

**PERTH AND KINROSS COUNCIL****Strategic Policy & Resources Committee – 13 February 2013****Scrutiny Committee – 13 February 2013****PROCUREMENT CAPABILITY ASSESSMENT: UPDATE REPORT 2012****Report by Executive Director (Housing & Community Care)****ABSTRACT**

This report summarises progress made during the financial year 2011/12 against the objectives set out in the Procurement Strategy 2011-15 (Report 11/316 refers). This report details the scores attained by the Council for Procurement Capability following an assessment conducted in October 2012; resulting from implementation of the Strategy.

**1. RECOMMENDATIONS**

It is recommended that Strategic Policy & Resources Committee:

- 1.1 Note the content of this report, which is submitted in accordance with the approved objectives as contained within the Procurement Strategy 2011 - 2015 (Report 11/316 refers).

It is recommended that Scrutiny Committee:

- 1.2 Scrutinise the content of this report.

**2. BACKGROUND**

- 2.1 In August 2008 the Council, in partnership with Angus and Dundee City Councils, created a shared procurement team (known as the Tayside Procurement Consortium) to deliver procurement reform in line with the Scottish Government programme.
- 2.2 In the report to Strategic Policy & Resource Committee (Report No 08/69 refers) a commitment was made to provide update reports describing the work undertaken to deliver procurement reform.
- 2.3 Previously, progress reports have been presented to this Committee on performance against the programme of improvement set out in the Procurement Strategy 2011-15 (Report 11/316 refers). The introduction of the Procurement Capability Assessment four years ago has provided an objective mechanism by which progress can be measured.

### 3. PROCUREMENT CAPABILITY ASSESSMENT

- 3.1 The Scottish Government has initiated a formal assessment to measure procurement capability. The Council was assessed for a fourth time in October 2012. The results evidence the progress that the Council has made since the first assessment in 2009. The Council's score of 54% in 2012 shows a marked improvement on the 2009 score of 23% and means that the Council is objectively considered to be delivering improvement in its procurement function.

SECTION HEADING	Perth & Kinross Council Score 2009	Perth & Kinross Council Score 2010	Perth & Kinross Council Score 2011	Perth & Kinross Council Score 2012
Procurement Leadership & Governance	30%	43%	62%	67%
Procurement Strategy & Objectives	38%	50%	71%	80%
Defining The Supply Need	7%	27%	33%	44%
Procurement Commodity / Project Strategies & Collaborative Procurement	31%	44%	44%	56%
Contract & Supplier Management	14%	11%	19%	33%
Key Purchasing Processes & Systems	21%	50%	50%	47%
People	23%	33%	48%	61%
Performance Measurement	17%	20%	27%	50%
<b>Overall Procurement Capability scoring</b>	23%	<b>36%</b>	<b>45%</b>	<b>54%</b>

Banding:

0 – 24%	Non Conformance	25 - 49%	Conformance
50 – 74%	Improved Performance	75 -100%	Superior Performance

- 3.2 The assessment indicates that the Council is doing many things well; in five of the eight sections of the assessment the Council is able to evidence Improved Performance.
- 3.3 The average PCA score in 2012 for Scottish Local Authorities was 48%, with the average improvement being an 8 point uplift. The increase of 9 points at Perth & Kinross Council means that improvement is as fast, or faster than at other local authorities. As was the case in 2011; Perth & Kinross Council is ranked in the top third of the local authority sector.

- 3.4 The Improvement Action plan is revised annually following the PCA to ensure appropriate emphasis is given to any issues highlighted by the assessment team. Amendments and the monitoring of progress to this Action Plan are approved by the Procurement Steering Group. The current version of the plan is appended to this report.

#### **4. THE COUNCILS PROCUREMENT STRATEGY 2011 - 2015**

- 4.1 In summary the Procurement Strategy 2011-2015 detailed outcomes under 8 headings for improvement:

- Leadership and governance
- Strategy and objectives
- Specification
- Sourcing Strategies
- Contract and Supplier management
- Process and Systems
- Our people
- Performance measurement

- 4.2 The Improvement Action Plan was appended to the Strategy, and Section 5 of this report summarises the delivery against those objectives.

#### **5. PROGRESS AGAINST PROGRAMME OBJECTIVES**

- 5.1 The Tayside Procurement Consortium, and the Council as a member of the consortium, has made significant progress in the four years since the launch of the procurement reform programme; receiving national awards and commendations on our innovative approach to procurement.

