

FALKIRK COUNCIL

Subject: STRATEGIC PROCUREMENT IN FALKIRK COUNCIL
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
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1. INTRODUCTION

1.1 In October 2011 Members considered and approved a change of contract award for the provision of tyres to the Council's Fleet Services division. The change of contract award resulted from a challenge by one of the tendering companies. This challenge led to a review of the contract being undertaken by Internal Audit and the Council's Corporate Procurement Unit. Following the review of the contract process, various operational improvement actions within Fleet Services have been implemented and the new contract for tyres has subsequently been operating effectively since commencing in late 2011. The Audit report identified the following issues:

- The need for additional guidance & training on contract management
- The respective responsibilities of Services and the purchasing unit should be clearly defined
- Each procurement exercise should include a formal review of the specification
- The functionality of current systems to enable purchase to pay should be reviewed

1.2 Additional to the specific operational and administrative changes implemented within Fleet Services, Members also asked for a corporate review of procurement processes and procedures to be undertaken. The objective of the corporate review was to provide assurance that best practice was being adopted across all Council services.

1.3 In February 2012, Members of the Best Value Forum considered a report outlining the proposed scope of a Corporate Procurement Review. The report outlined actions designed to improve performance across 5 core areas:

- Awareness, Training & Guidance
- Purchase to Pay processes (P2P)
- Consumption and compliance analysis
- Contract Management
- Commodity Strategies

1.4 Since February 2012, some of the deliverables achieved through the review include:

- Training delivered to senior staff across all Council Services, over 200 officers
- Measurable savings of c£1.6m to date, over £1m above target
- Implemented new guides in relation to Procurement Procedures; Contract Management and Procurement Journey
- Adopted a new approach to expanding the use of Community Benefits through framework agreements and with partners, which has delivered over 150 placements

- Implemented a new sustainable procurement guide and achieved WWF Silver status for sustainable timber, one of only a few Local Authorities with this status
 - Improved compliance via use of Quick Quotes c£1.6m since April 2012
- 1.5 A core measurement of progress across the key areas outlined in 2.3 above is the national PCA process. Procurement improvement across these key areas is considered essential, to enable the Council to increase its PCA outcome from the 35% score achieved in 2011. Although 35% demonstrated strong compliance against good practice it was short of the 50% national target that all 32 Councils were expected to achieve by the end of the 2012 PCA process.

2. 2012 PROCUREMENT CAPABILITY ASSESSMENT (PCA)

- 2.1 All 32 Scottish Local Authorities have now been assessed as part of the 2012 program. The assessment process was completed in December 2012 and Falkirk Council has improved its PCA performance from **35%** in 2011 to **56%** in 2012. This represents the most significant improvement of all the 32 Councils and is more than double the Scottish average increase of 9%. Falkirk Council is now firmly in the upper quartile of top forming Councils. An outline of the PCA outcomes for all 32 Councils is attached at Appendix 1.
- 2.2 The PCA is a challenging and evidenced based assessment process and this is reflected in the fact that of the 32 Councils assessed, 14 did not achieve the Local Authority target of 50% by the end of the 2012 assessment period. The Local Authority average assessment score is 47% and this further evidences the degree of difficulty of moving the Local Government sector into the improved status (i.e.: between 50% and 74%) of the PCA model.
- 2.3 The PCA is first and foremost an improvement tool and the process has been developed to cover 8 core areas. The core areas cover the full spectrum of procurement and thereby provide evidence of strengths and weaknesses, across all areas. Falkirk's score was as follows:

SECTION	SCORE	STATUS
Procurement Leadership and Governance	60%	Improved
Procurement Strategy and Objectives	73%	Improved
Defining the supply need	61%	Improved
Procurement Commodity/Project Strategies and Collaborative Procurement	61%	Improved
Contract & Supplier Management	43%	Conformance
Key Purchasing Processes & Systems	53%	Improved
People	72%	Improved
Performance Measurement	22%	Developing
TOTAL	56%	Improved

- 2.4 Whilst the above table evidences strong performance across most of the assessed areas, there is opportunity to further strengthen and improve over the forth coming financial year.

Planned developments and improvements for 2013/14 include:

Strategy and Leadership: Improved governance with the Procurement Board creating and driving stronger linkages between procurement best practice and business planning at a service level. This will involve ensuring the Procurement Board meets quarterly, with strong commitment to attendance by all Services. In addition, the Board should also receive regular reports on procurement compliance and the development of best practice. Embedding a Procurement Planning Framework will also further provide improvement within this area.

Procurement Systems: There is a need to develop smarter and joined up procurement processes and systems (i.e.: Purchase to Pay (P2P) systems, contract management tools and agreed PIs for performance reporting). System upgrades for Integra (the Council's core financial system) are now in place and a small team has been established within Finance Services to lead (in conjunction with the Central Purchasing Unit (CPU)) the implementation of smarter and more compliant P2P processes. The roll-out of new processes and procedures across Services will take place over 2013/14. The development of an integrated performance reporting framework, including improved reporting via the Council's Financial Management System will also be a key improvement action for 2013.

