

# Procurement Annual Report

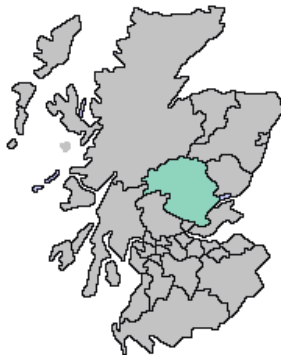
2018/19

Perth and Kinross Council



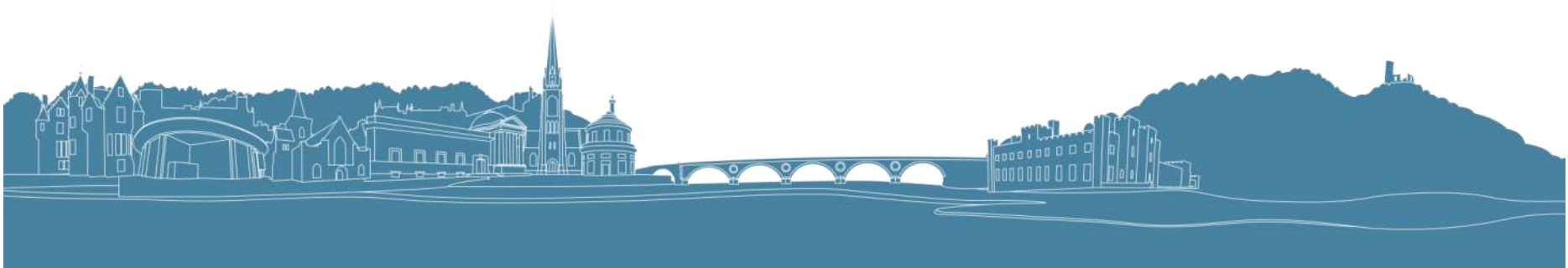
This report details further progress made by Perth and Kinross Council against the Procurement Strategy first approved in December 2015. The main purpose is to report on how we met our aims and objectives and achieved value through our purchasing decisions.

Perth and Kinross Council  
2 High Street  
Perth  
PH1 5PH  
01738 475521  
[contracts@pkc.gov.uk](mailto:contracts@pkc.gov.uk)



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## Executive Summary

A three year Procurement Strategy was approved for Perth and Kinross Council in December 2015. Each subsequent year an updated version of this strategy has been published. This annual report records the activities concluded in the third and final year of our current strategy.

The three year Procurement Strategy included an improvement action plan which set out how the Council intended to direct expenditure. The plan was devised to ensure we had an appropriate procurement infrastructure in place, to not only deliver essential savings but also to support the wider objectives of the Council and local community partners. The annual report records progress against our improvement actions, the contributions of procured goods, services and works to the wider objectives of our organisation and the use of community benefits to deliver social value.

A primary focus in each iteration of Procurement Strategy is to align third party expenditure with the delivery of local objectives. This is conceived in the context of the [Scottish Government's vision](#) of “**Delivering procurement that improves public services for a prosperous, fairer and more sustainable Scotland**” and “**delivers local economic, environmental and social benefits**”.

The main focus of this report is to provide an update on the ways in which procurement activity has been used to support the specific needs of the Perth and Kinross Council area.

As the Council also works on the development of contracts jointly with Angus Council and Dundee City Council the report references the [Tayside Procurement Consortium \(TPC\) strategy](#). Readers are directed to the public information on joint procurement with the Tayside local authorities. One of the benefits this model gives is a more efficient interface with the business and third sector communities across Tayside, supporting joint engagement and development work streams. Joint attendance at supplier engagement events and a consistent approach to contracting in Tayside are examples.

This update provides more detail on the improvements made to ensure that the Council's working practices aligned with legislative and regulatory requirements introduced by the [Procurement Reform \(Scotland\) Act 2014](#) and the implementation of the [EU Directives \(Procurement and Concessions\)](#) of 2014.

Council spend with third parties during 2018/19 was £240M, this includes expenditure on goods, services and works and that placed with arm's length organisations such as Tayside Contracts. The figure also includes monies allocated to support capital investment decisions taken by the Council.

## 1. Introduction

The Corporate Plan is the Council's overarching statement on the Council's ambition to be an excellent organisation, delivering high performing quality services that meet the needs of users and communities. It demonstrates the Council's commitment to improving services and enhancing the quality of life of our citizens while making best use of public resources. It gives a commitment to deliver excellence through developing our people, modernising our organisation and working constructively in partnership with other bodies to deliver high quality services in our local communities. Procurement has a significant role in creating the infrastructure to underpin the plan and realise the achievement of these objectives.

The changing face of public services means that enhancements must be made to the way in which the Council carries out its procurement activities. In recent years there has been a strong focus on procurement and commissioning as tools to support the way in which services are delivered. This annual report sets out a record of achievement in the final year of the plan.

The Procurement plan was established to reflect the increasingly important role that strategic procurement plays in enabling our Council to deliver local economic, environmental and social benefits. Building skills and capacity within the organisation both in respect of regulated procurement activity and in the strategic commissioning decisions is enabling the organisation to be more creative and innovative in service delivery. Effective commissioning and procurement decision-making has the potential to add increased value to around 60% of the financial expenditure undertaken by the Council each year.

We continue to strive for excellence in all of our dealings with our partner and third party organisations to support delivery of local public services.

## 2. Vision for procurement

In setting out the Procurement Strategy for 2019/20 we are reaffirming the vision for procurement as articulated in our three year plan. Future significant shifts in how we deliver procurement support will take place as part of the Council's commitment to increase collaboration in Tayside. The Procurement Strategy for 2020 and beyond is expected to be developed jointly with our Tayside partners:

*“To achieve commercial excellence in our procurement activities and ensure that we deliver Best Value services to the communities of Perth and Kinross.”*

*“To do so in an effective, efficient, ethical and sustainable way that delivers local economic, environmental and social benefits.”*

This report aims to demonstrate how, in working towards achieving these objectives, the Council has used the spend to support the delivery of the Corporate Plan objectives:

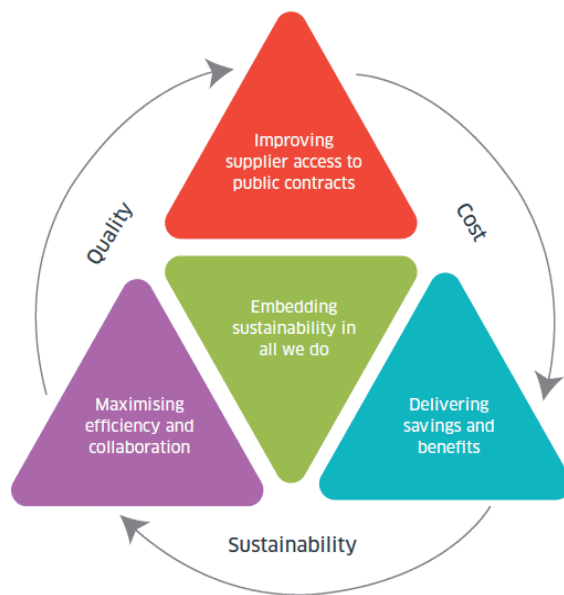


- Giving every child the best start in life
- Developing educated, responsible and informed citizens
- Promoting a prosperous, inclusive and sustainable economy
- Supporting people to lead independent, healthy and active lives

### 3. Context

The Council works in an increasingly complex, dynamic and challenging environment. It is important to consider the context and drivers for change (both local and national) that have informed the development of our Procurement Strategy. The [Scottish Model of Procurement](#), shown below, sets high level objectives for all public bodies to consider when working with supply markets.

