

## **EAST AYRSHIRE COUNCIL**

### **POLICY AND RESOURCES COMMITTEE – 15<sup>th</sup> NOVEMBER, 2005**

#### **CORPORATE PROCUREMENT STRATEGY – UPDATE**

##### **Report by Depute Chief Executive/Executive Director of Corporate Support**

### **1. PURPOSE OF REPORT**

- 1.1 To appraise Committee of the progress made towards the implementation of the Council's Corporate Procurement Strategy and of forthcoming anticipated procurement developments potentially effecting the future development of the strategy.

### **2. BACKGROUND**

- 2.1 Members will recall that at the meeting of the Policy and Resources Committee on 25 November 2004 the formal adoption of a draft Corporate Procurement Strategy was approved with the task of co-ordination of the implementation of the strategy being remitted to the Depute Chief Executive/Executive Director of Corporate Support.
- 2.2 The Corporate Procurement Strategy's principal purpose was to set out a clear strategical framework for all future procurement activity and development within the Council with the overall objective of the establishment of a coherent, comprehensive and integrated procurement strategy. In doing so the strategy provided significant levels of detail encompassing generalised procurement principles, existing procurement arrangements within the Authority and existing term contracts.
- 2.3 In addition, the Strategy identified a number of priority actions which were to be progressed over an initial twelve month period after adoption within the context of an ambitious three year procurement programme detailed in an accompanying action plan. From the outset, it was recognised and accepted that implementation of the strategy would be a challenging exercise and would undoubtedly be influenced by external procurement influences. Consequently, it can now be reported that the last twelve month period has witnessed an unprecedented level of activity and growth in the field of procurement generally at national, sectoral and local levels. Activity levels have unfortunately also recently been accompanied by the loss, to promoted positions outwith the Council, of two very experienced procurement officers. These factors have presented ongoing increased levels of challenge to staff in terms of service continuity whilst continuing to participate in various ongoing initiatives.

2.4 Externally, there are perhaps three specific and inter-related areas of activity which have had and are likely to continue to have the most significant impact on the future direction of the strategy namely:-

- The Scottish Executive Review of Public Sector Procurement in Scotland by John McClelland;
- The ongoing development and activities of the Authorities Buying Consortium; and
- The ongoing Scottish Executive led drive towards collaborative procurement generally and with the other two Ayrshire Councils in particular.

For the purposes of this report each of these areas will be considered individually.

### **3. PROGRESS TOWARDS IMPLEMENTATION OF IDENTIFIED PRIORITY ACTIONS**

3.1 As identified in paragraph 2.3 above the Corporate Procurement Strategy identified eleven priority actions which were designed to ensure continuous improvement of the procurement service. These actions (as detailed in paragraph 4.3 of the strategy) ranged from the increased promotion and establishment of the Procurement Section's role in spreading good procurement practice across the Council to the alteration of contract award procedures to comply with developments in European Procurement Law to the increased monitoring of adherence to contract conditions to ensure the delivery of a Best Value and value for money service to the Council.

3.2 The Council's ad hoc Procurement Working Group ("PWG") has continued to meet on a regular basis under the direction of the Depute Chief Executive/Executive Director of Corporate Support. Over the last year the Group has evolved into an important and appropriate procurement "think tank" where issues relating to the ongoing progress of strategic procurement projects can be discussed. The PWG also provides an opportunity for early identification of potential problems. In addition, the Group provides a forum where procurement can be discussed at a senior level on a corporate basis and accordingly plays an important role in the Council's overall governance of strategic procurement activity.

3.3 Under the scrutiny of the Procurement Working Group the present position is that full implementation of a number of the identified actions in the strategy has been achieved and in others progress towards implementation has either been made either internally or future direction has been influenced by the ongoing McClelland review.

