

EAST RENFREWSHIRE COUNCILCABINET14 September 2017Report by Chief Officer – Legal and ProcurementREVIEW OF PROCUREMENT DURING FINANCIAL YEAR 2016-17**PURPOSE OF REPORT**

1. The purpose of this report is to provide an update on procurement activities within the Council during the last financial year.

RECOMMENDATIONS

2. The Cabinet is asked to note the progress made within Corporate Procurement and approve this report as a summary of the Corporate Procurement's year end performance for 2016/17.

BACKGROUND

3. A number of significant changes took place within procurement during the financial year, this included the introduction of new procurement legislation and the subsequent amendments to Contract Standing Orders. Drivers for change with the service have been reflected in the new improvement plan and the corporate procurement strategy, both of which align to the principles of continuous improvement and the move to a strategic approach for procurement.

4. The service review that is currently underway will also help to modernise our practices and ensure the Procurement team is best placed to deal with the challenges of the future, by being a strategic service that is supported by systems and information which is responsive to the Council's needs and structure.

REPORT**PROCUREMENT & COMMERCIAL IMPROVEMENT PROGRAMME – PCIP**

5. This assessment replaces the previous Procurement Capability Assessment, PCA, building on its foundations and focusing on the policies and procedures driving procurement performance and more importantly, the results they deliver. To assist in the delivery of continuous improvement in our procurement practices the Council agreed to participate in the Scottish Government Procurement and Commercial Improvement Programme (PCIP) which was delivered by Scotland Excel. The Council's first assessment under this regime, carried out in September 2016, returned a score of 61.5%.

6. Following on from the PCIP assessment a procurement improvement plan was developed and approved by the Procurement Board and Cabinet. The new plan concentrates on longer term improvements that will help drive the service to become more strategic and increase value through the Council's procurement practice.

7. A short update has been provided for each of the areas on the Improvement plan, details of which can be found under Appendix A.

CORPORATE PROCUREMENT STRATEGY

8. The Corporate Procurement strategy 2017-18 sets the vision and the objectives that will be the focus for Procurement over the next 12 months or so. The strategy details how the council will comply with procurement legislative obligations and also sets the direction for procurement to work more strategically. It sets key objectives in terms of Leadership, Compliance and Governance, Strategic Procurement, Performance Reporting and Maximising Sustainable Procurement and will be the overarching standard against which we will evaluate performance over the year.

9. The strategy has been approved by Cabinet and is available on the internet and intranet.

SERVICE REVIEW

10. The team have all been involved in the service review where the structure, systems and process are all being reviewed to ensure duplication is removed, correct data is available and that the team is placed to take on the challenges of the improvement plan and beyond.

11. The information that is available to departments was considered as part of the review and resulted in the content available on the intranet pages been updated. The content and relating guidance documents were amended to not only reflect the changes within the Contract Standing Orders but also to incorporate plain English and to be as user friendly as possible. The procurement newsletter has been re-instated and issued on an ad hoc basis to inform departments on various information such as audit recommendations and new contract information.

PURCHASE TO PAY (P2P)

12. A number of work streams are attached to the P2P processes in which Procurement are heavily involved. Projects include the upgrade of the efinancials system, the move to a new e-marketplace for ordering, review and expansion of purchasing cards and the implementation of e-invoicing. All of which are designed to improve the order and payment functionally by utilising new technologies, removing duplication and making the process more efficient.

CITY DEAL

13. Corporate Procurement is represented at the Legal & Procurement Sub Group and work with the other partner authorities to assist in the development of city deal procurement policy and guidance. Working internally with colleagues within the Environment department a number of contracts have been put in place that reflects the overarching City Deal procurement strategy.

14. Meet the Buyer events have been attended and a joint Meet the Buyer event was hosted with Renfrewshire Council to promote the up and coming opportunities to local SME suppliers.

PROCUREMENT SUMMARY

15. Detailed below is the Small Medium Enterprise, SME, status of awards made for Quick Quote and tendering exercises, in both cases the majority of awards have been made to businesses classed as SME or micro.

