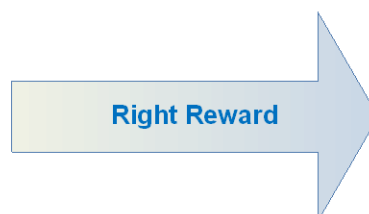
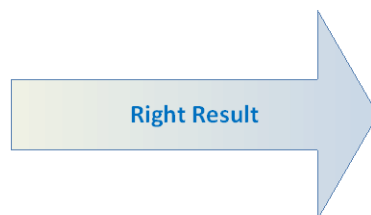




**MORAY COUNCIL  
ANNUAL PROCUREMENT REPORT  
2018/2019**



## INDEX

	PAGE	
SECTION 1	Summary of Regulated Procurements	3
SECTION 2	Review of Regulated Procurement compliance	4
SECTION 3	Future Regulated Procurement Summary 2019 to 2021	7
SECTION 4	Moray Update	7
SECTION 5	Summary	9
TABLE 1	Summary of live contracts by category	3
TABLE 2	Non cash benefits summary	5
TABLE 3	Supported business summary	6
TABLE 4	Procurement Savings	8
APPENDIX 1	Action Plan results	11
APPENDIX 2	Scottish Government Annual Report Statistics	18

## INTRODUCTION

Moray Council published its Procurement Strategy for 2016/2018, as required by the Procurement Reform (Scotland) Act 2014 (the Act), in December 2016. In order to report compliance with this Strategy and the Act itself, the Council must publish an Annual report.

In addition to the required information set out in the Act, this report also includes performance against a number of strategic indicators which were introduced in order to measure progress on the new duties introduced by the legislation.

In order to evidence our progress against our strategic targets, the published Annual Report requires some form of measurement. The statistics presented in this report provide the evidence which should, over time, show how the Council is progressing against both the national and local objectives. The following sections provide both the statistical information and a commentary on performance (*in italics*)

## SECTION 1 – SUMMARY OF REGULATED PROCUREMENTS

**TABLE 1** highlights the summary of live contracts (2018/2019) by category.

**TABLE 1**

<b>Contract Type</b>	<b>Number</b>	<b>Estimated Contract Value £000</b>
Category A (national)	30	6,206
Category B (sectoral)	128	23,656
Category C (local single supplier)	176	62,567
Category C (framework)	21	10,982
Category C1 (local collaboration)	12	1,766
Category O (other)	57	15,461
Non advertised	98	47,976
<b>2018/19 Total</b>	<b>522</b>	<b>168,614</b>
<b>2017/18 Total</b>	<b>476</b>	<b>142,891</b>
Quick Quotes (transactions under £50K)	53	0,751
PIN Quick Quotes (a new process mainly for construction where the supplier selection is carried out using a Prior Information Notice)	7	3,695

In total there are 522 live contracts listed in the Council's contract register; of these 183(83 contracts and 100 mini comps/direct awards) were awarded or added to the register in the

year 2018/2019. To present a complete picture Quick Quotes (QQ) and PIN Quick Quotes (PIN QQ) are now being added to the contract register with effect from April 2018.

*Commentary on performance:*

*For the second year we have seen a significant increase in the volume of live contracts on the register (476 to 582, including QQ and PIN QQ). This is reflected in the workload for the team with 200 project allocations for the year, of which 138 were unplanned (an increase from 36% in 17/18 to 69%) and not included in the Departmental Procurement Action plans. This increased focus on the operational development of tenders has come at a cost to the team's ability to deliver the strategic Action Plan (see **APPENDIX 1**).*

## **SECTION 2 – REVIEW OF REGULATED PROCUREMENT COMPLIANCE**

**APPENDIX 1** provides the performance results against the Council's Procurement Strategic Action Plan for 2018/2019, which is split between the Procurement Commercial Improvement Programme (PCIP) objectives and the Procurement Strategy measures. An update and comment on performance is given and where improvements are still required the relevant actions have also been identified.