3.4 Since November 2004 the procurement section has been directly involved in procurement projects across the entire spectrum of East Ayrshire Council activity. In addition, numerous collaborative opportunities with a range of public sector partner organisations have materialised where East Ayrshire has

been able either to act as lead authority or has been able to provide a significant levels of input into the process.

- 3.5 Included as Appendix A to this report is a list of some eighty seven procurement projects in which the procurement section has been actively involved during the last year. The list also provides details of the current status of each of the projects. Out of this number thirty six contracts have been formally awarded with a further ten likely to be awarded imminently. Overall, the formal award of a number of strategically important contracts (e.g vehicle tracking, radiator kits, bathroom ware and non housing property maintenance) has been of particular significance to the procurement section.

#### **4 THE McCLELLAND REVIEW**

- 4.1 Since the adoption of the Council's Corporate Procurement Strategy, as part of its Efficient Government Initiative, the Scottish Executive has initiated a review of Public Sector Procurement in Scotland by John McClelland. It is anticipated that the report and recommendations following thereon will be issued during November 2005. The review's terms of reference are to consider:-

- Current structure and organisation of procurement activity
- Current skills and capability deployed on procurement
- Current practices and procedures
- Performance indicators and targets applied to procurement activity
- Ways to achieve efficiency improvements through greater collaboration
- Whether e-procurement techniques such as e-procurement Scotland and purchasing cards are being fully and effectively utilised
- Whether there is scope for the Gateway process to be further deployed across the public sector, to ensure that proper project management arrangements are in place for major procurement decisions
- What lessons can be drawn from experience elsewhere.

It is expected that the review will identify areas for improvement and make recommendations as to how to improve the delivery of public procurement in Scotland. It is also expected that in making its recommendations the Review will propose an implementation plan, timetable and targets.

- 4.2 In general terms, it is perhaps significant to recognise that East Ayrshire Council, as part of the process of initial creation and ongoing implementation of the Corporate Procurement Strategy has already given consideration in one way or another to each of the individual terms of reference of the Review. As an example, it was recently identified that very few Council staff had received any project management training. Accordingly, arrangements are currently underway to provide project management training for a number of staff on an in-house basis.

- 4.3 Over the last few months COSLA have been actively involved in contributing to the implementation phase of the McClelland Review and have, in consultation with Council Leaders, formulated a number of policy positions which will hopefully be reflected in the final report. Whilst at this stage the final recommendations of the review cannot be foreseen, what does seem to be fairly clear is that considerable emphasis is likely to be placed on the procurement of goods and services on national and sectoral levels. It is however less clear whether the use of any such nationally or sectorally procured contracts will become mandatory. It is intended that a further report will be brought to committee on the implications of the McClelland Review in due course.

## **5. THE AUTHORITIES BUYING CONSORTIUM (ABC)**

- 5.1 An indicated above the last 12 months have also witnessed an unprecedented level of activity on the part of the ABC. Historically, the Council's ABC involvement required the attendance of an East Ayrshire representative at meeting of the ABC Joint Committee which meets approximately eight times per annum together with ad hoc meetings of various departmental representatives in respect of specific procurement activities.
- 5.2 However, the evolution of the ABC collaborative/better buying initiative combined with the e.procurement project has required a significantly higher level of input from staff. Creation of a steering group and an executive management group has also proceeded contemporaneously with the submission of a bid to the Scottish Executive for funding, which if successful, would result in the ABC striving to become a procurement centre of excellence in the West of Scotland. A major component of any such development would be a requirement for the temporary secondment of procurement staff to the ABC to facilitate enhanced training.
- 5.3 The ABC vision for future development also requires to be considered in the context of the McClelland Review. For some time, current members of the ABC have expressed varying levels of concern about its operation from a Best Value perspective which has led in some instances to very low levels of utilisation of ABC procured contracts and consequently an increase of levels of off contract or maverick spend across authorities.
- 5.4 With this background, during summer 2005 the ABC commissioned a consultant to consider numerous strategically critical issues which resulted in the production of a report which promulgated a number of potentially controversial recommendations around the future structure and funding of the ABC. Consequently, another of the anticipated McClelland recommendations is the potential conversion of the ABC, not only to become a West of Scotland centre of procurement excellence but a National Local Authority hub for procurement involving all 32 Scottish Local Authorities with the ability to extend its sphere of operations across the entire public sector.

