
Report To:	Policy & Resources Committee	Date:	15th November 2011
Report By:	Chief Financial Officer	Report No:	FIN/106/11/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 the Policy & Resources Committee on the progress being made with Procurement since the last report in September. This report also requests approval to replace the current Strategic Procurement Framework with a refreshed strategy for 2012/14.
- 1.2 To seek approval for the Council to sign up to the Scottish Government Suppliers Charter.

2.0 SUMMARY

- 2.1 The Corporate Procurement Manager is leading the Strategic Procurement Framework which is aimed towards achieving, "conformance status", against the McClelland report by December 2011.
- 2.2 Most of the actions on the Strategic Procurement Framework are now complete with only a few items to be closed. An update on the progress being made against the Strategic Procurement Framework is detailed in Appendix 1.
- 2.3 As the work on the Strategic Procurement Framework is drawing to a close, a new strategy for the coming years requires to be put in place. The Corporate Procurement Manager and senior staff involved in Procurement across the Council have been working with Scotland Excel specialists to create this new strategy. The proposed Strategic Procurement Framework for 2012/14 which has been presented to the Corporate Management Team is contained in Appendix 2.
- 2.4 The Suppliers Charter, attached in Appendix 3, is a joint statement between the Public Sector Procurement and Businesses to facilitate access to public sector procurement opportunities. The Suppliers Charter recognises the need, where practical, to simplify and standardise processes and to ensure consistency in order to provide a fair and open approach to tendering
- 2.5 The Suppliers Charter highlights a number of actions for both Public Sector procurement organisations and Businesses and their representative organisations to undertake. Signing up to the Suppliers Charter is an action within the Scottish Governments Procurement Action Plan.

3.0 RECOMMENDATIONS

- 3.1 That the Policy & Resources Committee note the progress made since the last Procurement report. (Appendix 1)
- 3.2 That the new Strategic Procurement Framework (Appendix 2) is approved.

3.3 That the Council adopt the Scottish Government Suppliers Charter, a copy of which is enclosed in Appendix 3.

Alan Puckrin
Chief Financial Officer

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. Inverclyde Council was found to be at Non Conformance status in November 2009. In response to this, the Policy and Resources Committee approved the Strategic Procurement Framework. This strategy has 6 work streams that are programmed to deliver Conformance status by December 2011.
- 4.2 Completion of the National Best Practice Indicators is a fundamental aspect within the measurement of a Councils performance against the 4 performance standards.
- 4.3 The Scottish Government are using a Procurement Competency Assessment as a means to measure each of the 32 Local Authority's Procurement performance. This assessment is an evidence based audit of procurement across 12 areas listed as follows:

Governance
Organisational
Resources and Skills
Practices and Processes
Information Systems
Collaboration
Corporate and Social Responsibilities
Reporting and KPI
Benchmarking
EU Legislation
Supplier Strategy and Policy
Overall Value of Results

- 4.4 Although the improvement from 4% in 2009 to 15% 2010 may seem relatively low, the highest score achieved by any Local Authority was 55%. Moreover, the average score was 31%. Clearly Inverclyde Council had a lot of work to do to make the required improvements but the scale of measurement should be taken within the context of Local Authority performance as opposed to the wider public sector which has a much higher average performance.
- 4.5 The Suppliers Charter, attached in Appendix 3, is a joint statement between the Public Sector Procurement and Businesses to facilitate access to public sector procurement opportunities.
The Suppliers Charter recognises the need, where practical, to simplify and standardise processes and to ensure consistency in order to provide a fair and open approach to tendering
- 4.6 The Suppliers Charter highlights a number of actions for both Public Sector procurement organisations and Businesses and their representative organisations to undertake. Signing up to the Suppliers Charter is an action within the Scottish Governments Procurement Action Plan.

5.0 CURRENT POSITION

- 5.1 As detailed within the update on the Strategic Procurement Framework in Appendix 1, the Council is still in position to achieve conformance status (25%) by December 2011.
- 5.2 The Procurement Programme Board continues to meet and make good progress as the

consultative body for new policies and decisions resulting from work on the Strategic Procurement Framework. The Contract Standing Orders and Financial Regulations have now been revised and the Procurement Manual has been published and rolled out to users within the Council.

