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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>7th February 2012</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/04/12/AP/BH</b>
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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 November.

## 2.0 SUMMARY

- 2.1 The Corporate Procurement Manager has been leading the 2010-2012 Strategic Procurement Framework which was aimed towards achieving, "conformance status", against the McClelland report by December 2011.
- 2.2 Scotland Excel carried out a 1 day 'audit' of procurement at the Council in late November 2011 and determined that the Council had achieved Conformance status. This audit is called the Procurement Capability Assessment and is performed at each of the 32 Local Authorities in Scotland on an annual basis. Inverclyde Council has improved from 15% in 2010 to 34% in 2011.
- 2.3 The Strategic Procurement Framework has been in place since May 2010. The actions from this strategy are now largely complete and have delivered 'Conformance' status. The Policy and Resources Committee agreed that a refreshed strategy should be put in place for 2012 to 2014. The new Strategic Procurement Framework is contained in Appendix 1.
- 2.4 The Procurement work stream savings achieved are now £1m against a target of £1.4m for the period 2010/14. This represents a further £0.4 million increase in target.

## 3.0 RECOMMENDATIONS

- 3.1 That the Committee welcome the achievement of 'Conformance Status' following the recent Procurement Capability Assessment audit.
- 3.2 That the Committee approve the refreshed 2012/14 Procurement Strategy Action Plan.
- 3.3 That the Committee note the progress made in savings delivery.

## 4.0 BACKGROUND

- 4.1 The Corporate Procurement Manager has been leading the 2010-2012 Strategic Procurement Framework which was aimed towards achieving, "conformance status", against the McClelland report by December 2011.
- 4.2 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 had 6 work streams and was programmed to deliver Conformance status by December 2011.
- 4.3 Scotland Excel carried out a 1 day 'audit' of procurement at the Council in late November 2011 and determined that the Council had achieved Conformance status. This audit is called the Procurement Capability Assessment and is performed at each of the 32 Local Authorities in Scotland on an annual basis. Inverclyde Council has improved from 15% in 2010 to 34% in 2011.
- 4.4 The Scottish Government are using a Procurement Capability Assessment as a means to measure each of the 32 Local Authority's Procurement performance. The scores, leading to the overall score of 34%, across the 8 sections assessed, are listed as follows:

Procurement Leadership and Governance	38%
Procurement Strategy and Objectives	54%
Defining the Supply Need	13%
Project Strategies and Collaborative purchasing	35%
Contract and Supplier Management	19%
Key Purchasing Processes and Systems	22%
People	48%
Performance Measurement	40%
Overall Value of Results	34%

- 4.5 In terms of benchmarking performance with other Local Authorities, Inverclyde Council are now well positioned in the top half of performers in Scotland.
- 4.6 The scores for 'Procurement Strategy and Objectives', 'People' and 'Performance Measurement' reflect the work that has gone on to date via the Strategic Procurement framework. Procurement Strategy and Objectives in particular is now in Improved Performance.
- 4.7 The Strategic Procurement Framework has been in place since May 2010 and has delivered 'Conformance' status. The actions from this strategy are now largely complete. The Policy and Resources Committee agreed that a refreshed strategy should be put in place for 2012 to 2014. The new Strategic Procurement Framework is contained in Appendix 1.
- 4.8 The refreshed Strategic Procurement Framework will address the areas where scores are low. Further improvements should be realised as a result of this work in 2012.

## 5.0 PROCUREMENT SAVINGS

- 5.1 The savings target for the Procurement work stream has been increased by £400,000 to £1,400,000
- 5.2 Appendix 2 shows the position in respect of savings achieved during 2011/12. From this it can be seen that savings totalling £301,000 have been achieved to date. This brings the total Procurement workstream savings from 2010 to £1,022,000 against the target of £1.4 million over the period 2010/14.
- 5.3 Further savings opportunities include new Scotland Excel contracts for children's residential care, where efficiencies should be released due to the economies of scale with other Local Authorities.
- 5.4 Procurement savings will assist in addressing future financial pressures. Moreover, further savings will be identified as work progresses with the Strategic Procurement Framework.

## 6.0 IMPLICATIONS

Financial Implications – Annual Savings

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Savings Work streams	Procurement	2010/14	£1,400,000	-	£1,022,000 achieved to date.

## 7.0 CONSULTATIONS

- 7.1 The Procurement Board have been made aware of the content of this report.

