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<b>Report To:</b>	<b>Policy and Resources Committee</b>	<b>Date:</b>	<b>20 June 2017</b>
<b>Report By:</b>	<b>Corporate Director Environment, Regeneration and Resources</b>	<b>Report No:</b>	<b>PR/14/17/BH</b>
<b>Contact Officer:</b>	<b>Brendan Hurrell</b>	<b>Contact No:</b>	<b>01475 712654</b>
<b>Subject:</b>	<b>Procurement Update</b>		

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## **1.0 PURPOSE**

- 1.1 The purpose of the report is to update the Committee on the latest developments within Procurement.

## **2.0 SUMMARY**

- 2.1 The Committee approved the new Procurement Strategy and resultant Action Plan for the period 2015/18 in September 2015. This Strategy will assist the Council in managing changes in public sector procurement and with tendering and contract requirements.
- 2.2 The Action Plan is attached in Appendix 1 with updates against each of the actions that have been agreed. Changes have been made to the Strategy with new actions added as a result of the obligations contained within the new Procurement Regulations.
- 2.3 Previous reports have detailed that Inverclyde has been through the Procurement and Commercial Improvement Programme (PCIP) assessment and achieved a score of 66%.

## **3.0 RECOMMENDATIONS**

- 3.1 That the Committee note progress on the Procurement Strategy and that the 2016/18 savings target has now been achieved.

**Scott Allan**  
**Corporate Director Environment Regeneration and Resources**

## **4.0 BACKGROUND**

- 4.1 A key requirement in the development of Procurement is that the Council requires to have an ongoing Procurement Strategy. Previous versions of the Procurement Strategy have been approved by the Committee and the actions monitored and reported to the Committee.
- 4.2 Procurement has improved each year since 2010 as evidenced by increasing Procurement Capability Assessment scores. The Procurement Capability Assessment (PCA) has now been replaced by a new test. The Procurement and Commercial Improvement Programme (PCIP) focuses on the policies and procedures driving procurement performance and, more importantly, the results they deliver. This new assessment involves a new question set and new scoring and performance bandings. The assessment will take place every two years.

## **5.0 RECENT PROGRESS**

- 5.1 The Procurement Strategy is attached as Appendix 1 and is split into discrete sections and, where appropriate, actions against each of the sections have been identified
- 5.2 A number of actions within the Procurement Strategy are related to the publication of the new procurement regulations and the subsequent statutory guidance. The new Contract Standing Orders were approved in September 2016 and this closes a number of actions within the Strategy.
- 5.3 The focus on Contract and Supplier Management has in the past delivered softer benefits and awareness of supply issues. With the likelihood of achieving savings via tender activity becoming less likely the focus has now been put on obtaining savings from existing contracts. The suppliers included cover street lighting maintenance, waste management, roadstone, school transport and software.
- 5.4 Separate Committee reports 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 which the Council has a significant financial relationship but it also assesses the performance of these organisations which 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 over-arching supplier management framework.
- 5.5 The Corporate Procurement Manager has been representing the Council at City Deal Procurement Officer meetings with partner Local Authorities. Inverclyde hosted a meet the Buyer event on behalf of City Deal partners at the Beacon in June. Further engagement with suppliers has been carried out via the Construction Forum which was held in November. One to one meetings with any supplier who requests these are regularly organised as well as regular debriefs with suppliers who have tendered for Council contracts.
- 5.6 The recent changes to the Contract Standing Orders now allow local suppliers more opportunity to bid for works contracts below £100,000. Since the increase of this threshold quotation activity has demonstrated that the chances of a local supplier winning these contracts has increased. A Members' briefing note on procurement in relation to local suppliers and SMEs will be circulated in the near future giving more details with regard to the legislation and the Council's approach to these matters.
- 5.7 The Procurement Savings targets of previous years have now been achieved. Savings are now harder to achieve as the cycle of procurement improvement has come to an end and the uncertain economic environment has led to a higher likelihood of higher priced contracts. Procurement will continue to seek Best Value and assist Services in seeking savings via innovation and strategic change. Innovations such as the use of changing technology in street lighting and Social Care have demonstrated ways to achieve more value for money and officers will continue to seek better ways to do business.

## 6.0 PROCUREMENT REGULATIONS

6.1 Regulations transposing the public procurement directive have been laid in the Scottish Parliament and have been in place since 18 April 2016. These regulations flow from the new EU directives on procurement and the Procurement Reform Act (Scotland) 2014. Member briefings and training have been held to ensure Members are aware of the changes and the impact on our procurement policies with further sessions planned later in the calendar year.

