



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 3 SEPTEMBER 2019

SUBJECT: PROCUREMENT ANNUAL REPORT

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide the Committee with an update report on Procurement in Moray and in particular report on procurement performance for 2018/2019.
- 1.2 This report is submitted to Committee in terms of Section III B (28) of the Council's Scheme of Administration relating to procurement arrangements.

2. RECOMMENDATION

- 2.1 **It is recommended that the Committee considers and notes the overall procurement performance for 2018/2019 set out in the Annual Report in APPENDIX 1 and in Section 4 below.**

3. BACKGROUND

- 3.1 The Procurement Reform (Scotland) Act 2014 (the Reform Act) introduced a number of significant duties for all public bodies, including the publication of an Annual Procurement Report to outline performance against the organisation's Procurement Strategy.
- 3.2 The Procurement Strategy for 2018/19 was approved by this Committee on 8 May 2018 (paragraph 5(i) of the minute refers) and the Annual Report measures performance against that Strategy.

The format and content of the Annual Report is dictated by the Reform Act. This now includes a prescribed set of performance measurements as Appendices to the main report.

4. 2018/2019 PROCUREMENT PERFORMANCE

- 4.1 The report assesses performance against a number of categories including:
 - i) Summary of Regulated procurements
 - ii) Review of procurement compliance
 - iii) Assessment of progress against the strategic action plan
 - iv) Non Cash benefits

4.2 The main action and learning points from the 2018/19 report are:

- i) There has been an increase in the volume of live contracts on the register (from 476 to 522)
- ii) there have been some notable successes:
 - delivery of three large scale contracts that offered opportunities to local suppliers
 - a variety of innovative approaches to market which resulted in significant improvements to the subsequent contract delivery
- iii) Procurement savings for categories 1 & 2 (non-budget adjusted and budget adjusted) increased from £1.672 million in 2017/2018 to £1.967 million in 2018/2019, considerably above the target of £1 million.
- iv) The Council adopted a Procurement Savings Strategy in 2017 which introduced a 3% savings target for all relevant tenders. Based on the estimated annual value of the contracts live in 2018/19 (£45.698M) the annual savings for the year £1.713M represents a saving of 3.75%.
- v) More contracts are incorporating a range of sustainable and community benefits including reduction of greenhouse gases and waste, provision of apprenticeships and training.
- vi) Work requires to continue on:
 - reducing off contract spend (£5.34M million in 2018/19)
 - reducing unplanned procurement activity, which has seen yet another year on year significant increase to 69% (some due to unavoidable emergency work and ad hoc additional funding)
 - continuing to improve performance on environmental and sustainable non-cash benefits

4.3 Section 4 Moray Update (Pages 6-8 of the Annual Report refer)

4.3.1 The Section 4 of the annual report – Moray Update - includes the following summary of procurement savings recorded during 2018/19:

Cash Savings 2018/19 (2017/18)		
Category of Saving	Recurring savings £ million	Savings for year (adjusted for start and end date) £ million
1 – Budget not adjusted	1.309 (1.071)	1.068 (0.582)
2 – Budget adjusted	0.658 (0.601)	0.645 (0.576)
Total	1.967 (1.672)	1.713 (1.158)
6 – Capital		3.567
7 - Rebate		0.024

8 – Spend to Save		Nil recorded
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4.3.2 Further analysis of the above figures highlights that the majority of budget non adjusted savings comes from national and sectoral contracts (cat 1 & 2) - £0.682M with £0.386M coming from locally developed contracts. This trend is reversed where we are able to adjust the budget with £0.163M coming from national and sectoral contracts and £0.482M from locally developed contracts. This suggests a greater ability to target delivered savings when the contract is designed and delivered internally by the Procurement team and Departmental Lead Officer.

4.3.3 Last year saw a significant saving on capital projects where contract savings are achieved against the estimate or budget. It should be noted that the savings total of £3.567M is the total saving as at contract award date. These savings mainly came from:

Early Learning expansion programme
Moycroft Recycling Centre
Cavity wall insulation

4.3.4 We have maintained a savings target of £1M for a number of years in the expectation that it would become harder to achieve savings from recurring contractual awards, it is therefore encouraging to note that this has not been the case so far.

5. **SUMMARY OF IMPLICATIONS**

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The work undertaken by the procurement team assists the Council achieve its local outcomes detailed for the Councils priorities in the Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan)

(b) **Policy and Legal**

The Council policy on procurement was agreed by Policy Committee on 29 August 2007 (paragraph 11 of minute refers). The 2018/2019 Procurement Strategy was approved by Policy and Resources Committee on 8 May 2018 (paragraph 8(i) of the minute refers).

(c) **Financial implications**

Details of savings are shown in paragraph 4.3 of this report. The procurement savings makes a significant contribution to the Council's ability to balance its budget.

(d) **Risk Implications**

If the Council fail to implement the annual Procurement Strategy this may impact on its ability to achieve additional savings and procurement benefits in the future.

(e) **Staffing Implications**

The increasing volume of unplanned work (para 4.2 (vi)) has had an impact on the Procurement's team ability to implement the development/improvements highlighted through the Procurement

Commercial Improvement Programme (PCIP) assessment. Should the level of workload continue at this level it will affect our long term performance.

(f) Property

There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact

Equality impact assessments were carried out on the procurement process August 2016.

(h) Consultations

Information contained in Departmental Procurement Action Plans (DPAP), agreed with Heads of Service has been used to create the future regulation procurement summary. Efficiency savings are calculated in consultation with Paul Connor, Principal Accountant and agreed by the Head of Financial Services. Corporate and Senior Management teams have been consulted on the content.

6. CONCLUSION

- 6.1 The Annual Procurement Report summarises procurement progress during 2018/2019. This shows areas of progress and good performance and also identifies areas for further improvement with actions for continuing improvements in the council's procurement arrangements contained in the action plan.**

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Background Papers:
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