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**REPORT TO: POLICY AND RESOURCES COMMITTEE ON 30 AUGUST 2016**

**SUBJECT: PROCUREMENT PERFORMANCE (2015/2016) AND PRIORITY REPORT (2016/2017)**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 To provide members with an update report on Procurement and in particular report on procurement efficiency performance for 2015/2016 and the strategic procurement priorities for 2016/2017 which will incorporate the changes required by the Procurement Reform (Scotland) Act 2014 (the Reform Act).
- 1.2 This report is submitted to Committee in terms of Section (III) A (29) 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 2015/16 set out in APPENDIX 1a & 1b.**
- (ii) approve the 2016/17 strategic targets as set out in APPENDIX 4.**

**3. BACKGROUND**

3.1 At the Policy and Resources Committee meeting on 22<sup>nd</sup> May 2012 (para 6 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. **2015/16 EFFICIENCY PERFORMANCE**

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

	<b>Description</b>	<b>Issues</b>
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 £1.293M (£1.358M 2014) has been achieved for the year 2015/2016 (see **APPENDIX 1a**), of which:

£0.659M (£0.709M 2014) is category 1 (non budget adjusted)  
£0.634M (£0.649M 2014) is category 2 (budget adjusted).

Although we have achieved our strategic target for savings £1M for the year once again the values we have recorded have reduced. However it should be noted that the reduction is not as significant as the year before - £0.065M 2015/16, £0.420M 2014/2015. The reasons for this are varied and cannot be determined by analysing the figures in isolation as each contract attracts its own unique financial and budgetary impact.

- 4.3 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 our increasing use of national buying solution collaborative contracts. We now use a significant number of framework contracts which allow for direct award or indeed mini competitions from the original tender process, currently this will appear in our “new for year” data and whilst it is new business it is not a new contract.

- 4.4 In order to ensure that we continue to improve our procurement performance the team are now focusing on our ability to achieve non cash benefits from our contracts. Achieving added value for Moray from any tender process is now embedded in the development of each procurement strategy. To ensure we can then measure and report on these achievements, we have categorised the various potential benefits and have developed mechanisms for reporting the results (**APPENDIX 2**). Simplistic in its approach at this stage due to the limitations of our current register, ICT are creating a new Contract Register Database which should allow us to report on contract activity in more detail, which is another of the Reform Act requirements.

## **5. 2015/16 STRATEGIC TARGETS**

- 5.1 The procurement strategy for 2011 to 2014 was approved by Policy and Resources Committee, 23 November 2010 (para 10 refers). Further approval to extend this strategy for a year was granted by Policy and Resources Committee 13 May 2014 (para 5.1 refers) pending instruction from the Scottish Government around the new statutory requirement for an annual published Strategy contained within the Reform Act. This guidance was only made available in March this year and a target date for Strategy publication set for all public organisations of December 2016. Although work has commenced it will some time before we are in a position to provide Members with a draft document. We have, however, provided you with a set of proposed strategic targets for this year to ensure that we continue improving on our service delivery.
- 5.2 The performance against 2015 targets is set out in **APPENDIX 3**. The team are pleased to report that we have been able to action all the targets and will continue to develop the longer term aspects of the developments.
- 5.3 Previously Moray Council has used the Procurement Capability Assessment (PCA) to measure our development and performance for procurement. The evidence based audit was originally developed from the McClelland Report published in 2009 which over time became outdated and very process focussed. Procurement for public organisations has changed dramatically since then, as reflected in the Reform Act and the profession has sought to update the PCA to take account of these changes. A new assessment Procurement Commercial Improvement Programme (PCIP) has been developed. Scotland Excel will facilitate the assessment, however Moray has declined to take part this year to allow the team to focus on the additional work required to comply with the Reform Act changes.
- 5.4 In the absence of targets from the annual assessment, the Procurement Team have developed a strategic action plan for 2016/17, detailed in **APPENDIX 4**.

## **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 - **APPENDIX 5 & 6.**

## **7. SUMMARY OF IMPLICATIONS**

### **(a) Moray 2026: A Plan for the Future and Moray Corporate Plan 2015 - 2017**

The work undertaken by the procurement team assists the council achieve its local outcomes detailed for the Council's priorities in the Moray 2026 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 refers). The Procurement Strategy was approved by Policy & Resources Committee on 23 November 2010. (para 11 refers).

**(c) Financial Implications**

Details of savings are shown in **APPENDIX 1a** – a total £1.293 million for 2015/2016

**(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 refers).

**(h) Consultations**

Information contained in Departmental Procurement Action Plans (DPAP), agreed with Heads of Service has been used to create the priority plan on **APPENDIX 5 & 6**. Efficiency savings are produced in consultation with Lorraine Paisey, Principal Accountant.

**8. CONCLUSION**

- 8.1 The Strategy targets for 2016/17 (APPENDIX 4) 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:  
Ref: DB/LJC/[239-1582/213-2622](#)