Contract Management: It is acknowledged that there needs to be clearer definitions of accountability for staff, where commodity specialists (who need not be in the CPU) have access to quality real time spend data, strategically manage supplier relationships, have authority to drive contract compliance and manage consumption within and across Services. This will require Commodity Specialists to be identified for all key Council contracts, with enhanced training and support provided to ensure they manage supplier relationships, have authority to manage consumption and that supplier performance is regularly reported, through the development of a reporting framework in line the Council's Contract Management Guide.

Commodity Strategies: A greater focus on the creation of commodity strategies where spending is grouped around market facing activities and not focused on activities at a Service/Budget level. This will involve the preparation and adoption of individually defined commodity strategies around market facing activities.

Training: Improving procurement competencies and skills through the identification at a service level of everyone involved in procurement and contract management activities. An annual training calendar is in place and has three distinct work streams General; Specialist and Member.

- General training will cover back-ground to why procurement is important and contract standing orders and financial regulation requirements. This will build-on and expand the scope of training delivered in 2012 to a broader base of Council staff
- Specialist training is targeted at those officers who have significant buying and procurement responsibilities within their remit. This covers matters such as EU requirements; contract management processes and defining the supply need. There is a need to clearly identify and define specialist officers. This will form part of the work with respective services in developing individual Service Procurement Plans.
- Member training was initially scheduled for late 2012 but had to be cancelled. Further consideration is being given to alternative sources of support, including an information pack.

2.5 As part of the Corporate Procurement Review additional temporary staffing resources were recruited to drive procurement improvement. The resourcing of the

Corporate Procurement Unit (CPU) to levels in line with similar sized organisations was fundamental to the improved performance evidenced through the 2012 PCA. The additional staffing has also allowed more resource to work with Services to improve levels of compliant spending, help Falkirk Council increase its collaboration across the public sector and also to deliver procurement savings across a range of commodities and service areas. It is however recognised that there are opportunities to drive further improvements.

- 2.6 It is essential for the Council to sustain the momentum of procurement improvement evidenced in the last 12 months, particularly given the on-going financial difficulties facing the Council. As such, a structural review of the CPU structure is underway in order to provide a stable foundation for procurement improvement going forward.

3. CORPORATE PROCUREMENT PLANNING

- 3.1 The development of a Procurement Planning Framework, encompassing a Corporate Procurement Plan, supporting by individual Service Procurement Plans is a key delivery vehicle for continued procurement improvement. The aim of a Corporate Procurement Plan is to ensure that the Council uses procurement strategically to support Community and Corporate Plan priorities and that procurement activity help sustain the delivery of quality front line services. The Corporate Procurement Plan challenges existing ways of working and sets the Council's strategic direction for Procurement across all areas of Council service provision.
- 3.2 The basis of the Plan is to provide analysis and transparency of the Council's third party procurement spending. This visibility and challenge of spending activities ensures that procurement from third parties is undertaken in a planned, compliant, transparent and efficient manner across all Services of the Council.
- 3.3 The Plan will therefore provide further reassurance that procurement activity is subject to strong governance. In addition, a corporate procurement planning structure, supported by individual service procurement plans, clearly lays out roles and responsibilities. The main benefits of the Procurement Planning Framework are:
- Procurement is delivered at a strategic level within and across the Council. It supports the Council's objectives and prioritises opportunities in terms of delivery of benefits and maximisation of existing resources;
 - Transparency in the use of £180m per annum of public funds and effective management of all procurement activities, including contract management to ensure value for money whilst supporting the delivery of front line services;
 - Evidencing best practice in procurement and improving processes and policies in a consistent and standardised manner across all areas of Service provision;
 - Compliance with EU Procurement Directives, EC Treaty, Scottish Government Guidelines and Council Standing Orders so that procurement activity is effectively monitored and managed;
 - Developing transactional and strategic partnership arrangements with providers and other procuring organisations and exploring opportunities for joint delivery of services with others;

- Promoting the role of procurement in developing local economic sustainability, and in protecting the environment through environmentally sensitive procurement.
- 3.4 The Corporate Procurement Plan forms the basis to define and agree individual Service Procurement Plans. These Service procurement plans provide detailed analysis of service spending, help shape individual commodity strategies and allow procurement priorities and allocation of CPU resources to be established at an individual Service level.
- 3.5 In taking the Corporate and Service Procurement Plans forward, the Council can expect to realise the following benefits:
- More efficient procurement procedures;
 - Effective partnerships developed with providers;
 - Benefits for the local economy;
 - Effective collaboration with other service providers;
 - Improved value for money, through:
 - Achieving better value for money for the goods and services purchased and improving the quality of those goods and services
 - Reducing the cost of purchasing and the time it takes
 - Improving the management of contracts
 - Ensuring that procurement expertise is applied to Service needs
- 3.6 The visibility and analysis of the Council's procureable spend evidenced through the planning framework will ensure that procurement from third parties is undertaken in a planned, compliant, transparent and efficient manner across all Council services.

4. RECOMMENDATIONS

4.1 Audit Committee are asked to:

- **Note the progress made in delivering procurement improvement and the outcome of the 2012 PCA assessment and**
- **Note the planned improvement actions during 2013/14**

DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

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