- 5.5 Such a recommendation, if made and accepted by the Scottish Executive, would potentially herald dramatic alterations to the way in which every local authority in Scotland approaches procurement generally and will be the subject of a further report once recommendations are made and analysed. In the meantime, it is intended that East Ayrshire will continue to be represented at all levels with the various ABC initiatives and committees and will continue to utilise ABC procured contracts where Best Value can be demonstrated. This position is consistent with earlier commitments given in relation to the ongoing operation of the ABC.

## **6 COLLABORATIVE PROCUREMENT**

- 6.1 Complementing the activities of the ABC collaborative procurement initiative members should be aware that the East Ayrshire procurement team continues to be aware of the Scottish Executive's drive towards the identification of collaborative procurement opportunities and accordingly has been active in recognising appropriate projects for such collaborative exercises.
- 6.2 Accordingly, as can be seen from the data included in Appendix A, during the last year the East Ayrshire procurement team has either led or has been actively involved in eight such collaborative projects. Collaboration on these projects has either been amongst the other Ayrshire Authorities or has involved other public sector partners such as the NHS particularly in respect of the North West Kilmarnock Neighbourhood Services Centre.

## **7 CONCLUSIONS AND NEXT STEPS**

- 7.1 Overall, the last 12 months have presented a range of challenges for the procurement team. The dynamic nature of the current national procurement environment will lead to ensure that the nature and number of such challenges will continue. Operationally, the procurement staff transfer from the Lugar offices to Headquarters has been successful for a range of reasons including the promotion of enhanced levels of contact between the team and client base. The successful award of numerous long term strategically important contracts has been of particular significance during this period.
- 7.2 Notwithstanding the successful first year of the strategy, it is still apparent that much remains to be done. The impending commencement of a scoping and readiness assessment for the introduction of an e.procurement solution for East Ayrshire will present such a range of new challenges by the implementation of a revolutionary method of procurement taking the place of more traditional processes.
- 7.3 One area where it is particularly hoped that progress can be made during the coming year is in respect of the contract audit function. It is recognised that this function is essential in the drive to obtain reliable and accurate information to support the development of the procurement function. Ultimately, the success or failure of the strategy will be judged on the ability to

demonstrate efficiency gains facilitated by its full implementation in the ongoing drive to achieve Best Value.

## **8 RECOMMENDATIONS**

8.1 It is recommended that committee:-

- (i) as identified above, note that further reports on the outcome and recommendations of the McClelland Review and the ongoing development of the Authorities Buying Consortium will be brought to committee in due course; and
- (ii) otherwise, note the contents of this report.

Elizabeth Morton

**Depute Chief Executive/Executive Director of Corporate Support**

1<sup>st</sup> November, 2005

### **LIST OF BACKGROUND PAPERS**

- (1) Corporate Procurement Strategy Report to the Policy and Resources Committee of 25<sup>th</sup> November, 2004.
- (2) Corporate Procurement Strategy

Members wishing further information should contact David Mitchell, Head of Administrative & Legal Services on Extension 6061