| Analysis of Quick Quote Awards | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total |
|---|--------------|--------------|--------------|--------------|--------------|
| Total Awards placed | 32 | 27 | 18 | 29 | 106 |
| Awarded to Large sized business | 5 | 5 | 1 | 1 | 12 |
| Awarded to a Medium sized business | 7 | 9 | 5 | 5 | 26 |
| Awarded to a small sized business | 9 | 9 | 5 | 17 | 40 |
| Awarded to a micro business | 11 | 4 | 7 | 6 | 28 |
| Value of spend awarded via Quick Quote decreased slightly from £4,518,042 to £4,1421.915 | | | | | |
| Definition is based on the amount of turnover and number of employees. Where number of employees is unknown and turnover is less than £5.6m for the purposes of this exercise the company will be classed as "Small". Turnover of less than £2million the company will be classed as a micro business | | | | | |
| Analysis of Contract Awards conducted via a tendering exercise | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total |
| Total Awards placed | 43 | 13 | 15 | 9 | 80 |
| Awarded to Large sized business | 27 | 2 | 2 | 1 | 32 |
| Awarded to a Medium sized business | 7 | 5 | 3 | 3 | 18 |
| Awarded to a small sized business | 7 | 5 | 3 | 4 | 19 |
| Awarded to a micro business | 2 | 1 | 7 | 1 | 11 |
| | | | | | |
| Mini Competitions Issued | 6 | 7 | 4 | 5 | 22 |
| Direct Bids Issued | 6 | 3 | 6 | 5 | 20 |

Spend by proximity - percentage of local and elsewhere spend, dependent on supplier postcodes. Supplier postcodes are matched to the list of postcodes in the local authority area in which the public sector entity is based

| | 15-16 % of suppliers | 15-16 % of spend | 15-16 Spend | 16-17 % of suppliers | 16-17 % of spend | 16-17 % of spend |
|------------------|-------------------------------------|---------------------------------|------------------------|-------------------------------------|---------------------------------|-----------------------------|
| Local | 7.6 | 10 | £8,820,137 | 7.4 | 22 | £23,553,474* |
| Elsewhere | 92.3 | 90 | £78,282,374 | 92.5 | 48 | £83,842,384 |

* The increase in local send in 16-17 is due to the award of 3 contracts to Heron Bros. Two new build schools – the joint faith campus and the new Arthurlie Family Centre and the major refurbishment of Crookfur Primary School.

| Spend by Region | | | | | | |
|----------------------------------|-----------|-----------|--------------------|-----------|-----------|--------------------|
| Glasgow & Strathclyde | 51 | 47 | £40,804,560 | 49 | 56 | £59,824,851 |

SCOTLAND EXCEL

16. The Council has a 92% participation level with Scotland Excel contracts. Of the 51 contracts available, the Council participates in 47. For the 4 remaining contracts the Council either has its own arrangements in place or there is no requirement for the goods/ services.

17. Three local suppliers have successfully been awarded a Scotland Excel contract and have been receiving orders from various local authorities. Each supplier received in excess of £100,000 in FY16/17.

| Supplier |
|---------------------------|
| Teejay Publishing |
| Nairn Brown (Glasgow) Ltd |
| Aird Geomatics |

FINANCE AND EFFICIENCY

18. There are no specific financial implications arising from this report.

PARTNERSHIP WORKING

19. Whilst the report focuses on corporate procurement activities and resulting contracts, the results could not have been achieved without excellent partnership working, internally with officers in client departments and externally with Scotland Excel, Glasgow City Region City Deal and other local councils.

IMPLICATIONS OF REPORT

20. As this report is primarily a progress and performance update, there are no particular implications in terms of staffing, property, legal, IT, equalities or sustainability.

CONCLUSIONS

21. This has been a busy year for the team with lot of changes and new challenges which have been embraced and carried out along with the day to day procurement and tendering activities. It is encouraging to see the changes start to take shape in relation to the service review, purchase to pay and also for the city deal projects moving closer to the construction phases.

22. A positive note on contract awards is the spend with both local suppliers and suppliers in the Glasgow and Strathclyde region has increased from the previous year and we continue to award the majority of contracts to SME suppliers.

23. Progress against the improvement plan and corporate procurement strategy will continue to be monitored and reported upon.

RECOMMENDATIONS

24. The Cabinet is asked to note the progress made within Corporate Procurement and approve this report as a summary of the Corporate Procurements' year end performance for 2016/17.