This is consistent with the aims of our procurement transformation project.



To maximise the impact of the procurement work we do, we have increased our collaborative spend in the period since the Procurement Strategy was approved; from 18% of our third party spend to 44%. A strong focus on enhancing the capability of businesses and third sector providers to participate in collaborative contracting across Scotland has continued with representation of SME's and local businesses increasing.

This annual update should be considered in conjunction with any updates on the Tayside Procurement Consortium [procurement strategy 2015-2020](#).

For each procurement exercise a full assessment of the ways in which the resultant contract will meet our objectives is undertaken and built into the specification issued to prospective bidders. Consideration is given to engagement with those affected by the procurement exercise – this includes, as appropriate, the communities in which the contract will be delivered, the potential supply base and Council staff affected by the use or management of the contract.

The delivery model for the contract in question is also considered, with a review of the potential for the use of a range of delivery solutions. How we use internal resources, arm's length organisations and the ways we might shape our needs to maximise the potential participation of supported businesses, not-for-profit organisations and smaller businesses, including start-ups takes place at this stage.

#### 4. Information on Contracts

A key principle for effective public sector procurement is transparency; ensuring that opportunities to participate in contracting for the public sector are visible to all companies which may wish to consider it.

Perth and Kinross Council achieve this by using the national advertising portal – [Public Contracts Scotland](#). All opportunities with a contract value greater than £50,000 will be advertised here. Lower value contracts are placed following conclusion of a quotation process; this is also conducted through the same portal.

The way the Council must meet the legislative duties for procurement is set out in our Contract Rules. Processes vary depending on the value of a contract.

- **EU regulated contracts** are those above defined values and must be **tendered** following the [Public Contracts \(Scotland\) regulations 2015](#).
- **Thresholds**: Goods and Services = £181,303; Social services = £589,148 and Works = £4,104,394.
- Where contracts are valued between **£50,000** (goods and services) or **£2,000,000** (works) and the thresholds set out in the EU procurement directives we will carry out procurement as set out in [Procurement \(Scotland\) Regulations 2016](#); **via an advertised tender**.
- From contracts valued between **£5,000** and **£50,000** we will invite **quotations** from a minimum of 3 bidders.

To meet the national objectives to manage procurement efficiently and collaboratively the Council will make use of established contracts and framework agreements where possible and appropriate. This approach minimises the numbers of discrete tenders necessary to deliver the needs of the Scottish public sector. A key aim of this strategy is to reduce the impact on bidding organisations of repetitive responses to tenders for similar requirements.

#### Contracting Activity for the period

Early in each financial year, following the setting of budgets we publish a [Contract Delivery Plan](#). The plan lists the intended procurement work over the coming 24 months – including some longer term planning. The plan we published in May 2018 included **358** distinct pieces of procurement work and **212** of these were concluded during the financial year. Several more were in progress at the end of the financial year and will be concluded in 2019/20. It is also worth noting that some budget commitments are listed in

the Contract Delivery Plan separately but may result in a contract from a consolidated tender exercise – where a range of requirements have been advertised together. One such example is the minor works for public buildings which is described in more detail below.

The **212 new contracts** concluded during 2018/19 arose from **15 new regulated calls for competition**. This was alongside the extensive use of existing arrangements, including frameworks, under which we **agreed 50 new contracts**. We published **20 transparency notices**, as required by legislation for call offs which exceeded £50,000.

As well as these routes to market, **161 new requests for quotation** to service lower value requirements with an anticipated value of £50,000 or less were issued. These requests for quotation are an important means of ensuring contracting opportunities are available to all sizes of business.

When compared with 2017/18 this is an increase of 30 contracts confirmed in the year, in spite of a lower overall spend (£240m in 2018/19 and £255m in the previous year). The number of Perth and Kinross based businesses being successful in the award of contracts also grew – **111** compared with **81** in 2017/18. This is in the context of a smaller number of businesses in other parts of Tayside being awarded new contracts. Overall we are currently working with 473 local suppliers.



**212** new contracts agreed



**80%** of businesses awarded were SME's



**87%** of the total businesses were Scottish SME's



**111** Perth & Kinross based businesses were awarded work

**138** businesses in the Tayside area were also awarded new contractual work

**187** Community Benefits were agreed and **69** were delivered

Of the regulated procurement exercise carried out directly by the Council, **7** were of a value which required the contract opportunity to be advertised across Europe.

We also tendered **2** high value social care contracts that were established under a specific regulatory regime, known as the 'light touch regime' which is in place to support the specific needs of care and other support services. One of these contracts supported the redesign of services to those citizens with a need support in their tenancies and the other focused on improving services to young people.



A small number of our new contracts were exempt from some of the requirements of the procurement legislation because they were a continuation of work undertaken under a previous contract or for reasons connected to the nature of the services procured (e.g. some financial and legal services are out with the scope of the legislation).

The Council has a policy of encouraging Perth and Kinross businesses to quote in every process where this is possible. We also work with businesses to ensure they have the necessary skills and understanding of regulation to participate in public procurement exercises. There are currently **957** Perth and Kinross based businesses registered and using the national public contracts portal. The range of sizes of these businesses is set out in the figure below.

Size of Business	
Large (over 250 employees)	32
Medium (50-249 employees)	54
Small (10-49 employees)	167
Micro (1-9 employees)	704
<b>Total</b>	<b>957</b>

Contracts awarded to Perth and Kinross based businesses	
Above OJEU threshold	35
Below OJEU, over £50k	11
Quick Quotes	36
<b>Total</b>	<b>11</b>

In the reporting period **87%** of awards included Scottish SME's in the supply of our requirements, compared with **73%** in 2017/18.

A full report on [Tenders Accepted](#) on behalf of the Council is submitted to our Strategic Policy and Resources committee annually. Together with the report on funding made to external organisations – through the [Following the Public Pound](#) code – a full record of our commissioning decisions is provided for scrutiny.

### Contracts Register

To improve the transparency around contracts held by the Council we also publish a [Contracts Register](#). A searchable format of the Register can be viewed via Public Contracts Scotland website.

The search functions on Public Contracts Scotland can be used as a data source for exploring the contracting plans of a wide range of public bodies, including [Perth and Kinross Council](#). It is possible to search for specific contracts or themes and the data can also be downloaded as an Excel spreadsheet or a .csv file.

## 5. Highlights

The Procurement Strategy applies to all of the Council's external expenditure on goods, services and works. The purpose of each procurement exercise we undertake is to create a supply chain which supports one or more of the Council's Corporate Plan objectives. The ways in which some of our recently awarded contracts have contributed to our objectives are described below.

### Best Start in Life



A wide range of our sourcing decisions are taken in support of the corporate objective of **Giving every child the best start in life.**

### Working towards transforming the provision of services to children and families

Following changes to legislation which occurred during 2016, we have been reviewing agreements with providers of social care and support services to children and families. Joint working arrangements for services for children and families are now in place across Tayside. The procurement teams have been working to support the commissioning of services. A wide range of engagement, including events have been held to consult with providers of these services and to raise awareness within the provider community of the implications of the new legislation.

