

---

<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>23 September 2014</b>
<b>Report By:</b>	<b>Acting Corporate Director Environment, Regeneration &amp; Resources</b>	<b>Report No:</b>	<b>FIN/45/14/JB/BH</b>
<b>Contact Officer:</b>	<b>Brendan Hurrell</b>	<b>Contact No:</b>	<b>01475 712223</b>
<b>Subject:</b>	<b>Procurement Update</b>		

---

## **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 Policy and Resources Committee previously approved 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 Procurement Work stream savings achieved for 2010/13 of £1.027million have been "banked" and a new target of £313,000 for 2013/16 has been agreed. £219,000 has been secured with a further £94,000 to be achieved.
- 2.3 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, 90% of payments to Inverclyde based suppliers have been made within 20 days.
- 2.4 The proposal to adopt the weighting of 5% for Community Benefits was accepted by the Policy and Resources Committee in May. Since then the 5% weighted question on Community Benefits has been incorporated in 2 tenders. Reports on progress as a result of this work will be reported to the Environment and Regeneration Committee.
- 2.5 The Council has recently written to existing suppliers seeking confirmation that they pay the Living Wage to employees and where this is not the case to ask them detail their plans to achieve this aim.

## **3.0 RECOMMENDATIONS**

- 3.1 That Committee note progress on the Strategic Procurement Framework.
- 3.2 That Committee note the progress made in savings delivery.
- 3.3 That Committee endorse the work undertaken to encourage payment of the Living Wage by organisations delivering services on behalf of the Council.

Jan Buchanan  
Head of Finance

## 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.
- 4.2 The work completed on the SPF has contributed to a further improvement in the annual Procurement Capability Assessment (PCA) from Scotland Excel with a score of 54% being achieved in the most recent assessment in October 2013. This means that the Council is now in the 'Improved' performance standard.
- 4.3 The 2013 score places Inverclyde Council well when the return on investment in Procurement resources is compared to PCA scores and savings delivered, at all Scottish Local Authorities.
- 4.4 The Scottish Government are using a Procurement Capability Assessment as a means to measure each of the 32 Local Authorities Procurement performance. There are 8 procurement sections assessed as part of the PCA. The section and standards, as found at the most recent PCA, are listed below and compared to the 2012 assessment in each case.

PCA Section	2012 Score	2013 Score
Procurement Leadership and Governance	Conformance	Improved
Procurement Strategy and Objectives	Improved	Improved
Defining the Supply Need	Conformance	Improved
Project Strategies and Collaborative purchasing	Improved	Improved
Contract and Supplier Management	Conformance	Conformance
Key Purchasing Processes and Systems	Conformance	Conformance
People	Improved	Superior
Performance Measurement	Conformance	Conformance
Overall Value of Results	47%	54%
Overall Status	Conformance	Improved

## 5.0 COMMUNITY BENEFITS

- 5.1 A pilot involving the use of weighted tender questions on Community Benefit has been completed. Two tenders, Kerb Maintenance and Ardgowan Primary refurbishment, have been returned and evaluated using a 5% weighting as part of the pilot agreed at Policy and Resources Committee in November 2012.
- 5.2 The Policy Resources Committee agreed to adopt the weighting of 5% in all future construction tenders with a value above £1,000,000, in May 2014. Progress on the targeted recruitment and training and employment that will be delivered as result of this will be tracked in regular reports by Economic Development colleagues to the Environment and Regeneration Committee.

## **6.0 RECENT PROGRESS**

- 6.1 The Strategic Procurement Framework, with updates against each work item, is contained in Appendix 1.
- 6.2 As shown in Appendix 1 the bulk of the workload on the current SPF has been completed. The remainder of the work is focused towards improving Purchase to Pay and Management Information as well as further work on supplier management.
- 6.3 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.
- 6.4 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. Supplier Management ensures that the Council manages its priority suppliers and addresses performance issues as they arise rather than dealing with larger problems at a later date.
- 6.5 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:

William Tracey and Greenlight, Waste Management  
BSS, Printing  
Tarmac, Roadstone  
Brakes, Catering  
Northgate, ICT Software  
Pride of the Clyde, Schools Transport  
GT Roofing, General Builders Works

- 6.6 In May 2011, the Committee approved a framework for monitoring the governance of key external organisations with whom which the Council has a significant financial relationship. The purpose of this framework was to provide a formal mechanism for feeding back to the relevant Committee on the organisations' performance and to highlight any issues in respect of governance, financial stability and overall performance.
- 6.7 After almost two years, the process has become embedded in most areas of the Council and the Corporate Procurement Team have been keeping an overview of compliance with the framework and provider performance issues. This should also be recognised as a Supplier Management process but one which is tailored towards organisations which require a separate form of scrutiny from standard goods and services contracts.