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APPENDIX A

<b>Ref</b>	<b>Project Title</b>	<b>Client</b>	<b>Status @ 27/10/2005</b>
PS/04/27	Care & Repair Service	Housing	Awarded
PS/04/28	Non-Statutory Audit Services	Finance	Awarded
PS/04/29	Longpark Redevelopment Phase 1	Housing	Procured by Cunninghame HA
PS/04/30	Design, Supply, Installation of Air Conditioning System (HQ)	ICT	Awarded
PS/04/31	Catrine Weir	Planning	Awarded
PS/04/32	Air Conditioning Maintenance Term Contract	Property	Awarded
PS/04/33	Asbestos Sampling & Analysis Term Contract	Technical Services	Awarded
PS/04/34	Advertising Agency Service 2004	PR Corporate Support	Discontinued
PS/04/35	Upgrading of Isdx Telephone Switches 2004	ICT	Awarded
PS/04/37	Scaffolding Framework	Building & Works	Awarded
PS/04/38	Paper & Card Recycling Services	Cleansing Services	Awarded
PS/04/39	MRF Equipment	Cleansing Services	Awarded
PS/04/40	Supply UPVC windows	Technical Services	Awarded
PS/04/41	Supply of UPVC Doors	Technical Services	Awarded
PS/04/42	Mediation Services	Housing	Awarded
PS/04/43	Mains (Electricity) Installations	Technical Services	Unsuccessful
PS/04/44	Mains (Gas) Installations	Technical Services	Unsuccessful
<b>PS/04/45</b>	<b>Clerk Of Works Services to North West Kilmarnock Centre</b>	<b>Collaborative Project</b>	<b>Awarded</b>
PS/04/46	Vehicle Tracking System	Building & Works	Awarded
PS/04/47	Mobile Data Transfer System	Building & Works	Discontinued
PS/04/48	Supply of Furniture, Furnishings & White Goods Framework	Housing	Awarded
PS/04/49	Network Installation Framework	ICT	Awarded
PS/04/50	Deposit Guarantee Scheme Management Service	Housing	Awarded
PS/04/51	Meals at Home Service	Social Work	Awarded
PS/04/52	Supply of Street Lighting Materials	Roads	To be Noticed in September 05
PS/04/53	Supply of Quarry Materials	Roads	To be Noticed in September 05
PS/04/54	Supply of Pre-Cast Units	Roads	To be Noticed in September 05
PS/04/55	Vehicle Spares	Roads	Under Review
PS/04/56	Vehicle Hire Framework	Roads	Out to Tender
PS/04/57	Plant Hire	Roads	ITT Docs Being Developed
PS/04/58	Taxi Hire Service	Social Work	Awarded
PS/04/59	Stair Lifts (Adaptations)	Social Work	Awarded
PS/04/60	Templeton Roundabout Development Study	Planning	Awarded
PS/04/61	Supply of Boilers	Housing	Addendum Re-Tender Underway
PS/04/62	Supply of Radiator Kits	Housing	In Mandatory Standstill Period
PS/04/63	Supply of Bathroom Ware	Housing	In Mandatory Standstill Period
PS/04/64	Supply of Kitchen Units	Housing	Under Review
PS/05/01	Manned (Static & Mobile) Security 2005	Property	Awarded

