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<b>Report To:</b>	<b>Policy and Resources Committee</b>	<b>Date:</b>	<b>20<sup>th</sup> September 2016</b>
<b>Report By:</b>	<b>Corporate Director Environment Regeneration and Resources</b>	<b>Report No:</b>	<b>PR22/16/AF/BH</b>
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<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 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 The 2013/16 Procurement Work stream savings target of £313,000 was achieved. The 2016/18 budget contains a further £28,000 savings target and this has now been achieved. The summary of these savings is contained in Appendix 2
- 2.4 Previous reports to Committee have contained information on the portion of business the Council has with SMEs and Local suppliers. Spend with SMEs was 54% in 2015/16 and 33.5% with Local Suppliers. A summary of the Council's position on this is contained in section 7 of this report.

## **3.0 RECOMMENDATIONS**

- 3.1 That the Committee note progress on the Procurement Strategy and that the 2015/16 savings target has now been achieved.
- 3.2 That the Committee notes the portion of procurement spend with local suppliers and SMEs.

## **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 The Procurement Capability Assessment (PCA) has now been replaced by a new test.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 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.

## **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 delay in publication of the regulations and the guidance has delayed reviews of the Contract Standing Orders and other policy matters such as Community Benefits.
- 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 has agreed a list of suppliers that will be included in a supplier management process during 2016/17. The suppliers 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. This was well attended and well received by partners and suppliers.
- 5.6 As noted within a report to April's Environment and Regeneration Committee on the Corporate Directorate Improvement Plan, the Procurement function has now been transferred from Finance Services to the Regeneration and Planning Service. This move is helping to build on the links between procurement activity and economic regeneration and will assist the Council in attempts to tackle depopulation. Further information on this will be included in a report to the October Environment and Regeneration Committee.

## **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. An early summary of the new regulations was included in the previous procurement update. In light of the changes to the Procurement Regulations, proposed changes to The Contract Standing Orders are being progressed via the relevant committees for approval. Member briefings and training are being

held to ensure Members are aware of the changes and the impact on our procurement policies.

## **7.0 LOCAL AND SME SUPPLIER SPEND**

- 7.1 Previous reports to Committee have contained sporadic information on the portion of business the Council has with Local and SME suppliers. The 2014 Audit Scotland report on Procurement in Councils, dealt with in another report on this agenda, stated that the Council had a low percentage spend with SMEs in comparison to the national average of around 50%.
- 7.2 The percentage of spend with SMEs has changed from 35% in 2013/14 to 51% in 2014/15 and 54% in 2015/16. The spend with local suppliers was 33.5% in 2015/16 which is an increase of 6.5% from 2013/14. However, the largest impact on the percentage of spend with SMEs has been the decrease in spends on very large construction contracts such as the joint campus and an increase in awards to SMEs. These figures are summarised in the table below:-

Year	2013/14	2014/15	2015/16
Total Spend	£90M	£80M	£94M
SME Spend	£31.5M	£40.8M	£50.7M
Percentage SME Spend	35%	51%	54%
Spend with Local Suppliers	£24.2M	£24.4M	£31.3M
Local Suppliers percentage of Spend	27%	31%	33.5%

- 7.3 The ability to influence a change in these statistics is constrained by the Council's legislative obligations. The local supply market is constrained by a lack of large construction firms though this may present an opportunity to develop smaller suppliers in the local area who could be given assistance in order to be ready to carry out larger contracts.
- 7.4 There are changes to the regulations and associated Scottish Government guidance that now require the Council to consider lotting where it is appropriate. There is also more emphasis on sustainable procurement and fair work practices. This gives more clarity in the ability to structure tenders that may give more opportunities for SMEs and local suppliers to bid for Council contracts. The separate report to the Environment and Regeneration Committee, mentioned at paragraph 5.6 will give more details on how the changes to the procurement policies could create more opportunities for SMEs and local suppliers to bid for Council work.