*Commentary on performance:*

*As mentioned above, the team's ability to meet their strategic targets has been restricted due to the increased workload, a long term secondment and the work to implement GDPR and respond to a major contract challenge, essentially the team have done more work but with less resources.*

*Of the eleven targets that were set for the year, five have seen little or no progress.*

*We have made some notable successes in 2018/2019:*

- *Delivery of four large scale contracts that offered opportunities to local suppliers – the planned and reactive maintenance frameworks, transport and the civil engineering small works framework.*
- *A variety of innovative approaches to market which resulted in significant improvements to subsequent contract delivery - mental health services, bakery products, early learning family centre/accredited training hub.*
- *The development of an "emergency contract" process for expiring Health & Social Care Moray contracts.*
- *A member of the team successfully completed her Level 4 CIPS (Chartered Institute of Purchasing & Supply).*

Section 2 of the action plan concentrates on measurements that will support the delivery of the Procurement Strategy. Although we continue to maintain our high level of contract coverage at 90% (measure A1) this is a decrease of 4% on previous year. We can report an increase in annual procurement savings for categories 1 & 2 (non-budget adjusted and budget adjusted) from £1.672M to £1.967M (measure A2).

However we also have to report a significant increase in unplanned activity with 69% (35.7% in 2017/18) of our workload coming from projects not identified during our annual departmental procurement action plan process. This is due, in part, to emergency work and ad-hoc funding but for some projects there could be a more proactive approach to departmental planning. This trend was reported last year and was to be addressed during the annual Departmental Procurement Action Plan (DPAP) development and the subsequent quarterly reviews, however resources within the team and indeed within Departments has significantly impacted on our ability to address this issue.

Although our performance on environmental and sustainable non cash benefits is improving we have a long way to go to meet our targets and truly embed the delivery of these benefits in our process and outcomes.

**Table 2** provides a high level view of the non-cash benefits that have been included in the contracts awarded in the year. This matrix is wider than just the social, environmental or economic factors (also referred to as Community Benefits) required by the Act and incorporates other added value benefits such as process efficiencies and price stability. The use and measurement of this type of benefit is in its infancy and we have now developed a tool that will support the consideration and inclusion at an early stage in any procurement project.

**TABLE 2**

Benefit Category	No of contracts	Sub category
Collaboration/tender process	133	121 collaboration 12 saving in processing development time
Community	25	5 apprentices 10 Community Benefit Clause (wide ranging) 1 faire trade 3 school visits 6 training
Cost Avoidance	10	2 added value 5 price increase rejection 2 price versus market savings 1 process redesign

Environmental	17	2 energy 9 greenhouse gases 4 sustainable construction 2 waste
Purchase to Pay Process	6	2 e- invoicing 1 electronic catalogue 3 consolidated invoices
Demand/Rationalisation	4	1 rebates based on volume 2 specific contract issues 1 rationalised list
Social	25	13 fair work issues 8 other – wide ranging 2 public social partnership 2 local subcontracting programme

*Commentary on performance:*

*The Council's method of recording non-cash benefits was introduced in 2015/2016 and we have seen a wide ranging discrepancy between the resultant years with a total of 200 in 2015/2016, 62 in 2016/2017 and 182 last year, however this does now appear to be more consistent with 220 recorded for 2018/19. The range of benefits are slowly widening from the more process benefits to the social and environmental categories.*

**Table 3** considers the potential use of supported businesses. Public organisations can reserve the right to participate in procurement for the award of a public contract/framework to a supported business (explanation below).

**TABLE 3**

Supplier	2018/19 Turnover £
Moray Desktop Publishing Ltd	35,621
Moray Reach Out	302,435
Out of Darkness Theatre	90,427
Living Ambitions	308,595

*Commentary on performance:*

*Although not formally contracted as supported businesses, we believe that our use of the companies listed in **TABLE 3** goes some way to meet the Reform Act requirement to support such enterprises. To meet the required criteria supported businesses the main aim of the organisation has to be the social and integration of disabled or disadvantaged persons and where at least 30% of those employed and engaged with the programme are disabled or disadvantaged. These companies however cannot meet the "employment" criteria but certainly do meet the "engagement" element.*

### SECTION 3 - FUTURE REGULATED PROCUREMENT SUMMARY

The Procurement team work with Heads of Service to develop a Departmental Procurement Action Plan (DPAP) for their service which identifies the Council's procurement activity for the coming year. In addition to this internal forward planning the Act requires the publication of a summary of future regulated procurements for 2019 to 2021:

Number 354

Estimated value of contracts £296,821,267

Estimated annual value £88,470,869

The detail of this forward plan will be published along with this Report.