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Appendix A Procurement Improvement Plan update

Section 1 Leadership & Governance

| Action | End of year statement |
|--|---|
| To provide regular updates to the Procurement Board on procurement performance. | Regular updates on the improvement plan and strategy will be provided to the Procurement Board. The end of year improvement plan update will be provided and an update on the strategy is under preparation. |
| To consult and drive strategic change with the assistance of the Procurement Board | Reports have been presented to the Procurement Board to help change. Planned reports for the new financial year cover travel and accommodation, supported business, training for departmental officers and a proposal to use 100% recycled paper. |
| To continue to represent procurement at appropriate groups within the council and also at external groups. | Procurement representatives sit on a number of key working groups both internally and externally |
| | |
| Category Managers to work closely with departmental procuring officers to developed tender requirements. | The corporate Category Managers are now all agile. This has proved to be useful when the undertaking the completion of the contract strategy documents and the building of online tenders |
| Robust market research to be conducted and reflected in contract strategy development. | Market research is conducted as part of the strategy development however, in some cases this may be limited due to time /resource constraints. The use of an external system to provide additional information is under investigation. |
| Category Manager to work within the services to understand their requirements. | The Category Managers have good working relationships with their departmental officers. Further work will be undertaken to better understand the areas of spend not covered by contracts and a plan of action agreed. |
| | |
| Finalise strategy in line with legislative requirements. Develop best fit for capturing and monitoring results from the strategy and improvement plan. | Procurement Strategy approved by Cabinet. Updates on the strategy and the improvement plan are to be captured via Covalent. |
| Procurement Improvement Plan to be submitted for approval to the Procurement Board. | complete |
| Updates on the Procurement Improvement Plan to be added to Covalent on a 6 monthly basis. | End of year statement to be added and further update for the period ending April - Sept |
| | |
| Procurement structure options appraisal to be finalised and presented to the Change Board for consideration. | Options appraisals have been given to the Chief Officer Legal & Procurement |
| Investigate the commitment and resources required to participate in the Procurement People of Tomorrow (PPoT) programme. | outstanding |

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| Consider the development of a succession plan following structure review. | outstanding |
| | |
| Job roles to be aligned to the new competencies framework | complete |
| Establish areas of learning based on the competency framework and suitable training for the Category Managers | Competency framework completed by Category Managers, subsequent training requirement will be subject to available budget. Leader for the Future course completed by 2 team members and PDA Project management being undertaken to 2 team members. |
| Corporate induction process to be amended to include procurement information | outstanding |
| e-learning module to be established | outstanding |
| | |
| Formal procurement procedures to be reviewed to reflect the process changes incurred by the upgrade to efinancials | upgrade to be completed by June 17 |
| Develop guidance for low value spend | outstanding |
| | |
| Contract Risk process to be established, approved and communicated across the council | outstanding |
| Consolidated view of high value/high risk supplier performance | outstanding |
| | |
| Fraud training to be investigated | outstanding |
| | |
| Contract Strategy development to consider the Inclusion of rebates. Where included spend/rebated to be actively managed. | Contract strategy document amended , spend levels to be reviewed with any relating rebates being actioned |
| Benefits tracker and associated guidance to be developed and agreed. Consider process for capturing cost avoidance. | Benefits tracker developed. Guidance document to be prepared and Category Mangers trained |
| Establish a process for maximising the community benefits achievable through frameworks and Scotland Excel | Investigation into the framework spend levels and associated suppliers to be complete to establish where benefits can be sought |
| Investigate the expansion of purchasing and prepaid cards | The expansion of purchasing cards is a project with the CEO change programme with regular updates provided at the change meetings |
| | |
| Benchmark performance and identify performance improvement opportunities. | Benchmarking in relation to the Procurement & Commercial Improvement Programme, PCIP, will be carried out once all assessments have been completed and scores issued |
| Retain position on external groups e.g. Commercial UIG Steering Group | Regular attendance at the Scotland Excel Commercial UIG where the Chief Procurement Officer and 5 other Procurement Managers are consulted on key areas in relation to work plans and future developments |

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| Consider the use of Project Bank Accounts, PBA, for high value construction and infrastructure projects | The decision to use PBAs on city Deal contracts is under investigation via the Legal & Procurement Sub Group meetings. The increase in scope to one project may result in the threshold of £4.1m being reached |
| Section 2 Development & Tender | |
| Spend analysis is undertaken at an organisational and at a directorate level to identify: Cat A,B,C spend, top supplier spend, non contract spend, top areas of spend. | End of year spend analysis to be carried out |
| Detailed analysis undertaken for each category annually | Analysis of category information using the Spikes system can be undertaken once the end of the year spend has been uploaded and verified by Spikes |
| Identify quick wins, areas of risk and longer term opportunities. | Quicks wins -identification of non core items and rationalisation/reduction of core products e.g. Lyreco - stationery, Arco - PPE. Work to be completed |
| Investigate how the efinancials system can assist with tracking forecast spend against budget | The upgrade to efin V5 and the PECOS Gateway will be completed to later on in the year. V5 upgrade by end of June and Sept/Oct for the Gateway |
| | |
| Contract Strategy Document to be revised to clearly capture the rationale for the recommendation. | complete |
| Develop a Construction Contract Strategy Document that reflects the recommendations from the Construction Review | outstanding |
| Investigate the suitability of online market analysis tools | Ibis World being investigated. Uptake will be dependant on the costings that have to be provided |
| Develop a better understanding of cost drivers, supply chain implications in tendering exercises | outstanding |
| Regional and national intelligence to be added to sourcing strategies | complete |
| | |
| Review contract management process to include the review of the contract specification at appropriate points throughout the contract | outstanding |
| Contract Strategy Document to be revised to clearly capture updated information and lessons learned | CSD being revamped to ensure officers ca |
| Establish a formal variation of contract process | outstanding |
| Identify appropriate training courses on specification writing | Training event arranged for October |
| | |
| Review standard terms of condition of contract | Services terms redrafted, to be reviewed and approved by Legal |
| Triggers to be added to PCST contracts registers as milestones and flag at appropriate timescales | Some triggers have been added, this will be an ongoing process |

