

# Report

Report to:	<b>Finance and Corporate Resources Committee</b>
Date of Meeting:	<b>2 October 2019</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Procurement Strategy Update and Annual Review – 2019/2020</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update Committee on progress in relation to the Procurement Strategy Action Plan
- ◆ present the Procurement Strategy Annual Review for 2019/2020 for approval

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress in achievement of the Action Plan be noted; and
- (2) that the Procurement Strategy Annual Review for 2019/2020 and associated new actions be noted.

## 3. Background

- 3.1. Under section 15 of the Procurement Reform (Scotland) Act 2014, the Council is required to publish a Procurement Strategy and review the Strategy annually.
- 3.2. The Council's Procurement Strategy 2017-2020 was approved by the Executive Committee at its meeting on 8 February 2017.
- 3.3. The Strategy has been subject to an annual review for 2019/2020, with a focus on the identification of further improvement opportunities. However, looking forward to 2020 and the preparation of a new three year strategy, there will be a requirement to conduct a more in-depth review of both the structure and content.

## 4. Strategy Action Plan Update

- 4.1. Appendix 1 details the Action Plan with progress of each of the actions noted to the end of August 2019.
- 4.2. A total of 50 actions are included in the Action Plan, with progress summarised in the table below:-

Category	Number	Comment
Complete	38	76% of actions have been completed.
On target	4	8% of actions are progressing.
Slipped	4	8% of actions have revised completion dates.
New Actions	4	The new actions are detailed below.
<b>Total</b>	<b>50</b>	

4.3. Progress against the following actions has been achieved:-

- ◆ Action 1.6: the Council's Annual Procurement Report 2018/2019 was noted by this Committee on 7 August 2019 and published in September 2019
- ◆ Action 4.3: the Procurement Service has undertaken extensive market engagement with small and medium sized enterprises (SMEs) in partnership with the Supplier Development Programme, including a successful Meet the Buyer event in November 2018 and pre market bidder engagement for Adult Supported Living and Early Learning and Childcare in April and July 2019
- ◆ Action 4.5: the Council awarded a signage contract to Scotland's Bravest Manufacturing Company, a Supported Business from the Scottish Government Supported Business Framework in March 2019
- ◆ Action 9.1: the Council continues to improve on the volume of payments made through automated e-invoicing, with 56,441 invoices (22%) paid in 2018/2019
- ◆ Action 12.2: the Council's Procurement and Commercial Improvement Programme (PCIP) focused assessment took place on 20 September 2018 with the results reported in February 2019. Scotland Excel confirmed that the Council's score increased to 78% (from 71% in 2016) and the Council remains in the top performance band

## 5. Procurement Strategy Annual Review

5.1. The Council's Procurement Strategy has been reviewed for relevance and compliance. No amendments are required to the Strategy document, however, some new priorities have been identified for the associated Action Plan.

5.2. The updated Action Plan is included at Appendix 1 with new actions included as noted below:-

- ◆ Ref 3.4: Category Plans
- ◆ Ref 4.8: Social Enterprises
- ◆ Ref 6.5: Community Benefits
- ◆ Ref 12.6: Project Management Software

### 5.3. Category Plans (ref 3.4)

5.3.1. Following recommendations from the PCIP assessment carried out in September 2018, the development of category plans for Social Care, Construction and IT Services is scheduled to be completed by March 2020.

### 5.4. Social Enterprises (ref 4.8)

5.4.1. The Procurement Service is contributing to the development of the Council's approach to engaging with Social Enterprises, specifically in respect of contractual opportunities.

- 5.4.2. This work will involve considering the types of contractual opportunities that may be of interest to Social Enterprises and an analysis of the Social Enterprise market that exists in South Lanarkshire. The exercise will also provide an opportunity to highlight to the sector the steps that should be taken to participate in tendering exercises that may be of interest.
- 5.5. Community Benefits (ref 6.5)
- 5.5.1. Procurement are currently reviewing the approach to Community Benefit arrangements with a view to making recommendations for improving the initial identification of requirements and the level of community benefits achieved. It is also recognised that improvements can be made to the monitoring and reporting of community benefits.
- 5.6. Project Management Software (ref 12.6)
- 5.6.1. The Procurement Service is currently working with IT Services to consider the feasibility of a project management software solution to plan, monitor and report on progress of tender projects.
- 6. Employee Implications**
- 6.1. None.
- 7. Financial Implications**
- 7.1. None.
- 8. Other Implications**
- 8.1. The Procurement Reform (Scotland) Act 2014 requires any public organisation, which has an estimated total value of regulated procurement spend of £5 million or more (excluding VAT) in a financial year, to prepare and publish a Procurement Strategy. An organisation must also review its Procurement Strategy annually and make such revisions as it considers appropriate for the purposes of the Act. The risk of non-compliance is mitigated by the proposals in this report.
- 8.2. There are no implications for sustainability in terms of the information contained in this report.
- 9. Equality Impact Assessment and Consultation Arrangements**
- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 9.2. Consultation on the review of the Procurement Strategy and proposed new actions has taken place with the Procurement Network.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