- 5.3 In line with the delivery of the Procurement Manual a group of Procurement Practitioners was established in May. The creation of this group has led to greater co-ordination on Procurement matters and a greater consistency in the application of policies. Ongoing work by this group will result in a greater awareness of Procurement risk, mitigation of this risk and an ability to realise budget savings via innovative approaches to Procurement projects.
- 5.4 Scotland Excel offered in May to assist with the scoping exercise for the new Procurement Strategy which will be required to replace the existing Strategic Procurement Framework. This offer of work is embedded within Scotland Excels, 'softer services', that are part of the overall management fee.

6.0 STRATEGY FOR 2012/14

- 6.1 Scotland Excel has been through a process of interviews with the Service Managers, Heads of Service and Directors involved in Procurement. The Findings from these interviews has been reported to the Procurement Board and CMT and form the basis for the new Strategy which is attached in Appendix 2.
- 6.2 This Strategy will build on the current Strategic Procurement Framework and concentrate on the following key areas –
 - 1. Develop a partnership between Services and Procurement, reflecting special requirements of construction and social care in roles and processes
 - 2. Introduce Category Management to allow a corporate view of markets and requirements
 - 3. Introduce a Corporate supplier and contract management process and roles
 - 4. Corporate Procurement team to support and develop this Corporate approach
 - 5. Develop a purchase-to-pay strategy for the organisation based on the requirements of the organisation and taking into account Scottish Government procurement technology strategy and any desire from neighbouring authorities to undertake a collaborative approach.
 - 6. Develop and use measures to plan and manage supply chain performance which takes cognisance of Economic Developments strategies.
- 6.3 Most of this work has already been introduced to the Council via the current Strategic Procurement Framework. Initiatives to implement these measures are already underway but it is important to place timescales on officers to roll these issues out on a Corporate wide basis.
- 6.4 The refreshed Strategy will be resource intensive, however, the resultant improvements will increase the savings and efficiencies available. Further resource are planned to be made available subject to an increased Procurement workstream savings target.

7.0 IMPLICATIONS

Financial Implications –

Financial Implications – Annual Savings

Cost Centre	Budget	With	Annual Net	Virement	Other Comments
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	Heading	Effect from	Impact	From (if Applicable)	
Savings Workstreams	Savings	2011/12	£1,000,000	-	Fully achieved – target for future years being developed.

8.0 CONSULTATIONS

8.1 Consultations have taken place with the Procurement Board and CMT on the proposals

Appendix 1 Current Strategic Procurement Framework

1. Leadership & Governance

What we want to achieve	How will we achieve it?	Responsible	November 2011 Update	Timescale
A shared vision for the future of procurement across the Council with agreement on how we work together to drive and facilitate improvement.	Establish a Procurement Programme Board to lead and manage a corporate approach. This will be done via the OIP Resources Group.	Corporate Director Regeneration & Resources	Complete	Complete
Provide clarity on who does what in the procurement process.	Implement designated procurement officer model. Only employees on an agreed list will be licensed to make procurement/contract decisions for the service/directorates.	Chief Financial Officer/Corporate Procurement Manager	Complete	Complete
	Designated Procurement Officers will form a network to ensure consistency and adherence to Corporate policies/procedures	Chief Financial Officer/Corporate Procurement Manager	Complete	Complete
Evidence of compliance & improvement.	Establish a procurement compliance framework to be used to test services adherence to policy, practices and in relation to Standing Orders, Financial Regulations and the Procurement Manual. This will require system development.	Corporate Procurement Manager	Audit will commence review off compliance with new procedures in November 2011	2011/12
	Include section within the revised Financial Regulations on the need for compliance with corporate procurement standards.	Chief Financial Officer/Corporate Procurement Manager	Complete	Complete

2. Resources, skills and capacity

What we want to achieve	How will we achieve it?	Responsible	September 2011 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.	Recruit Corporate Procurement Manager.	Chief Financial Officer	Complete	Complete
	Undertake a skills gap analysis for all Designated Procurement Officers and develop a package of training support.	Corporate Procurement Manager	Ongoing and will move to new SPF for 12/13	Ongoing
Capacity to achieve substantive change within the scope of this plan.	Review Procurement capacity within the Council and recommend structural changes.	Chief Financial Officer/Corporate Procurement Manager	Complete	Complete

