

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 14th NOVEMBER, 2006

IMPLEMENTATION OF THE McCLELLAND REVIEW OF PUBLIC PROCUREMENT IN SCOTLAND - UPDATE

Report by Depute Chief Executive/Executive Director of Corporate Support

1. PURPOSE OF REPORT

- 1.1 To apprise Committee of the current position in respect of the implementation of the McClelland Review of Public Procurement in Scotland on a local and national basis, the establishment of the Public Procurement Reform Board, The McClelland Programme and of the ongoing participation of East Ayrshire Council.

2. BACKGROUND

- 2.1 Members will recall that at the meeting of the Policy and Resources Committee on 15 November 2004 an update report was considered in relation to the implementation of the Council's Corporate Procurement Strategy. Within that report reference was made both to the anticipated publication and content of the report on the Review of Public Procurement in Scotland which review was at that time in the course of being completed. Members will again recall that the review was being carried out at the request of the Scottish Executive by John McClelland.

- 2.2 The Review's terms of reference were 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; and
- What lessons can be drawn from experience elsewhere.

The report and recommendations was published on 15 March 2006 by the Minister for Finance and Public Sector Reform, Tom McCabe.

- 2.3 The Report can be described in summary as a high level assessment of the current condition of procurement organisation and activity right across the public sector in Scotland which goes on to challenge the Scottish Public Sector to make significant improvements in procurement in a relatively short timescale. It contains 77 separate recommendations which are ambitious in terms of scope, scale and complexity. If fully accepted and implemented across the public sector, the recommendations will result in revolutionary and unprecedented change in the manner in which all future procurement is carried out. Whilst recognising that many examples of good procurement practice currently exist, the report identifies generalised current weaknesses in procurement effectiveness and ultimately concludes that the vision of annual procurement based savings in excess of £200m per annum is only achievable in the longer term by full implementation of all the report's recommendations.
- 2.4 In an effort to meet the challenges identified within the Report, the period since it's publication has witnessed significant levels of initial activity by the Scottish Executive through the Scottish Procurement Directorate (SPD). This has ranged from requiring authorities to complete initial self assessment procurement questionnaires to requests to authorities to provide ever more detailed spend information and analysis. However, there have been two principal developments since March which are worthy of separate and detailed note – the establishment of the Public Procurement Reform Board (PPRB) and the contemporaneous creation of “The McClelland Programme”.

3. THE ESTABLISHMENT AND ROLE OF THE PUBLIC PROCUREMENT REFORM BOARD AND THE McCLELLAND PROGRAMME

- 3.1 One of the major recommendations contained within the McClelland Report was in respect of the creation of a Public Procurement Reform Board. In specific terms, it was recommended that:

19.1 A Public Procurement Reform Board should be formed. Its immediate prime responsibility is to oversee the successful implementation of the actions essential to address the basic issues in Public Sector procurement and to drive pursuit of the additional work and changes required to achieve improved performance.

19.2 Its membership should consist of executives from across the sector who understand the issues and priority required, and who can influence their own and other organisations in their drive to address basic weaknesses, and go on to capture the opportunities that lie beyond.

19.3 The Board's remit should include the ongoing monitoring of results compared to savings targets already planned. It should also work within the public sector to develop and formalise the level of additional long-term savings not currently planned.

- 3.2 Accordingly, the Public Procurement Reform Board (PPRB), with John McClelland as its chair, has now been established to function as the Programme Board for what has become known as “The McClelland Programme”. As a Programme Board, the PPRB is responsible for the overall direction and management of the Programme. The Board is also responsible for ensuring that the Programme remains on course to deliver benefits, and that obstacles to delivery and benefit realisation are removed or reduced. The Board is also required to provide strategic guidance, monitor progress, assess and resolve risks and issues and arbitrate in any disputes which arise. There is accordingly a significant responsibility on the Board as a body not only to provide direction but also to make visible commitment to the Programme and to champion it in a wider context.
- 3.3 In terms of membership, and as indicated above, the PPRB is Chaired by John McClelland with additional Scottish Executive input being supplied by Nick Bowd, the Head of the Scottish Procurement Directorate who has been identified as the Senior Responsible Owner of the Programme. Additional Board members include five local authority chief executives, NHS and higher education representatives and also Colin Mair of the Improvement Service. Board members are expected to make a valuable contribution to the progress of the Programme generally by representing and providing leadership in respect of the sectors which they represent as well as providing advice and opinion as experienced individuals who may be able to provide innovative solutions to issues which the Board will undoubtedly encounter. Members are also expected to carry out activities to further the success of the Programme on a continuous basis as well as in preparation for Board meetings. It is also worth noting that each Board member has also been allocated specific additional responsibilities in addition to the generic responsibilities noted above.
- 3.4 Within this context the key objectives of the McClelland Programme are:-
- To facilitate public bodies in improving their procurement capabilities in order to support delivery of better public services;
 - To increase the cost effectiveness of procurement, thereby releasing cash for use in other priority areas, This includes the use of eProcurement. The anticipated savings included in the McClelland Report amount to £600m in 2009-10 and will be delivered through more effective collaborative purchasing;
 - To establish and embed appropriate procurement policy and best practice in order to ensure fair and efficient procurement practices and reduce commercial risk;
 - To facilitate cross sector collaboration to avoid duplication of effort, maximise potential gains from collaboration, enable the sharing of experience and information and to ensure that common suppliers and markets are managed effectively; and
 - To encourage suppliers to build effective and mutually beneficial relationships with the Scottish Public Sector