3 September 2019

**Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, effective, efficient and transparent
- ◆ Ambitious, self-aware and improving

**Previous References**

- ◆ Procurement Strategy 2017-2020, Executive Committee, 8 February 2017
- ◆ Procurement Strategy – Action Plan Update 2017/2018, Finance and Corporate Resources Committee, 20 June 2018
- ◆ Procurement Strategy Annual Review 2018/2019, Finance and Corporate Resources Committee, 19 September 2018
- ◆ Annual Procurement Report 2018/2019, Finance and Corporate Resources Committee, 7 August 2019

**List of Background Papers**

- ◆ None

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## Procurement Strategy Action Plan 2019/2020

Objective	Action	Responsibility	Timescale	Status	Update
<b>1. Procurement leadership and governance</b>	<b>1.1</b> Develop the role and structure of the Procurement Forum as a mechanism for disseminating information and the development of policies and standards.	Procurement Service	June 2018	Complete	Procurement Network represents all Council Resources and meets quarterly.
	<b>1.2</b> Review and update standard procurement documentation to ensure continuous improvement and ongoing compliance.	Procurement Service and Legal Services	March 2019	Complete	Procurement documentation updated to reflect new legislative and best practice requirements, including new Housing and Technical templates and a revised Sourcing Strategy.
	<b>1.3</b> Develop and implement a new structure for the Procurement Service.	Executive Director (Finance and Corporate Resources) / Head of Finance (Transactions) / Procurement Service	March 2018 revised to February 2019	Complete	An updated structure was included in the Finance Review recommendations approved in the 2019/2020 revenue budget.
	<b>1.4</b> Review of procurement risks.	Procurement Service / Insurance and Risk Management	December 2018	Complete	Review of procurement risk included in Top Risks report submitted to CMT on 15 November 2018.
	<b>1.5</b> Internal audit review of procurement practices.	Internal Audit	March 2019	Complete	Internal Audit follow up work with Roads complete and preliminary work complete for Housing and Technical Resources. Further work planned in Housing and Technical Resources in 2019/2020.

Objective	Action	Responsibility	Timescale	Status	Update
	<b>1.6</b> Provision of an annual performance report to the Corporate Management Team and Finance and Corporate Resources Committee.	Procurement Service	September 2018	Complete	The annual performance report for 2018/2019 was approved by Finance and Corporate Resources Committee on 7 August 2019.
	<b>1.7</b> Review Direct Award and Framework procurements.	Procurement Service	March 2019 revised to September 2019	Slipped	A draft report has been circulated to Executive Directors for comment with dialogue taking place with Resources on the feedback provided. (combined with 2.1)
	<b>1.8</b> Conduct annual service planning exercise to identify future procurement activity.	Procurement Service and Resources	March 2019	Complete	All Resources responded to procurement service plan.
<b>2. Prevention of Fraud and the Disruption of Serious and Organised Crime</b>	<b>2.1</b> Conduct a review of procurement processes across the Council and the management information used in the scrutiny of contract spend.	Procurement Service / Internal Audit	March 2019 revised to September 2019.	Slipped	A draft report has been circulated to Executive Directors for comment with dialogue taking place with Resources on the feedback provided (combined with 1.7)
	<b>2.2</b> Continue to work with and share information with Police Scotland to ensure serious and organised crime does not benefit from Council contracts.	Procurement Service / Legal Services	March 2019	Complete	Procurement and Legal staff continue to work with Police Scotland on contract risk areas.
<b>3. Defining the supply need</b>	<b>3.1</b> Report to the Corporate Management Team on high value/high risk procurements.	Procurement Service	November 2018	Complete	High risk high value report submitted to CMT six monthly.