A major piece of work carried out this year was the issue of a [tender for Youth Services](#). The outcomes from this work will increase the support available in the community for young people between the ages of 11-19.

### Educated, responsible and informed citizens



The Council's procurement work supports this corporate objective in a variety of ways:

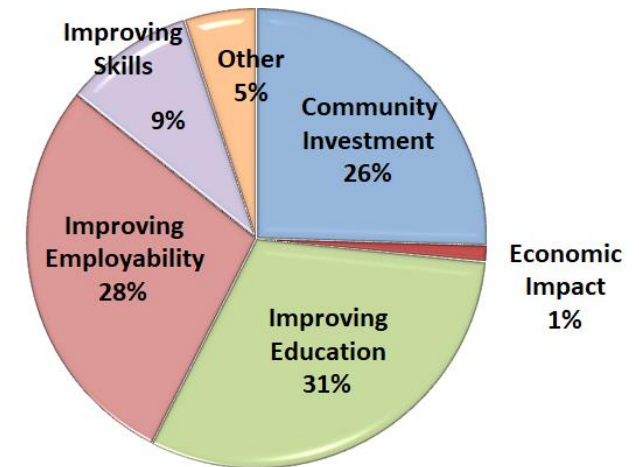
Firstly by **supporting our education services** to source the goods and services needed to operate efficiently. This includes the new pupil equity funding, and the resultant expenditure. During this financial year work also started on two sites in support of the developing need emerging from an increase in Early Years hours (1140 hours of provision by August 2020).

Secondly, by supporting colleagues to develop **Community Benefits clauses** in contracts. Community Benefit clauses will also contribute to the delivery of the sustainable procurement objectives we set out in our Procurement Strategy.

We now categorise our Community Benefits to facilitate a targeted approach to delivery. Our categories are shown in the following chart, along with the percentages for each category of benefits currently in progress.

The locations of delivery have also been mapped and will be published during 2019/20.

Our approach to community benefits through contracts is aligned to the **Developing Young Workforce** agenda, and staff working in that area are making links between contracted businesses and schools. Many of the contracts we have in place are providing opportunities for young people still in education through **work placements, work experience** or through visiting a company to see how work is carried out.



The procurement team has continued to support the national [Procurement People of Tomorrow](#) programme. The team have now supported the placement of four modern apprentices. All four worked towards **SVQ3 level qualifications**. Two of the people who joined the team as Modern Apprentices have advanced into new posts within the team. We currently have a Professional Trainee placed in the team who is working toward entry level qualifications through the Chartered Institute of Procurement and Supply and a second member of the team is now employed as a Procurement Officer.

Outside of the central procurement team external expertise has been commissioned as part of the Council's Acorn Fund. We are invested in organisational development through building skills to review and develop service provision. The course was made available to key budget holders and their staff. This in turn will lead to more capability in respect of planning for a redesigned approach to procurement and commissioning. Officers who completed the training can also apply for accreditation as Chartered Managers through the Chartered Management Institute, which in turn broadens the skills and experience applied to our work with third parties. The accreditation process will take place this summer.

## Prosperous, sustainable and inclusive economy



Contracts and procurement work by their nature will contribute to the economic health and development of our area. Some of the headlines for those contracts awarded in 2018/19 include:

**Contracts which improve the built environment** - the procurement team supported the creation of contracts for constructing improved facilities for the area. Examples of these include:

[Minor works to public buildings](#) this tender exercise resulted a multi lot framework under which work packages for improvements to public and community buildings will be made for the next four years.

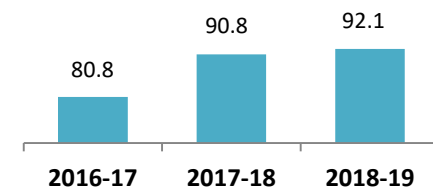
For roads, the contract for the upgrade of the A9/A85 junction was completed on time and on budget with the lessons learned being used to prepare for a future contract to deliver the Cross Tay Link Road.

Several tenders have been concerned with improving how people experience their local environment. Notable examples have included the planned works for [Alyth Town Centre Improvements](#) which will improve access for all pedestrians and use available space more efficiently. A new [framework for amenity greenspace](#) has been used to award various upgrade works in open spaces. Examples include Invergowrie Memorial Park, Forgandenny Park, and Tom na Moan at Pitlochry.

**Leisure** - while some aspects of events and festivals are exempt by legislation from traditional procurement work, the team were again pleased to support a range of requests for quotations to deliver the festivals and events across our area. These pieces of relatively low value procurement have a high impact in terms of attracting visitors into our area, increasing the value for people who live locally.

**Fair Work** in Perth and Kinross. The Council became an accredited Living Wage employer in April 2016. As part of this accreditation we made the commitment to develop our understanding of Fair Work practices, including [payment of the Living Wage](#) in our supply chain. To this end we include questions on the approach to Fair Work when engaging with prospective suppliers for services. During 2018/19 **71** new contracts were formed from tenders where the bidders provided information on their approach to Fair Work and the payment of the Living Wage.

**3 Year % Increase in Spend with Contracted Supplier**



Increasing the proportion of our spend which is under contract has helped us to ensure that we have appropriate controls in place to manage and monitor supplier performance; to ensure such commits are met.

### **Independent, healthy and active lives**



**Support for independent living** - new legislation introduced during 2016 meant that the rules on the way in which agreements with providers of social care and support services are established have changed. In previous annual reports we described the process followed for the recommissioning of Care at Home services.

We took learning from this work to help us to shape other recommissioning projects including [Floating Housing Support](#) which enables tenants who are at potential risk of losing their tenancy to live independently and to maximise their independence.

### **Safe and sustainable place for future generations**



**Housing** – in line with our [Strategic Housing Investment Plan](#) we have continued developing our new build housing programme. Contracts were awarded to add to the homes in Perth and Kinross. 68 new properties for social rent and a further 13 which are occupied through shared equity ownership were completed. These new homes meet housing needs in Perth (24 homes on Crieff Road), in Scone (20 homes at Birch Ave) and in Blairgowrie (a total of 37 homes; 24 social rent and 13 shared equity at Blackthorn PI). Contracts are also agreed for future homes with construction started on a further 10 houses at Cluny PI in Stanley.

We also developed several contracts concerning making improvements to the existing homes. These improvements included continuing with window and door replacements, external insulation, refurbishments and upgrades to heating systems. All of these are contributing to the reduced energy consumption in each home and in turn contributing to the Council objectives for reducing fuel poverty.

## 6. Delivering Best Value

### Savings

In 2015 the Council's set out the planned approach to transforming services to communities – our [Building Ambition report](#). Included in this report was a commitment to reduce the recurring costs associated with the procurement of goods, services and works by a value of £2.5m before the end of 2018/19. **£1.9m** of cashable savings had been realised at the end 2017/18.

Further work to rationalise purchased goods continued into 2018/19. A proactive approach to identifying potential areas for savings was developed; achieved savings being agreed with financial teams and senior management to be removed from budgets where appropriate. It has been more difficult to realise the remainder of the savings for this project through budgetary mechanisms.

