
Report To:	Policy & Resources Committee	Date:	3 February 2015
Report By:	Chief Financial Officer	Report No:	FIN/03/15/AP/BH
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Subject:	Procurement Update and Spend with Local Suppliers and SMEs.		

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 and to inform Committee of the latest information with respect to spend with Local Suppliers and SME's.

2.0 SUMMARY

- 2.1 The Policy and Resources Committee agreed a refreshed Strategic Procurement Framework for 2012 to 2014 and this is contained in Appendix 1 with updates on progress and the Council has currently achieved "Improved Performance".
- 2.2 The Procurement Work stream savings target of £313,000 for 2013/16 has been agreed. £294,000 has been secured with a further £19,000 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 A request was made at the November 2014 Policy and Resources Committee for a report containing statistics on procurement with Local Suppliers and SMEs. The requested details are contained within section 8 of this report.

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 performance on procurement with Local Suppliers and SMEs

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 Regular Reports are presented to Committee throughout the year giving updates on the progress of the Strategic Procurement Framework. As per a report to the November Committee, the 2014 Procurement Capability Assessment has been carried out and the Council achieved a score of 62%. This is an 8% improvement on the 2013 score.
- 4.2 There are 4 performance standards identified within the McClelland report on Public Procurement in Scotland; Non Conformance, Conformance, Improved Performance and Superior Performance. The Council is within Improved Performance. There are 8 procurement sections assessed as part of the PCA. The sections and standards, as found at the most recent PCA, are listed as follows –

	Section	Status
1	Procurement Leadership and Governance	Improved
2	Procurement Strategy and Objectives	Improved
3	Defining the Supply Need	Improved
4	Project Strategies and Collaborative purchasing	Improved
5	Contract and Supplier Management	Conformance
6	Key Purchasing Processes and Systems	Conformance
7	People	Improved
8	Performance Measurement	Improved
	Overall Value of Results	Improved

- 4.3 The Procurement Capability Assessment will be replaced in 2015 by a different assessment which is currently being called Assessment Review 2015. (AR15). The current Strategic Procurement Framework ran to the end of 2014. It is proposed that a new Strategy is aligned to this assessment and to the overall strategies that the Council has put in place for future years. The new procurement strategy will be brought to the May Policy and Resources Committee for approval.
- 4.4 The details within this section demonstrate that there are limited options to increase opportunities for Local Suppliers and SMEs due to the legal and financial risks involved. In order to support supplier growth there are possible changes to the internal procurement thresholds that could be used to harness the lower value contracts as opportunities for supplier growth. The Procurement Board will consider increasing this threshold at its next meeting in order to increase the opportunities for Local Suppliers and SMEs. The outcome of this decision will be contained within proposed future Contract Standing Orders that will be put to Committee for approval.

5.0 RECENT PROGRESS

- 5.1 The Strategic Procurement Framework, with updates against each work item, is contained in Appendix 1.
- 5.2 As shown in Appendix 1 the Strategy with target dates has been delivered with other work becoming business as usual or part of a refreshed Procurement Strategy that will be put to the May Policy and Resources Committee for approval.
- 5.3 The focus on Contract and Supplier Management continues to deliver softer benefits and awareness of supply issues. The disciplines in place 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.

- 5.4 Separate committee reports to the relevant committees give detailed updates on the Governance of external organisations with an annual summary report to the Policy and Resources Committee. The governance process was put in place to monitor the governance of key external organisations with whom the Council has a significant financial relationship but it also assess the performance of these organisations who tend to be local and provide services directly to the residents of Inverclyde. This forms part of the supplier management process for these organisations and works in tandem with the Council's overarching supplier management framework.
- 5.5 Further to the governance process a formal supplier management process has been in place with a number of suppliers on the basis of the assessed risks associated with the contracts. Meetings are conducted with these suppliers 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 Clyde, Schools Transport

- 5.6 Given the success of the work with these suppliers and the decrease in risks in some areas and increase in others, the Procurement Board will be asked to review this list and refresh the suppliers that will be worked with over the coming year.

6.0 PROCUREMENT SAVINGS

- 6.1 Appendix 2 shows the position in respect of savings planned during 2014/15. From this it can be seen that the £60,000 full year savings has 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. The tender exercise for Multi Function Devices (large printers) has seen substantial further savings being realised. 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.
- 6.2 The savings achieved leave a balance of £19,000 in 2015/16 to be closed in order to reach the target. The Corporate Procurement team continue to seek opportunities for further savings in conjunction with colleagues from services and continue to look for possible opportunities in national as well as local collaborative contracts with neighbouring Councils.

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, 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.

8.0 PROCUREMENT WITH LOCAL SUPPLIERS AND SMEs

- 8.1 The following section of this report details the Council's performance in terms of spend with Local Suppliers and SMEs. For the purposes of this report, 'Local supplier', means a supplier with an Inverclyde postcode. The exception to this is the spend with SPT for Schools Transport. This amount has been included in the figures below as the suppliers are local. The analysis is based on the last two financial years and compared to most recent national data for

all 32 Local Authorities.

8.2 There have been large capital spends in both 2012/13 and 2013/14 with around £30m in both years being spent with large suppliers on the SEMP and various office accommodation projects. At present there are no Inverclyde suppliers who have the capability to carry out work of this nature at multi million pound values and with the complexities that these projects involve. Had these one off spends not been included the 2013/14 figures would have increased to the national averages. Although, these contracts have not gone to Inverclyde based companies it should be noted that there have been significant community benefits in the form of sub contract opportunities and a significant number of job opportunities and training placements for local people.

