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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>19th June 2012</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/39/12/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 February, to update the savings position and report on the conclusion of the e-tender pilot.

## 2.0 SUMMARY

- 2.1 The Corporate Procurement Manager has been leading Strategic Procurement Framework with the target of achieving, "conformance status", against the McClelland report by December 2011 – and improving overall improvements to the procurement process within the Council.
- 2.2 The Strategic Procurement Framework has been in place since May 2010. The actions from the original 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 in for 2012 to 2014 and this is contained in Appendix 1 with updates on progress.
- 2.3 The Procurement Work stream savings achieved are now at £1.15m against a target of £1.4m for the period 2010/14
- 2.4 The implementation of e-tendering is one of the items in the Strategic Procurement Framework. E-tendering is where tenders are received via electronic means rather than in hardcopy. Approval was given at the November Policy and Resources Committee to pilot e-tendering using the Public Contracts Scotland Portal. This pilot has now been completed successfully to the satisfaction of the client services as well as the Head of Legal & Democratic Services and the Chief Internal Auditor. It is therefore proposed that e-tendering should now be an option in all Council contracts.
- 2.5 The incorporation of e-tendering within the Council's tendering process will require a change to the Council's Standing Orders for Contracts. If approved in principle by the Committee, the changes to the Council's Standing order for Contracts will require to be approved by the Full Council.

## 3.0 RECOMMENDATIONS

- 3.1 That the Committee note progress on the Strategic Procurement Framework.
- 3.2 That the Committee note the progress made in savings delivery.
- 3.3 That the Committee approve in principle the use of e-tendering as an option in future Council tenders and note that an amendment to the Council's Standing Orders for Contracts will require to be approved by the Full Council.

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 had 6 work streams and was programmed to deliver Conformance status by December 2011.
- 4.2 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.
- 4.3 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%

- 4.4 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.
- 4.5 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 in for 2012 to 2014. The Strategic Procurement Framework, with updates against each work item, is contained in Appendix 1
- 4.6 In particular, the Strategic Procurement Framework deals specifically with the scores that are still below conformance level. The Strategic Procurement Framework deals with these areas within sections 3 and 5. Work in these areas is progressing well and updates can be found in Appendix 1.

## 5.0 E-TENDER PILOT

- 5.1 The implementation of e-tendering is one of the work items in the Strategic Procurement Framework. This is included in section 3 of Appendix 1. E-tendering is where tenders are received via electronic means rather than in hardcopy. Approval was given at the November Policy and Resources Committee to pilot e-tendering using the Public Contracts Scotland Portal.

- 5.2 The pilot consisted of two tenders and one PQQ which were returned and opened using the Public Contracts Scotland portal. Officers from Legal and Democratic services, including the Chief Internal Auditor attended the opening of the submitted documentation
- 5.3 No issues were reported and indeed all officers are in agreement that e-tendering delivers a process that is more transparent and more easily auditable than the previous more manual process. The electronic process provides a full audit trail with electronic time stamps detailing the events, officers involved and submission dates and times.
- 5.4 This pilot has now been completed successfully to the satisfaction of the client services as well as the Head of Legal Services and the Chief Internal Auditor. It is therefore recommended that e-tendering should now be implemented for use, as an option, in all Council contracts.

## 6.0 PROCUREMENT SAVINGS

- 6.1 The savings target for the Procurement work stream 2010/14 has been increased to £1,400,000.
- 6.2 Appendix 2 shows the position in respect of savings achieved during 2012/13. From this it can be seen that savings totalling £267,000 have been achieved to date. This brings the total Procurement workstream savings from 2010 to £1.15 million against the target of £1.4 million over the period 2010/14.
- 6.3 Further savings opportunities include new Schools Transport contracts and term contracts. There should also be some benefits from tenders for Occupational Therapy and High Volume Printing and Mailing services. Moreover, Scotland Excel are continuing to investigate and put in place contracts for Social Care and for Construction which should yield further long term benefits.
- 6.4 Procurement 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

- 7.1 Financial 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	-	£1.15 million achieved to date.