## Appendix 1 Strategic Procurement Framework 2012/14

### 1. Resources, skills and capacity

What we want to achieve	How will we achieve it?	Responsible	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.	Complete a skills gap analysis for all Corporate Procurement Officers, Designated Procurement Officers and Procurement Practitioners in Services	Corporate Procurement Manager	March 2012
	Plan, design and deliver a Learning & Development Plan for Procurement Officers and Designated Procurement Officers.	Corporate Procurement Manager	Ongoing but significant progress by Summer 2013

### 2. Management Information and Systems

What we want to achieve	How will we achieve it?	Responsible	Timescale
The adoption and corporate use of one integrated & electronic approach for tendering, Purchase to Pay transactions and contracts planning.	Undertake good practice review of P2P in other public/private sector organisations and Scottish Government recommendations. Use best practice from Clyde Valley and interface with Councils who show an interest.	Procurement Project Officer.	March 2013
	Assess detailed current state of P2P in the Council create business case detailing change required	Procurement Project Officer.	December 2012
	Implement changes to P2P	Procurement Project Officer.	December 2013

### **3. Procedure, Processes and Performance**

<b>What we want to achieve</b>	<b>How will we achieve it?</b>	<b>Responsible</b>	<b>Timescale</b>
Rationalise and standardise procurement processes consistently across the Council.	Trial of e-tendering element of Public Contracts Scotland.	Corporate Procurement Manager/ Head of Legal and Democratic Services	May 2012
	Implement increased use of e-tendering if approved.	Procurement Project Officer.	From September 2012
Deliver Council business priorities through commodity/category strategy	Engage with Directors and Heads of Service - determine business requirements to facilitate creation of enhanced tender workplan	Corporate Procurement Manager/ Procurement Board	April 2012
	Undertake detailed spend analysis to identify further savings opportunities. Develop strategies, including a risk register and devise reporting process.	Corporate Procurement Manager	June 2012
Commit to Corporate Social Responsibility	Review internal objectives in plans/strategies taking into consideration Scottish Government and national reform agenda for Corporate Social Responsibility ambitions.	Procurement Team Leader and Designated Procurement Officer network	May 2012
	Establish a working group on the Corporate Social Responsibility agenda for procurement and develop a resourced and scheduled work plan. Agree measures and reporting schedule with the procurement board.	Procurement Team Leader and Designated Procurement Officer network	July 2012

#### **4. Contracts & Collaboration**

<b>What we want to achieve</b>	<b>How will we achieve it?</b>	<b>Responsible</b>	<b>Timescale</b>
Maximise buying opportunities through collaboration (internal & external) while minimising the need to undertake single client contracts.  Collaboration for category C commodities with other local authorities.	Identify potential partners for collaboration - councils and other public sector.	Corporate Procurement Manager	Completed
	Agree scope, remit and approach of each collaboration group.	Procurement Team Leader	April 2012
	Review Council's tender workplan to identify potential areas for future collaborative opportunities. Formal workplan for the group is agreed with a clear approach and responsibilities.	Procurement Board/Corporate Procurement Manager/ Designated Procurement Officers	March 2012

## 5. Supplier Strategy and Relationship Management

<b>What we want to achieve</b>	<b>How will we achieve it?</b>	<b>Responsible</b>	<b>Timescale</b>
Promote Economic Development in contracts where appropriate	Analyse current economic development activity, carry out stakeholder engagement, review tender workplan and establish opportunities.	Head of Regeneration & Planning / Corporate Procurement Manager	September 2012
	Develop framework of activities for delivery of Procurement Improvement Plan and implement.	Head of Regeneration & Planning/ Corporate Procurement Manager	December 2012
Improved understanding of contract management process and appropriate levels of contract management.	Review current contract and supplier management processes and related information on service by service basis.	Procurement Project Officer	May 2012
	Develop and agree an appropriate level of supplier management with Procurement Board.	Corporate Procurement Manager	June 2012
	Develop governance, process, roles and responsibilities, training and communication for implementation.	Procurement Project Officer	September 2012
	Implement plan for supplier and contract management.	Procurement Project Officer	December 2012

## Appendix 2

Commodity	Current Supplier	New Supplier	Start Date	Annual Spend	Achieved or Planned	Savings as Percentage of 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
Cash Collection	G4S	G4S	01/08/2011	£45,000	a	9%	£4,000
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	22%	£29,000
PAT testing	Calbarrie	White Testing	01/09/2011	£48,000	a	37%	£18,000
School Transport	Various via SPT	Various via SPT	01/08/2011	£242,000	p	19%	£46,000
Telephone Calls	Virgin Media	Virgin Media	01/04/2011		a		£7,000
Water	Business Stream	Business Stream	01/04/2011		a		£24,000
Outdoor Education	Actual Realities	Actual Realities	01/10/2011	£80,000	a	25%	£20,000
						Total	£347,000
			Savings Achieved		Budget Reduction		£301,000
			Savings Planned		Budget reduction		£347,000
			Total Budget Reduction		(Achieved and Planned)		<u>£347,000</u>
			2011/12 Work stream Target				<u>£300,000</u>