3. Management Information and Systems

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
The adoption and corporate use of one integrated & electronic approach for tendering, P2P transactions and contracts planning.	e-Procurement business case to be developed and aligned with the Future Operating Model.	Corporate Procurement Manager & Head of Customer Services & Business Transformation	will move to new SPF for 12/13	March 13
	Establish contracts database and populate including Lead Officer and client info.	Corporate Procurement Manager	Complete	Complete
	Implement e-Procurement solution and roll out to services.	Corporate Procurement Manager & Head of Customer Services & Business Transformation	Dependant of outcome of Operating Model review	tbc
Use revised processes and systems to provide accurate procurement information to support spend visibility, commodity tendering and benefits tracking.	Develop management information systems to improve Benefits Tracking.	Corporate Procurement Manager	Complete	Complete

4. Procedure, Processes and Performance

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
Rationalise and standardise procurement processes consistently across the Council.	Create Procurement Manual.	Corporate Procurement Manager	Complete	Complete
	Develop and implement suite of standard tender documentation for use where appropriate across Council.	Head of Legal and Democratic Services/ Corporate Procurement Manager	Complete	Complete
	Develop business case for increased use of e-tendering element of Public Contracts Scotland.	Corporate Procurement Manager	will move to new SPF for 12/13	March 2012
	Implement increased use of e-tendering if approved.	Corporate Procurement Manager	will move to new SPF for 12/13	From June 2012
	Re-engineer procurement processes and associated systems in line with the Future Operating Model.	Chief Financial Officer/Head of Customer Services & Business Transformation	will move to new SPF for 12/13	March 13
Appropriate Purchase Card Usage	Obtain approval for revised Purchase Card Strategy reflecting a balance between flexibility and governance.	Corporate Procurement Manager	Complete	Complete
Measure aspects of procurement performance.	Develop and adopt standard approach to Benefits tracking	Chief Financial Officer/Corporate Procurement Manager	Complete	Complete
	Review and implement internal Performance Measures.	Corporate Procurement Manager	Complete	Complete

5. Contracts & Collaboration

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
Maximise buying opportunities through collaboration (internal & external) while minimising the need to undertake single client contracts.	Develop and communicate a database of collaborative and one off contracts for use by Council. These include Procurement Scotland, Scotland Excel, OGC, other public bodies in Scotland and the United Kingdom as appropriate.	Corporate Procurement Manager	Complete	Complete
	Make full use of the contract database to plan future work and identify opportunities to both aggregate demand internally and with others as opportunities arise.	Corporate Procurement Manager	Complete	Complete
	Develop a range of collaborative contracts with neighbouring councils – but only where there is clear evidence that benefits will provide a return on the time invested.	Corporate Procurement Manager	Now embedded	Ongoing
Ensure the Council has robust processes and systems in place to support the effective management of all local Council contracts.	Issue corporate guidance to all Service Managers and Contract Administrators about how Council contracts are to be managed and delivered.	Corporate Procurement Manager	Complete via Procurement Manual	Complete

6. Supplier Strategy and Relationship Management

What we want to achieve	How will we achieve it?	Responsible	September 2011 Update	Timescale
Be viewed as an organisation which companies want to supply with goods, services and works.	Include section in Procurement Manual and update the Council Website on how to do business with the Council.	Corporate Procurement Manager	Complete	Complete
	Regeneration & Planning continue current supplier development work.	Head of Regeneration & Planning	Ongoing and will move to new SPF for 12/13	Ongoing
	Increase use of Public Contracts Scotland for tendering subject to approval of business case.	Corporate Procurement Manager	Complete and ongoing	Complete
	Review need for current Standing Restricted List.	Head of Legal and Democratic Services and Corporate Procurement Manager	Complete. New CSOs in place	Complete

Appendix 2 Proposed Strategic Procurement Framework 2012/14

1. Resources, skills and capacity

What we want to achieve	How will we achieve it?	Responsible	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	February 2012
	Plan, design and deliver a Learning & Development Plan for Procurement Officers and Designated Procurement Officers.	Corporate Procurement Manager	Ongoing but significant progress by Summer 2013

2. Management Information and Systems

What we want to achieve	How will we achieve it?	Responsible	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.	Corporate Procurement Manager	August 2012
	Assess detailed current state of P2P in the Council create business case detailing change required	Corporate Procurement Manager	August 2012
	Implement changes to P2P	Corporate Procurement Manager	December 2013

