

## **Appendix 1**

### **SUMMARY PCA REPORT 2012**

#### **Introduction**

The Procurement Capability Assessment for Local Authorities is carried out by Scotland Excel between October and December each year. The assessment for Argyll and Bute Council was carried out in Kilmory on the 8<sup>th</sup> October 2012. The Council's score has increased each year in line with the national trend. The Council scored 53% this year in comparison to 41% in 2011.

This increase of 12 percentage points is substantial, and reflects the investment that the Council and the Procurement and Commissioning Team have made in procurement over the last 2 years.

This score falls into the improved performance quadrant. The Council is now in improved performance with a score of greater than 50% for 4 out of the 8 sections of the assessment.

This report considers the Council's performance score in detail, section by section, identifies potential for further improvement, and analyses the benefits of those improvements. Where significant improvements are suggested as a priority then a programme for achieving those improvements is included within the report.

#### **Section 1 - Procurement Leadership and Governance**

*2011 score 43%                      2012 Score 67%*

The council's score increased significantly due to being able to demonstrate that Strategic Management acknowledge the importance of procurement within the whole organisation.

In order to gain further points within this section, the Council requires to demonstrate that the Procurement and Commissioning Manager is both responsible and accountable for procurement of goods, supplies and services throughout the Council. This includes providing appropriate procurement training to relevant staff and ensuring that all research and specifications for high value or high risk procurement have strong procurement team input.

This can be achieved via regular reporting to the Strategic Management Team on all procurement activities, through ensuring the effectiveness of the newly established Procurement Board and regular programme of meetings with individual heads of service to continue to show that we have a formal process for stakeholder engagement and management which is consistently applied.

The Procurement Team will be required to provide details to the Heads of Service on both uncontracted and off contract spend on a quarterly basis in order to put a plan in place to rectify the position.

## **Section 2 - Procurement Strategy and Objectives**

*2011 score 63%                      2012 Score 73%*

The Council already scores well in this section and has had an approved procurement strategy in place since 2009. The current Procurement and Commissioning Strategy is for the term 2012-2015 and reflects the Council's strategic approach to the function. The Strategy is aligned more closely to the strategic goals and objectives of the Council as well as the Procurement Reform programme. It is also important that an emphasis on managing procurement risk is included in the strategy.

The Strategy sets out key actions that the Team will be working to complete over the next year. Provided they are achieved, this should result in a further increase in score at the next assessment.

The actions contained within this Report will form the Procurement and Commissioning Team's improvement plan which the Team will endeavour to deliver and continually improve the Council's procurement performance, regularly reporting progress to the Procurement Board and Strategic Management Team.

Further, when the next round of Performance Development Reviews are carried out, the Team's individual staff objectives will reflect the Procurement and Commissioning Strategy in order to ensure that the Strategy's objectives are met.

## **Section 3 - Defining the Supply Need**

*2011 score 33%                      2012 Score 43%*

The Argyll and Bute Council Procurement Team have had some notable successes in influencing individual contracts and achieving significant benefits for the Council. This influence is not fully embedded into processes and procedures and primarily operates at a personal level, where the individual Purchasing Officer is able to persuade the Service, or contract owner, to review their traditional practices in regard to specifications.

There is significant potential to improve the area of demand management. Two areas where improvements in this area are already underway are through the Admin Review and the Purchase to Pay Project which will deliver usable management information at line item detail level to allow decisions on consumption, including forecasting, to be properly taken. Detailed management information, including line item and forecast data, should inform

all relevant procurement decisions. This information should be easily formatted and accessed.

Both of these projects require to be completed and fully implemented in early 2013 for the Council to increase its score within this section.

The Team will be required to ensure that they strengthen their use of market research and analysis as a part of the key sourcing strategies, which require to be developed to fully reflect the recent changes in the 2012 Procurement Manual.

Services will also need to be proactive in engaging with the Procurement Team when they are developing their business/service plans and strategies to ensure that procurement is taken into account at the earliest possible stage of the process and can help shape the next iteration of specifications for service requirements.

#### **Section 4 - Procurement Commodity / Project Strategies & Collaborative Procurement**

*2011 score 41%                      2012 Score 47%*

The Procurement and Commissioning Team have been using a simplified form of sourcing strategy since before the Procurement Journey was first published. The form recommended by the Journey is more technical and oriented towards procurement professionals. Following discussion during the 2011 capability assessment on the alternative forms, it was decided that it would be appropriate for the Council to retain the simpler form for routine purchases but to use the enhanced form for key commodities. This was recently incorporated into the 2012 Procurement Manual. Detailed sourcing strategies are now in place and approved for all key commodities since the end of September 2012.

In order to gain more points in this section the Team require to strengthen their use of market research and analysis as a part of further development of the key sourcing strategies over the next year in advance of contract renewals.

The Team is also required to obtain stakeholder feedback from all users when developing key cross-functional contracts i.e. across more than one department. This will mean that the relevant service representatives who sit on the particular procurement User Intelligence Group (UIG) will need to provide feedback from their colleagues that the end users are satisfied with the goods, supplies or services duly procured.

Lessons learnt should be regularly acknowledged after procurement processes are completed, taking into account both positive and negative feedback. This should be reported to the Procurement Board and Strategic Management Team.

Risk Management must also be further embedded. This should be evidenced within the Procurement Manual, the sourcing strategy and balanced scorecard.

Sustainability is also dealt with within this section. The Council is following the Scottish Sustainable Procurement Action Plan and has all of the basic functions in place to achieve level 1 of 5. A report will be brought to SMT during December on Sustainable Procurement covering Community Benefits Clauses, Re-Tender clauses and environmental sourcing and recycling.