8.3 The following tables show the overall percentage of spend with SMEs and with Local Suppliers.

SME statistics for 2013/14 in comparison to 2012/13 & National position

Year	Percentage of spend to SMEs	Total value of Spend
Inverclyde 12/13	39%	£111m
Inverclyde 13/14	32%	£100m
Scottish National Local Authority	51%	£8bn

Local Supplier statistics for 13/14 in comparison to 12/13 & National position

Year	Percentage of spend to Local Suppliers	Total value of Spend
Inverclyde 12/13	22%	£111m
Inverclyde 13/14	24%	£100m
Scottish National Local Authority	26%	£8bn

8.4 Local supplier spend has increased from 22% to 24%. However the value of spend locally remains almost static at around £24m in each year. This is reasonable given that no local suppliers lost or gained a significant contract within the last financial year. The national average of 26% is skewed by the large number of Local Suppliers available within the larger Local Authorities such as Edinburgh and Glasgow.

8.5 The ability to increase spend with local suppliers is influenced by the Public Contracts (Scotland) Regulations and constrained by the availability of suppliers to fulfil the demands of the contracts that are let. The legislative obligations dictate that contracts are advertised openly and that procurement processes are operated transparently.

8.6 The Council has already made changes to the way in which it procures in order to be fairer to SMEs and Local Suppliers. However these changes need to remain within the law. The changes and initiatives already underway and in place are as follows: –

- Financial Appraisals have been revised to give more opportunities to suppliers with lower turnovers. The Council now accepts bids from suppliers where contract values represent up to 75% of their most recent turnover
- Where relevant, response times, fix times etc are taken into account in the award criteria
- Procurement and the Services often host pre-tender meetings (for all businesses which have expressed an interest)

- Where relevant, the PQQ asks about ability to deliver if suppliers do not have a base already in Inverclyde
- Always consider “loting” to take into account local businesses or SMEs
- Inverclyde Council is a member of the Supplier Development Programme and encourages suppliers to attend their procurement awareness sessions.

8.7 The relaxation of the contract value to turnover threshold should increase the ability of smaller and local suppliers to bid for contract opportunities. If they are then successful the associated increase in turnover then allows them to bid for other public sector work and increase the size of contracts that they bid for.

8.8 There are a large number of local service providers who provide an excellent support for the Council in delivering Social Care, Education and Regeneration services and these constitute the vast majority of the £24m spent locally. However large portions of the contract spend cannot be fulfilled by suppliers within Inverclyde. For example, there are no suppliers capable of providing a waste disposal or recycling service within Inverclyde at this represents around 3% of spend. This is also the case for other large value commodities such as utilities, software, quarried materials for roads, high volume catering for schools and financial services such as insurance provision.

In order to support supplier growth there may be a permissible legal route to harness the lower value contract opportunities. The present threshold for allowing quotations rather than tenders is £25,000 for Goods and Services and £50,000 for works. The Procurement Board will consider recommending increasing these thresholds at its next meeting in order to increase the opportunities for Local Suppliers and SMEs to bid for work with the Council. The outcome of this review will be contained within proposed future Contract Standing Orders that will be put to Committee for approval.

9.0 IMPLICATIONS

9.1 Finance

One off Costs

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

Annually Recurring Costs/(Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Savings Work streams	Procurement	2013/16	£313,000	-	£19k remains to be achieved in 2015/16.

9.2 Legal

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

9.3 Human Resources

None

9.4 Equalities

None

9.5 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.

10.0 LIST OF BACKGROUND PAPERS

10.1 None

Appendix 1

Strategic Procurement Framework 2012/14

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.	Ongoing and will become part of refreshed strategy

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 2014 if trial is successful.	Trial Complete and now in place.
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	Will be refreshed for new Strategy
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 & 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>Will be refreshed for new Strategy</p>

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
	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.	Now includes the Governance process	Complete
	Develop and agree an appropriate level of supplier management with Procurement Board	Corporate Procurement Manager	Suppliers to be reviewed at next Procurement Board	Ongoing review
	Develop governance, process, roles and responsibilities, training and communication for implementation	Procurement Project Officer	Dependent on outcome of above	Ongoing review
	Implement plan for supplier and contract management	Procurement Project Officer	Dependent 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	A	£16,000	£75,000

Total Achieved and Planned
Total Workstream Target 14/15

£60,000
£60,000

<u>Savings Summary (2014/16)</u>	£
Savings Achieved	119,000
Savings Target	<u>138,000</u>
Savings to be Achieved	19,000

Appendix 3

Quote	Type	Suppliers invited	Local Suppliers invited	Success	Reason for no local success
1	Goods	3	0	0	NA
2	Services	11	0	0	NA
3	Works	11	2	0	1 Outbid, 1 did not respond
4	Services	4	0	0	NA
5	Works	4	0	0	NA
6	Works	5	0	0	NA
7	Works	6	0	0	NA
8	Works	4	2	0	Outbid * 2
9	Works	5	2	1	NA
10	Works	6	0	0	NA
11	Services	4	0	0	NA
12	Services	4	0	0	NA
13	Works	4	0	0	NA
14	Works	4	0	0	NA
15	Services	4	0	0	NA
16	Works	4	0	0	NA
17	Goods	3	0	0	NA
18	Works	3	3	1	NA
19	Services	5	0	0	NA
20	Services	8	0	0	NA
21	Works	5	1	1	NA
22	Services	4	0	0	NA
23	Goods	3	0	0	NA
24	Works	5	0	0	NA
25	Services	4	0	0	NA
26	Services	3	0	0	NA
27	Goods	3	0	0	NA
28	Goods	3	0	0	NA
29	Services	5	5	1	NA
30	Works	3	0	0	NA