic Procurement Framework is detailed in Appendix 1.
- 2.3 A key development since the last report has been the creation of the Designated Procurement Officers group which is a network of senior officers who will become the main service procurement contacts.
- 2.4 Since the March report to Committee, the Corporate Procurement Manager, has identified other savings. These are detailed in Appendix 2. Procurement workstream savings are now £961,000 against the £1,000,000 target for the period 2010/14. A further £74,000 planned saving has been identified.
- 2.5 As the work on the Strategic Procurement Framework is drawing to a close, the Action Plan requires to be refreshed. The Corporate Procurement Manager and senior staff involved in Procurement across the Council have been working with Scotland Excel specialists to create this Plan which will be in place by November 2011.

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.

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 (SPF). The SPF has 6 work streams that are programmed to deliver Conformance status by December 2011.
- 4.2 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

- 4.3 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 as the consultative body for new policies and decisions resulting from work on the Strategic Procurement Framework. The Contract Standing Orders have now been revised and the Procurement Manual has been published and rolled out to users within the Council.
- 5.3 In line with the delivery of the Procurement Manual a group of Procurement Practitioners was established in May. The creation of this group will lead to greater co-ordination on Procurement matters and a greater consistency in the application of policies. Ongoing work by this group 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.
- 5.4 Scotland Excel offered in May to assist with the scoping exercise for the new Procurement Action Plan which will be required to replace the existing Strategic Procurement Framework. This offer of work is embedded within Scotland Excels, 'softer services', that are part of the overall management fee.

- 5.5 Scotland Excel have been through a process of interviews with the Service Managers, Heads of Service and Directors involved in Procurement. Findings from these interviews will be reported to the Procurement Board and form the basis for the new Action Plan. It is intended that the draft strategy will be ready by October and will thereafter come to the next Policy and Resources Committee for approval.
- 5.6 The Corporate Procurement Manager will present on Procurement matters to the Chamber of Commerce and other interested suppliers at an event planned for late October. The agenda includes a presentation from Scotland Excel and a question and answer session. This event will be supported by both Legal and Economic Development Services.

6.0 PROCUREMENT SAVINGS

- 6.1 Appendix 2 details a total of £242,000 in savings for 2011/12. There is an additional £74,000 of planned savings where budgets could also be reduced. In total this almost fully delivers to 2010/14 revised Procurement savings target of £1,000,000.
- 6.2 Further savings opportunities include new Education transport contracts where efficiencies have been released due to a change in the policy on the age of buses being allowed.
- 6.3 These savings will assist in addressing future financial pressures. Moreover, further savings will be identified as work progresses with the Strategic Procurement Framework.

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	2010/14	1,000,000	-	Service budgets will be reduced and Savings will score against the Procurement Work Stream.

8.0 CONSULTATIONS

- 8.1 Economic Development Services are working closely with the Corporate Procurement Manager in addressing the Supplier relationship elements of the Strategic Procurement Framework.

Appendix 1

1. Leadership & Governance

What we want to achieve	How will we achieve it?	Responsible	September 2011 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	Complete	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	Complete	Complete
Evidence of compliance & improvement.	Designated Procurement Officers will form a network to ensure consistency and adherence to Corporate policies/procedures	Chief Financial Officer/Corporate Procurement Manager	Complete	Complete
Evidence of compliance & improvement.	Establish a procurement compliance framework to be used to test services adherence to policy, practices and in relation to Standing Orders, Financial Regulations and the Procurement Manual. This will require system development.	Corporate Procurement Manager	Audit will kick off review off compliance in November 2011	2011/12
Evidence of compliance & improvement.	Include section within the revised Financial Regulations on the need for compliance with corporate procurement standards.	Chief Financial Officer/Corporate Procurement Manager	Complete	Sep 2011

2. Resources, skills and capacity

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
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.	Recruit Corporate Procurement Manager.	Chief Financial Officer	Complete	Complete
Capacity to achieve substantive change within the scope of this plan.	Undertake a skills gap analysis for all Designated Procurement Officers and develop a package of training support. Review Procurement capacity within the Council and recommend structural changes.	Corporate Procurement Manager Chief Financial Officer/Corporate Procurement Manager	Designated Procurement Officers initial training courses identified and booked. Complete	Sept 2011 & ongoing. Complete

3. Management Information and Systems

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
The adoption and corporate use of one integrated & electronic approach for tendering, P2P transactions and contracts planning.	e-Procurement business case to be developed and aligned with the Future Operating Model.	Corporate Procurement Manager & Head of Customer Services & Business Transformation	Depends on OM & CVSSS review outcome	tbc
	Establish contracts database and populate including Lead Officer and client info.	Corporate Procurement Manager	Complete	Complete