Notable progress to the agreed objectives in the reporting period include:-

##### **Leadership & Governance**

- 5.2 Objectives set under this heading led to the creation of a more automated process for recording details of those officers authorised to procure on behalf of the Council.
- 5.3 This in turn supported planning for a targeted training programme to ensure that those same officers are provided with the necessary support to ensure procurement is undertaken in a way that delivers optimum value for the Council.

##### **Strategy & Objectives**

- 5.4 Broadly the objectives approved under this heading can be described under three themes; communication & buy-in to the Strategy, development of the contract register and corporate social responsibility.

- 5.5 Dealing with each theme in turn; a communication plan is in place for the full procurement programme and a feedback mechanism (in the form of an ongoing survey to check the success of this work) has been created – the findings of that survey will be included in the 2012/13 report.
- 5.6 The process for ensuring accuracy of the content of the Council's contract register is now largely automated through the use of the Public Contracts Scotland national advertising portal; procedures are in place which require officers to use the portal when creating contracts with a value greater than £5,000.
- 5.7 The above measure supports the next theme, corporate social responsibility which is more usually described as Sustainable Procurement. A significant piece of work was undertaken during 2011/12 to develop the Sustainable Procurement Policy which was approved by Strategic Policy & Resources Committee in the current financial year (Report 12/402 refers). Resource was invested in recognition of the potential for procurement undertakings to support the Council in delivering social, economic and environment benefit for the community.

#### **Specification (Defining the Need to Buy)**

- 5.8 For this heading commitments were made for the full procurement staff compliment to assist officers, where possible, in designing their procurement exercises to maximise value and achievement of Council outcomes.
- 5.9 Examples of how this is achieved include the use of data extracted from the Council's eProcurement system to develop specific contract requirements, continuing to develop collaborative arrangements with our Community Planning Partners and facilitating access to existing contracts through central holding and sharing of information.

#### **Sourcing Strategies**

- 5.10 Objectives agreed under this heading relate to the decisions made when determining our route to the market for purchased goods, services and works.
- 5.11 Continued support for local business, we can evidence that a minimum of 27% of expenditure is with businesses within the boundary of Perth & Kinross. In all 62% of our external spend is spent within Scotland and the remainder is spent almost entirely within the UK. The continued use of the national advertising portal for promoting public contract opportunities and local supplier engagement events support further improvement in this area.
- 5.12 Fair Trade - The Council has committed to support Fairtrade, and is encouraging the support for Fairtrade principles through the wider community and local businesses. The Procurement team can support this initiative by assisting procuring officers in how to specify appropriate goods into contracts.

- 5.13 **Community Benefits** - A Community Benefits through Procurement group was established in late 2011/12; the work of which will support the Employability Strategy and Action Plan for Perth & Kinross, approved by Council in 2012/13 (Report 12/438 refers).
- 5.14 **Risk Management** - A key outcome, monitored by the Scottish Government via the annual Procurement Capability Assessment (PCA), is the involvement of skilled, knowledgeable and well trained procurement staff in all significant contracting activity. This is intended to reduce risk from contractual relationships, and the potential for detrimental impact on finances, resources and service provision that these may have.

### **Contract and Supplier Management**

- 5.15 The focus of this work stream in 2011/12 was further improvements to the accuracy and veracity of the contract register, which has now been created. This has been a necessary foundation for further development work taking place in 2012/13 and beyond which will capture our approach to contract and supplier management in more detail.

### **Process and Systems**

- 5.16 **Development of Procurement Procedures**  
During 2011/12 an updated Contracts & Procurement Guidance was published on the intranet and is available to all staff. This guidance is intended to reduce the risk to the Council, which can arise from inconsistent application of the Contract Rules or of the Public Contracts (Scotland) Regulations.
- 5.17 **Procurement Pages on [www.pkc.gov.uk](http://www.pkc.gov.uk)**  
The Council has a Procurement area on its website. A range of supplier-focussed information about the Council's procurement activity is provided, along with a link to published contract opportunities on Public Contracts Scotland. This also links to the Scottish Government's Supplier Journey, which outlines what businesses can expect when tendering with the public sector.
- 5.18 **eProcurement tools**  
The roll out of PECOS, the Council's eProcurement system, has now been completed; this allows further automation of processes leading to the issuing of purchase orders on behalf of the Council. In 2011/12 the financial controllers of each service put measures in place to facilitate the removal of paper purchase orders from circulation, to support the delivery of optimum efficiency from the use of PECOS.

<b>PECOS Roll Out</b>	<b>Target 2011/12</b>	<b>Actual 2011/12</b>	<b>Comments</b>
<b>Users</b>	1,390	1,589	Due to more teams using PECOS than initially expected.
<b>Suppliers</b>	500	1,311	Due to removal of paper purchase orders.
<b>Order Volume</b>	18,259	18,888	A consequence of the factors above.

