



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 4 AUGUST 2015

SUBJECT: PROCUREMENT PERFORMANCE (2014/2015) AND PRIORITY REPORT (2015/2016)

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide Committee with an update report on Procurement and in particular report on procurement efficiency performance for 2014/2015 and the strategic procurement priorities for 2015/2016.
- 1.2 This report is submitted to Committee in terms of Section (III) A(33) of the Council's Scheme of Administration relating to Procurement arrangements.

2. RECOMMENDATION

2.1 It is recommended that the Policy and Resources Committee:

- (i) Note the procurement performance for 2014/15**
- (ii) Agree to extend the current strategy for a further year pending the issue of guidance for the Procurement Reform Act; and**
- (iii) Approve the 2015/16 strategic targets as set out in Appendix 3**

3. BACKGROUND

- 3.1 At the Policy and Resources Committee meeting on 22 May 2012 (para 6 of the minute refers) a programme of procurement reporting was approved which required an annual update on the following:

- procurement performance for the previous year
- an update on the procurement strategic targets set for the previous year
- approval for the strategic targets for the current year
- a priority plan based on the information gathered from Service Heads in their Procurement Departmental Action plans for the coming year.

4. **2014/15 EFFICIENCY PERFORMANCE**

- 4.1 Policy & Resources Committee on 3 August 2010 (para 11 of the minute refers) approved a process for the recording of efficiencies which has been set up to accurately record the differing kinds of procurement efficiencies achieved according to a defined categorisation.

Category	Description	Issues
1	Anticipated cash saving Budget not adjusted	Savings insignificant Budget too diverse Budget not identified
2	Anticipated cash saving Budget Adjusted	Budget adjusted in line with Impact statement
3	No baseline – savings cannot be established	Data not available at commodity level Baseline is historic (infrequent purchase) Contract will be reviewed (annual anniversary) with contracted supplier to establish savings
4	No Savings anticipated	Contract has resulted in no savings or indeed an increase
Non Cash	Non cash benefits	

- 4.2 A total saving of £1.358M (£1.778M 2014) has been achieved for the year 2014/2015 (see **APPENDIX 1a**), of which:

£0.709M (£0.723M 2013) is category 1 (non budget adjusted)

£0.649M (£1.055 2013) is category 2 (budget adjusted).

Although we have achieved our strategic target for savings £1.2M for the year, Committee will note the significant drop for category 2 which is due to a combination of three second generation contracts which do not add any new savings and two contracts which were not replaced. However a total of seven new contracts are reporting some savings - just not enough to offset the values lost.

- 4.3 Given that the Council started from a position of no recorded savings prior to the restructuring of procurement in 2010, it was always expected that there would be an initial surge, followed by a slow down (as evidenced last year) and now a slow reduction in the values achieved. As the Council replaces its first generation contracts (for which savings have been identified) there is little room to achieve further financial cost benefits (and therefore the ability to record further savings) but the Council continues to enjoy the lower price starting point won on the original competition.
- 4.4 In addition to the measurement of savings, volume data on contract activity for the year has also been produced, (see **APPENDIX 1b**). This information shows the spread of contracts across national, sectoral and local

categorisation and highlights the increasing use of the publiccontractscotland portal. Two new measurements have been added to the table which records the level of council spend for small, medium and large organisations and by geographical location. This data is taken from the national information Hub, where spend data is uploaded from all public organisations and analysed. Unfortunately the result of this national upload for 2014/15 will not be available for a couple of months.

- 4.5 In order to ensure that the Council improves procurement performance, the team are focusing on the achievement of non-cash benefits from second and third generation contracts. Achieving added value for Moray from any tender process is now embedded in the development of each procurement strategy. To ensure that these measurements and achievements can be reported, information has been categorised into the various potential benefits (**APPENDIX 2**) and the team are now developing the mechanisms for reporting the results next year.