	<p>Implement e-Procurement solution and roll out to services.</p>	<p>Corporate Procurement Manager & Head of Customer Services & Business Transformation</p>	<p>18 months after Business Case (if approved).</p>	<p>tbc</p>
<p>Use revised processes and systems to provide accurate procurement information to support spend visibility, commodity tendering and benefits tracking.</p>	<p>Develop management information systems to improve Benefits Tracking.</p>	<p>Corporate Procurement Manager</p>	<p>Complete</p>	<p>Complete</p>

4. Procedure, Processes and Performance

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
Rationalise and standardise procurement processes consistently across the Council.	Create Procurement Manual.	Corporate Procurement Manager	Complete	Complete
	Develop and implement suite of standard tender documentation for use where appropriate across Council.	Head of Legal and Democratic Services/ Corporate Procurement Manager	Delayed Procurement Manual needs to be embedded first	October 2011
	Develop business case for increased use of e-tendering element of Public Contracts Scotland.	Corporate Procurement Manager	Trial between June and October	November 2011
	Implement increased use of e-tendering if approved.	Corporate Procurement Manager	Trial between June and October	From December 2011
	Re-engineer procurement processes and associated systems in line with the Operating Model.	Chief Financial Officer/Head of Customer Services & Business Transformation	Dependant on OM Review & CVSSS outcome	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	Complete	Complete

5. Contracts & Collaboration

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
<p>Maximise buying opportunities through collaboration (internal & external) while minimising the need to undertake single client contracts.</p>	<p>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.</p>	<p>Corporate Procurement Manager</p>	<p>Complete</p>	<p>Complete</p>
	<p>Make full use of the contract database to plan future work and identify opportunities to both aggregate demand internally and with others as opportunities arise.</p>	<p>Corporate Procurement Manager</p>	<p>Complete</p>	<p>Complete</p>
	<p>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.</p>	<p>Corporate Procurement Manager</p>	<p>Ongoing work with Renfrewshire and Ayrshires – Clyde Valley</p>	<p>2010/11 and ongoing</p>
<p>Ensure the Council has robust processes and systems in place to support the effective management of all local Council contracts.</p>	<p>Issue corporate guidance to all Service Managers and Contract Administrators about how Council contracts are to be managed and delivered.</p>	<p>Corporate Procurement Manager</p>	<p>Complete via Procurement Manual</p>	<p>Complete</p>

6. Supplier Strategy and Relationship Management

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
Be viewed as an organisation which companies want to supply with goods, services and works.	Include section in Procurement Manual and update the Council Website on how to do business with the Council.	Corporate Procurement Manager	Start June 2011. To be undertaken by Procurement Project Officer	Sept 2011
	Regeneration & Planning continue current supplier development work.	Head of Regeneration & Planning	Ongoing via Construction Forum, Meet the Buyer events and Chamber of Commerce event.	Ongoing
	Increase use of Public Contracts Scotland for tendering subject to approval of business case.	Corporate Procurement Manager	Complete and ongoing	Complete
	Review need for current Standing Restricted List.	Head of Legal and Democratic Services and Corporate Procurement Manager	Complete. New CSOs in place	Complete

Appendix 2

Commodity	Current Supplier	New Supplier	Start Date	Annual Spend	Achieved or Planned	Savings as Percentage of 10/11 spend	Projected Full Year Savings
Meat	Campbells	Campbells/ Brakes	01/10/2010	£111,000	a	5%	£6,000
Washroom Solutions	Initial	Healthcare Environmental	01/11/2011	£25,000	a	28%	£7,000
Library Books	Bertram	Bertram	01/09/2010	£120,000	a	10%	£12,000
Catering							
Disposables	Various	Various	02/07/2010	£42,000	a	19%	£8,000
AV Equipment	Various	Various	01/06/2011	£125,000	p	10%	£12,000
Cash Collection	G4S	G4S	01/08/2011	£45,000	p	6%	£3,000
Waste Disposal	Barr/ Greenlight	Tracey/ Greenlight	01/07/2011	£2,700,000	a	6%	£166,000
Organic Waste	Tracey	Scottish Water	01/07/2011	£131,000	a	33%	£43,000
School Transport	Various via SPT	Various via SPT	01/08/2011	£242,000	p	37%	£59,000
					Total		£316,000
			Savings Achieved		Budget Reduction		£242,000
			Savings Planned		Budget reduction		£74,000
			Total Budget Reduction		(Achieved and Planned)		<u>£316,000</u>
			2011/12 Workstream Target				<u>£288,000</u>