*Commentary on forward plan:*

*The above statistics are taken from the contract register. This list contains all contracts with an end date between 2019 and 2021, however it should be noted that some may be subject to possible extensions and some may not be re-let. Decisions around the direction for each requirement are taken during the annual DPAP planning process with Service Heads.*

### SECTION 4 - MORAY UPDATE

Although the information contained in the above and linked appendices highlights the performance in areas covered by the Act, there has been considerable development activity throughout the year to consolidate and build on previous improvements.

**Supplier Development Forum** – this group includes representatives from Economic Development, Business Gateway, PCS, Procurement and HIE. The previously developed Action plan has been updated and new tasks identified to support the development of suppliers in this area and beyond. This includes a number of contract specific workshops and surgeries, support for the planned Meet the Buyer North event (September 2018 & September 2019) and various communications throughout the year to promote Council procurement activity. To enhance the work of this Forum locally we have also become a full member of the national Supplier Development Programme for 2019/20.

**Moray Council Procurement Savings** – The Council has a process for recording the impact of contracts on the council – this includes cash and non-cash benefits. The cash savings have been categorised as follows:

- 1 Cash saving anticipated – but budget not adjusted
- 2 Cash saving anticipated – budget adjusted

- 3 No baseline – savings cannot be established, review of contract on anniversary of award to reassess
- 4 No savings anticipated

With Local authority finances becoming increasingly more complicated the team have developed a number of new categories of savings to try to measure the outcomes from any procurement project:

- 5 Non cash benefits
- 6 Capital – projects delivering savings against estimate/budget, total saving taken in the year the project was awarded
- 7 Rebate – centralised collection of contract rebates
- 8 Spend to Save – phased return on investment

**Table 4** provides the results for 2018/19 and the previous year (comparison). As previously outlined we can report an increase for category 1 & 2 annual savings from £1.672 to £1.967M. In addition we can record a significant saving on capital projects of £3.567M, given the nature of these contracts the savings for the total project is recording in the year the contract is awarded (non-recurring).

**TABLE 4**

<b>Cash Savings 2018/19 (2017/18)</b>		
Category of Saving	Recurring savings £ million	Savings for year (adjusted for start and end date) £ million
1	1.309 (1.071)	1.068 (0.582)
2	0.658 (0.601)	0.645 (0.576)
Total	1.967 (1.672)	1.713 (1.158)
6	N/A	3.567
7	N/A	0.024
8	N/A	Nil recorded

The Council adopted a Procurement Savings Strategy in 2017 which introduced a 3% savings target for all relevant tenders. Based on the estimated annual value of the contracts live in 2018/19 (£45.698M) the annual savings for the year (£1.713M) represents a saving of 3.75%.

**Procurement Commercial Improvement Programme (PCIP)** – a national evidence based audit for all public organisations which considers a wide ranging set of competencies. Moray Council’s focussed assessment (full scrutiny of selected questions) took place in March 2018. This assessment was facilitated by Scotland Excel with the Procurement team



submitting the Moray evidence on behalf of all departments. The result was an overall score of 64% (increase from 60.4%). Although this has taken Moray from Level 4 to Level 3 (silver), we have dropped from just above the local government average score in 2017 to below for this latest audit, with the current average being 70%. This is a reflection of the level of resource available for development/improvement work.

## SECTION 5 - SUMMARY

The significant, year on year, improvements evidenced by the PCA (19% 2009 to 64% 2014) and PCIP 60.4 in 2017/18 have now stalled, mainly due to resources and although we continue to improve it is at a much slower pace than previously recorded.

This should be viewed in context as the increased workload for the team is evidence of the continued focus on compliant procurement that continues to deliver quality contract outputs and significant savings for the Council.

**APPENDIX 2** is the Scottish Government's Annual report template for the statistics required by the Act. A number of the measurements are not currently recorded as they would involve a significant change to our process which is already burdensome and heavily reliant on human intervention.



