



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 29 AUGUST 2017

SUBJECT: PROCUREMENT ANNUAL REPORT 2016/2017

BY: ACTING CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide the Committee with an update report on Procurement in Moray and in particular report on procurement efficiency performance for 2016/2017 and set the strategic procurement priorities for 2017/2018 which will incorporate the changes required by the Procurement Reform (Scotland) Act 2014 (the Reform Act).
- 1.2 To seek approval for the application of the Procurement Savings Strategy for all appropriate locally developed tender projects.
- 1.3 This report is submitted to Committee in terms of Section (III) A(28) of the Council's Administrative Scheme relating to Procurement arrangements.

2. RECOMMENDATION

2.1 It is recommended that the Committee:

- (i) **Notes the overall procurement performance for 2016/17 set out in the Annual Procurement Report which forms APPENDIX 1 to this report;**
- (ii) **Approves the 2017/18 strategic targets as set out in APPENDIX 2 to this report; and**
- (iii) **Approves the application of the Procurement Saving Strategy for all appropriate locally developed tenders which forms APPENDIX 3 to this report.**

3. BACKGROUND

- 3.1 At the meeting of this committee on 22nd May 2012 (paragraph 6 of the minute refers) a programme of procurement reporting was approved which required an annual update on performance against savings and strategic targets and to set the strategic targets for the coming year.
- 3.2 The Reform Act introduced a number of significant duties for all public organisations in 2016, including the publication of an Annual Procurement Strategy. The Moray Council Procurement Strategy was approved by this committee on 22nd November 2016 (paragraph 3.2 of the minute refers). The Reform Act also includes the requirement to report on performance against that strategy and sets out what should be included in that report. Although the Annual Report is not formally due until 2018 for the year 2017/18, we have used the guidance and template to create the Report for 2016/2017 attached as **APPENDIX 1** to this report.

4. 2016/17 PROCUREMENT PERFORMANCE

4.1 Annual Procurement Report

- 4.1.1 **Section 1** – provides a summary of the regulated procurements awarded (those procurements covered by the Reform Act). Appendix 1 to the Annual Report gives the detail behind this summary. This shows an increase in the number and value of live contracts, mainly due to the adoption of category A, B and O contracts. These are developed by Scotland Excel and other organisations.
- 4.1.2 **Section 2** – provides a review of the Council's regulated procurement compliance. Details are included as appendices 2, 3 and 4 to the Annual Report. The strategic targets included in the Strategic Action Plan for 2016/2017 are detailed in Appendix 2 of the Annual Report. We have completed all bar one of our task-based targets, with only the delivery of the new contract register database being delayed (due to ICT resources). The statistical measures used to assess compliance with the Procurement Strategy published in November 2016 report a mixed performance against target, with our use of non-cash benefits being a particular weakness. Non-cash benefits are listed at Appendix 3 to the Annual report. Reporting on non-cash benefits is a new issue and area of measurement for the team. We have spent the past year developing our approach and anticipate an improvement for 2017/2018. The report notes the potential use of supported business status to reserve certain contracts to this category of supplier, and current suppliers which may fall into this category are listed in Appendix 4 to the Annual Report. More work is required in this area to establish whether this is possible.

4.1.3 **Section 3** – summarises required future regulated procurements. Details are included as Appendix 5 to the Annual Report. We can only report on the contracts we know will either be extended or re-let (as listed in the contract register) in the two year period from 2016 to 2018: 19 extensions and 29 relets.

4.1.4 **Section 4** – provides a Moray update on work undertaken by the Procurement Team through the year, on the following areas:

- Supplier Development
- Construction Group
- Moray Contract Management
- Savings (see 4.2)
- Procurement Commercial Improvement Programme (see 4.3.2)

4.2 Procurement Savings

4.2.1 A total recurring saving of £1.009 million (£1.338 million 2016) has been achieved of which:

£0.364 million (£0.693 million 2016) is category 1 (non budget adjusted)

£0.645 million (£0.645 million 2016) is category 2 (budget adjusted).

4.2.2 Although we have achieved our strategic target for savings of £1 million for the year, the values we have recorded continue to reduce year on year. It should be noted that the reduction in 2016/17 is mainly due to contracts which previously reported a saving expiring in 2015/16 and being replaced by new contracts which did not achieve a saving. 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. However we can see from the analysis that we have continued to sustain the value for the budget adjusted category (2) which provides a true “bankable” efficiency.

4.2.3 It was disappointing to note that we were unable to report any savings on locally developed tenders awarded in 2016/2017. To that end we have developed a Procurement Savings Strategy (**APPENDIX 3** to this report) which, if approved, will target any appropriate future projects to achieve 3% savings against current expenditure.

4.3 Procurement Strategic Targets

4.3.1 Procurement strategic targets have been developed each year using the data from the annual procurement assessment. From 2009 to 2014 this consisted of the Procurement Capability Assessment (PCA). We created specific targets to close gaps in process and performance identified in the assessment. This resulted in an improved PCA score from 19% in 2009 to 63% in 2014 when the last PCA was carried out.

- 4.3.2 The national assessment has now changed to the Procurement Commercial Improvement Programme (PCIP). This is a bi-annual assessment with a new focus on outcomes and a changed scoring mechanism. Our most recent assessment was carried out in March 2017 and resulted in a score of 60.4%. Given the change in direction for the exercise from process to outcomes, this was a good result and shows continual improvement.
- 4.4 An update on the strategic targets for 2016/2017 is given in **APPENDIX 1**, starting at page 11 (Appendix 2 to the Annual Procurement Report). The strategic targets for 2017/2018 are included as **APPENDIX 2** to this report for approval.

5. 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 of the minute refers). The Procurement Strategy was approved by Policy and Resources Committee on 22nd November 2016 (paragraph 3.2 of the minute refers).

(c) Financial Implications

Details of savings are shown in **APPENDIX 1**, Section 4, table 2, page 6 – a total £1.009 million for 2016/2017

(d) Risk Implications

If the Council fail to implement the proposed 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 August 2016.

(h) Consultations

Information contained in Departmental Procurement Action Plans (DPAP), agreed with Heads of Service has been used to create the future regulation procurement summary. Efficiency savings are calculated in consultation with Lorraine Paisey, Head of Financial Services. All Heads of Service have been consulted on the Procurement Savings Strategy and comments incorporated.

6. CONCLUSION

6.1 The Annual Procurement Report (APPENDIX 1) summarises progress during 2016/17.

6.2 The strategy targets for 2017/18 (APPENDIX 2) and planned programme of work is designed to continue to meet the Council's procurement objectives. The Procurement Savings Strategy (APPENDIX 3) will help maximise financial savings and our further development of non-financial benefits will support economic development through the links with, and support for, suppliers.