**APPENDIX A (Continued)**

<b>Ref</b>	<b>Project Title</b>	<b>Client</b>	<b>Status @ 27/10/2005</b>
PS/05/02	Minor Works & Building Maintenance Term Contract	Technical Services	Awarded
<b>PS/05/03</b>	<b>Residents Survey</b>	<b>Collaborative Project</b>	<b>Awarded</b>
PS/05/04	Tenant Survey	Housing	Awarded
PS/05/05	Computerised Recruitment Management System	Personnel	Award Imminent
PS/05/06	Asbestos Removal Term Contract	Technical Services	Awarded
PS/05/08	Preferred Energy Supplier (Domestic)	Housing	Awarded
PS/05/09	Supply & Erection of Street Signs	Technical Services	Out to Tender
PS/05/10	Young Persons Housing Support Services	Housing	Unsuccessful
PS/05/11	Special Needs Transport Service	Education	Awarded
<b>PS/05/12</b>	<b>Supply of School Furniture PPP</b>	<b>Collaborative Project</b>	<b>Under Review</b>
<b>PS/05/13</b>	<b>Waste Management Feasibility Study</b>	<b>Collaborative Project</b>	<b>Awarded</b>
PS/05/14	Building Preservation Repairs Service	Building & Works	Under Review
PS/05/15	Framework Service Contracts (21 in Total)	Building & Works	Under Review
PS/05/16	Environmental Cleaning Service	Building & Works	Under Review
PS/05/17	Playwork Training	Education	Award Imminent
PS/05/18	Supply of Computers for Curriculum Application in Schools	Education	Awarded
PS/05/19	Domestic Gas Maintenance Term Contract (2 Housing Areas Only)	Building & Works	Under Review
PS/05/20	Framework Supply Contracts (11 in Total)	Building & Works	Under Review
<b>PS/05/21</b>	<b>Supply of Tyres / Fixed Cost Mgt Supply</b>	<b>Collaborative Project</b>	<b>Notice Placed</b>
PS/05/22	Imprest Stock System	Transport	Under Review
PS/05/23	Vehicle Maintenance South	Transport	Out to Tender
PS/05/25	Plant Hire	Corporate	ITT Docs Being Developed
PS/05/26	Supply of Fresh / Organic Foodstuffs	Onsite Services	Award Imminent
PS/05/27	Waste Disposal Services	Community Services	Notice Placed
PS/05/28	Design & Build Pedestrian Footbridges	Outdoor Services	Addendum Re-Tender Imminent
PS/05/29	Employee Car Leasing Contract	Personnel Services	ITT Docs Being Revised
PS/05/30	Occupational Health Service	Corporate H&S	Under Review
PS/05/31	Environmental Consultancy Service	Planning	Awarded
PS/05/32	Corporate Printing Services	Corporate	Tenders being Evaluated
PS/05/33	Kilmarnock Area Community Environmental Improvement Consultant	Planning	Awarded
<b>PS/05/34</b>	<b>Future Museum Website</b>	<b>Collaborative Project</b>	<b>Awarded</b>
PS/05/35	Aluminium & Steel Cans Recycling	Community Services	Notice Placed - ITT Imminent
PS/05/36	Computerised Corporate Asset Management System	Economic Development	Tender Returns Imminent
PS/05/37	Producer - Pantomime	Leisure Services	ITT Docs Being Revised
PS/05/38	Vehicle Hire	Transport	Out to Tender
PS/05/39	Supply of Climbing Wall	Education	Notice Placed – ITT Imminent
PS/05/40	Tenants Starter Packs	Neighbourhood Services	Out to Tender
PS/05/41	IT Based Educational Support for Looked After Children	Education	Tender Returns Imminent
PS/05/42	Efficient Government Fund – Stage 2 Consultancy Service	ICT	Award Imminent

## APPENDIX A (Continued)

<b>Ref</b>	<b>Project Title</b>	<b>Client</b>	<b>Status @ 27/10/2005</b>
PS/05/43	U16s Supported Living	Education	Under Review
PS/05/44	Conservation Areas Inspection & Costing Commission	Planning	Awarded
PS/05/45	Scrutiny of Environmental Report Consultancy	Planning	Awarded
PS/05/46	Design, Supply, Install School Kitchens for PPP Projects	Education	Notice Placed
<b>PS/05/47</b>	<b>Supply of Coated &amp; Uncoated Roadstone Framework</b>	<b>Collaborative Project</b>	<b>Notice Placed</b>
PS/05/48	Architectural & Design Services Framework	Technical Services	Notice Placed
PS/05/49	Private Sector Stock Condition Survey	Housing	Notice & ITT Imminent
PS/05/50	Provision of Business Continuity Training	Neighbourhood Services	ITT Imminent
<b>PS/05/51</b>	<b>Rough Sleepers Initiative (All Ayrshire)</b>	<b>Collaborative Project</b>	<b>Notice &amp; ITT Imminent</b>
PS/05/52	Supply of Foodstuffs to Home Economics Departments	Educational	Under Review

End