## **8.0 PROCUREMENT SAVINGS**

### **Finance**

- 8.1 Appendix 2 shows the position in respect of savings planned during 2016/18. A further savings target for 2016/2018 of £28,000 has been achieved. Further savings are expected and will continue to be reported.

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**

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

**Human Resources**

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

**Equalities**

8.5 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**

8.6 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.

## Procurement Strategy Update

		<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:</p> <p>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</b> 17/05/16
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 weighting for community benefits within construction and infrastructure procurements over £1m.</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 2016</p>	<p>Procurement Manager/Head of Service Regeneration and Planning</p>	<p>Report delayed to tie in with new Contract Standing Orders.</p>

4.	<p><b>Local employment</b>  <b>The Living wage</b>  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	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.	<p><b>Standing Orders – Contract Standing Orders</b> 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.	September 2016	Head of Service Legal and Property Services	Report delayed due to late issue of the new statutory guidance.
6.	<p><b>Document Standardisation</b></p>	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> <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> </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>• 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	Review completed in March.	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 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"> <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> </ul>	June 2016	October 2016	Procurement Manager/ Procurement Board/ Committee	To be contained within a report to the Environment and Regeneration Committee in October.



		<ul style="list-style-type: none"> <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 17/05/16
<b>1.</b>	<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	<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</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 on the new regulations will be arranged for Sept 2016.</p>

	<p>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>passed.</p> <ul style="list-style-type: none"> <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>				
<b>2.</b>	<p><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.</p>	<p>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</p>	<p>Review at Procurement Board June 2016 And ongoing review to end of 2018</p>	<p>Review at Procurement Board and ongoing review to end of 2018</p>	<p>Procurement Team and Designated Procurement Officers/ Procurement Board</p>	<p>Review at ongoing Procurement Boards</p>
<b>3.</b>	<p><u>Compliance</u> New EU Procurement Directive came into force in April 2014</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</li> </ul>	<p>Dec 2015</p>	<p>Ongoing</p>	<p>Procurement Team and Designated Procurement Officers/</p>	<p>Officer Training is ongoing via Scottish Government e-learning and face to face sessions. Additional member training to take place in September alongside</p>

	<p>The New Regulations are expected to be in place by the end of 2015.</p>	<p>an annual basis.</p> <ul style="list-style-type: none"> <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>			Procurement Board	briefings on the Contract Standing Orders.
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</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>	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

	and joint work leads to a successful conclusion.  The Council is part of the City Deal project					
<b>5.</b>	<u>Serious organised crime accessing public funds through public procurement</u>	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.  Share tender workplan with Police Scotland	Review tender Workplan every 6 months	Review tender Workplan every 6 months	Head of Service Legal and Property Services	Serious and Organised Crime Training has been held with all procuring officers, legal and Audit in March.  Officers are aware of policies on conflicts of interest, anti-competitive behaviour, hospitality and fraud.

### 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.

	<b>Issue</b>	<b>Action</b>	<b>Target Date</b>		<b>Who By</b>	<b>Update 17/05/16</b>
<b>1.</b>	<u>Purchase Cards</u>	<ul style="list-style-type: none"> <li>Increase the rebate on purchase cards by increasing the volume of</li> </ul>	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.

		spend <ul style="list-style-type: none"> <li>• more use of Pcards instead of non-matched payments</li> </ul>				
<b>2.</b>	<b><u>Electronic Invoicing</u></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	Procurement and Finance have met Procurement Scotland with a view to a P2P review. Business Case to be prepared.
<b>3.</b>	<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.

Appendix 2

Commodity	New Supplier	Start Date	Annual Spend/ (Income)	Achieved or Planned	New Projected 2016/18 Savings	Full Year Savings
Water	Anglian Water	01/03/16	£400,000	A	£3,000	£6,000
High Volume Print	Critiqom	01/09/16	£60,000	A	£2,000	£2,000
Stationery	Lyreco	01/09/16	£170,000	A	£12,000	£20,000

Savings Summary (2016/18)

Savings Achieved	£ 28,000
Savings Target	<u>28,000</u>
Savings to be Achieved	NA