



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 7 AUGUST 2018

SUBJECT: PROCUREMENT ANNUAL REPORT

BY: 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 performance for 2017/2018.
- 1.2 This report is submitted to Committee in terms of Section III B (28) of the Council's Scheme of Administration relating to procurement arrangements.

2. RECOMMENDATION

- 2.1.1 **It is recommended that the Committee notes the overall procurement performance for 2017/2018 set out in the Annual Report as summarised in APPENDIX 1 and in Section 4 below. A full copy of the Annual Report has been placed on Members Portal.**

3. BACKGROUND

- 3.1 The Procurement Reform (Scotland) Act 2014 (the Reform Act) introduced a number of significant duties for all public bodies, including the publication of an Annual Procurement Report to outline performance against the organisation's Procurement Strategy.
- 3.2 The Procurement Strategy for 2016/18 was approved by this Committee on 22 November 2016 (paragraph 5(i) of the minute refers) and the Annual Report measures performance against that Strategy.

The format and content of the Annual Report is dictated by the Reform Act and although not formally required until now, it was used to assess and report performance for 2016/2017.

4. 2017/2018 PROCUREMENT PERFORMANCE

4.1 The report assesses performance against a number of categories including:

- i) Summary of Regulated procurements
- ii) Review of procurement compliance
- iii) Assessment of progress against the strategic action plan
- iv) Non Cash benefits

4.2 The main action and learning points from the 2017/18 report are:

- i) There has been an increase in the volume of live contracts on the register (from 415 to 476)
- ii) the desired change to procurement outputs (i.e. wider range of sustainable benefits,) has yet to be evidenced – this is likely to be a timing issue
- iii) there have been some notable successes:
 - 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
- iv) Procurement savings for categories 1 & 2 (non-budget adjusted and budget adjusted) increased from £1.009 million in 2016/2017 to £1.672 million in 2017/2018, considerably above the target of £1 million.
- v) More contracts are incorporating a range of sustainable and community benefits including reduction of greenhouse gases and waste, provision of apprenticeships and training.
- vi) Work requires to continue on:
 - reducing off contract spend (£6.3 million in 2017/18)
 - reducing unplanned procurement activity, which has seen a significant increase to 35% (some due to unavoidable emergency work and ad hoc additional funding)
 - continuing to improve performance on environmental and sustainable non-cash benefits

4.3 Section 4 Moray Update (Pages 6-8 of the Annual Report refer)

The Section 4 of the annual report – Moray Update - includes the following summary of procurement savings recorded during 2017/18:

Cash Savings 2017/18 (2016/17)		
Category of Saving	Recurring savings £ million	Savings for year (adjusted for start and end date) £ million
1 – Budget not adjusted	1.071 (0.364)	0.582 (0.274)
2 – Budget adjusted	0.601 (0.645)	0.576 (0.546)
Total	1.672 (1.009)	1.228 (0.820)

The procurement process continues to deliver budget-adjusted savings of £600,000 per annum. In addition to this there has been a significant increase in Category 1 savings 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. As a result of this contract we have now introduced a category specifically for capital savings.

5. **SUMMARY OF IMPLICATIONS**

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The work undertaken by the procurement team assists the Council achieve its local outcomes detailed for the Councils priorities in the Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan)

(b) **Policy and Legal**

The Council policy on procurement was agreed by Policy Committee on 29 August 2007 (paragraph 11 of minute refers). The 2016/2018 Procurement Strategy was approved by Policy and Resources Committee on 22 November 2016 (paragraph 5(i) of the minute refers).

(c) **Financial implications**

Details of savings are shown in paragraph 4.3 of this report.

(d) **Risk Implications**

If the Council fail to implement the annual Procurement Strategy this may impact on its ability to achieve additional savings and procurement benefits 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/Socio Economic Impact

Equality impact assessments were carried out 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 Paul Connor, Principal Accountant and agreed by the Head of Financial Services. Corporate and Senior Management teams have been consulted on the content.

6. CONCLUSION

- 6.1 The Annual Procurement Report summarises procurement progress during 2017/2018. This shows areas of progress and good performance and also identifies areas for further improvement with actions for continuing improvements in the council's procurement arrangements contained in the action plan.**

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Background Papers:	
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