The Procurement and Commissioning Team together with the Project Team will consider inclusion of voluntary community benefit clauses within the Helensburgh Office project tender, and will prepare mandatory clauses can be used in significant construction contracts in line with the recommendations from the Community Skills Scotland Client Based approach.

Sustainability requires to be mainstreamed into all relevant procurement processes, including scoring sustainability related criteria within tenders.

The Team will be required to evidence the levels reached under the sustainability Flexible Framework self-assessment tool for sustainable procurement. More generally, increased consideration should be given to the criteria specified within tenders to make sure that they consider responsiveness of suppliers fully where this is a relevant consideration. This will help to ensure that the advantages of local contractors are fully recognised.

The Council currently participates in all appropriate collaborative contracts from Scottish Procurement and Scotland Excel as well as making use of Buying Solutions frameworks. The Procurement and Commissioning Team has also let contracts in collaboration with other Councils, most notably leading on the Highlands and Islands Civil Engineering Consultancy Contract (value £10million) and the Debt Collection Contract (value £3million). The Team have recently been working with other West of Scotland procurement teams in an initiative led by Glasgow City Council to identify further collaborative opportunities and those have now been mapped. Argyll and Bute Council will lead the procurement in at least one of those initiatives. It is proposed that the project will be Leisure/Sports equipment for Gyms etc.

## **Section 5 - Contract and Supplier Management**

*2011 score 26%*

*2012 Score 43 %*

The methodology for Contract and Supplier Management within the Council was approved as part of the Procurement Manual revision in September 2011. The approach to Contract and Supplier Management follows closely on that recommended within the Procurement Journey.

The Procurement Manual sets out the criteria to be followed in determining key contracts and suppliers. A contract management plan has been drawn up for each key contract and has been communicated to and discussed with suppliers. Contract management meetings have been held with key suppliers and these are ongoing over the course of the year.

By carrying out supplier and contract management strictly in accordance with the terms of the SPD Procurement Journey the Council should be able to benefit from the Contract Management module of the Public Contracts Scotland Tender system (Bravo Solutions), when it becomes available during 2013. The Council is already utilising the e-tender module of Public Contracts Scotland Tender.

Effective supplier and contract management needs to be supported by consumption records and there is therefore some dependency on the creation of better management information. The availability of adequate resources will determine the width and depth of supplier and contract management.

It is essential for the continued effective contract and supplier management in line with the Procurement Journey that Services engage fully with the programme.

The Island Capital Works Contract which included reward sharing, is a particular example where contract management has been very effective and this model could potentially be replicated elsewhere.

## **Section 6 - Key Purchasing Processes and Systems**

*2011 score 44%*                      *2012 score 27%*

As detailed in the covering Report, the PCA was revised this year, there have been 16 deletions but a number of mergers and moves, 3 new questions and a large amount of amendments to the questions and evidence required. There are now a total of 52 questions.

This section has changed the most with detailed evidence being required to achieve points.

In previous years we got points for having processes and/or systems in place but the changes to the PCA questions are now looking for more in-depth evidence, e.g. percentage of transactions specific by different requirements, e-invoicing, e-purchasing, electronic receipting, etc. due to the number of manual orders the Council currently operate with it was not possible to score any higher. Oracle Purchasing will mandate the use of a procurement system (PECOS, Concerto, Tranman or CareFirst) with the exception of the Purchasing Cards.

We also now need to implement standardised item, commodity/service coding and pricing across all procurement systems.

The Council now has the requisite tools in place to develop purchasing processes and systems following the start up of the Purchase to Pay project. This project, together with the Admin review, has the potential to deliver integrated purchase to pay and provide the level of detailed management information necessary to deliver effective procurement.

The Travel and Accommodation Sourcing Team has now been fully rolled out to all Council departments. Progress still needs to be made with the other commodity areas identified which are: Corporate, Education, Construction and Facilities (including Care) and the creation of their dedicated specialist sourcing teams.

Along with the Purchase to Pay Project, it is still expected that this will result in an increase in the incidence of first time matching (purchase order, receipt and invoice) and this will increase the percentage of invoices paid within 30 days. Further investigation is required into the matching process for CareFirst and Concerto and into standardising coding for all purchases regardless of system the order has been placed in, in order to improve management information.

It is essential that these projects are fully implemented in early 2013 to achieve an increase within this section.

### **Section 7 - People**

*2011 score 48%*

*2012 Score 78%*

Following the retirement of the Exchequer Services Manager as part of the service, the Council no longer has any fully qualified procurement officers. Team members are expected to qualify in October 2013, and a fully qualified staff member has recently been recruited and is due to start in February 2013.

The majority of the Purchasing Officers in the Procurement Team are already all qualified to Level 5 in CIPS, and we are currently on programme to have four staff gaining professional membership of CIPS by October 2013. All of the procurement team have been assessed against the core competences set by Scottish Government. The training already in place through CIPS will be supplemented by practical training in accordance with the outcomes from the Competence Assessment and the Performance Development Review.

Further, all relevant service staff have been assessed and are currently receiving appropriate training either provided in house or by external trainers, taking into account their assessed need. The Team scored very highly in the section due to the commitment of the Team to have competent professional staff within the Team and appropriately trained staff within the services.

The Team will require to continue to have an appropriate training budget to ensure that all relevant staff receive the correct procurement training.

### **Section 8 - Performance Measurement**

*2011 score 27%*

*2012 score 50%*

The Procurement Team maintain Best Practice Indicators for Procurement, these are now reported on Pyramid and include targets set for each indicator. There is scope for further development of these measures.

The measurement of procurement benefits within individual contracts has to be wider than simply cost savings, and individual sourcing strategies will require to be adapted to place measurable targets against the balanced scorecard of benefits and thereafter be regularly report to the Strategic Management Team.