While it has been clear that changes to various contracted activities have yielded improvements in effectiveness, and in efficiency some of the direct changes to the cost base have not been cashable. Examples of this are set out in our budget monitoring process; (18/284) refers to a difficulty in identifying procurement savings (£340k) and also records a reduced cost of £300k in energy and water costs through a national collaborative contract.

From changes to contract prices or structures we have identified potential for savings across a range of budget areas. The resulting savings have either been included in budget reductions or have been reinvested to support the continued delivery of front line services. The total value of savings achieved has been calculated at £4.2m in the period of our transformation project.

In addition to the above, the Council have made the commitment to redesign delivery of a wide range of services through the Building Ambition programme. The Transformation projects which will deliver this change will in turn require support where a new agreement needs to be made with any businesses, charities or community groups which work in partnership with the Council. In some cases a procurement exercise will be required to facilitate the change. For example Children's services - £1.2m savings were achieved as part of a Transformation project much of it via recommissioning or decommission decisions which in turn was supported by procurement activities.

### Electronic Tools and efficiency savings

There is a national commitment to carry out all of our procurement communications with suppliers digitally by May 2020. This change will help to reduce the cost of doing business for our suppliers as well as for the Council. It will help shorten payment windows and improve efficiency in managing performance.

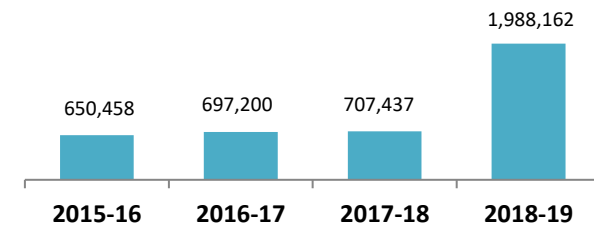
All competitive activities use the national portal [Public Contracts Scotland](#) this means potential suppliers are able to identify contracting opportunities in a single place nationally.

The use of electronic systems and digital tools to support and manage the procurement work is a potential source of further efficiency. Our directly advertised tenders are issued through an electronic platform ([PCS-Tender](#)). In 2017/18, **80%** of the tenders issued were managed through the platform. During 2018/19 we concluded all but one division of the Council is now using the electronic tools to issue tendered packages. The division which does not use PCS Tender is using an electronic post-box facility within PCS, thereby ensuring all of the Council's tenders are issued and returned electronically.

In line with the national commitment for electronic communication we have launched our eInvoicing project with the support of the Scottish Procurement Directorate. In early 2018 we started to work with our first group of suppliers to receive the final part of our procurement communications, the digital invoice. We are now focused on a second wave of suppliers to adopt eInvoices.

eInvoicing and full electronic sourcing relies on accurate and consistent information on purchase orders. Invoiced lines need to match first time as often as possible. This is done by cataloguing available products in PECOS. The values of purchase orders arising from catalogues have quadrupled since this work began. To make this possible the corporate procurement team used data gathered through years of PECOS use to create a broader range of catalogues which has increased our potential to realise processing savings.

£ Spend by Pecos Catalogues



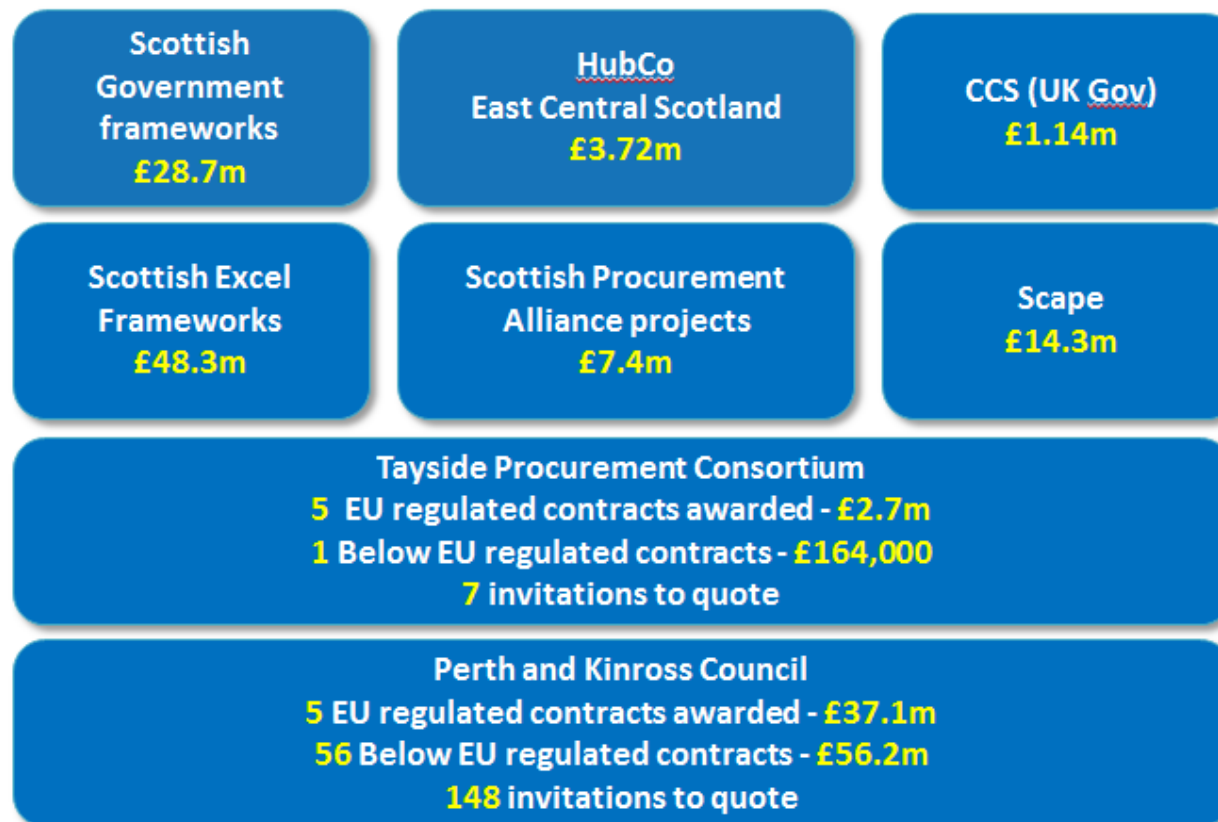
Preparation for the roll out of an electronic platform to record contract and supplier management activities was a key work stream identified in 2016. Our expectation was that this platform would improve the way we are able to communicate with our suppliers while they are working on our behalf. We identified a system which was made available through the Scottish Procurement Directorate but have had limited success in delivering our requirement through this route.

We are now assessing alternative ways of capturing and reporting on the risks and performance related to our contracts. By focusing on a corporate approach to this information we will improve our potential to maximise the benefits available from third party spend, but also to evidence good value and high performance. During 2018/19 we have improved the quality of data, and increased the volume of inputs to our data sets. However we have made only limited progress in terms of automating the analysis and presentation of the data for management purposes. It is expected that real progress with this change will only be realised when this work is incorporated into the Council's Digital Strategy.

