
Report To:	Policy and Resources Committee	Date:	2 February 2016
Report By:	Chief Financial Officer	Report No:	FIN/13/16/AP/LA
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Subject:	Procurement Update		

1.0 PURPOSE

- 1.1 The purpose of the report is to update Committee on developments within Procurement including developments regarding the new Procurement Strategy.

2.0 SUMMARY

- 2.1 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.
- 2.3 The outstanding Procurement Work stream savings of £19,000 against a total target of £313,000 for 2013/16 have now been achieved. The summary of all savings is contained in Appendix 2. It should be noted that the draft 2016/18 budget contains a further £28,000 saving.
- 2.4 The Procurement & Commercial Improvement Programme (PCIP) will replace the previous Procurement Capability Assessment (PCA) during 2016. The 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. More details on PCIP are given in Appendix 3.
- 2.5 The new Procurement Regulations in Scotland will take effect from the 18th of April 2016. A summary of the new Regulations is contained within section 6 of this report.

3.0 RECOMMENDATIONS

- 3.1 That the Committee note progress on the Procurement Strategy.
- 3.2 That the Committee note the progress made in savings delivery.
- 3.3 That the Committee note the changes highlighted in the new Procurement Regulations.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 A key requirement in the development of Procurement is that the Council requires to develop an ongoing Procurement Strategy. Previous versions of the Procurement Strategy have been approved by Committee and the actions monitored and reported to Committee.
- 4.2 Procurement has improved each year since 2010 as evidenced by increasing Procurement Capability Assessment scores each year. The Procurement Capability Assessment (PCA) has now been replaced by a new test. The 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.
- 4.3 The new rules that govern public procurement in Scotland will change in April. The new regulations result from the Procurement Reform Act. The Procurement Strategy has been put in place with these new procurement regulations and the new (PCIP) assessment in mind.

5.0 RECENT PROGRESS

- 5.1 The new 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 delay in publication of the regulations and the guidance has delayed reviews of the Council Contract Standing Orders and other policy matters such as Community Benefits. It is expected that the Scottish Government will be publishing guidance on these matters imminently and as such, the Council can proceed with reviews in the early spring with reports coming back to Committee with recommendations in May. New target dates for implementation have been added to the Action plan in Appendix 1.
- 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 Procurement Board will review a report in March that segments the Councils suppliers by risk and the likelihood of achieving in contract savings and efficiencies.
- 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 whom the Council has a significant financial relationship but it also assesses the performance of these organisations who 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 meetings with partner Local Authorities. Various Meet the Buyer events at each Local Authority are being planned with Inverclyde scheduled to hold an event in June. This event will give local suppliers a chance to engage with the Councils on City Deal and hear about contract and sub contract opportunities that they will be encouraged to bid for.

6.0 PROCUREMENT REGULATIONS

- 6.1 Regulations transposing the public procurement directive have been laid in the Scottish Parliament and will take effect on 18 April 2016. These regulations flow from the new EU directives on procurement and the Procurement Reform Act (Scotland) 2014. The Act also provides for Scottish Ministers to publish statutory guidance on the selection of tenderers and award of contracts; the sustainable procurement duty; the carrying out of regulated procurements relating to contracts for health or social care services; the preparation and publication of procurement strategies and annual procurement reports; and the use of community benefit requirements. This further guidance will become available in the early spring and officers anticipate advising members of any changes that are required to be implemented via planned

reports on changes to the Contract Standing Orders and other policies in May.

