

<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>18th September 2012</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/68/12/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 May.

## **2.0 SUMMARY**

- 2.1 The Corporate Procurement Manager developed a Strategic Procurement Framework (SPF) with the target of achieving "conformance status" against the McClelland report. This was achieved in December 2011.
- 2.2 The Policy and Resources Committee agreed that a refreshed SPF 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 £1.18m against a target of £1.4m for the period 2010/14.
- 2.4 A report elsewhere on the agenda highlights progress in respect of encouraging local businesses to benefit from Council procurement.

## **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.

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. The Policy and Resources Committee approved the Strategic Procurement Framework with 6 workstreams 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 are achieving Improved Performance.
- 4.5 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 scores that sit 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 PROCUREMENT SAVINGS

- 5.1 The savings target for the Procurement work stream 2010/14 have been set at £1,400,000.
- 5.2 Appendix 2 shows the position in respect of savings achieved during 2012/13. From this it can be seen that savings totalling £297,000 have been achieved to date. This brings the total Procurement workstream savings from 2010 to £1.18 million. Additional savings have come from recently awarded Debt Recovery and Specialist Mailing contracts. Smaller efficiency savings have also been realised as a result of improved invoicing methods and more efficient ordering methods with the suppliers of Stationery and Protective clothing.

- 5.3 Further savings opportunities include Occupational Therapy and term property maintenance contracts. 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.
- 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

### 6.1 Financial Implications –

#### Financial Implications – Annual Savings

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>With Effect from</b>	<b>Annual Net Impact</b>	<b>Virement From (If Applicable)</b>	<b>Other Comments</b>
Savings Work streams	Procurement	2010/14	£1,400,000	-	£1.18 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 with ongoing training to be delivered via Corporate Procurement	Complete
	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	Complete
	Implement increased use of e-tendering if approved.	Procurement Project Officer.	Trial evaluated. Use incorporated in new Standing Orders.	From October 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. Procurement Board has been reorganised in line with new structure	Ongoing
	Undertake detailed spend analysis to identify further savings opportunities. Develop strategies, including a risk register and devise reporting process.	Corporate Procurement Manager	Contract Strategy now being used and include risk register	Complete
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	Corporate Social Responsibility Group established and progressing a report for the Procurement Board.	Complete
	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	Complete	Complete

#### 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>Ongoing</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>2012/13 Plan 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.	Phase 1 completed June 2012. Procurement Board will review plans to expand	September 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	September 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
School Transport August 2011	Various	01/08/2011	£242,300	a	16%	£38,000	£46,000
School Transport August 2012	Various	01/08/2012	£340,896	a	8%	£27,000	£40,000
Waste Disposal July 2011	W Tracey/ Greenlight	01/07/2011	£2,700,000	a	5%	£135,000	£135,000
Organic Waste October 2011	Scottish Water	01/10/2011	£131,000	a	23%	£30,000	£30,000
Debt Recovery	AMA	01/10/2012	£80,000	p	28%	£22,500	£45,000
Specialist Printing	BSS	01/10/2012	£69,000	p	8%	£5,500	£11,000
Stationery	Lyreco	01/09/2012	£135,000	p	1%	£1,000	£1,000
Protective clothing	Arco	01/02/2009	£49,000	p	3%	£1,400	£1,400
Cash Collection	G4S	01/07/2011	£15,000	a	13%	£2,000	£6,000
Scrap Metal	ERM	01/09/2012	£60,000	a	NA	£35,000	£60,000

Total Budget Reduction (Achieved and Planned) £297,400

2012/13 Work stream Target £349,000