There is potential for us to make significant improvement to how transparent we can be in our contracting work. The importance of this will increase as public bodies move to commission more of their services through participatory budgeting. Providing citizens with detailed information about the outcomes each contract is expected to achieve, and the risks associated with failure to deliver will supported more empowered community participation in public spending decisions.

### Collaborative Contracts

In addition to directly procured contracts issued on behalf of the Council we also make use of a range of contractual agreements awarded in collaboration with other bodies.





We also participated in the creation of **34 new collaborative arrangements** tendered by another contracting authority. This supported our commitment to collaborative working with other public bodies. Good examples of this can be found in the social care flexible frameworks for both services to children and adults. These arrangements help to ensure delivery is codesigned in Scotland. One focal point for the provider community, people who use services and commissioning staff ensures that outcomes for individuals are consistently recognised in the decision-making about how services are purchased.

Collaboration can also bring significant efficiencies. By shortening some elements of the time taken from scoping to concluding a contract we are more often able to invite early contractor involvement. This in turn helps to deliver more contracts in line with time and cost targets, particularly beneficial in the construction sector.

Value from these collaborative arrangements is assured by access to the enhanced buying power of working together with other Councils or community partners. Robust benchmarking of prices and costs is undertaken using data on market rates, comparable projects and internal information on performance.

## 7. Resourcing

Investment in the Procurement functions of the Council has been made to facilitate rapid improvement in our procurement capability. This section draws out the most significant enhancements we aimed to make in the period covered by the Strategy. A full analysis of the work undertaken in support of these objectives can be found in [Sections 11](#) and [12](#) of this report.

### Focus on meeting our savings targets through continually improving and lean procurement practice.

Enhance the ways in which we offer support to businesses. We will work with the business community to identify appropriate support mechanisms to ensure all those interested in becoming more familiar with our procurement processes have the information they need.

### Explore opportunities for greater collaborative working across Tayside particularly, but also across the whole public sector generally.

Further develop the Social Value that can be delivered from contracts by working in partnership with our suppliers.

## 8. Monitoring, Reviewing and Reporting performance

### Monitoring

During the delivery period for our Strategy – January 2016 to March 2019, regular updates on the progress being made have been provided to the Council's Executive Officer Team, to the Modernising Governance Member and Officer Working Group, and at the end of each financial year to the Strategic Policy and Resources Committee. Updates have included progress being made to meet the aims and objectives set out in the Procurement Strategy and on the specific actions taken to deliver our Improvement Plan. The Improvement Plan was approved in conjunction with the Strategy in December 2015.

### Reporting

Ensuring that procurement performance is reported regularly to an appropriate committee was highlighted as an essential requirement in the [Accounts Commission Report on Procurement in Councils](#). Progress of the delivery of this strategy and a report on procurement savings and non-financial procurement benefits forms part of this Annual Report.

### Review

In alternate years an independent review of the procurement capability takes place. The Council procurement functions are benchmarked against an assessment tool, the Procurement Capability and Improvement Programme (PCIP). The assessment requires the submission of defined range of data and documentation as well as an on-site visit by the assessors.

In October 2015 the Council undertook a 'mock' assessment with the external assessors in order to establish a baseline for improvement. The score achieved in October 2015 was **17%** of the available marks. The first full PCIP assessment in September 2016 placed the Council capability in band 3 (**61-65%**) with a score of 62%.

While this was a much improved result it was achieved in the context of the whole public sector investing in procurement. The average score for local authorities in 2016 was 63%. This investment has come at a time of public sector constraint and with that a recognition that managing external spend is a key enabler for efficiency.

By October 2018 we have further improved our procurement capability and achieved a Band 1 (70% and above) score, and at present are tracking slightly ahead of the current local government average of 69%. This is a strong indicator of the success of our Strategy and that our Improve Action Plan delivering the anticipated benefits.

### Revision process

This Annual Report is based on a review of how well we are implementing our strategy and will be published by 31 July 2018. A new procurement strategy will be drafted during 2018/19 and published as close as possible to 1 April 2019 as possible.

## 9. Improvement Planning

An action plan to ensure that the strategy is delivered was prepared and approved in December 2015. The operational work to effect change was managed by the Corporate Procurement Manager. The Council's Head of Community Planning, Strategic Commissioning & Organisational Development was responsible for the improvement programme and delivery of the objectives.

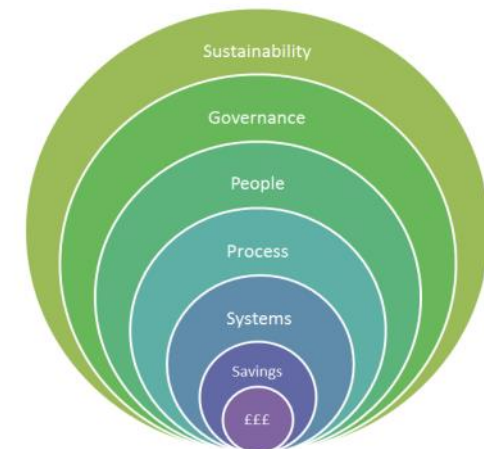
The Strategy set out our commitment in terms of improving the procurement capability of:

- Our **Governance** – and reporting of performance
- Our **People** – by developing competencies
- Our **Processes** – by streamlining the tools used
- Our **Systems** – by automating where possible

Together these four improvement work streams will be enablers for the delivery of **Savings** and more **Sustainable Procurement** practices. Each year the Procurement Strategy is revised to focus our objectives on the next phase of improvement.

Detail of the planned improvement actions as agreed at that time are given in section 11 of this report. Several ongoing actions (shown in amber or red) are concerned with streamlining and automating the capture and analysis of performance information.

There are opportunities to record and more effectively manage performance and risk associated with contracts through the use of digital tools. We hope to be able to pull together all of the elements of data we hold on a contract into a central point – the Council's data warehouse - for analysis. This would make opportunities for improvement more visible across the organisation.



## 10. Strategy Ownership and Contact Details

Procurement is included in the portfolio of the Deputy Chief Executive, Chief Operating Officer Jim Valentine.

From December 2018 the Council's Procurement Team has been located in the Council's Corporate Finance division. The procurement function reports to the Head of Finance, Stewart Mackenzie.

The Corporate Procurement Manager, Mary Mitchell has responsibility for managing the provision of a professional procurement service ensuring that legislation, agreed policies, professional standards, procedures and principles are followed.