Objective	Action	Responsibility	Timescale	Status	Update
	<b>3.2</b> Assessment for scrutiny of high value/high risk procurements as appropriate.	All Resources	March 2019	Complete	All sourcing strategies subject to scrutiny scoring.
	<b>3.3</b> Development of a procurement process on preliminary market engagement.	Procurement Service	March 2018	Complete	The need for preliminary market engagement is reflected in the sourcing strategy.
	<b>3.4</b> Develop category plans for Social Care, Construction and IT ( <b>new 2019/2020</b> )	Procurement Service	March 2020	On target	Introduction of category plans recommended by PCIP assessment.
<b>4. Sourcing</b>	<b>4.1</b> Enhance the existing sourcing methodology to mandate early engagement for all regulated and EU regulated procurements where practicable.	Procurement Service	June 2018	Complete	The market research section of the sourcing strategy has been updated to reflect this requirement.
	<b>4.2</b> Prior Information Notice (PIN) to be published for all Regulated contracts at least 2 months before tender is released to the market where practicable.	Procurement Service	February 2017	Complete	Complete.
	<b>4.3</b> Hold information sharing events where appropriate.	Procurement Service/ SDP	March 2019	Complete	Arrangements in place with the Supplier Development Programme to support pre tender events and wider market engagements. Recent events include Meet the Buyer in November 2019, Adult Supported Living and Early Learning and Childcare Bidder events in April and June 2019.

Objective	Action	Responsibility	Timescale	Status	Update
	<b>4.4</b> Enhance the tendering skills of Lanarkshire based companies.	Procurement Service / Supplier Development Programme	March 2019	Complete	Monthly meetings with Economic Development and Supplier Development Programme in place with an ongoing programme of supplier engagement activities.
	<b>4.5</b> Identify opportunities to contract with Supported Businesses	Procurement Service	March 2019	Complete	New Scottish Government Supported Business framework published January 2019 and signage contract awarded to Scotland's Bravest in March 2019. A further supported business contract opportunity is being considered for Homecare PPE.
	<b>4.6</b> Identify and deliver opportunities to engage local SMEs in Council procurement	Procurement Service / Supplier Development Programme/ Economic Development	March 2019	Complete	SME engagement activities being progressed with Economic Development and SDP.
	<b>4.7</b> Develop arrangements for e-auctions for appropriate commodities	Procurement Service	February 2019	Complete	New e-auction process approved by Procurement Network in March 2019 and procurement of suitable commodities will now be considered for e-auction
	<b>4.8</b> Contribute to the development of the Council's approach to engaging with Social Enterprises ( <b>new 2019/2020</b> )	Procurement Service/	March 2020	On target	Consider tender and procurement opportunities.

Objective	Action	Responsibility	Timescale	Status	Update
<b>5. Collaboration</b>	<b>5.1</b> Identify new areas for collaborative working with internal and external stakeholders.	Procurement Service and Resource stakeholders	March 2019	Complete	New collaborative opportunities being considered for 19/20 include fresh bread and baked goods and Sheriff Officer contracts.
	<b>5.2</b> Ensure collaboration is consistently considered for all procurement activities and increase collaboration where possible.	Procurement Service	March 2019	Complete	The requirement to consider collaboration is now embedded in the Sourcing Strategy.
<b>6. Sustainable Procurement and Community Benefits</b>	<b>6.1</b> Update the Sustainable Procurement policy.	Procurement Service	February 2018 revised to December 2019	On target	The draft policy has been reviewed by the sustainability team and approved by the Procurement Network in December 2018. This will now be reviewed following information from the Scottish Government regarding the approach to climate emergency.
	<b>6.2</b> Support consultation by Resources with communities in advance of procurement exercises.	All Resources	March 2019	Complete	Community consultation exercises supported by Procurement in 18/19 include Blairbeth Urban Park and Glen Esk.
	<b>6.3</b> Support the development of a system of collating and tracking community benefits.	All Resources	September 2019 revised to March 2020	On target	Proposed community benefit process approved by Procurement Network and draft report prepared for CMT (combined with 6.5).

Objective	Action	Responsibility	Timescale	Status	Update
	<b>6.4</b> Deliver the procurement requirements to support the Council's approach to reducing single use plastics	Procurement Service	March 2019	Complete	Procurement represented on Sustainable Development Group to support procurement of alternative products.
	<b>6.5</b> Make recommendations for improving the identification of community benefit opportunities and monitoring ( <b>new 2019/2020</b> )	Procurement Service	March 2020	On target	Proposed community benefit process approved by Procurement Network and draft report prepared for CMT (combined with 6.3).
<b>7. Contract and Supplier Management</b>	<b>7.1</b> Introduction and full roll out of eCM and eSPM for appropriate contracts.	Procurement Service	December 2017 revised to August 2019	On target	Work is ongoing in this area with a number of provisional contracts identified to pilot electronic contract monitoring.
	<b>7.2</b> Research the potential impact of BREXIT on existing and future Council contracts.	Procurement Service	July 2017	Complete	Procurement have contributed to the Council wide risk assessment of BREXIT impacts and are working with Scotland Excel to consider impacts on collaborative contracts.
<b>8. Ethical Trading</b>	<b>8.1</b> The use of organic and local produce will be specified where possible within food contracts.	Procurement Service	March 2019	Complete	SLC works closely with Food Development Officer and food suppliers (including collaborative opportunities with Scotland Excel) attending UIGs to inform contract specific terms, conditions and specifications, ensuring the promotion of organic and local products within current procurement legislation.