3.5 Further, the scope and approach of the Programme has been given substantial levels of additional detail with the issue of a Programme Initiation Document (PID) for the Programme for the Reform of Public Sector Procurement in Scotland. The PID identifies that the Programme is to consist of several centrally managed initiatives, delivered in conjunction with sectoral and local projects. It is intended that within the central team there will be several streams of work including policy, best practice, management information, people and skills, Centre of Expertise co-ordination and eProcurement Scotl@nd. These managed initiatives are intended to produce national frameworks, policy and guidance and are to link with equivalent projects within public bodies in Scotland.

3.6.1 As an example of the proposed centrally managed initiatives, perhaps the category A Centre of Expertise (COE) project is the most worthy of mention within this report. This project follows from the proposal in the McClelland Report that certain nationally procured commodities should be managed by a centralised Centre of Expertise. The proposal is therefore that such a Centre of Expertise will sit outwith the normal operations of both the SPD and the Scottish Executive. In broad terms the objectives of the project are to:-

- define the remit, structure and governance for the Category A COE;
- plan and deliver the COE, including staffing, systems and processes;
- Plan the transition of commodities to the Category A COE, including planning for compliance; and
- transition commodities to the Category A COE team.

3.7 At this stage of implementation of the McClelland Programme the most apparent level of participation by East Ayrshire Council is in the proposed introduction of the eProcurement Scotl@nd which is due to be phased in over the coming months. It is therefore appropriate that additional details of the current position be provided for the benefit of committee.

4 ePROCUREMENT SCOTL@ND IMPLEMENTATION

4.1 Members will recall that at the meeting of the Policy and Resources Committee on 30 May 2006, approval was given to proceed with the implementation of the eProcurement Scotl@nd (ePS) project in East Ayrshire Council. Members were given details of indicative costs together with indicative timescales and initial proposals for the identification of suitable commodities and roll out of the system across the Council.

4.2 Since May, the internal ePS team has been expanded to a full complement of three by the secondment of two additional members of staff. Internal governance of the project has been formalised by the creation of the ePS project board with the Depute Chief Executive/Executive Director of Corporate Support acting not only as chair of the project board but also as the Council's project sponsor.

- 4.3 ePS is included in the McClelland Programme as it is recognised that in order to meet the Programmes objectives there will require to be a broadening of the ePS rollout across the public sector which ultimately may result in it's mandatory implementation on an accelerated basis. The implementation of ePS should run simultaneously with additional improvements in procurement practice and at this stage, committee is asked to note that it is intended to revert to committee in the first half of 2007 with additional procurement proposals designed to begin fulfilling this objective.
- 4.4 The current internal ePS position is that the Customer Agreement between the Scottish Ministers, CapGemini and East Ayrshire Council has now been executed. As such, the initial funding contribution from the Scottish Executive as well as payment to CapGemini has been initiated. The current intention is that the system will go "live" on a trial basis for the previously identified commodities within the Department of Corporate Support during week commencing 11 December 2006. The processes to be adopted to meet this challenging timeframe have been agreed with the consultants and are designed to facilitate sufficient resource for system configuration, testing, operative training and supplier adoption. Again, members are asked to note that it is intended to revert to committee with reports on progress and project implementation during 2007.

5. CONCLUSIONS

- 5.1.1 Over the last two years, public sector procurement has seen unprecedented levels of development rising from being a relatively obscure EU imposed function to ensure competitiveness to become a full blown professional discipline grown requiring ever increasing levels of specialisation in terms of staff and resources. The introduction of Best Value through continuous improvement coupled with the imperative to delivery of value for money improvements has only led to the heightened profile of procurement right across the sector.
- 5.1.2 Within the Council's recently published Audit of Best Value and Community Planning, members will recall that procurement was described as being a high priority action point requiring the Council "to achieve efficiencies through the application of modern procurement/purchasing methods, including e-procurement and more effective use of consortia arrangements". The challenges to be faced in the implementation of this action point should not be understated and will require in the relatively short term the re-examination and updating of imbedded processes and procedures. The challenges and issues are considerable, the potential benefits in financial terms are achievable but can only be realised with the ongoing support of both members and officers across the Council.

6. POLICY/LEGAL/FINANCIAL/COMMUNITY PLANNING IMPLICATIONS - Nil

7. RECOMMENDATIONS

7.1 It is recommended that committee:-

- (i) as identified above, note that the recommendations of the McClelland Review has resulted in the creation of The McClelland Programme for Procurement Reform, East Ayrshire's participation therein and that future reports on the progress of the Programme will be brought to committee in due course; and
- (ii) otherwise, note the contents of this report.

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23rd October, 2006

LIST OF BACKGROUND PAPERS

- (1) Corporate Procurement Strategy Report to the Policy and Resources Committee of 15th November, 2005.
- (2) The Report and Recommendations of The Review of Public Procurement in Scotland by John McClelland
- (3) The Programme Initiation Document for The McClelland Programme for the Reform of the Public Sector Procurement in Scotland

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

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