### Contact details

Perth and Kinross Council

2 High Street

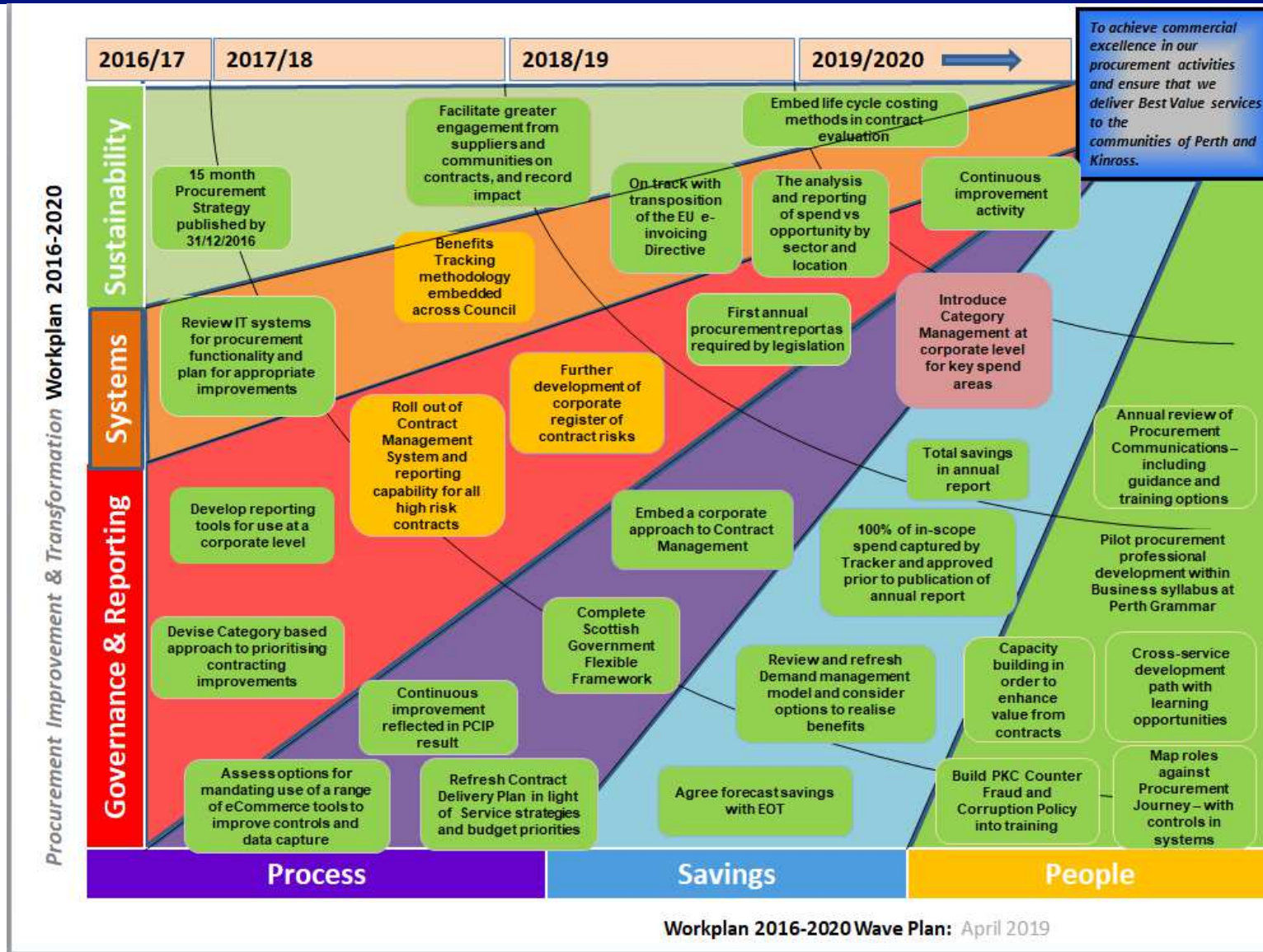
Perth

PH1 5PH

01738 475521

[contracts@pkc.gov.uk](mailto:contracts@pkc.gov.uk)

11. Improvement Actions at a glance



## 12. Improvement Action Plan – Status Report

The table below sets out the improvement actions agreed in December 2015, with their current status and any remaining work planned for 2018/19.

<b>1</b>	<b>Improvement Theme: PEOPLE</b>				
	Ensure those involved in our procurement processes are appropriately skilled and supported to deliver value for money services, and aware of their roles and responsibilities.				
	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
1.1	Review roles and responsibilities and reporting lines of those participating in procurement activities, clarify and communicate the need for change.	<p>Improve profile of system users by matching training records to access levels.</p> <p>Categorise remaining users by strategic impact of contracts owned.</p> <p>Develop a roles/responsibilities matrix per division/category based on the level of involvement.</p> <p>Review and make proposals on options for reporting lines, and clarification on roles and responsibilities relating to delivering improved procurement; including those at the most senior levels of the organisation.</p>	<p><del>December 2015</del> Completed February 2016</p> <p>Completed January 2016</p> <p>Completed January 2016</p> <p>Completed January 2016</p>	<p>Contract Rules revised with more explicit roles and responsibilities set out at all levels.</p> <p>Records of officers authorised to tender and contract on behalf of the Council are matched to tasks through the procurement work flow.</p> <p><b>Status: Complete</b> Explicit in Contract Rules</p>	Clear roles and responsibilities defined, leading to improved procurement processes and reduced risk.
1.2	Review current activities and job descriptions, identify Learning & Development requirements	Work with HR to identify content of job descriptions for identified posts. Minimise changes required to Job	<p><del>June 2016</del> June 2017</p>	Records pertaining to all officers	Better matching of skills to activities leading to greater

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
	against the national competency framework (procurement skills) and develop an appropriate action plan to develop skills across the organisation.	<p>descriptions through rationalising numbers involved in contracts.</p> <p>Assess skills.</p> <p>Develop targeted training plan, identify costs and budget pressures. Develop and resource a delivery model for 2016 and a plan for 2017 and beyond.</p>		<p>presenting for procurement training were checked against job evaluations. Feb 2016.</p> <p>Training materials revised June 2016. Additional courses on Contract Management added in October 2017.</p> <p>Work is ongoing to identify skills gaps and support development of those working on contracts.</p> <p><b>Status: Complete.</b> Training approach was reviewed along with revision of Contract Rules during 2017.</p>	<p>degree of professionalism and improved outcomes for all.</p> <p>Ensure the most skilled officers are deployed for contract development to reduce risk arising from poor contracts Bridge existing skills gap and maintain an appropriate support package to ensure continuous improvement for those involved in contracts.</p>
1.3	Develop a specific action plan to shift activities of the Corporate	Procurement team development session, to develop a common	April 2016	Operational management of	Less time spent on routine procurement



	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
	Procurement Team from operational to a more strategic focus and set specific personal objectives linked to the new strategic plan.	<p>understanding of the new framework, and team members' roles in delivering this</p> <p>Identify all operational activities currently considered BAU. Consider options for deploying available resources to be more effective on a strategic level.</p> <p>Map customer needs.</p> <p>Develop processes for meeting operational needs and resource plan for meeting strategic needs.</p> <p>Communicate and train customers in new 'self-serve' processes if necessary</p>		<p>user records on PECOS transferred to Financial Systems team. Jan 2016.</p> <p>Tracking support offered and delivered to teams.</p> <p>Consultation throughout 2016.</p> <p>Self-service processes developed for procurement toolkit and PECOS use. June 2016.</p> <p><b>Status: Complete</b></p>	<p>activities and more effort dedicated to supporting the delivery of higher value/higher risk spend areas.</p> <p>Focus is on areas of contracting activity from which the greatest level of savings can be achieved.</p>
1.4	Effective communication plan to be developed to keep key stakeholders informed of programme and changes	<p>Review existing communication plan including the provision of guidance and online resources.</p> <p>Revise and make necessary changes. Including:</p> <ul style="list-style-type: none"> <li>Improving search capability in</li> </ul>	April 2016	<p>Plan revised. Updated to use new technology.</p> <p>Design team now involved in issue of Procurement</p>	<p>Good staff engagement levels and support for the required changes.</p> <p>Input and feedback provided by key stakeholders.</p>

