

EAST RENFREWSHIRE COUNCIL

CABINET

28 January 2016

Report by Chief Officer Legal & Procurement

REVIEW OF PROCUREMENT DURING FINANCIAL YEAR 2014-15

PURPOSE OF REPORT

1. The purpose of this report is to provide an update on procurement within the Council during the last financial year and to provide detail on the areas where further improvements have been identified and will be addressed during the current financial year.

RECOMMENDATIONS

2. The Cabinet is asked to note the progress made within Corporate Procurement and support the improvements identified for the current year.

BACKGROUND

3. The Council was subject to an annual Procurement Capability Assessment (PCA), which was undertaken by Scotland Excel. Following each annual review, a Procurement Improvement Plan (PiP) is submitted to the Corporate Management Team based on the Procurement Capability Assessment, it's relating 8 sections and the improvements necessary within these sections.

4. The 2013 assessment was held in October 2013, the Council improved on the previous years score and sat in joint 7th position.

Renfrewshire	80%
Aberdeen City	70%
Aberdeenshire	67%
Glasgow	67%
South Ayrshire	65%
Argyll & Bute	63%
East Renfrewshire	62%
South Lanarkshire	62%
West Lothian	62%

5. It was not mandatory for councils to undertake the Procurement Capability Assessment and a decision was taken not to participate in the 2014 round of assessments. This decision was made based on a number of factors; time and resources involved in the preparation, impending legislative changes plus the revision of the PCA into a new assessment model, known as the Procurement and Commercial Improvement Programme (PCIP).

6. The revision of the PCA would mean that the 2014 round of assessments would be the last assessment carried out under that format. As the council did not participate, the score of 62% from 2013 has been carried forward.

7. Four other councils also took the decision not to participate and their scores have also been carried forward, one of the 4 councils to carry their score forward was West Lothian Council who now sit in joint 15th position alongside East Renfrewshire and Inverclyde Councils.

Renfrewshire	83
City of Edinburgh	76
Glasgow	76
South Lanarkshire	75
South Ayrshire	74
Aberdeen City	72
Argyll & Bute	72
North Ayrshire	72
Aberdeen shire	70
Falkirk	70
CNES	66
Midlothian	65
Scottish Borders	65
Moray	63
East Renfrewshire	62
Inverclyde	62
West Lothian	62

PROCUREMENT & COMMERCIAL IMPROVEMENT PROGRAMME – PCIP

8. This assessment replaces the previous PCA, building on its foundations and allowing for higher performing organisations to be assessed as a commercial organisation, if they wish. The assessment focuses on the policies and procedures driving procurement performance and importantly, the results they deliver. However, the assessment results are not comparable as a result of a different question set, new assessment methods and new scoring model.

9. The frequency of assessments will change from an annual assessment to every 2 years, with our first assessment due to take place June 2016, although this may be subject to change.

10. An independent review conducted by Scotland Excel recognised that under the new assessment, resource implications would impact on the scores being achieved, therefore a strategic review of procurement has been planned.

PROCUREMENT SUMMARY 2014-15

11. 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. It should be noted that this information is related to exercises conducted by the council and is not inclusive of Scotland Excel contract information.

Analysis of QQ Awards	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Total Awards placed	114	47	75	134
Awarded to Large sized business	2%	5%	4%	7%
Awarded to a Medium sized business	25%	23%	13%	23%
Awarded to a small sized business	40%	23%	41%	42%
Awarded to a micro business	33%	49%	41%	28%
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	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Total Awards placed	10	7	14	7
Awarded to Large sized business	0	36%	17%	14%
Awarded to a Medium sized business	60%	29%	44%	29%
Awarded to a small sized business	30%	29%	28%	43%
Awarded to a micro business	0	7%	11%	14%
No data available	10%			

12. The percentage breakdown of spend with SME's under Scotland Excel frameworks is detailed below. It should be noted that a number of the large suppliers have been successful in securing a number of frameworks. For example spend has been incurred with YPO through the educational materials and education & office furniture frameworks.