- 5.19 PECOS also assists the Council in maximising spend with contracted suppliers; during 2011/12, 72% of orders placed through the system were with a contracted supplier. This compared favourably to the total spend with a contracted supplier reported in the BMIP of 55% (Report 12/223 refers). It is important to note that all suppliers, regardless of size can be added to PECOS, there is an internal process in place to assist officers to request the adoption of new suppliers as required.
- 5.20 In addition to PECOS; the Council made good progress during 2011/12 in defining further efficiencies from system integration with the nationally provided suite of eProcurement tools, and between systems in the Council, to rationalise the purchase to pay processes used. This work will be the focus for 2012/13 and beyond.

### **Our People**

- 5.21 **Provision of Training on Tendering and on Tactical Purchasing**  
Over the course of the year, awareness raising and procurement training has been delivered to a wide range of Council officers. This has taken the form of online modules, group sessions, individual sessions and externally delivered courses.
- 5.22 During 2012 outline content for internal courses was developed; this will allow officers to select appropriate training based on the degree of involvement, and the stages of procurement, in which they participate. Plans are in place to deliver this training during 2013.
- 5.23 Increasing the number of staff with Professional Purchasing Qualifications – Membership of the Chartered Institute of Purchasing & Supply. Procurement staff working for the Council are encouraged to study towards attaining their professional procurement qualification (MCIPS), where appropriate. A further two members of the (TPC) Procurement Team passed the Charter exams and joined the Institute during 2011, with four staff situated in council services making further progress towards the same goal.

### **Performance Measurement**

- 5.24 **Performance Monitoring**  
The significant uplift in the assessment score for this section during 2012 can be attributed to a focused approach by the Corporate Procurement Group to developing new monitoring reports. The group is made up of Service officers and officers from the Corporate Procurement Team who this year jointly agreed on the type of reporting to be produced; these reports are now used by officers in each Service to monitor improvements at Service level.

## **6. RESOURCE IMPLICATIONS**

- 6.1 There are no direct financial implications arising from this report. The procurement efficiency savings identified over the reporting period were addressed to some extent in corporate budget savings for 2011/12 with the majority made available to departments for use in delivering services and/or achieving departmental budget efficiency targets.
- 6.2 The Councils Annual Efficiency Statement reported £2.513 million of procurement efficiencies as realised in 2011/12 (Report 12/392 refers).

## **7. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012**

- 7.1 The Council's Corporate Plan 2009-2012 lays out five objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-
- (i) A Safe, Secure and Welcoming Environment
  - (ii) Healthy, Caring Communities
  - (iii) A Prosperous, Sustainable and Inclusive Economy
  - (iv) Educated, Responsible and Informed Citizens
  - (v) Confident, Active and Inclusive Communities

- 7.2 The activities in this report support the third objective

## **8. EQUALITIES ASSESSMENT**

- 8.1 The Council's Corporate Equalities Assessment Framework requires an assessment of functions, policies, procedures or strategies in relation to race, gender and disability and other relevant equality categories. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new policies to ensure there is no adverse impact on any community group or employees.
- 8.2 The policy presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not require further assessment.

## **9. STRATEGIC ENVIRONMENTAL ASSESSMENT**

- 9.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all plans, programmes and strategies, including policies (PPS). However, in this instance, no action is required as the Act does not apply to the matters presented in this report because they do not constitute a PPS as defined by the Act.

## 10. CONCLUSION

- 10.1 The Procurement Programme has delivered on the agreed objectives to date. The programme is achieving savings that contribute to the overall efficiency savings targets set by the Council. The continued roll out of the Procurement Programme as part of the Tayside Procurement Consortium will further contribute to the Council's efficiency agenda. More importantly, good procurement is synonymous with good governance and the procurement agenda is far wider than the efficiency agenda, which is one part of the programme.

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**Note:** No background papers have been used, as defined by Section 50D of the Local Government (Scotland) Act 1973

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## PROCUREMENT REPORT ACTION PLAN 2011-2013