3. Procedure, Processes and Performance

What we want to achieve	How will we achieve it?	Responsible	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	March 2012
	Implement increased use of e-tendering if approved.	Corporate Procurement Manager	From June 2012
Deliver council business priorities through commodity/category strategy	Engage with Directors and Heads of Service - determine business requirements to facilitate creation of category wave plan	Corporate Procurement Manager/ Procurement Board	April 2012
	Create high level commodity/category wave plan, Undertake detailed category analysis, Develop category strategies, including a risk register and devise reporting process.	Corporate Procurement Manager	June 2012
Commit to Corporate Social Responsibility	Review internal objectives in plans/strategies taking into consideration Scottish Government and national reform agenda for CSR ambitions.	Corporate Procurement Manager	March 2012
	Establish a working group on the CSR agenda for procurement and develop a resourced and scheduled work plan. Agree measures and reporting schedule with the procurement board	Corporate Procurement Manager	May 2012

4. Contracts & Collaboration

What we want to achieve	How will we achieve it?	Responsible	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>	Identify potential partners for collaboration - councils and other public sector	Corporate Procurement Manager	January 2012
	Agree scope, remit and approach of each collaboration group	Corporate Procurement Manager	February 2012
	<p>Review council's commodity wave plan 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	March 2012

5. Supplier Strategy and Relationship Management

What we want to achieve	How will we achieve it?	Responsible	Timescale
Promote Economic Development in contracts where appropriate	Analyse current economic development activity, carry out stakeholder engagement, review contract wave plan and establish opportunities.	Head of Regeneration & Planning / Corporate Procurement Manager	September 2012
	Develop framework of activities for delivery of Procurement Improvement Plan and implement.	Head of Regeneration & Planning/ Corporate Procurement Manager	December 2012
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	Corporate Procurement Manager	May 2012
	Develop and agree an appropriate level of supplier management with Procurement Board	Corporate Procurement Manager	June 2012
	Develop governance, process, roles and responsibilities, training and communication for implementation	Corporate Procurement Manager	September 2012
	Implement plan for supplier and contract management	Corporate Procurement Manager	December 2012

Appendix 3 **Suppliers' Charter**

This is a joint statement between Inverclyde Council and Businesses to facilitate access to public sector procurement opportunities.

The Greenock Chamber of Commerce and West of Scotland Federation of Small Businesses have been asked to endorse this statement on behalf of Businesses in Inverclyde. Both of these organisations are happy with the commitments being made by the Council and are happy to ratify that businesses will undertake the actions as detailed below.

Both public sector procurement and business accept that effective procurement practices are an important factor in ensuring a varied and competitive marketplace and creating opportunities for Small and Medium Enterprises (SMEs), as well as ensuring Best Value/Value for Money for the public sector. We recognise the need, where practical, to simplify and standardise processes and to ensure consistency in order to provide a fair and open approach to tendering. With these aims in mind:-

Inverclyde Council will:

- Consult with the business community to identify and reduce barriers to business
- Facilitate understanding of public sector procurement policy and legislation by relevant stakeholders
- Ensure that the approach to individual contracts, including large contracts and framework agreements, is supported by a sound business case
- Keep the tender process as simple as possible, but consistent with achieving Best Value/value for money, to help minimise costs to suppliers
- Unless there are compelling business reasons to the contrary ensure that adequate and appropriate publicity is given to contract opportunities that fall below the OJEU threshold limits or are otherwise exempt from the public procurement directives. (Compelling reasons may, for example, include the factor that the proposed firm is by recent experience (within 3 months) the best value for money supplier and would be likely to remain so in another competition)
- Commit to using the core questionnaire for routine procurements with addition of bespoke additions on a case by case basis. Authorities will be expected to follow this format and, as closely as possible, wording for routine open procedure procurements
- Offer meaningful feedback to suppliers on the evaluation of their proposal at the end of the tendering process
- Publish guidance for the business community on tendering for opportunities
- Support training for staff involved in procurement to develop consistency in the use of best practice procurement activity

Businesses and their representative organisations will:

- Provide feedback from suppliers and their respective associations, on tender processes and perceived barriers to business. Representative organisations will act as a guide to their members in cases of complaint and help them to distinguish the appropriate course of action
- Recognise duties under EU and UK law surrounding public procurement activity
- Encourage members of business organisations to adhere to this Charter;
- Support public sector websites as a means of accessing contract opportunities
- Make effective use of their skills and resources in bidding for and providing public sector goods and services
- Support the use of the core questionnaire in the tendering process and the scope for debriefing
- Encourage understanding of the principles of good business practice by appropriate means e.g. dissemination of information and awareness raising seminars
- Work with your customers to deliver value for money throughout the life of the contract