## **7.0 PROCUREMENT SAVINGS**

- 7.1 Appendix 2 shows the position in respect of savings planned during 2014/15. From this it can be seen that £44,000 full year savings have been achieved. These savings are as a result of renegotiation of rates on Mobile phones and Northgate software as well as better contract rates as a result of tenders for school transport, PPE and Waste Recycling. A recent tender exercise for Multi Function Devices (large printers) will see further savings but these have not been applied as yet. It should also be noted that the tender for Multi Function Devices has resulted in a rationalisation of the number of these machines required within the Council. The subsequent drop in the number required will result in a further saving for Services.

- 7.2 In addition, Scotland Excel have recently awarded a framework for the supply of roadstone which entitles the Council to vary its supply of material on a project by project basis. The subsequent increase in competition could realise a saving. The Corporate Procurement team and colleagues from services continue to look for possible opportunities for more local collaborative contracts with neighbouring Councils.

## **8.0 SUPPLIER PAYMENT**

- 8.1 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, 90% of payments to Inverclyde based suppliers have been made within 20 days. This is a slight reduction in performance since last reported and Finance Service is working with the Services to improve this performance.

## **9.0 LIVING WAGE**

- 9.1 Following discussions at the Joint Budget Group on the Council's Procurement Policy to support the extension of the living wage to organisations delivering services on behalf of the Council, the Procurement Manager sought clarification on this matter from the Scottish Government. The Scottish Government confirmed that it is not possible, as part of a procurement process to force contractors to pay their employees a living wage, set higher than the UK's National Minimum Wage. If public bodies wish to encourage contractors to pay their employees a living wage through procurement processes, this is possible and is in line with Inverclyde Council's current approach.
- 9.2 Further to this, the Scottish Government has advised that the Procurement Reform (Scotland) Act 2014 will allow Ministers to issue statutory guidance for public bodies on how workforce related matters, including living wage and terms of engagement, should be considered when selecting bidders and awarding public contracts, where such matters will affect the quality of service that the bidder may provide.
- 9.3 Until the new procurement Regulations and supporting guidance are issued and come into force, Inverclyde Council will continue with its current policy on the living wage with respect to Procurement. In support of this position, the Acting Corporate Director Environment, Regeneration & Resources has recently written to suppliers strongly encouraging them to progress towards paying the living wage if they are not already doing so. The Procurement Manager will report back to this Committee in due course with the outcome of this exercise. A copy of the letter and the current policy is included at Appendix 3.

## **10.0 IMPLICATIONS**

### **10.1 Finance**

One off Costs

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>Budget Years</b>	<b>Proposed Spend this Report £000</b>	<b>Virement From</b>	<b>Other Comments</b>
N/A					

## Annually Recurring Costs/(Savings)

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>With Effect from</b>	<b>Annual Net Impact £000</b>	<b>Virement From (If Applicable)</b>	<b>Other Comments</b>
Savings Work streams	Procurement	2013/16	£313,000	-	£94k remains to be achieved.

### 10.2 Legal

Legal Services have been consulted on the content of this report.

