
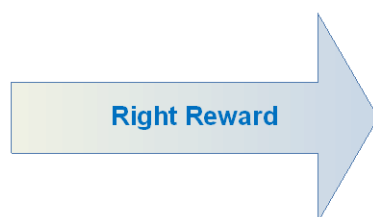


APPENDIX 1

	<p>MORAY COUNCIL ANNUAL PROCUREMENT REPORT 2017/2018</p>
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FULL VERSION INCLUDING DETAIL APPENDICES IS AVAILABLE ON THE MEMBERS PORTAL

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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 by category.

TABLE 1

Contract Type	Number	Estimated Contract Value £000
Category A (national)	27	6,007
Category B (sectoral)	108	19,871
Category C (local single supplier)	130	41,543
Category C (framework)	37	8,939
Category C1 (local collaboration)	14	1,811
Category O (other)	50	14,438
Non advertised	110	50,282
Total	476 (415)	142,891 (127,983)

In total there are 476 live contracts listed in the Council's contract register; of these 102 (47 contracts and 55 mini comps/direct awards) were awarded or added to the register in the year 2017/2018.

APPENDIX 1 provides the breakdown of the contracts awarded during 2017/2018

Commentary on performance:

Significant increase in the volume of live contracts on the register (415 to 476) coming from a general review of the register as the council has moved from a basic spreadsheet register to an online database version, capable of storing more detailed information. This review has identified a number of arrangements not previously on the register e.g. licenses, single call arrangements for category B care contracts and annual levies. These have been added retrospectively.

SECTION 2 – REVIEW OF REGULATED PROCUREMENT COMPLIANCE

APPENDIX 2 provides the performance results against the Council's Procurement Strategic Action Plan for 2017/2018, 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:

Much of the infrastructure required to deliver the Section 1 PCIP measurements have been developed and are in place. However the desired change to outputs has yet to be evidenced. It is hard to say whether this is down to an under estimation of how long this would take, a resource issue, a lack of internal training to use the new developments or indeed a combination of all of these issues. Having reviewed the position with the team it is felt that is it the former, not every tender can incorporate all the elements highlighted in the action plan and so it will take time before we can evidence all the changes. However what this review has done is refocused the team on the need for change and improvement and this will be closely monitored throughout this year.

We have had made some notable successes in 2017/2018:

the new contract register going live and producing a wider range of management information than previously possible

the introduction of an embedded purchasing card with one major catering supplier which will provide processing efficiencies and attract a government card rebate

Section 2 of the action plan concentrates on measurements that will support the delivery of the Procurement Strategy. We continue to maintain our high level of contract coverage at 94% (measure A1) and we can report a significant increase in procurement savings for categories 1 & 2 (non-budget adjusted and budget adjusted) from £1.009M to £1.672M (measure A2). However we also have to report a significant increase in unplanned activity with 35.7% 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 will be addressed during the annual Departmental Procurement Action Plan (DPAP) development and the subsequent quarterly reviews.

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.

APPENDIX 3 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.

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. Further analysis of these totals show a concentration in the first year of 102 "saving in procurement development time" (collaborative contracts) which dramatically reduced in the second year to 19, suggesting either a problem with our recording or indeed a phasing issue with a smaller number of collaborative category A & B renewals. The analysis for last year shows a healthier spread of benefits across all categories with 57 collaborative benefits and 125 benefits spread across the other 6 categories. It would appear that more of our contracts are starting to incorporate a range of sustainable and community benefits including greenhouse gases (6), waste (7), apprentices (5), and training (7).

APPENDIX 4 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).

Commentary on performance:

Although not formally contracted as supported businesses, we believe that our use of the companies listed in Appendix 4 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. The Act has extended this timeframe to two years and **APPENDIX 5** provides a summary of anticipated regulated procurements for that period.

Commentary on forward plan:

Taken from the contract register this list contains all contracts with an end date between 2018 and 2020, 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 in Inverness (September 2018) and various communications throughout the year to promote Council procurement activity.

Construction Group – involving a wide range of representatives from the Council construction services, this group is focused on the issues facing this sector highlighted by the national Procurement in Construction Review 2013. Reviewing the Council's approach to market and our own internal procedures the Group has developed a new set of procurement procedures specifically for construction contracts and a performance measurement process for the development of internal references which will be used in future tender processes.

Moray Contract Management (MCM) – The result of our 2016 Procurement Commercial Improvement Programme (PCIP) highlighted a significant gap in our performance for contract management. Although we have evidence of some very robust management arrangements we have also seen areas where little if any resource is assigned to ensure that our contracts are actually delivering the required standard(s). We have developed a model and process for the management of, and the reporting on, contract performance. For key suppliers and key frameworks we have allocated a Procurement Officer to support

departments in the implementation of this model. MCM activity has taken place on six key contracts across all departments and it is anticipated that this work increase throughout 2018/2019.

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
- 7 Rebate – centralised collection of contract rebates
- 8 Spend to Save – phased return on investment

APPENDIX 3 outlines performance for category 5.

Category 6 was introduced during 2017/18 and to date a saving of 0.326M has been recorded. Work has only just started to record performance for categories 7 and 8.

As previously outlined we can report an increase for savings from 2016/17 to £1.672M.

TABLE 2

Cash Savings 2017/18 (2016/17)		
Category of Saving	Recurring savings	Savings for year (adjusted for start and end date)
	£ million	£ million
1	1.071 (0.364)	0.582 (0.274)
2	0.601 (0.645)	0.576 (0.546)
Total	1.672 (1.009)	1.228 (0.820)

Further analysis of this total highlights a continuing delivery of budget adjusted savings at £600,000 per annum. However we have recorded a significant increase in the savings attributable to category 1, non-budget adjusted mainly due to a number of call-off projects

from a Scotland Excel; contract for the supply of street lighting materials. A change to the previous procurement strategy fast tracked the capital purchase of materials for the LED replacement programme which delivered over £500.000 of savings over 10 projects. At the time the savings were categorised as category 2 (non-budget adjusted) when in reality they were actually capital spend. As a result of this contract we have now introduced a category specifically for capital savings.

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 assessment took place in March 2017; facilitated by Scotland Excel we submitted our evidence on behalf of all departments. The result was an overall score of 60.4%. A change to our 2014 result for the previous audit (Procurement Capability Assessment – PCA) however this is expected as the two exercises are completely different with the former focussing on process and structure and the latter now concentrating on the quality of outputs. The process does result in a clear gap analysis and informs the development work for the Procurement Team for the coming year as outlined in the 2017/2018 PCIP Measurements (section 1 of the Strategic Action Plan)

SECTION 5 - SUMMARY

The significant improvements evidenced by the PCA (19% 2009 to 64% 2014) and now the 2017 PCIP result (60.4%) highlights the work of both the Procurement Team and Departmental Procurers to develop and embed the infrastructure and principles of effective procurement.

The focus switched as a result of the 2017 assessment to the quality of outputs and to the specific issues outlined in our Strategic Action plan. Commentary on that performance can be found in Section 2.