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
		<ul style="list-style-type: none"> <li>· eric</li> <li>· Removing outdated information</li> <li>· Improve use of SharePoint technology</li> <li>· Increase use of Procurement News</li> <li>· Change email accounts</li> <li>· Introduce auto-responses</li> <li>· Rationalise telephone numbers</li> </ul> <p>Communicate changes and establish timelines for regular communications as per plan include a plan to resource and allocate responsibilities.</p>		<p>News.</p> <p><b>Status: Complete</b></p> <p>During 2017 additional measures were put in place to ensure communication across the organisation continue to move forward.</p>	<p>New communications plan to increase efficiency in reducing cost to serve.</p>
<b>Expected Outcomes</b>				<b>Monitoring and evaluation</b>	
	<ul style="list-style-type: none"> <li>• Improved governance</li> <li>• Reduced duplication of effort</li> <li>• Increased efficiency in procurement activities</li> <li>• Improved awareness within the Council of the impact of the procurement function on business capability</li> </ul>			<p>Percentage of contract strategies influenced by procurement team.</p> <p>Improved benefits realisation in collaborative contracts.</p>	
<b>Outcome</b>				<b>Evidence</b>	
	<ul style="list-style-type: none"> <li>• More effective corporate procurement function.</li> </ul>			<p>Increased score in PCIP assessment – our baseline was 17% in October 2015. Achieved <b>62%</b> in September 2016 and <b>70%</b> in October 2018.</p>	

2	<b>Improvement Theme: Processes</b> Provide effective frameworks to manage the Council's procurement activities.				
	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
2.1	Develop a Council wide procurement pipeline and associated capacity plan, including clear targets (savings, community benefits, living wage rates etc.), identified and agreed with the Services for specific contracts/commodities	Populate Contract Delivery Plan.  Identify opportunities for benefits realisation. Identify and document targets per contract.  Identify resource requirement from Services and Corporate Procurement Team as appropriate.  Develop timeline for delivery and assign workload accordingly.  Document, plan and report progress to Services.	<del>February 2016</del>  First version finalised by February 2016 and refreshed annually thereafter.  April 2017	First version was prepared by May 2016. Regular updates have been made.  Reported to SP&R 30/11/17.  Published on <a href="http://www.pkc.gov.uk">www.pkc.gov.uk</a> in April 2017 for financial year 2017/18.  <b>Status: Complete</b>	A clear and focused plan of action with appropriate resources allocated accordingly to ensure that targets are met.
2.2	Standardised, corporate processes and documentation to be implemented across the Council	Use map of customer needs (see 1.3) to establish priorities.  Identify core documents, review content and agree final versions with Legal Services where appropriate.  Consider potential for mandating the use of PCS-T for all regulated procurement activity. Develop	<del>By June 2016.</del>  Ongoing  June 2018	Broader range of template documents now in use.  Worked closely with Legal Services throughout	Simplified processes which are consistently applied thus reducing effort and risks.

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
		resource plan and costings.		<p>2016/17.</p> <p>The significant and repeated processes in respect of procurement have all been mapped and will be published on eric in June 2018.</p> <p><b>80%</b> of tenders have a fully documented strategy which sets out the outcomes for the contract.</p> <p>We are on track to deliver a fully electronic procurement process by the legislative deadline of May 2020.</p>	
2.3	Upfront demand management challenge process to be	Design and develop the process to be used to manage consumption.	By end March	Process developed. March	Savings opportunities

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
	implemented	<p>Using data gathered for objective 2.1 develop a prioritised (impact) plan by spend category.</p> <p>Document benefits accrued and report on delivery of plan to Services</p>	2016	<p>2016.</p> <p>Four major corporate contracts have been taken through the process and have delivered savings opportunities of £130k</p> <p><b>Status: Complete</b> – new process implemented with delivery ongoing</p>	identified and delivered.
2.4	Corporate wide contract risk register to be developed and maintained	<p>Explore potential for developing this register as part of the eCM roll out.</p> <p>Consolidate corporate register with Capital Programme monitoring and Performance team.</p> <p>Contract Risk register is linked to corporate risk management activities and reported appropriately based on category.</p>	<p><del>By end June 2016</del></p> <p>By end of 2017</p> <p>Original planned work is complete; however this will now be aligned to the corporate risk approach as it is embedded.</p> <p>This action is recorded as</p>	<p>System capability has meant this register has been created manually. June 2016.</p> <p>Systems work planned for 2017 aims for partial automation.</p> <p>Systems work continues to improve the data capture process.</p>	Reduced risk and less threat of reputational damage.

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
			amber because there is still significant manual input to this work – longer terms it is expected a greater degree of automation will be possible.		
2.5	Benefits tracking methodology to be developed and embedded across the Council	<p>Develop an interim Benefits Tracking spreadsheet using Forward Plan (see 2.1) and Steering Group approvals as a basis for high level records on SECURED benefits.</p> <p>Agree with Service representatives the process for establishing actuals for delivery of SECURED benefits.</p> <p>Agree a methodology with Financial Controllers for realising DELIVERED benefits from budgets.</p> <p>Explore an integrated solution using systems to capture data per contract with the aim of automating all possible steps in these processes.</p> <p>Develop the communication strategy and processes for prompting the 'difference' that is being made as benefits are realised.</p>	By end March 2016	<p>Process agreed by EOT March 2016.</p> <p>Further work undertaken during 2016 with Financial Controllers to record budget impact of procurement improvement.</p> <p>Eric page on procurement benefits created.</p> <p>Reporting methods now well established.</p> <p><b>Status:</b></p>	Improved reporting of procurement performance and easier to track progress against savings targets.

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
		Agree reporting hierarchy for benefits data throughout the organisation, including budget holders, senior management and elected members.		<p><b>Complete but remains amber pending further automation</b></p> <p>Data collection would benefit from further automation – will be explored along with other datasets.</p>	
2.6	Develop and implement a corporate approach to contract management activities.	<p>Clearly defined contract management lifecycle documented and agreed, with category specific standards set out and communicated.</p> <p>Apply approach to segmented contract portfolio, prioritising highest risk and value contracts in the roll out.</p>	By end of December 2016.	<p>Contract Management process complete and aligned to Scottish Government toolkit.</p> <p>Segmentation and analysis now in place.</p> <p>Reporting to services in place.</p> <p><b>Status: Partially Complete</b> – further work planned for automated capture of</p>	Increased savings opportunities secured and post award contract risks reduced.