Large	Medium	Small
33%	31%	36%

- Value of spend awarded via Quick Quote increased from £4,086,995 in FY13-14 to £4,518,042.
- Increase in the volume of transactions via the purchasing cards from 17,181 in FY13-14 to 17,759.
- 91% participation level for Scotland Excel contracts. Of the 46 contracts available, the council participates in 42. For the 4 remaining contracts the council has its own arrangements in place or there is no requirement for the goods/ services.

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			
	12-13	13-14	14-15
Local	4.5%	7.5%	7%
Elsewhere	95.5%	92.5%	93%
Spend by Region			
Glasgow and Strathclyde	37%	45%	46%

PROCUREMENT IMPROVEMENT PLAN 2014-15

13. A short update has been provided for each of the areas on the Improvement plan, details of which be found under Appendix A. Actions which have not been completed have been carried forward to the 2015/16 improvement plan and will be reported upon.

PROCUREMENT IMPROVEMENT PLAN 2015-2016

14. The Improvement Plan will be the focus of procurement activities for this financial year and up to the first PCIP assessment, anticipated 1 June 2016 which was presented to CMT on 3 November 2015.

15. The impending legislative changes will require the main focus on activities to be the amendment of Contract Standing Orders, training of officers and review of processes to ensure compliance with the legislation. Revised Contract Standing Orders will be submitted to Cabinet no later than March 2016 with legislation becoming effective from 18 April 2016.

16. It is recognised in the procurement sector that efficiencies can be made by shifting the focus from traditional procurement to being more strategic through thorough market research, innovative solutions and robust contract management. Procurement needs to be integrated better into all ERC change activities and to be involved in the process from the outset to allow for efficiencies from new contracts or contract renewals to be sought. With this in mind procurement will now be involved in departmental change programmes.

17. To aid the move to a strategic procurement service the Improvement Plan is looking to establish a Procurement Board where key procurement matters can be discussed/ agreed with senior stakeholders and with their help, actions implemented.

18. Actions from the plan also include the investigation of online market analysis tools to aid market research, and the use of Scottish Government's PCS-T system to assist with contract management.

FINANCE AND EFFICIENCY

19. While there is no direct cost to the Council in implementing the recommendations, it is recognised in the procurement sector that efficiencies can be made by shifting the focus from traditional procurement to strategic procurement through thorough market research, innovative solutions and robust contract management.

CONCLUSIONS

20. To allow for a comprehensive report detailing the performance during the past financial year and the improvements for the following year a delay was incurred whilst awaiting the new PCIP question set.

21. The improvements identified will support the move to a more strategic procurement whilst complying with legislative obligations. The continued support of the services and the approval of the plan by the Corporate Management Team will assist with the delivery of the plan.

RECOMMENDATIONS

22. The Cabinet is asked to note the progress made within Corporate Procurement and support the improvements identified for the current year.

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Report date: 7 January 2016

BACKGROUND PAPERS

KEY WORDS – Procurement, Improvement Plan, PCA, PCIP Reform

Appendix A

PROCUREMENT IMPROVEMENT PLAN 2014-15

Leadership & Governance	Position as of 31 March 15
Identify stakeholders and develop role and responsibilities for each group	Stakeholder list prepared for officers involved in: order creation, order approval, contract development and Procurement Champions.
Procurement Strategy & objectives	
Review Procurement strategy	Strategy expired December 2015. New strategy to be prepared following receipt of guidance from Scottish Government. Guidance is to be issued to ensure compliance with new procurement regulations.
Consider the impact of procurement reform legislation on contract standing orders	Contract Standing Orders to be amended once guidance is received. In light of the sustainable procurement duty within the legislation Cabinet has approved the councils Sustainable Procurement Policy. All contracts in excess of £100,000 community benefit requirements are considered and included where appropriate. An environmental opportunities checklist is also to be completed for all requirements exceeding £25,000.
Development of a 4 year tender plan	Identification of end of financial year spend against contracts to be finalised and incorporated into tender plan.
Investigate collaborative procurement opportunities	Opportunities identified from the shared IT services collaboration and City Deal.
Defining the supply need	
Develop training for all stakeholder groups	Training provided to Education dept - Head Teachers meetings and with Senior Admin Officers. Councillor training also conducted in collaboration with Scotland Excel. Discussion with Scotland Excel re their proposal for a training academy and the creation of e-learning modules.
Increase market awareness by conducting more supplier meetings	Supplier Development Programme event held with local suppliers, Chief Procurement Officer presented on procurement within the council.
Engage with all stakeholders,	Engagement carried out internally and with the Supplier Development Programme. Participation in Scotland Excel user groups plus working groups i.e. commercial UIG, review of PCA questions, new PCA tool.
Strengthening of the Quick Quote procedure	Training provide to SAO in Education. Guidance and review of documents carried out by CPU, where requested.
Consideration of corporate social responsibilities in all procurement exercises	Tender documentation includes, where appropriate, community benefits, environmental/sustainable questions, equalities and serious crime non involvement declaration.