## APPENDIX 1

MORAY COUNCIL STRATEGIC PROCUREMENT ACTION PLAN (SPAP) 2018/19			
SECTION 1 - PCIP Measurements			
Data Warehouse			
Action	Timetable	Aim	Update
1.1 Sharepoint conversion	April 2018	To improve on the shared access to and quality of procurement and payment data	<i>The Procurement site went live Q2 2018. Work continues to promote the site as the central repository for all procurement documents.</i>
1.2 Development of Lead Officer Dashboard Review of year end process – savings, off contract spend, national data hub extract	Sept 2018 July 2018	To share register data with dept lead officers To automate the production of procurement year end data	<i>Although the work to develop a report from our contract register for departmental lead officer is complete, the ability to “burst” ie share with relevant officers has been delayed due to licensing issues. Reports have been developed from what was to be an interim contract register (ICT development) but much of the automation was suspended pending the implementation of a new database. This development will not now be taken forward. Procurement will have to revisit our production of year end data.</i>
Leadership & Governance			
1.3 Operational improvement programme: <ul style="list-style-type: none"> <li>Action plan review</li> <li>Report to Service head on outcomes as part of the quarterly combined procurement DPAP update</li> </ul>	October 2018 June 2018	To focus on the procurement outputs produced by both the team and departments to deliver consistent approach To ensure that actions identified by the review are actioned	<i>The resources available for development work were not available during the year due to long term secondment and so the quality improvement element of our action plan has not progressed. In addition much of the quality checking of these developments would be the responsibility of the Assistant Manager, who was heavily involved in the challenged Transport contract during Q3 and retired in Q4.  <i>The above points re resources and licensing issues have halted progress on the report to Service heads.</i></i>

1.4 DPAP quarterly reviews – outcome review	June 2018	To ensure that actioned identified through the DPAP process are completed	<i>Not all quarterly reviews were completed given the resources available. Effort was concentrated on those services with a high level of procurement input.</i>
1.5 Roads Improvement Programme	Ongoing work throughout year	Targeted support to develop closer links between service and procurement team	<i>Some progress has been made. This work is also linked to the outputs from the Construction Group (Property, Roads, Consultancy, Procurement and Education resources).</i>
1.6 Health & Social Care (MIJB) Support	Ongoing	Targeted support to develop infrastructure for MIJB	<i>The level of support required, particularly at management level has increased significantly during 2018. This included the need to develop (Q1) an “emergency contract” process for expiring contracts.</i>
<b>Development &amp; Tender</b>			
1.7 PR08 developments – review acceptance/outputs	June 2018	To incorporate all improvements identified by the Procurement Operational Improvement Plan arising from all aspect of the process	<i>The structure of our PR08 (procurement strategy documents) was reworked during 2018. This will take the document through the life and replacement of a contract and includes all the aspects required of a legislative “regulated” tender.</i>
1.8 Impact of General Data Protection Regulation	July 2018	To incorporate the new duties into the procurement process	<i>A new GDPR condition was developed for our Terms and Conditions and circulated to all lead officers for inclusion in current contractual arrangements.</i>
<b>Contract</b>			
1.9 Post award implementation improvements: Checklist/structure/pack for meeting	May 2018	To ensure that contract awards are subject to a full implementation plan with all stakeholders involvement	<i>As for action item 1.3 (resources), much of this work was suspended during 2018.</i>
<b>Key Purchasing Processes</b>			
1.10 Pcard phase 2 – embedded cards for key suppliers	Pilot in place by May 2018	To widen the use of purchasing cards to include embedded cards with appropriate suppliers	<i>The pilot has been live since Q1 2018 and has now been launched to all users of the supplier in question. A further supplier has been targeted in 2019 (see below 1.11). A new process for the use of a central purchasing card has been introduced. The higher the value processed the greater the Government rebate received.</i>

1.11 Replacement for Catalogue Content Management system	November 2018	To consider the various options re “punch out” to suppliers sites for the creation of orders	<i>Working with Scottish Government e-commerce division we reviewed the potential to use their replacement system but found the cost of implementation did not prove to deliver value for money. However we are developing a direct e-link to our high volume stationery supplier which will use an embedded purchasing card for settlement.</i>
--	---------------	--	--