**1. Resources, skills and capacity**

<b>What we want to achieve</b>	<b>How will we achieve it?</b>	<b>Responsible</b>	<b>Update</b>	<b>Timescale</b>
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	Complete for some DPO and needs developed for practitioners	June 2012
	Plan, design and deliver a Learning & Development Plan for Procurement Officers and Designated Procurement Officers.	Corporate Procurement Manager	Ongoing	Ongoing but significant progress by Summer 2013

**2. Management Information and Systems**

<b>What we want to achieve</b>	<b>How will we achieve it?</b>	<b>Responsible</b>	<b>Update</b>	<b>Timescale</b>
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.	Project Officer now in post and progressing	March 2013
	Assess detailed current state of P2P in the Council create business case detailing change required	Procurement Project Officer.	Project Officer now in post and progressing	December 2012
	Implement changes to P2P	Procurement Project Officer.	Project Officer now in post and progressing	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>Update</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	Complete pending committee approval	May 2012
	Implement increased use of e-tendering if approved.	Procurement Project Officer.	Dependant on outcome of above	From July 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	Ongoing	July 2012
	Undertake detailed spend analysis to identify further savings opportunities, Develop strategies, including a risk register and devise reporting process.	Corporate Procurement Manager	Draft risk register created, spend analysis ongoing	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	Meeting Scotland Excel and Scottish Procurement to determine best route	June 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	Outcome of above meeting will determine scope of work	July 2012

#### 4. Contracts & Collaboration

What we want to achieve	How will we achieve it?	Responsible	Update	Timescale
<p>Maximise buying opportunities through collaboration (internal &amp; external) while minimising the need to undertake single client contracts.</p> <p>Collaboration for category C commodities with other local authorities.</p>	<p>Identify potential partners for collaboration - councils and other public sector</p>	<p>Corporate Procurement Manager</p>	<p>Ongoing activity with West of Scotland Councils discussed at Quarterly reviews with SE</p>	<p>Complete</p>
	<p>Agree scope, remit and approach of each collaboration group</p>	<p>Procurement Team Leader</p>	<p>Ongoing</p>	<p>Complete</p>
	<p>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</p>	<p>Procurement Board./Corporate Procurement Manager/ Designated Procurement Officers</p>	<p>Reviewed at March Procurement Board</p>	<p>Complete</p>

## 5. Supplier Strategy and Relationship Management

<b>What we want to achieve</b>	<b>How will we achieve it?</b>	<b>Responsible</b>	<b>Update</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	Ongoing work with Economic Development and Legal Services	September 2012
	Develop framework of activities for delivery of Procurement Improvement Plan and implement.	Head of Regeneration & Planning/ Corporate Procurement Manager	Ongoing work with Economic Development and Legal Services	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.	4 suppliers identified to trial supplier management	Complete phase 1 by end June 2012
	Develop and agree an appropriate level of supplier management with Procurement Board	Corporate Procurement Manager	To be reviewed at the next Procurement Board meeting	June 2012
	Develop governance, process, roles and responsibilities, training and communication for implementation	Procurement Project Officer	Dependant on outcome of above	September 2012
	Implement plan for supplier and contract management	Procurement Project Officer	Dependant on outcome of above	December 2012

Commodity	New Supplier	Start Date	Annual Spend/Income	Achieved or Planned	Savings as Percentage of 11/12 spend	Projected 2012/13 Savings	Full Year Savings
<b>School Transport August 2011</b>	Various	01/08/2011	£242,300	a	16%	£38,000	£46,000
<b>School Transport August 2012</b>	Various	01/08/2012	£340,896	p	8%	£27,000	£40,000
<b>Waste Disposal July 2011</b>	W Tracey/ Greenlight	01/07/2011	£2,700,000	a	5%	£135,000	£135,000
<b>Organic Waste October 2011</b>	Scottish Water	01/10/2011	£131,000	a	23%	£30,000	£30,000
<b>Cash Collection</b>	G4S	01/07/2011	£15,000	a	13%	£2,000	£6,000
<b>Scrap Metal</b>	ERM	01/09/2012	£60,000	a	NA	£35,000	£60,000
Total Budget Reduction				(Achieved and Planned)		<u>£267,000</u>	
2012/13 Work stream Target						<u>£349,000</u>	