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
				performance information by contract. This requires an organisational review of use of all systems used to monitor third party spend.	
<b>Expected Outcomes</b>				<b>Monitoring and evaluation</b>	
	<ul style="list-style-type: none"> <li>Improved evidence of strategic development of contracts</li> <li>Improved value from contracts</li> <li>Risk mitigation improved</li> <li>Improved involvement across the organisation in securing procurement improvements, through demonstration of benefits realised, to colleagues</li> </ul>			<ul style="list-style-type: none"> <li>Tracked benefits reported</li> <li>Contract Risk register reported</li> </ul>	
<b>Outcome</b>				<b>Evidence</b>	
	<ul style="list-style-type: none"> <li>Savings achieved in line with budget projection</li> <li>Risk Register created</li> <li>Escalation of issues is recorded and reported to senior management</li> <li>PCIP score increased by 53 percentage points since plan started</li> </ul>			<ul style="list-style-type: none"> <li>Evidence of benefits realised</li> <li>Documented actions to mitigate risk</li> <li>Documented actions to improve contract performance.</li> <li>Improved PCIP performance</li> </ul>	

<b>3</b>	<b>Priority: Systems</b> Invest in digital technology to ensure efficiency of our procurement processes and effective knowledge management for our contracts.
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	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
3.1	Review IT systems from a procurement perspective and develop an appropriate action	Liaise with ICT (Transformation) and Capital programme office to establish joint approach to	Review commenced in	Detailed map of procurement information needs	Procurement opportunities more easily identified and



	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
	plan for improvement (resourced from Transformation project)	<p>developing systems.</p> <p>Map processes to ensure identified outcomes can be met.</p> <p>Generate a detailed requirements schedule to feed into related Transformation projects (IT, Performance)</p>	April 2016.	<p>was created.</p> <p>This has led to the development of a programme of information and systems architecture recommendations and changes.</p> <p><b>Status: Complete</b></p> <p>Further work planned for 2018 to automate data gathering (also referenced in actions 2.4, 2.5 and 2.6)</p>	<p>measured.</p> <p>Increased user satisfaction which will improve compliance rates.</p> <p>Reduced risk by using consistent and automated processes.</p>
3.2	Develop plan for ensuring full compliance with use of Public Contract Scotland Tender to improve coverage of the contract register to meet new legislative requirements and ensure a clear procurement pipeline of opportunities is	<p>Map the procurement journey in system terms with specific reference to change required; timings and resources to achieve full role out.</p> <p>Establish detailed parameters for creating the data in systems, naming conventions, titles,</p>	Plan in place by June 2016.	<p>This work was integrated with the action described at 3.1.</p> <p>The planned work will be carried</p>	Full compliance with new Reform Act requirements. More consistency and easier for suppliers to do business with us.

	Objectives	Specific Action	Timescales	Update	Quality Improvement aims
	developed and maintained	<p>numbering of contracts.</p> <p>Develop a process to ensure the Forward Plan (see 2.1) is updated as support requests are logged with the procurement team.</p> <p>System access for individuals is aligned with identified roles and skills development plans. Access is restricted to those with no defined role and denied where skill gaps exist (see 1.1).</p>		<p>forward through 2017 and beyond, reflecting the complexity of the changes required.</p> <p><b>Status:</b> <b>Complete</b></p>	
<b>Expected Outcomes</b>				<b>Monitoring and evaluation</b>	
	<ul style="list-style-type: none"> <li>• Controls of purchasing activities are automated</li> <li>• Purchasing transactions are simplified and efficient</li> <li>• Sourcing activities are recorded electronically</li> <li>• Contract documentation is systems based</li> <li>• Annual Forward Plan accurate and complete with reduced resource</li> </ul>			<ul style="list-style-type: none"> <li>• Percentages of invoices supported by an authorised instruction.</li> <li>• Percentages of tenders managed electronically</li> <li>• Percentage of Contract Register content enabled in eCM &amp; eVPM or appropriate equivalent (Concerto, NEC3 platform).</li> </ul>	
<b>Outcome</b>				<b>Evidence</b>	
	<ul style="list-style-type: none"> <li>• Improved contract governance and compliance with legislation.</li> <li>• Reduced risk</li> <li>• Increased efficiency of processes</li> </ul>			<ul style="list-style-type: none"> <li>• PCIP scoring reflects improved standards.</li> </ul>	

<b>4</b>	<b>Team Priority: Governance and Reporting</b> Ensure the commercial activities undertaken maximise the benefit to our communities.
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	Objective	Specific Action	Timescales	Update	Quality Improvement aim
4.1	Introduce a category management structure for key areas and develop reporting of key commodities at a corporate level	<p>Establish the operating model for this structure, by providing an options appraisal to board.</p> <p>Identify new areas for deployment of a category management approach and make recommendations for improving procurement opportunities for savings through restructuring/resourcing of contracting activities.</p> <p>Reporting is improved through use of systems based data capture to populate clear, visual displays.</p>	<p><del>By June 2016.</del></p> <p><del>March 2018</del></p>	<p>Work on this objective started later than planned in 2018. This was in part due to reduced resources due to staff changes. Elements of this work are likely to be combined with the planned changes to the collaborative model of procurement across Tayside.</p> <p><b>Status: In progress Delayed due to reprioritisation of resources. Will be concluded as part of shared service approach.</b></p>	<p>Reduces fragmentation and risk of duplication</p> <p>Increases levels of expertise used in the category per contract</p> <p>Increase savings</p> <p>Increase efficiency and effectiveness of contract management</p> <p>Prioritisation of opportunities is evidence based</p>
4.2	Make better use of market research, cost avoidance and improved contract	Explore available market research resources, make recommendation for adoption.	Process in place by April 2016.	Trials of two online resources were compared	Better informed, more evidence based decision making

	Objective	Specific Action	Timescales	Update	Quality Improvement aim
	management to identify savings and potential service improvements	Each contract Strategy will include detailed information on market conditions relevant to the procurement exercise.		from April 2016 to March 2017.  Neither system will be taken forward. Measures have been put in place to gather appropriate information as required.  <b>Status: Complete</b>	
4.3	Establish a more regular, improved reporting of procurement performance in line with Audit Scotland recommendations	Develop a schedule for managing reporting on Transformation, to senior management and elected members.  Identify key data sets and prioritise generation of this data through action 3.1.3.	By April 2016	As detailed in the update to action 2.5.  <b>Status: Complete</b>	Improved governance and scrutiny of procurement decisions.
4.4	Develop regular report to capture procurement savings and other non-cashable savings such as community benefits	Use information gathered through improvement's made at 2.5 to populate reports, report in line with schedule set out at 4.3.	By December 2016	Further to the stated action the monthly performance reporting has been developed and improved.  <b>Status: Complete</b>	Increased focus on procurement and the benefits that can be delivered. Audit Scotland recommendations met

	Objective	Specific Action	Timescales	Update	Quality Improvement aim
				In line with other actions we will continue to enhance the automation of data capture	
4.5	Review procurement performance and progress.	<p>Arrange peer review of progress to data at end of June 2016.</p> <p>Report on output of PCIP assessment carried out 16/9/16.</p>	Annually	<p>Peer review is being undertaken as part of the programme of collaborative work across Tayside.</p> <p>Achieved 70% (Band 1 score) in October 2018.</p> <p><b>Status:</b> <b>Complete</b></p>	<p>Increased focus on procurement and the benefits that can be delivered.</p> <p>Audit Scotland recommendations met</p>
	<b>Expected Outcomes</b>			<b>Monitoring and evaluation</b>	
	Improved oversight and challenge			<ul style="list-style-type: none"> <li>• PCIP Score</li> <li>• Performance Reports to SMTs</li> <li>• Annual reports to committees</li> </ul>	
	<b>Outcome</b>			<b>Evidence</b>	
	Broader awareness of procurement related strengths, opportunities, weaknesses and threats.			Reported impact – Annual Reports.	