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| Investigate the ability to add implementation and exit milestones to PCST - contract management | outstanding |
| Consideration at strategy development of whole life costing and rebates for the commercial evaluation | The rebates question that has been included has not been successful. Revamp of the question required |
| Agree process to tracking forecast benefits against actual benefits received | Benefits tracking is under development. Forecasting has proved to be difficult due to lack of management information however impending changes to the ordering system may help to provide information that can be used for forecasting |
| Establish a lessons learned log | Lessons learned being captured at strategy stage currently, work to be undertaken to centralise this detail. |
| Move to online evaluation | complete |
| Update the Flexible Framework and develop an action plan, set clear objectives to increase environmental, social and economic sustainability | outstanding |
| Establish process for the use of the Scottish governments sustainability test into all procurement exercises | outstanding |
| Investigate Life cycle mapping and how this can be captured in procurement exercises | outstanding |
| Consider the need for additional training for officers | Sustainability will be covered at the training event at the end of the year however further specific sustainability training may be required. |
| Increase stakeholders knowledge on supported business and benefits that can be achieved | outstanding. Further investigation required and a report to the Procurement Board may be required to endorse any recommendations. |
| Section 3 Contract | |
| Implement eperformance management module of the PCS-T tendering system with online scorecards issued both internally and externally | A small number of scorecards have been issued. Guidance notes to be prepared and promotion of the system is required. |
| Establish benefit tracking system | Scotland Excel are providing assistance to develop a tracking system using an excel spreadsheet. Contract data is currently being added and tested. |
| Provide stakeholder training on scorecard evaluation | Draft guidance being prepared to ensure officers know how to access the system and evaluate. Receiving feedback on contract performance is essential and this must be communicated to contract owners. |
| Develop supplier performance reports for senior officers | Outstanding |

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| Determine the level of line detail information available from the upgraded financial system for calculating consumption rate/uptake | Line item detail will be improved through the use of catalogue ordering which will be facilitated via the PECOS Gateway. It is anticipated that the Gateway will started to be populated with catalogue content in September. |
| Develop reports to issue to key stakeholders on supplier performance and contract uptake | Outstanding |
| Monitor on contract spend via the Spikes system and highlight to trends to Procurement Board | A report is to be presented to the Procurement Board in May highlighting the need for ongoing maintenance of the contract register within the Spikes system |
| Determine the reporting functionality available from the upgrade to financial system and establish if this can help to identify maverick spend | Outstanding. The efins upgrade is to go live June and the Gateway Sept/Oct. Once both systems are in place the reporting functionality can be assessed |
| Review off contract spend information provided by Spikes with the aim of increasing | The on contract spend figure has increased due to contract maintenance being carried out. Further work is to be carried out to ensure the relevant information is contained within the system. |
| Scotland Excel to provide support to the council in developing demand management process | Outstanding |
| Review current post tender evaluation questionnaire that is issued, to departmental lead, on completed of a tendering exercise. | Outstanding |
| Formalise lessons learned approach | Lessons learned captured in team meeting and at the development of a contract strategy document. To investigate further the centralisation of the lessons for all team member to review and benefit from. |
| Section 4 Key processes | |
| Establish if the efins upgrade meets the requirements for an improvement in this score | Level 3 scored. The feedback indicated a process for invoice mismatching would need to be established |
| Develop a procurement ICT strategy | outstanding |
| Tracking progress of any recommendations for the strategy via Covalent | Ongoing |
| Increase the number of catalogues available to order from on efinancials | Catalogue content will be added via the PECOS Gateway. It is anticipated the first 3 catalogues will be available in Sept, thereafter a rolling programme of catalogue content will be uploaded and managed. |

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