

<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b> 21st May 2013
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/39/13/AP/LA
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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 Committee on the progress being made with Procurement since the last report in February.

## **2.0 SUMMARY**

2.1 The Corporate Procurement Manager previously 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 a refreshed SPF 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 years score and is only 3% short of "Improved Performance".

2.4 The Procurement work stream savings achieved for 2010/13 of £1.027million have been "banked" and a new target of £413,000 for 2013/16 has been agreed. £149,000 of the £253,000 2013/14 target has already been achieved.

## **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 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. The aim for 2013 is to achieve Improved Performance.
- 4.3 This score is a 13% improvement from 34% in 2011. This placed Inverclyde Council at in the mid point of the 30 Councils who agreed to have their PCA score published. When the return on investment in Procurement resources is compared to PCA scores and savings delivered, at all Scottish Local Authorities, Inverclyde performs well.
- 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.

#### 5.0 RECENT PROGRESS

- 5.1 The Strategic Procurement Framework, with updates against each work item, is contained in Appendix 1.
- 5.2 The Strategic Procurement Framework deals specifically with areas that still sit below 'Improved Performance'. Appendix 1 shows that the bulk of the workload on the SPF in the coming months will be focused towards improving Purchase to Pay and Management Information. Work is underway that will see tangible results and a follow on improvement in scores for 'Key Purchasing Processes and Systems' and, 'Performance Measurement'.
- 5.3 Officers from Finance have considered and agreed a number of developments to the Finance Management System (FMS) and associated processes which will improve both the efficiency of the current processes and the quality of management information. Any

costs associated with these changes are minimal, outwith officer time and will be contained within the Procurement earmarked reserve.

- 5.4 A further key element of the PCA is to evidence how the Council stimulates market and supplier competition. The financial constraints the Council faces means that we must deliver services differently in the challenging economic climate. It is therefore crucial to have flexible supply arrangements in place to cope with change. This is particularly so when much of our strategic capability to deliver our services is dependent on the performance of our suppliers.
- 5.5 Contract and Supplier Management continues to be a major focus. This is an area of Procurement that has traditionally been neglected across all Local Authorities in Scotland. 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 later expanded to eight suppliers in 2013.
- 5.6 These supplier meetings are conducted using a scorecard to rate supplier performance. Reviews are scheduled quarterly and suppliers are rated on quality, service, delivery and cost.

The suppliers currently part of this process are as follows:

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

- 5.7 There have been a number of benefits resulting from this work. Some examples of this are: Northgate have proposed a new contract agreement with the Council which will result in financial savings, Brakes are working with Procurement and the lead service to investigate the possible use of hand held computer devices for ordering purposes, McKay and Inglis have altered their delivery processes in order that confidential papers are securely received by the ordering service.

## **6.0 PROCUREMENT SAVINGS**

- 6.1 The savings target for the Procurement work stream 2010/14 was set at £1,400,000. This target will be reviewed as part of the 2013/16 budget.
- 6.2 Appendix 2 shows the position in respect of savings achieved during 2013/14. From this it can be seen that savings totalling £149,000 have been achieved to date. The target for 2013/14 is £253,000. This brings the total Procurement workstream savings from 2010 to £1.176million.
- 6.3 Further savings opportunities could result from the Council's forthcoming Insurance tender and a new contract for Personal Protective Equipment. In addition Scotland Excel are continuing to investigate and put in place contracts for Social Care and for Construction which should yield further long term benefits. 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 – Annual Savings

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments
Savings Work streams	Procurement	2013/16	£413,000	-	£149,000 achieved to date.

7.2 Legal – Changes will be required to the Standing Orders for Contracts in the event electronic tenders becomes the default position for the Council.

## 8.0 REPOPULATION

Procurement has a key role to play in the Council's drive to stabilise and grow the Inverclyde population. Engagement with Economic Development and making Council contracts more accessible to local businesses are viewed as key requirements and as such are an integral part of the Strategic Procurement Framework.

**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 and on target.	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.	Complete	Complete
	Assess detailed current state of P2P in the Council create business case detailing change required	Procurement Project Officer.	Complete	Complete
	Implement changes to P2P	Procurement Project Officer.	Project officer working with services and suppliers to implement changes to purchase to pay processes and systems.	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 to be incorporated in new Standing Orders.	From May 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	Now embedded	Ongoing & embedded
	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 includes a 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 reported to 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 Scotland Excel.</p>	<p>Ongoing but embedded.</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	Committee agreed reduction in supplier terms to 20 days for Inverclyde suppliers. Implemented w.e.f May 2013.	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	June 2013
	Develop governance, process, roles and responsibilities, training and communication for implementation	Procurement Project Officer	Dependant on outcome of above	September 2013
	Implement plan for supplier and contract management	Procurement Project Officer	Dependant on outcome of above	September 2013



## Appendix 2

Commodity	New Supplier	Start Date	Annual Spend/ (Income)	Achieved or Planned	New Projected 2013/14 Savings	Full Year Savings
School Transport 2012	Various via SPT	01/08/12	£340,000	a	£13,000	£46,000
Scrap Metal	ERM	01/06/12	(£60,000)	a	£25,000	£60,000
Debt Recovery	AMA	01/10/12	£80,000	a	£22,500	£45,000
Telecare	Seniorlink Eldercare	01/04/13	£73,000	a	£40,000	£40,000
Waste Disposal	Tracey/ Greenlight	01/04/12	£2,700,000	a	£38,000	£38,000
Scap PCs	Tes-Amm	01/04/13	(£49,000)	a	£11,000	£11,000

Total Achieved and Planned

£149,000

2013/14 Work stream Target

£253,000

Note – Further potential savings are being investigated for the Waste Contract.