---

<b>SECTION 2 – Procurement Strategy Measurements. 2018/19</b>			
<b>a. Savings</b>			
<b>The measure</b>	<b>2018/19 Target</b>	<b>2018/19 (2017/18) Results</b>	<b>Will Demonstrate Comments</b>
A1 Percentage of all council expenditure covered by contracts Total commercial spend – contract register annual estimated values for live contracts in year	95%	95.53% (94.43%)	Greater contractual exposure <i>Slight decrease which will be analysed to identify where the uncontracted spend has occurred – to be referred to relevant Head of Service</i>
A2 Value of procurement savings achieved through contracts live during the year	£1M	£1.967M (£1.672M)	The financial results from contracts <i>£13.7M savings since the start of DBS Procurement (2011), average of £1.7M pa, the expectation was for this to shrink over time but this is not reflected in the results</i>
A3 Number of collaborative contracts awarded as a percentage of all commenced in year	40%	38.79% (55.88%)	Successful collaboration <i>An increase in local category C work this year has led to this reduction in collaboration</i>
A5 Percentage of contracts commenced in year that contain a contract benefit (all categories)	15%	76.50% (83.33%)	Increasing focus on non-financial benefits <i>Although this is significantly over target, the nature of the benefit should be taking into account with the majority 149 being process benefits – the target for this will be reviewed for next year</i>

b. **Contracts**

The measure	2018/19 Target	2018/19 (2017/18) Results	Will Demonstrate Comments
B1 Percentage of planned activity taken to award during year	75%	67.74% (76.5%)	Improved procurement planning <i>Given the level of workload this year this slight reduction is to be expected</i>
B2 Percentage of unplanned to planned activity during the year	25%	69.00% (35.67%)	Measure to try and keep unplanned to a minimum <i>Huge increase with significant impact on team, paper to SMT to request a review of the annual action plan process</i>

c. **Compliance**

The measure	2018/19 Target	2017/18 (2018/19) Results	Will Demonstrate Comments
C1 All procurement activity is subject to compliance review – tenders, QQ, AP transactions, requisitions	100%	100% for QQ 50% for AP  (100% for QQ 25% for AP spend)	Quality control - <i>embedded as part of the process as such will remove this from the report for next year</i> <i>AP spend review will come from off contract spend in future</i>
C2 Percentage of Account Payable transactions checked over £5K that complied with procurement regulation during the year	75%	100% (99.63%)	Compliance management – <i>embedded as part of the process as such will remove this from the report for next year</i>
C3 Percentage of Account Payable transactions with a Purchase Order (where relevant ie non-recurring) number during year	75%	75.49% (82.46%)	Compliance management <i>Work continues to ensure that all payments commence with an order (where relevant)</i>

d. **Accessibility**

The measure	2018/19 Target	2018/19 (2017/18) Results	Will Demonstrate Comments
D1 Percentage of contracts commenced during year to SMEs	30%	50.32% (39.04%)	SME access to our business – volume <i>Of the 161 suppliers who were awarded 310 were SMEs however 214 did not have their size recorded on the national data hub (source of the information)</i>
D2 Percentage value of annual spend with SMEs for year	55%	49.74% (57.44%)	SME access to our business – value <i>See comment above about the source of information were suppliers are not sized</i>
D3 Percentage value of spend with Moray, Highland and Aberdeen council areas	50%	38.56% (45.30%)	“local” access to our business – value <i>Analysis of the spend decrease is required</i>
D4 Number of “events” held or participated in during year	10	8 (10)	Supplier engagement

e. **Community Benefits -**

The Measure	2018/19 Target	2018/19 (2017/18) Results	Will Demonstrate Comments
E1 Percentage of commenced contracts within the year that have a community benefit (category 7)	20%	9.28 (11.76%)	Sustainable duty performance
E2 Percentage of collaborative contracts commenced in the year that have a community benefit (category 7)	20%	18.30% (12.28%)	Sustainable duty performance



f. **Sustainability**

The measure	2018/19 Target	2018/19 (2017/18) Results	Will Demonstrate Comments
F1 Percentage of contracts commenced in the year that have incorporated a sustainable target (category 5)	20%	7.10% (12.74%)	Sustainable duty performance
F2 Score on Flexible Framework	Level 3	(Level 3)	Sustainable duty performance <i>As for previous year, we have reviewed our processes and adopted some of the level 4 practices but cannot meet all of the required outcomes.</i>
F3 Prioritisation tool used to assess Service priorities	100%	80% (100%)	Sustainable duty performance <i>As the team have become more used to the tool they limit its use to those tenders where relevant</i>