Objective	Action	Responsibility	Timescale	Status	Update
	<b>8.2</b> Work with suppliers to reduce food waste.	Procurement Service	March 2019	Complete	Food waste reduction is scored within relevant bids. Composting projects have been introduced within schools with the contractors supplying compost bags and compost bins.
<b>9. Purchasing Processes and Systems</b>	<b>9.1</b> Implementation of e-invoicing fully by November 2019.	Accounts Payables	November 2019	Complete	E-invoicing has been successfully implemented with 12 suppliers currently using the system. 56,441 invoices (22%) of invoices were processed by e-invoicing 18/19. Work is ongoing to assess the feasibility of further suppliers to be adopted.
	<b>9.2</b> Develop the use of PCS and PCSt and the Council's i-procurement system.	Procurement Service	March 2019	Complete	PCS and PCSt fully implemented in procurement.
	<b>9.3</b> Consider the use of Project Bank Accounts in appropriate contracts.	Procurement Service / Payables / Strategy / Resources	June 2017	Complete	Council officers attended a training event held by the City Deal PMO. Further developments for future City Deal contracts are expected.
	<b>9.4</b> Development of a 'No PO, No Pay' policy.	Procurement Service	April 2017	Complete	Greater enforcement of the Certified Payments Policy is taking place. Invoices are being returned to Resources where they do not display a valid PO number.

Objective	Action	Responsibility	Timescale	Status	Update
	<b>9.5</b> Implementation of a supplier incentive scheme.	Procurement Service / Payables	February 2018	Complete	Decision taken not to progress with the scheme at this time.
	<b>9.6</b> Implement action plan following the post implementation review of i-procurement.	Procurement Service / Resources	December 2017	Complete	Review of the action plan has taken place with actions either complete or covered elsewhere in the strategy action plan.
	<b>9.7</b> Review and update of the Procurement pages of the intranet and website.	Procurement Service	November 2017	Complete	The content of the intranet and website have been updated.
<b>10. People</b>	<b>10.1</b> Ensure that all procurement staff completes the Scottish Procurement Competency Framework every 3 years.	Procurement Service	July 2019 revised to December 2019	Slipped	Progress being made in scoping with a view to assessment in December.
	<b>10.2</b> Capture training requirements through the use of the Council PDR process.	Procurement Service	May 2018	Complete	Three members of staff have completed training via the Chartered Institute of Purchasing and Supply (level 4) with one further member undertaking training to this level.
<b>11. Fair Working Practices</b>	<b>11.1</b> Local suppliers to be encouraged to pay the living wage to their workforce this will enable the Council to maintain the living wage accreditation.	Procurement Service	March 2020	On target	CMT report being drafted on Fair Working Practices and Living Wage in line with Scottish Government guidance.

Objective	Action	Responsibility	Timescale	Status	Update
	<b>11.2</b> Council to adopt a Construction Charter, monitor uptake and potential impact on SMEs.	Procurement Service	March 2019	Complete	Construction Charter approved by Executive Committee on 15 August 2018 and included in all relevant tenders since adoption.
<b>12. Performance Management</b>	<b>12.1</b> Monitor community benefits performance indicators.	Procurement Service	November 2018	Complete	Community Benefits reported through the KPI report to CMT in six monthly.
	<b>12.2</b> Increase where possible, the performance of the Procurement and Commercial Improvement Programme.	Procurement Service and Resource Stakeholders	December 2018	Complete	PCIP focused assessment took place on 20 September 2018 with outcome reported in February 2019. SXL confirmed that the Council's score increased to 78% (from 71% in 2016) and the Council remains in the top performance bank at F1.
	<b>12.3</b> Ensure that all internal and external reporting of data and Key Performance Indicators is completed within the agreed timescales.	Procurement Service	November 2018	Complete	Six monthly reports submitted to CMT with procurement KPIs
	<b>12.4</b> Develop the provision of management information to Resources.	Procurement Service	October 2018	Complete	New format of procurement update report following RAG format issued to Resources over Q3 and Q4 2018/2019 with positive feedback from Resources.
	<b>12.5</b> Develop new database solution for Contracts Register	Procurement Service/IT	March 2019 revised to October 2019	Slipped	Project formalised in IT Service Plan and good progress being made towards revised implementation date.

Objective	Action	Responsibility	Timescale	Status	Update
	<b>12.6</b> Consider feasibility of Project Management Software for procurement <b>(new 2019/2020)</b>	Procurement Service/IT	March 2020	On target	Procurement are working with IT Services to assess PMO solutions to improve monitoring and reporting on tender exercises.