Commodity/Project strategies & collaborative procurement

Contract strategies to be fit for purpose allowing for innovation

Implementation of the sustainability policy and adoption of sustainable procurement /community benefits into all suitable contracts

Business continuity and exit plans to be agreed for longer term service contracts

Contract & Supplier Management

Conduct external customer feedback surveys and develop an action plan as required

Investigate ways to produce forecast and actual date and use this to monitor consumptions and compliance

Increase the level of contract management with tenders and also the number of supplier meetings

Investigate the use of e-scorecards

Key purchasing processes and systems

Increase the number of suppliers on the marketplace

Increase the number of purchasing card suppliers

Pilot the online evaluation module of PCS tender

The strategy template has been amended to include sustainability, community benefits, equalities etc and is an important document to be completed. It is important that all stakeholders input to the strategy development to ensure a robust, fit for purpose strategy that is reflected into tender documents. Procuring departments knowledge and expertise and market research is needed to find innovation solutions.

Where appropriate, all tender documentation for contracts with a value exceeding £100,000 include a mandatory number of community benefits to be provided by the successful tenderer. Environmental opportunities /sustainability is to be considered by depts.

Outstanding

Completed, no action plan required

Outstanding

Annual surveys issued to all "live" suppliers. Recording of supplier meetings and purpose of the meeting tracked within CPU.

Survey Monkey could be used however, eContract Management and performance management module on the PCS-t system has been purchased by Scottish Procurement and will become available to PCS-t users. Allowing for the full tender process and contract management to be retained in the one system. E performance management facilitates the issuing of score cards, internally and externally.

Testing carried out with 2 suppliers, TCIB and the Consortium. Implementation completed.

Increase in the volume of transactions via the purchasing cards from 17,181 to 17759. Cards introduced into the vehicle workshop and fuel cards.

Complete. Full online evaluations are carried out, most departmental evaluations are finalised offline as there is scope for Category Managers to check and, if necessary, challenge scores. Online departmental evaluations have been conducted for a couple of small exercises, process worked well although more time consuming as system training for the evaluators was necessary. Pros and cons for each method, the final decision of how each evaluation is to be conducted will be made by the Category Manager.

People
Purchasing and procurement competencies to be linked to stakeholder groups
E learning procurement modules, suitable for the stakeholder groups, to be investigated
Communicate procurement legislative changes to all stakeholder groups
Performance Measurement
Identify strategic contractors for each service
Develop risk monitoring and reporting for strategic contractors
Develop procurement report for Champion meetings
Conduct internal customer feedback surveys and develop an action plan as required

Best value review of procurement capabilities links capabilities to stakeholders group
Sustainable eLearning toolkit in place. Scotland Excel proposing to have sector eLearning modules available and are currently in discussions
Legislation not yet implemented.
Outstanding
Outstanding. Serious Organised Crime declaration included into all tenders. Tenderers details to be checked by Police Scotland with any concerns highlight, consultation with Legal will be necessary to establish where there a tenderer can or cannot be removed from an exercise.
Outstanding
Complete - contract development stakeholders completed survey, responses were analysed and findings added to intranet.