PKC Corporate Plan Objective	Outcome	TPC Improvement Action
LEADERSHIP & GOVERNANCE		
C. A prosperous, sustainable and inclusive economy	Ensure TPC procurement programme is embedded across the organisation	Involvement in procurement planning activity with departments for 2012/13 to prioritise procurement resource to support the Council’s strategic outcomes.
		Create commodity based procurement policy & advisory groups (PPAGs). these groups will be actively involved in contract management & review, product variety reduction, delivery schedule improvement. The required outcome is greater efficiency in sourcing.
		Engage with departments as follow-up to procurement planning activity to verify embedding of a strategic approach and contract & supplier management good practice. Gather evidence of success.
		Repeat conduct of annual stakeholder feedback on TPC-wide activity.
		Create a network of authorised procurement officers. Assess training needs using the Competency Framework self assessment tools.
	Improve the TPC Governance Framework	Repeat conduct of annual stakeholder feedback on TPC-wide activity.
PROCUREMENT STRATEGY & OBJECTIVES		
C. A prosperous, sustainable and inclusive economy	Ensure Key Council Users understand the strategy	Ensure that procurement governance framework creates a formal relationship between corporate procurement and authorised procurers, e.g. involvement in developing business cases & procurement strategies where appropriate.
	Corporate Social Responsibility	Continue to develop sustainable procurement policy and implement via a Sustainable Procurement PPAG.
		Through the established Council Sustainable Procurement UIG, use the TPC Sustainable Procurement delivery Plan to draw to gather the various “sustainable procurement” activity stands going on at present and produce a prioritised action plan for the Council.
		Revise the Financial Regulations procurement “low value thresholds” in line with the approved SG position to achieve more local quotation opportunity.
SPECIFICATION OF GOODS & SERVICES		
C. A prosperous, sustainable and inclusive economy	Properly Specified Goods and Services, Effective Demand Management process and proper identification of need when determining business requirement	Seek UIGs support in rationalising / standardising product lines on contracts and gaining better “buy-in” from users for collaborative contract product ranges along with application of robust demand management and need identification for new product requirements.

PKC Corporate Plan Objective	Outcome	TPC Improvement Action
		This action is in the knowledge that all these approaches are expressions of the application of skilled procurement management and are not deliverable by UIG activity alone..
	Effective Demand Management process	Develop through PPAG's.
	Use of Value Analysis when determining business requirement	Develop through PPAG's.
	Efficiencies from collaborative procurement, local supplier development	Develop a "Tayside Meet the Buyer" programme of supplier development events, engage the support of Economic Development to deliver these.
	Use of Public Contracts Scotland (PCS)	Include "Contract & Supplier Management" within basic procurement training. Work with departments to make more and better use of Public Contracts Scotland current tools, particularly "Quick Quote"
SOURCING STRATEGY & COLLABORATION		
C. A prosperous, sustainable and inclusive economy	Revised set of Standing Orders and Financial Regs	Aim to have in PKC during 2012, place all documents in TPC PCA area for evidence
CONTRACT & SUPPLIER MANAGEMENT		
C. A prosperous, sustainable and inclusive economy	Contract & Supplier Management	Include "Contract & Supplier Management" within basic procurement training.
		Consider with TPC and departments conducting supplier feedback survey activity.
KEY PURCHASING PROCESS & SYSTEMS		
C. A prosperous, sustainable and inclusive economy	Quality Assurance (systems and processes)	As part of Rationalising the Purchase to Pay Process project work, identify and categorise purchasing systems in use. Assess systems offering purchasing functionality and data, migrate from systems which do not. Embed a quality review process.
		Consult with Payments Team and understand if there are improvements which can be made to payments performance which procurement can support. Report to Financial Controllers meetings with recommendations.
		Develop a suite of regular eProcurement reports to support on-contract purchasing and BPI reporting. Report progress to departments and summarise outcomes by report to the Financial Controllers and the TPC Steering Group.
		Develop a P2P Strategy for each Council.
		Create a governance structure to support it.
		Implement or support implementation of the action plan flowing from the Strategy
		Develop a suite of regular e-Procurement reports to support improved purchasing by departments.
		Maintain e Procurement system, approved suppliers, catalogues and content, support user demands, etc. Also maintain BPIs and SPIH(spikes) data.

PKC Corporate Plan Objective	Outcome	TPC Improvement Action
<b>PEOPLE</b>		
C. A prosperous, sustainable and inclusive economy	Capability - resource planning	Deliver procurement training to identified authorised procurement officers. Must include EU content (intro and refresher) and link into national support tools, incl. the Proc Journey contract management toolkit.
		Maintain elected member senior management current procurement awareness and support via awareness raising event(s). Deliver with post-election elected member procurement overview / refresher training.
		Continue with requisitioner & approver training on PECOS, including sourcing.
	EU Regs Training	Use / roll-out Scot Gov's EU Regs Intro Training online tool + in-house legal resources, as appropriate / available.
<b>PERFORMANCE MEASUREMENT</b>		
C. A prosperous, sustainable and inclusive economy	Reporting	Continue reporting mechanisms. 6 times per annum to Procurement Steering Group; 2 times per annum to Committee.