- 6.2 Some of the changes brought about by the new public procurement directive are mandatory for all member States, and we have no choice about how to implement them in Scotland. These include –
- a) The minimum time limits for procurement exercises have been reduced, meaning that contracts can be put in place more quickly.
 - b) The minimum level of annual turnover which a contracting authority can require a business to have in order to bid will now be limited to no more than two times the value of the contract, apart from in exceptional circumstances. This should have the effect of making it easier for smaller businesses to bid for public work. The Council is already compliant with this requirement.
- 6.3 The public procurement directive provides some options about how best to transpose other changes. The Scottish Government has now published its response to the outcome of that consultation. There was strong support expressed for the proposals the Scottish Government put forward as part of that consultation, and so the regulations reflect those proposals, including:
- a) The Scottish Government believes that blacklisting of workers is an unacceptable practice, and so has decided to use the flexibility offered by the public procurement directive to make it mandatory for contracting authorities to exclude businesses from procurement exercises which have been found to have committed an act prohibited under the Employment Relations Act 1999 (Blacklists) Regulations 2010, or which have admitted doing so. Inverclyde Council are compliant with previously issued Scottish Government Guidance on Blacklisting. This previous guidance was that contractors engaged or have engaged in blacklisting should be excluded from bidding for a public contract unless the contractor can demonstrate it has taken appropriate remedial steps. The Council also introduced a standard clause allowing contracts to be terminated where contractors had been found to be participating in blacklisting during the contract term.
 - b) The public procurement directive introduces a new requirement that all communication as part of a procurement procedure should be by electronic means, except in some specific cases where this would not be practicable. This requirement will commence on 18 April 2017 for central purchasing bodies, and 18 October 2018 for all other contracting authorities, thereby giving all concerned sufficient time to prepare (these are the dates by which the public procurement directive requires electronic communication). The Council continues to progress electronic tendering and would currently comply with this requirement though further enhancements are being explored via work on the Procurement Strategy.
 - c) A contracting authority must now consider dividing its requirements into smaller lots, which might encourage smaller businesses to bid. Where an authority decides not to do this, it must explain why it has not done so. Contracting authorities will be able to award more than one lot to the same tenderer, and may award contracts combining several or all lots when they have indicated in the contract notice that they might do this. The Council already do this but more attention should be paid to ensure this is an area of focus in each and every tender.

7.0 PROCUREMENT SAVINGS

Finance

- 7.1 Appendix 2 shows the position in respect of savings planned during 2014/16. From this it can be seen that the savings target has been over achieved. More recent savings are as a result of the new national Water and Waste Water supply contract that has been tendered by the Scottish Government and awarded to Anglian Water.
- 7.2 A further savings target for 2016/2018 of £28,000 has been agreed and the over-recovery will be scored against this target.

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

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

Human Resources

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

Equalities

7.5 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

7.6 A Procurement Strategy which supports local opportunities will have a positive impact on the Council's Repopulation agenda

8.0 CONSULTATIONS

8.1 None.

9.0 LIST OF BACKGROUND PAPERS

9.1 None

		<p>Procurement Action Plan</p> <p>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:</p> <p>a) Strategy, Policy and Advice b) People and Organisation c) Processes & Systems</p> <p>a) Strategy, Policy and Advice</p> <p>In light of the significant changes being driven by the reduction in the Councils 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.</p> <p>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>				
	Issue	Action	Original Target Date	New Target Date	Who By	Update 17/11/15
1.	Procurement Strategy 2015/18	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.	Individual contract strategies being prepared for spend above £50k.	All spend above will have a contract strategy agreed prior to advertising.	Ongoing	Ongoing	Services/ Procurement Team	Ongoing.

3.	<p>Community Benefits 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 weighting for community benefits within construction and infrastructure procurements over £1m.</p>	Procurement Team will review further areas and spend levels and report back to the Committee with proposals.	Update/Review report to Committee due by January 2016	May 2016	Procurement Manager/ Head of Service Regeneration and Planning	Report delayed until new statutory guidance is issued by the Scottish Government.
4.	<p>Local employment The Living wage The Council are 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</p>	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	Report due to Committee before end of 2015 on new Procurement Regulations	May 2016	Procurement Manager and HOS Legal and Property Services	Report delayed until new statutory guidance is issued by the Scottish Government
5.	<p>Standing Orders – Contract Standing Orders are revised</p>	Revise in line with new EU legislation and Directives when fully implemented.	New CSOs to be in place by end of 2015.	May 2016	Head of Service Legal and Property Services	Report delayed until new statutory guidance is issued by the Scottish Government

6.	Document Standardisation	Documentation to be kept up to date according to legislation and lessons learned.	Ongoing and review to 2018	Ongoing	Procurement Manager and Services at DPO meeting every 6 weeks	Ongoing
7.	Supplier Management 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	Suppliers require to be segmented by risk and as such report will come to next Procurement board in March.
8.	Sustainability Refresh and consolidate Sustainability policy and action plan. The Council has a Corporate Sustainability Policy (CSR), with recommendations to incorporate CSR in all strategies; where relevant. This has not been fully rolled out and is not consistent. Policy requires to be refreshed and consolidated	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 relevant. Introduction and implementation initiatives such as: <ul style="list-style-type: none"> • Ongoing Supplier events for SME's to cover areas of concern and help educate on how to become a supplier to the Council. • 50% of suppliers selected in the quick quote process will be local (where possible). • Policy for dealing with Supported 	June 2016	June 2016	Procurement Manager/ Procurement Board/ Committee	Discuss at Procurement Board in March with further review in June

		Business				
		Encourage main contractors to engage with local suppliers and SME's.				

