

**Report To:** Policy & Resources Committee      **Date:** 5th February 2013  
**Report By:** Chief Financial Officer      **Report No:** FIN/04/13/AP/BH  
**Contact Officer:** Brendan Hurrell      **Contact No:** 01475 712654  
**Subject:** Procurement - Update

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## **1.0 PURPOSE**

- 1.1 The purpose of the report is to update Committee on the progress being made with Procurement since the last report in September.

## **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 work completed on the SPF has contributed to a further significant improvement in the annual Procurement Capability Assessment from Scotland Excel. A score of 47% was achieved in the most recent assessment in November 2012. This is a further 13% improvement on the previous year's score and is only 3% short of "Improved Performance".
- 2.4 The Procurement work stream savings achieved are now at £1.18m against a target of £1.4m for the period 2010/14.
- 2.5 As part of proposals to support local businesses it is proposed that the default target for paying local suppliers be set at no more than 20 days rather than 30 days. It is believed that this should be achievable in the majority of cases and Finance Staff will work with Services and Suppliers to address any issues which prevent this happening.

## **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 Committee approve the proposal that suppliers based in Inverclyde be paid within a target of 20 days rather than the current Council target of 30 days.

Alan Puckrin  
Chief Financial Officer

## 4.0 STRATEGIC PROCUREMENT FRAMEWORK

- 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.
- 4.2 Scotland Excel carried out a 1 day 'audit' of procurement at the Council in late November 2012 and determined that the Council had achieved a score of 47%. This audit is called the Procurement Capability Assessment and is performed at each of the 32 Local Authorities in Scotland on an annual basis.
- 4.3 This score is a 13% Improvement from 34% in 2011. This placed Inverclyde Council at 12<sup>th</sup> in the list of 24 Councils who had their PCA score published at the time of writing this report. Although 47% may be seen as a low score in relation to other Key Performance measures, this Council's score is still above average. Indeed, removing the highest performing Council at 75% would reduce the average significantly as the next highest score is 58%.
- 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 47%, across the 8 sections assessed, are listed as follows:

PCA Section	2012 Score	2011 Score
Procurement Leadership and Governance	40%	38%
Procurement Strategy and Objectives	73%	54%
Defining the Supply Need	39%	13%
Project Strategies and Collaborative purchasing	53%	35%
Contract and Supplier Management	38%	19%
Key Purchasing Processes and Systems	27%	22%
People	67%	48%
Performance Measurement	33%	40%
Overall Value of Results	47%	34%

- 4.5 Each of the 8 sections has a direct link to the SPF. Scores for the majority of sections demonstrate a significant improvement in performance as a result of the work on the SPF. Moreover, 3 sections are now in 'Improved Performance' in line with the McClelland report. The score for Performance Measurement has reduced as the number and mix of questions has changed from 2011 and therefore this is not a like for like comparison.
- 4.6 The Strategic Procurement Framework, with updates against each work item, is contained in Appendix 1.
- 4.7 The Strategic Procurement Framework deals specifically with areas that still sit below, 'Improved Performance'. As illustrated in Appendix 1, the bulk of the workload on the SPF in the coming months will be focused towards improving Purchase to Pay and Management Information. Tangible results here will see an improvement in scores for 'Key Purchasing Processes and Systems' and 'Performance Measurement'.
- 4.8 Contract and Supplier Management has also been improved over the past year with further incremental improvements planned in 2013. This is an area of Procurement that has traditionally been neglected across all Local Authorities in Scotland with the focus

being on tender activity rather than contractual relationships. Officers do make time for this activity but this was not monitored or standardised. As a result some suppliers were treated in a different manner to others and there was no system to monitor performance. The Procurement Board agreed that a pilot process should commence in order to ascertain the benefits of a standard process. This was piloted with a number of suppliers and has successfully completed its first phase. The Procurement Board agreed in late 2013 that this will be expanded to eight suppliers in 2013.

- 4.9 The trial was conducted using a scorecard approach. These were reviewed quarterly and suppliers were rated on quality, service, delivery and cost. These meetings and scorecards are an important part of the contract & supplier management process and provide the Services, Corporate Procurement and the supplier with an opportunity to focus on what is going well, identify any problems at an early stage and agree opportunities for improvement and innovation.

All suppliers are listed below:

Initial pilot

William Tracey, Waste Management  
McKay and Inglis, Printing  
Tarmac, Roadstone

Expanded to

Brakes, Catering  
Northgate, ICT Software  
SE Travel, Schools Transport  
GT Roofing, General Builders Works

## **5.0 PROCUREMENT SAVINGS**

- 5.1 The savings target for the Procurement work stream 2010/14 has been set at £1,400,000. This target will be reviewed as part of the 2013/16 budget.
- 5.2 Appendix 2 shows the position in respect of savings achieved during 2012/13. From this it can be seen that savings totalling £303,000 have been achieved to date. This brings the total Procurement workstream savings from 2010 to £1.18 million.
- 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 LOCAL SUPPLIERS – PAYMENT PROPOSALS**

- 6.1 The Council default payment terms are 30 days albeit certain sector specific suppliers are paid quicker than this to reflect contracted terms.
- 6.2 In view of the continuing challenging economic situation being experienced by local suppliers it is proposed to move the default for paying local suppliers (ie; those with invoice addresses within Inverclyde) to within 20 days. This will have no impact on those local suppliers who are currently paid quicker than this.
- 6.3 It is not envisaged the Council will achieve 100% compliance immediately but it is expected the majority of payments to local suppliers will meet this new target. Where there are specific issues which appear to prevent this timescale being achieved then Finance Services will work with Services and Suppliers to remove these barriers.

## 7.0 IMPLICATIONS

### 7.1 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	-	£1.18 million achieved to date.

7.2 Legal Implications – The proposal to move to paying local suppliers within 20 days does not have any legal implications.

## 8.0 REPOPULATION

8.1 By continuing to find ways of assisting local businesses the proposals will help stimulate business growth and stabilise the population.

**Appendix 1**

**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. Report being drafted.	Feb 2013
	Implement changes to P2P	Procurement Project Officer.	Dependant on Business Case above.	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 Feb 2013
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	Ongoing
	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	Ongoing
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 have now agreed plans to expand	Complete
	Develop and agree an appropriate level of supplier management with Procurement Board	Corporate Procurement Manager	To be reviewed at the next Procurement Board meeting	Feb 2013
	Develop governance, process, roles and responsibilities, training and communication for implementation	Procurement Project Officer	Dependant on outcome of above	Feb 2013
	Implement plan for supplier and contract management	Procurement Project Officer	Dependant on outcome of above	Feb 2013



## Appendix 2

<b>Commodity</b>	<b>New Supplier</b>	<b>Start Date</b>	<b>Annual Spend/ Income</b>	<b>Achieved or Planned</b>	<b>Savings as Percentage of 11/12 spend</b>	<b>Projected 2012/13 Savings</b>	<b>Full Year Savings</b>
<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	a	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>Debt Recovery</b>	AMA	01/10/2012	£80,000	a	28%	£22,500	£45,000
<b>Advocacy</b>	Inverclyde Advocacy Services	01/04/2012	£48,000	a	8%	£4,000	£4,000
<b>Specialist Printing</b>	BSS	01/10/2012	£75,000	p	8%	£5,000	£11,000

<b>Stationery</b>	Lyreco	01/09/2012	£135,000	a	1%	£2,000	£1,000
<b>Protective clothing</b>	Arco	01/02/2009	£49,000	a	3%	£2,000	£1,400
<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 Achieved and Planned

£303,000

2012/13 Work stream Target

£309,000