## APPENDIX 2

### Annual Procurement Report – Required Data

#### **1. Organisation and report details**

a) Contracting Authority Name	Moray Council
b) Period of the annual procurement report	April 2018 to March 2019
c) Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report? (Yes / No)	Yes

#### **2. Summary of Regulated Procurements Completed**

a) Total number of regulated contracts awarded within the report period	183
b) Total value of regulated contracts awarded within the report period	£132,592,218
c) Total number of unique suppliers awarded a place on a regulated contract awarded during the period	616
i) how many of these unique suppliers are SMEs	310 (214 size not known)
ii) how many of these unique suppliers how many are Third sector bodies	Not recorded

#### **3. Review of Regulated Procurements Compliance**

a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	175
b) Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	8

#### **4. Community Benefit Requirements Summary**

##### **Use of Community Benefit Requirements in Procurement:**

a) Total number of regulated contracts awarded with a value of £4 million or greater.	9
b) Total number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements.	2
c) Total number of regulated contracts awarded with a value of less than £4 million that contain a Community Benefit Requirements	66

**Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:**

d) Number of Jobs Filled by Priority Groups ( <i>Each contracting authority sets its own priority groups</i> )	Not recorded
e) Number of Apprenticeships Filled by Priority Groups	5
f) Number of Work Placements for Priority Groups	Not recorded
g) Number of Qualifications Achieved Through Training by Priority Groups	Not recorded
h) Total Value of contracts sub-contracted to SMEs	Not recorded
i) Total Value of contracts sub-contracted to Social Enterprises	Not recorded
j) Total Value of contracts sub-contracted to Supported Businesses	Not recorded
k) Other community benefit(s) fulfilled	62

**5. Fair Work and the real Living Wage**

a) Number of regulated contracts awarded during the period that have included a scored Fair Work criterion.	Not recorded
b) Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period.	Not recorded
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period.	Not recorded
d) Number of unique suppliers who have signed up to the Scottish Business Pledge and were awarded a regulated contract awarded during the period.	Not recorded

**6. Payment performance**

a) Number of valid invoices received during the reporting period.	69,139
b) Percentage of invoices paid on time during the period (“On time” means within the time period set out in the contract terms.)	89.68%

c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	Not recorded
d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	None
<b><u>7. Supported Businesses Summary</u></b>	
a) Total number of regulated contracts awarded to supported businesses during the period	nil
b) Total spend with supported businesses during the period covered by the report, including:	Not recorded
i) spend within the reporting year on regulated contracts	Not recorded
ii) spend within the reporting year on non-regulated contracts	Not recorded
<b><u>8. Spend and Savings Summary</u></b>	
a) Total procurement spend for the period covered by the annual procurement report.	£113.434M
b) Total procurement spend with SMEs during the period covered by the annual procurement report.	£74.062M
c) Total procurement spend with Third sector bodies during the period covered by the report.	Not recorded
d) Percentage of total procurement spend through collaborative contracts.	47.39%
e) Total targeted cash savings for the period covered by the annual procurement report	£1.713M
i) targeted cash savings for Cat A contracts	£0.160M
ii) targeted cash savings for Cat B contracts	£0.685M
iii) targeted cash savings for Cat C contracts	£0.868M
f) Total delivered cash savings for the period covered by the annual procurement report	Not recorded
i) delivered cash savings for Cat A contracts	Not recorded
ii) delivered cash savings for Cat B contracts	Not recorded
iii) delivered cash savings for Cat C contracts	Not recorded
g) Total non-cash savings value for the period covered by the annual procurement report	Not recorded

**9. Future regulated procurements**

- a) Total number of regulated procurements expected to commence in the next two financial years
- b) Total estimated value of regulated procurements expected to commence in the next two financial years

354
£296,470,869