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 17/11/15
1.	<u>Training</u> The Procurement Team have secured a training budget year 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).	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. <ul style="list-style-type: none"> Roll out e-learning course and ensure all officers involved in procurement have passed. Ensure All Procurement staff have undertaken training in the latest updates to the Procurement reform bill and EU legislation. 	March 2017	March 2017	Procurement Team and Designated Procurement Officers	Ongoing- online e-learning tool now available. Specific training to be completed for officers involved in procurement on the new regulations.

2.	<u>Engagement with 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.	Strengthen the ongoing 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	Review at Procurement Board June 2016 And ongoing review to end of 2018	Review at Procurement Board June 2016 And ongoing review to end of 2018	Procurement Team and Designated Procurement Officers/ Procurement Board	Review at Procurement Board June 2016
3.	<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.	Ensure all updates are implemented where not already in place by the completion date e.g. <ul style="list-style-type: none"> • Agree revisions required to the procurement strategy on an annual basis. • Continue to promote e-tendering for all tenders. • Continue to consider lot structure within tenders to ensure quality and opportunity for SMEs. • Implement new rules for Part B services. • Increase market research at strategy stage. • Consider how to incorporate new rules within tendering and evaluation. 	Dec 2015	March 2016	Procurement Team and Designated Procurement Officers/ Procurement Board	National release of new procurement regs has slipped so report due to Q1 Procurement Board

4.	<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"> • Ensure the best possible pricing is being obtained from frameworks • Communication, collaboration and sharing of best practice with other Local Authorities. • Continue to work with the (SFT) Hub West Scotland to ensure successful conclusion of two Primary schools. • Regular meetings are held with City Deal partners and Local Authorities 	Review at quarterly Procurement Board and report to Committee	Review at quarterly Procurement Board and report to Committee	Procurement Manager/ Procurement Board	Tender workplan reviewed at Procurement Board 24/11/2015
5.	<p><u>Serious organised crime accessing public funds through public procurement</u></p>	<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	Date of first review to be agreed at Procurement Board 24/11/2015

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		Who By	
1.	<u>Purchase Cards</u>	<ul style="list-style-type: none"> • Increase the rebate on purchase cards by increasing the volume of spend • more use of Pcards instead of non-matched payments 	December 2016	December 2016	Procurement Team/ Services/ Creditors	Procurement and Finance have met Procurement Scotland with a view to a P2P review. Business Case to be prepared.
2.	<u>Electronic Invoicing</u> 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	Procurement and Finance have met Procurement Scotland with a view to a P2P review. Business Case to be prepared.
3.	<u>E-Procurement eTendering</u>	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 Officers now receiving training.

Appendix 2

Commodity	New Supplier	Start Date	Annual Spend/ (Income)	Achieved or Planned	New Projected 2014/16 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
Water	Anglian Water	01/03/16	£400,000	A	£3,000	£28,000
High Volume Print	Critiqom	01/09/2016	£60,000	A	£2,000	£2,000
Multi Function Devices	Konica	01/06/14	£400,000	A	£16,000	£75,000

Savings Summary (2014/16)

Savings Achieved	£ 149,000
Savings Target	<u>138,000</u>
Savings to be Achieved	-11,000

Appendix 3

The Procurement & Commercial Improvement Programme (PCIP)

Overview

The Procurement & Commercial Improvement Programme (PCIP) replaces the previous Procurement Capability Assessment (PCA). This PCIP focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver.

Key Points to Note

- Organisations will be assessed every two years
- New question set
- New scoring and Performance Bandings
- Introduction of a Level 4 – High Performing Assessment to the Full Assessment
- The assessment results will not be comparable in any way to the previous Procurement Capability Assessment (2009-2014).
- New Assessment methodology, including information being submitted and assessed in advance of the assessment day.
- All organisations have had an opportunity to provide feedback and input to the new assessment via two separate rounds of consultation.

The Assessment Day will consist of 4 steps, listed below:

1. The organisation will be assessed against the questions and levels found below;
2. Any clarifications required of the pre-assessment and advance information will be discussed;
3. Any clarifications required of the Dashboard will be discussed;
4. Closing summary and Completion of assessment scoring and agree the next steps.

Full Assessment Performance Bandings

Performance Band	% Score
Non-Conformance	<19%
Basic Performance	20-25%
E	26-30%
E+	31-35%
D	36-40%
D+	41-45%
C	46-50%
C+	51-55%
B	56-60%
B+	61-65%
A	66-69%
A+	>70%