
Report To:	Policy & Resources Committee	Date: 24th September 2013
Report By:	Chief Financial Officer	Report No: FIN/72/13/AP/BH
Contact Officer:	Brendan Hurrell	Contact No: 01475 712654
Subject:	Procurement - Update	

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 May.

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. The Policy and Resources Committee agreed a refreshed SPF for 2012 to 2014 and this is contained in Appendix 1 with updates on progress.
- 2.2 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 last assessment in November 2012. The next PCA is scheduled to take place in October and the target is to achieve ‘Improved Performance’ which required a score of 50%.
- 2.3 The Procurement workstream savings achieved for 2010/13 of £1.027million have been “banked” and a new target of £413,000 for 2013/16 has been agreed. £191,000 of the £253,000 2013/14 target have already been achieved.
- 2.4 The Policy and Resources Committee approved a proposal contained within the February 2013 Procurement Update report to pay Inverclyde based suppliers within 20 days rather than 30 days. Since approval was given to proceed with this proposal, 97% of payments to Inverclyde based suppliers has been made within 20 days.

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 note the progress being made on paying Inverclyde suppliers

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 which requires a score of 50%.
- 4.3 The 2012 score 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 is using a Procurement Capability Assessment as a means to measure each of the 32 Local Authorities' 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 months leading up to the October 2013 PCA, has been focused towards improving Purchase to Pay and Management Information as well as further work on supplier management. 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 direct costs associated with these changes are minimal 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 mean 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 the strategic capability to deliver services is dependent on the performance of 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 previously undertook this activity but it 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 seven 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 in the process of rolling out 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 services.
- 5.9 Due to the success of the supplier management that has taken place with McKay and Inglis, it has been agreed with the Procurement Board that the pilot should end with them and focus on BSS who supply the Council with high volume enveloping and mailing services for Payroll and Revenues and Benefits. In addition, SE Travel school transport contracts have been assigned to Pride of the Clyde. To that end the Procurement Board have agreed that supplier management should commence with Pride of the Clyde.
- 5.10 A pilot involving the use of weighted tender questions on Community Benefits is underway. One tender, Kerb Maintenance, has been returned and evaluated using a 5% weighting as part of the pilot agreed at Policy and Resources Committee in November 2013. The tender to refurbish Ardgowan Primary has also been advertised on this basis but returns are still being evaluated. A report on the outcome of the pilot and future proposals will be submitted to the next Policy and Resources Committee.

6.0 PROCUREMENT SAVINGS

- 6.1 Appendix 2 shows the position in respect of savings achieved during 2013/14. From this it can be seen that savings totalling £191,000 have been achieved to date. The target for 2013/14 is £253,000. This brings the total Procurement workstream savings from 2010 to £1.27million.
- 6.2 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.

7.0 SUPPLIER PAYMENT

- 7.1 The Policy and Resources Committee approved a proposal contained within the February 2013 Procurement Update report to pay Inverclyde based suppliers within 20 days rather than 30 days. Since approval was given to proceed with this proposal, 97% of payments to Inverclyde based suppliers have been made within 20 days.

8.0 IMPLICATIONS

- 8.1 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	-	£202k remains to be achieved.

9.0 REPOPULATION

- 9.1 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**

What we want to achieve	How will we achieve it?	Responsible	Update	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	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

2. Management Information and Systems

What we want to achieve	How will we achieve it?	Responsible	Update	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.	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

What we want to achieve	How will we achieve it?	Responsible	Update	Timescale
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 November.	November2013
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
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	Ongoing activity with West of Scotland Councils discussed at Quarterly reviews with Scotland Excel.	Ongoing but embedded.
	Agree scope, remit and approach of each collaboration group	Procurement Team Leader	Ongoing	Ongoing
	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	2012/13 Plan Reviewed at March Procurement Board	Complete

5. Supplier Strategy and Relationship Management

What we want to achieve	How will we achieve it?	Responsible	Update	Timescale
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 Committee agreed reduction in supplier terms to 20 days for Inverclyde suppliers.	Ongoing
Improved understanding of contract management process and appropriate levels of contract management.	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
	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	Ongoing review
	Develop governance, process, roles and responsibilities, training and communication for implementation	Procurement Project Officer	Dependant on outcome of above	Ongoing review
	Implement plan for supplier and contract management	Procurement Project Officer	Dependant on outcome of above	Ongoing review

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
Scrap PCs	Tes-Amm	01/04/13	(£49,000)	a	£11,000	£11,000
School Transport 2012	Various via SPT	01/08/2013	£160,000	p	£7,000	£10,000
Mobile Phones	Vodafone	01/06/2013	£70,000	a	£19,000	£23,000
Software	Northgate	01/05/2013	£85,000	a	£2,500	£2,500
Personal Protective Equipment	Parker Merchant	01/09/2013	£46,000	p	£12,000	£16,000
Insurance	Zurich/ RMP	01/10/2013	£530,000	p	£5,000	£10,000

Total Achieved and Planned	<u>£190,500</u>
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2013/14 Work stream Target	_____	<u>£253,000</u>
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Note – Further potential savings are being investigated for the Waste Contract.