5. 2014/15 STRATEGIC TARGETS

- 5.1 The procurement strategy for 2011 to 2014 was approved by Policy & Resources Committee on 23 November 2010 (para 10 of the minute refers). The document is due for updating however the Procurement Reform Act 2014 contains implications affecting public procurement strategies. This will include the requirement for all organisations to publish an annual strategy with defined content. Rather than work on the current strategy content for 2014/2015 and then rewrite for 2015/2016, approval was granted by Policy & Resources Committee on 13 May 2014 (para 5 of the minute refers) to extend our current strategy for a year by which time it was hoped that national guidance could be incorporated. Unfortunately we still await the detailed guidance and therefore have been unable to develop a new Procurement Strategy for Moray. However a new set of annual strategic targets for 2015/16 is proposed in this report for Committee to approve which will ensure continued focus on improvement (**APPENDIX 3**).
- 5.2 The performance against 2014 targets is set out in **APPENDIX 4**. The team are pleased to report that they have achieved all of the targets set.
- 5.3 The strategic target 4 for 2014 was to achieve a Procurement Capability Assessment (national, annual audit facilitated by Scotland Excel) score of 60%. From a starting point of 19% in 2009, the Council now scores 63%, a considerable achievement which has taken The Moray Council slightly above the national average for local government, see **APPENDIX 5**.

5.4 Work continues to focus on the only two sections still below 50%:

- Contact and Supplier management – a Moray Council Contract Management Model has been developed and will be launched later this year
- Key Purchasing Processes and Systems – currently developing a link to the Scottish Government's e-invoicing solution. Implementing e-CM (electronic contract management) module and E-SPM (electronic Supplier Performance Measurement) module within PCS-T (Public Contract Scotland tender system). New purchasing card provider in place with a choice of system solutions to be developed.

6. PROCUREMENT PRIORITY PLAN

6.1 In order to assist in the planning and resourcing of procurement activity, each Head of Service produces a Departmental Action Plan (DPAP) which in turn is collated to provide a Council wide Priority Plan. These plans are prepared by the Procurement Team and provide Heads of Service with:

- A list of Lead officers and the commodities they are responsible for
- A list of trained officers and the level of authorisation
- Any officers currently on the waiting list for training
- A list of current contracts with Contract Manager and expiry date
- New procurement areas for consideration

6.2 Using this information both services and the procurement team can plan the procurement activity for the year and determine the level of support required for each procurement project (based on risk and officer experience). In addition to the service focus, information collated from the DPAPs is used to create a Prior Information Notice (PIN) - a list of our planned contract activity for the coming year. The PIN is advertised on the publiccontractscotland portal to inform the market of our intentions.

6.3 As the DPAP exercise becomes embedded into council business there has been a greater emphasis on procurement planning, resource allocation and contract monitoring which in turn allows us to publish our requirements.

6.4 A summary of the Council's DPAPs and PIN are attached as **APPENDIX 6**.

7. SUMMARY OF IMPLICATIONS

(a) Moray 2023 A Plan for the Future / Service Plan

The work undertaken by the procurement team assists the Council achieve its local outcomes detailed for the Council's priorities in the Moray 2023 A Plan for the Future and 2015-2017 Corporate Plan.

The Procurement Strategy supports the Council deliver efficient and sustainable services.

(b) Policy and Legal

The Council policy on procurement was agreed by Policy Committee on 29 August 2007 (para 11 of the minute refers). The Procurement Strategy was approved by Policy & Resources Committee on 23 November 2010 (para 11 of the minute refers).

(c) Financial Implications

Details of savings are shown in **APPENDIX 1a** – a total £1.358 million for 2014/15.

(d) Risk Implications

If the Council fail to implement its Procurement Strategy this may impact on its ability to achieve additional savings in the future.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property issues arising directly from this report.

(g) Equalities

Equality impact assessments were carried on the procurement process during the DBS detail design stage and are contained within the Business case approved by Policy and Resources Committee on 22 September 2009 (para 15 of the minute refers).

(h) Consultations

Information contained in DPAP, agreed with Heads of Service, has been used to create the priority plan on **APPENDIX 6**. Efficiency savings are produced in consultation with Lorraine Paisey, Principal Accountant.

8. CONCLUSION

- 8.1 The Procurement Capability Assessment and the Council's performance results for 2014/15 show a continued improvement in the effectiveness of the Council's procurement arrangements.**
- 8.2 The Strategy targets for 2015/16 (APPENDIX 3) and planned programme of work is designed to continue to meet the objectives and maximise savings financial and non financial whilst supporting economic development through the links with, and support for, suppliers.**

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Background Papers: Held in payments section