## 7.0 PROCUREMENT PERFORMANCE

7.1 The Procurement Capability Assessment (PCA) has now been replaced by a new test. The Procurement and Commercial Improvement Programme (PCIP). Inverclyde was assessed in November and achieved a score of 66%.

7.2 Scores are not intended to be comparable from the previous assessment to the new assessment. However, since the first assessment in 2009, there has been a 62% improvement. The latest score also represents a good performance in terms of comparison with other Councils with the average score being 65%.

7.3 The next assessment will be carried out in 2018. The Procurement Strategy is linked to the areas that can be improved and progress on the associated actions will see further improvement in the 2018 score.

## 8.0 IMPLICATIONS

### Finance

8.1 There are no financial implication associated with this report.

#### Financial Implications:

#### 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
N/A					

### Legal

8.2 There are no matters of a legal nature arising from this report.

### Human Resources

8.3 There are no matters of a HR nature arising from this report.

### Equalities

8.4 Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

### **Repopulation**

8.5 A Procurement Strategy which supports local opportunities will have a positive impact on the Council's repopulation agenda.

### **9.0 CONSULTATIONS**

9.1 None.

### **10.0 LIST OF BACKGROUND PAPERS**

10.1 None.

## Appendix 1

### Procurement Strategy Update

20/06/17

	<p><b>Procurement Action Plan</b>  A range of activities have been identified which will allow the Council to achieve the objectives and outcomes set out in the previous section. These are divided into the following three areas, more detail on which can be found in the following tables:  a) Strategy, Policy and Advice  b) People and Organisation  c) Processes &amp; Systems</p> <p><b>a) Strategy, Policy and Advice</b>  In light of the significant changes being driven by the reduction in the Council's budget, the Procurement Team will be working with Council Services during the year to undertake a strategic review of procurement within the Council and identify how it can add most value to support delivery of the Council's strategic priorities. We will continue to act as the procurement centre of expertise for the Council and develop clear procurement policies, providing guidelines to employees on how to purchase goods, services and works. We will also continue to ensure compliance with relevant legislation and integration with Council policies and processes.</p>					
	<b>Issue</b>	<b>Action</b>	<b>Original Target Date</b>	<b>New Target Date</b>	<b>Who By</b>	<b>Update 20/06/17</b>
1.	<b>Procurement Strategy 2015/18</b>	The Procurement Team will work with the Council Services to build a deep understanding of the strategic challenges and opportunities and to identify how procurement can best support the delivery of Council strategic priorities. The conclusions and agreed changes in the Council's approach to procurement resulting from this review process will form the basis of a new Procurement Strategy for 2015/18.	New Strategy approved by September 2015	Complete	Procurement Board/ CMT and Committee	Complete

2.	<p>Individual contract strategies being prepared for spend above £50k to ensure that contracts deliver value for money (with a balance of cost quality and sustainability) and are advertised to ensure transparent and equal treatment of suppliers.</p> <p>Engage earlier with suppliers and the people who use public services.</p>	<p>All spend above will have a contract strategy agreed prior to advertising.</p> <p>Develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Services/ Procurement Team</p> <p>Services/ Procurement Team</p>	<p>Ongoing.</p> <p>Ongoing.</p>
3.	<p><b>Community Benefits</b> With a view to increasing community benefits achieved through contracts tendered by the Procurement Team Committee approved the recommendations to, where possible, implement a total of 5% evaluation</p>	<p>Procurement Team will review further areas and spend levels and report back to the Committee with proposals.</p> <p>Develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis</p>	<p>Update/Review report to Committee due by January 2016</p>	<p>October 2017</p>	<p>Procurement Manager/Head of Service Regeneration and Planning</p>	<p>Pilot of 10% weighting for community benefits was approved at November P&amp;R. Pilot tender exercise chosen. Report back to committee on results. New target</p>