Appendix B

PROCUREMENT IMPROVEMENT PLAN 2015-2016

Detail below is the actions that will be undertaken:

Leadership & Governance

Action 1 Identify stakeholders and develop role and responsibilities for each group

Sub-action(s)

Stakeholder list to be reviewed following staffing and structure changes within the council

Establish a Procurement Board

Review Procurement Champions

Procurement Strategy & objectives

Action 2 Review Procurement strategy

New Procurement strategy to be prepared in line with new legislative requirements.

Establish council policy on the following areas for inclusion in the strategy:

the use of community benefits

payment of the living wage

promoting compliance by contractors and subcontractors with the Health & Safety at Work Act

procurement of fairly and ethically traded goods and services

procurement of food and promotion of the highest standard of animal welfare

payments to subcontractors

Action 3 Consider the impact of procurement reform legislation on contract standing orders

Update Contract Standing Orders to reflect guidance been issued by Scottish Procurement

Action 4 Development of a 4 year tender plan

Finalise tender plan

Action 5 Investigate collaborative procurement opportunities

Opportunities to be investigated as part of the City Deal remit

Defining the supply need

Action 6 Develop training for all stakeholder groups

Legislative training for both procurement and stakeholders to be arranged

NEC3 and other specific training to be investigated

Action 7 Increase market awareness by conducting more supplier meetings

Investigate online market analysis tools

Action 8 Engage with all stakeholders

Establish links with NHS and City Deal

Action 9 Strengthening of the Quick Quote procedure

Revision of Contract Standing Orders to include the mandatory use of the QQ template.

QQ procedure to be amended to follow tendering scoring and evaluation methodology

Action 10 Consideration of corporate social responsibilities in all procurement exercises

Revision of Contract Standing Orders to include the use of supported business

Action 11 Identify supplier development opportunities

Analyse QQ supplier information and establish if training is required for suppliers continually failing to win business

Commodity/Project strategies & collaborative procurement

- Action 12 Contract strategies to be fit for purpose allowing for innovation
- Action 13 Implementation of the sustainability policy and adoption of sustainable procurement /community benefits into all suitable contracts
- Action 14 Business continuity and exit plans to be agreed for longer term service contracts

Innovation can be achieved by writing an outcome focused specification. Investigate whether specific procurement training for stakeholders is required e.g. specification writing.
Review the Sustainable prioritisation tool for opportunities and risks

Standard question for inclusion in all service contracts to be prepared

Contract & Supplier Management

- Action 15 Conduct external customer feedback surveys and develop an action plan as required
- Action 16 Investigate ways to produce forecast and actual date and use this to monitor consumptions and compliance
- Action 17 Increase the level of contract management with tenders and also the number of supplier meetings
- Action 18 Investigate the use of e-scorecards

Amended survey to include feedback on PCS-tender and supplier development programme

Review contract management procedures to reflect eCM/ePM. Arrange system presentation and report to CMT

Review eCM + ePM module and considered its appropriateness

Key purchasing processes and systems

- Action 19 Increase the number of suppliers on the e- marketplace
- Action 20 Increase the number of purchasing card suppliers
- Action 21 Pilot the online evaluation module of PCS tender
- Action 22 Review the suitability of key purchasing systems

Investigating the use of cards for school travel and vehicle workshop - Dingbro

People

- Action 23 Purchasing and procurement competencies to be linked to stakeholder groups
- Action 24 E learning procurement modules, suitable for the stakeholder groups, to be investigated
- Action 25 Investigate with HR a procurement induction for all new starts
- Action 26 Communicate procurement legislative changes to all stakeholder groups

Review stakeholders capabilities and provide training where appropriate

Develop training for stakeholder groups

Performance Measurement

- Action 27 Identify strategic contractors for each service

Action 28	Develop risk monitoring and reporting for strategic contractors	CMT report to be developed further with information regarding community benefits, SME and Scotland Excel updates
	Develop procurement report for Champion meetings	
Action 29	Conduct internal customer feedback surveys and develop an action plan as required	Issue survey, benchmark results and analyse for common themes
Action 30	Publish contracts register on council website	