### 10.3 Human Resources

None

### 10.4 Equalities

None

### 10.5 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.

## 11.0 LIST OF BACKGROUND PAPERS

### 11.1 None

## Appendix 1

### Strategic Procurement Framework 2012/14

#### 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

#### 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 2014

### **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 November 2014 if trial is successful.	From November 2014
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>	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
	<p>Review council's tender workplan to identify potential areas for future collaborative opportunities</p> <p>Formal workplan for the group is agreed with a clear approach and responsibilities</p>	Procurement Board./Corporate Procurement Manager/ Designated Procurement Officers	2012/13 Plan Reviewed at March Procurement Board	Complete



## **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 Committee agreed reduction in supplier terms to 20 days for Inverclyde suppliers.	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	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 2014/15 Savings	Full Year Savings
Software	Northgate	01/04/14	£85,000	A	£3,000	£3,000
Mobile Phones	Vodafone	01/04/14	£70,000	A	£4,000	£4,000
School Transport	SPT	01/08/14	£160,000	A	£3,000	£3,000
PPE	Parker Merchant	01/04/14	£46,000	A	£16,000	£16,000
Waste Recycling	Greenlight	01/07/14	£154,000	A	£18,000	£18,000
Multi Function Devices	Konica	01/06/14	£400,000	P	£30,000	£40,000

Total Achieved and Planned  
Total Workstream Target 14/15

£74,000  
£70,000

<u>Savings Summary (2014/16)</u>	£
Savings Achieved	44,000
Savings Target	<u>138,000</u>
Savings to be Achieved	94,00

Our Ref:

Your Ref:

Date:

**Environment, Regeneration & Resources**

Acting Corporate Director: Alan Puckrin

Municipal Buildings

Clyde Square

Greenock

PA15 1LY

Tel: 01475 712764

Fax: 01475 712731

alan.puckrin@inverclyde.gov.uk

Dear

**The Living Wage**

Inverclyde Council pays the Living Wage and encourages all suppliers to do the same. In December 2013 Inverclyde Council approved a policy to include the attached appendix within its future tenders. Inverclyde Council are keen to widen the impact of this policy and will work within the current legislative framework to encourage contractors to pay the Living Wage.

I am writing to you as a supplier to Inverclyde Council who may not have tendered recently for business with the Council and as such may not be aware of the policy.

Please note that complying or not complying with this policy will not impact on your current contract with Inverclyde Council. However, I would advise that the Council is keen to ensure that not only its own employees but also those employed by its Suppliers are remunerated appropriately and as such are examining ways to further factor this into the overall procurement process.

In light of this I would be grateful if you could confirm that you currently pay the Living Wage to all your employees and if this is not currently the case I would strongly encourage you to examine how you can progress towards this goal in the near future.

Any Enquires on this letter can be made by e-mail to [procurement.helpdesk@inverclyde.gov.uk](mailto:procurement.helpdesk@inverclyde.gov.uk)

Yours sincerely

**Alan Puckrin**

**Acting Corporate Director Environment, Regeneration & Resources**

cc

Brendan Hurrell (Corporate Procurement Manager)

## **The Living Wage**

Inverclyde Council pays all its employees the Living Wage and encourages all suppliers to do likewise.

### ***What is a Living Wage?***

Living Wage is a term used to describe the minimum hourly wage necessary for shelter (housing and incidentals such as clothing and other basic needs) and nutrition for a person for an extended period of time (lifetime). This standard generally means that a person working full time, with no additional income, should be able to afford a specified quality or quantity of housing, food, utilities, transport, health care, and recreation.

### ***Does this apply only to Council staff?***

No. The idea behind the Living Wage is to encourage employers to raise their own rates of pay – and those of contract staff – to at least £7.50.

### ***Why £7.50 an hour?***

This figure is based on research carried out by the **Joseph Rowntree Foundation** which looked at developing a formula for calculating a minimum income standard. For their purposes, a Living Wage could be defined as the level of income needed to provide an acceptable standard of living in Britain to ensure good health, adequate child development and social inclusion.

### ***Will the Council only award work to contractors who pay the Living Wage?***

The Council is keen to widen the impact of the policy and will work within the current legislative framework to encourage contractors to pay the Living Wage. It is important that companies who benefit from public money can demonstrate that they are putting something back into their communities and we intend to use our procurement to raise standards of pay.

### ***What benefits do the employers receive?***

Paying a Living Wage offers clear benefits to employers.

The payment of a Living Wage can have a positive impact of value for money and service delivery. Feedback from suppliers who have implemented the Living Wage has identified benefits including:

Easier recruitment and retention, reducing recruitment costs

- Higher quality staff
- Better attendance
- Better productivity, motivation and loyalty
- Better quality of service