	weighting for community benefits within construction and infrastructure procurements over £1m.					Date October 2017.
4.	<b>Local employment The Living wage</b> The Council is committed to encouraging payment of the Living Wage to all employees working for or servicing the Council. This is promoted through all tender exercises conducted by the Procurement Team	Procurement Team will review the use of the procurement approach to the Living Wage with partners and other Local Authorities and adopt further changes if necessary	To be embedded in Report due to Committee before end of 2015 on new Procurement Regulations	Ongoing	Procurement Manager and HOS Legal and Property Services	Ongoing - Policy established and being used. The Council are already compliant as per policy on workforce matters that was approved by Committee in May 2015.
5.	<b>Standing Orders – Contract Standing Orders</b> are revised	Revise in line with new EU legislation and Directives when fully implemented.	New CSOs to be in place by end of 2015.	September 2016	Head of Service Legal and Property Services	Completed
6.	<b>Document Standardisation</b>	Documentation to be kept up to date according to legislation and lessons learned. Include compliance with the new European Single Procurement Document and in particular include statements on the Council policy on– <ul style="list-style-type: none"> <li>• compliance with the relevant Health and Safety at work act.</li> </ul>	Ongoing and review to 2018	Ongoing	Procurement Manager and Services at DPO meeting every 6 weeks	Ongoing

		<ul style="list-style-type: none"> <li>Fairly and ethically traded goods and services</li> <li>Provision of food to improve health, wellbeing and education of communities in the organisations area: and promote the highest standard of animal welfare. (where applicable)</li> <li>That payments are made to suppliers within 30 days and to their sub-contractors within the same period.</li> <li>The treatment of tenderers involved in blacklisting</li> </ul>				
7.	<b>Supplier Management</b> Refresh Supplier management/ Governance for the top high value and/or high risk suppliers in each service.	A review of the supply base is underway in 2015 to consider the contracts currently being managed from a high value, high complexity and/or high risk perspective. The aim is to establish if Procurement Team is managing the correct contracts and how this process interacts with Governance of external organisations.	December 2015	March 2016.	Procurement Manager/ Procurement Board	Review of contracts complete. Supplier Management now ongoing
8.	<b>Sustainability</b> Refresh and consolidate Sustainability policy and action plan.  The Council has a Corporate Sustainability Policy (CSR), with recommendations to	Sustainability policy and action plan to be embedded. Sustainability is built into the procurement process. Implementation of the Sustainability Policy will ensure consideration at contract strategy stage.  CSR and Sustainability rolled out and included as a consideration at a contract strategy stage; where	June 2016	October 2016	Procurement Manager/ Procurement Board/ Committee	P&R Committee approved the Sustainable Procurement policy in November with all actions now ongoing.



	<p>incorporate CSR in all strategies; where relevant. This has not been fully rolled out and is not consistent.</p> <p>Policy requires to be refreshed and consolidated</p>	<p>relevant. Introduction and implementation initiatives such as:</p> <ul style="list-style-type: none"><li>• Ongoing Supplier events for SME's to cover areas of concern and help educate on how to become a supplier to the Council.</li><li>• 50% of suppliers selected in the quick quote process will be local (where possible).</li><li>• Policy for dealing with Supported Business</li><li>• Process for engagement with the Supplier Development Programme.</li></ul> <p>Encourage main contractors to engage with local suppliers and SME's.</p>				
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## b) People and Organisation

Effective implementation of the strategy is dependent on having staff with the right skills and experience in place and on a close working relationships with the Procurement Team

	Issue	Action	Target Date	New Target Date	Who By	Update 20/06/17
1.	<p><u>Training</u> The Procurement Team have secured a training budget over the last 3 years to ensure staff are professionally trained and staff are encouraged to achieve certification with the Chartered Institute of Purchasing and Supply (CIPS).</p> <p>Encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively</p>	<p>During the period 2015/18 it is intended to continue providing professional training for Procurement Team staff. Procurement Team focuses on training staff within Services and providing training and information to suppliers and third sector partners.</p> <ul style="list-style-type: none"> <li>Roll out e-learning course and ensure all officers involved in procurement have passed.</li> <li>Ensure All Procurement staff have undertaken training in the latest updates to the Procurement reform bill and EU legislation.</li> <li>Deliver an All Member Training Session on the new regulations (Sept 2016)</li> </ul>	March 2017	March 2017	Procurement Team and Designated Procurement Officers	<p>Ongoing- Online e-learning tool now available. Specific training to be completed and recorded for officers involved in procurement on the new regulations.</p> <p>An All Member Training Session has been completed. Further training to be completed in September 2017</p>
2.	<u>Engagement with</u>	Strengthen the ongoing	Review at	Review at	Procurement	To be reviewed at ongoing

	<p><u>Services</u> The Procurement Team has developed effective working relationships with Services. However, this could be further developed with more formal communication and regular meetings.</p>	<p>operational engagement between the Procurement Team and Service management teams to ensure Procurement Team fully understands service priorities and challenges and is best able to highlight areas where procurement innovation can help support the delivery of Service objectives in the short to medium term</p>	<p>Procurement Board June 2016 And ongoing review to end of 2018</p>	<p>Procurement Board and ongoing review to end of 2018</p>	<p>Team and Designated Procurement Officers/ Procurement Board</p>	<p>Procurement Boards</p>
<p><b>3.</b></p>	<p><u>Compliance</u> New EU Procurement Directive came into force in April 2014 The New Regulations are expected to be in place by the end of 2015.</p>	<p>Ensure all updates are implemented where not already in place by the completion date e.g.</p> <ul style="list-style-type: none"> <li>• Agree revisions required to the procurement strategy on an annual basis.</li> <li>• Continue to promote e-tendering for all tenders.</li> <li>• Continue to consider lot structure within tenders to ensure quality and opportunity for SMEs.</li> <li>• Implement new rules for Social Care contracts.</li> <li>• Increase market research at strategy stage.</li> <li>• Consider how to incorporate new rules within tendering and evaluation.</li> </ul>	<p>Dec 2015</p>	<p>Ongoing</p>	<p>Procurement Team and Designated Procurement Officers/ Procurement Board</p>	<p>Officer Training is ongoing via Scottish Government e-learning and face to face sessions with procurement. Additional member training to take place in September alongside briefings on the Contract Standing Orders.</p>

<p><b>4.</b></p>	<p><u>Collaboration</u> The Council makes use of many of the contracts put in place by the centres of expertise. These are mainly Scotland Excel, Scottish Government and the Crown Commercial Service (CCS).</p> <p>The Council is now actively working with Scottish Future Trust (SFT) Hub initiative and should ensure all communication and joint work leads to a successful conclusion.</p> <p>The Council is part of the City Deal project</p>	<ul style="list-style-type: none"> <li>• Ensure the best possible pricing is being obtained from frameworks</li> <li>• Communication, collaboration and sharing of best practice with other Local Authorities.</li> <li>• Continue to work with the (SFT) Hub West Scotland to ensure successful conclusion of two Primary schools.</li> <li>• Regular meetings are held with City Deal partners and Local Authorities</li> </ul>	<p>Review at quarterly Procurement Board and report to Committee</p>	<p>Review at quarterly Procurement Board and report to Committee</p>	<p>Procurement Manager/ Procurement Board</p>	<p>Tender workplan reviewed at Procurement Board</p>
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5.	<u>Serious organised crime accessing public funds through public procurement</u>	<p>Work with Police Scotland, Scottish Government and partner public bodies to ensure that measures are in place to avoid serious organised crime getting access to public funds.</p> <p>Share tender workplan with Police Scotland</p>	Review tender Workplan every 6 months	Review tender Workplan every 6 months	Head of Service Legal and Property Services	<p>Serious and Organised Crime Training has been held with all procuring officers, legal and Audit in March.</p> <p>Officers are aware of policies on conflicts of interest, anti-competitive behaviour, hospitality and fraud.</p>
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**c) Process & Systems, P2P, Benefits Tracking, E-Procurement**

This element of the strategy is essential if the Council is to achieve the efficiencies identified. If we do not have detailed processes and systems, which are adhered to, savings achieved through the tender process will not materialise.

	Issue	Action	Target Date	New Target Date	Who By	Update 20/06/17
1.	<u>Purchase Cards</u>	<ul style="list-style-type: none"> <li>• Increase the rebate on purchase cards by increasing the volume of spend</li> <li>• more use of Pcards instead of non-matched payments</li> </ul>	December 2016	June 2017	Procurement Team/ Services/ Creditors	Review of current use of Pcards has taken place and compared with spend. Schools are being encouraged to purchase more with p cards to increase spends.

2.	<b>Electronic Invoicing</b> Legal requirement to have electronic invoicing in place by 2019	Ensure e-invoicing is in place by 2019 by working with Scottish Government and Finance System supplier.	December 2018	December 2018	Procurement Team/ Services/ Creditors	Review of P2P completed by procurement in conjunction with Finance colleagues with a draft report on findings to be reviewed by CFO prior to next steps.
3.	<b>E-Procurement eTendering</b>	Ensure Public Contracts Scotland – tender system known as pcs-t, is fully rolled out to all services	August 2017	August 2017	Procurement Team/ Legal/ Designated Procurement Officers	Ongoing. Property and Roads Officers now receiving training.