

## Procurement Contract Delivery Plan 2016 - 2018

### Report by Gary Fairley, Head of Finance & Integrated Service Support

#### 1 Purpose of Report

This report provides Council with details of the Procurement Contract Delivery Plan 2016-18, together with an update on Living Wage Accreditation.

#### 2 Background

- 2.1 A report to Council on 23 June 2015 sought approval of a new Procurement Strategy 2015-2018, a key strand in delivering the procurement strategy was the development of a contract delivery plan covering a two year period. The report also sought approval to seek Living Wage Accreditation.
- 2.2 The Procurement Reform (Scotland) Act 2014 which received royal assent in 2014 will be transposed into Scottish Public Procurement Legislation by April 2016. One of the duties imposed on public bodies is the development and advertisement of an annual contract delivery.
- 2.3 The Procurement Strategy also identified a number of challenges facing the Council including reduced funding, local economic recovery, maximising community benefits and supporting local businesses through the procurement process.
- 2.4 To meet these challenges the Procurement Strategy aims to:
  - **To support and stimulate the local economy through the use of the Council's considerable buying power;** early engagement with local businesses in the procurement process and targeted training where appropriate to enable local businesses to be prepared for upcoming contract opportunities. Aim is to increase % spend with local businesses
  - **The procurement strategy will be a lever to support delivery of the Council's Corporate Social Responsibility;** through Equality and Diversity, community benefits such as training, development, creation of apprenticeships and work experience, achieving accreditation as a Scottish Living Wage Employer by promoting and encouraging the payment of the living wage throughout our supply chain, and aiming to reduce our carbon footprint by contracting with local businesses where possible.
  - **To ensure effective procurement contributes to the wider efficiency savings targets of the Council;** whilst best value is the overall driver of the strategy, a main focus of procurement activity will be on cashable and non-cashable savings; this will be achieved

through challenging existing service requirements, extensive market research and seeking innovative solutions to service needs

### 3 Contract Delivery Plan

- 3.1** The aim of the contract delivery plan is to help support and deliver the challenges highlighted in the Procurement Strategy through robust tendering and contract management. Delivery of contracts in this plan will also enable the Council to meet the duties imposed through the Procurement Reform (Scotland) Act 2014 and the new EU Directives
- 3.2** All procurement activity undertaken through the contract delivery plan will adopt and be delivered utilising the principles of the Procurement Strategy.
- 3.3** In development of the contract delivery plan the procurement team identified the planned contracts that required to be tendered over the next 2 years. The plan does not include for any ad-hoc procurements, unknown capital works and smaller value quotes. However any additional procurement out-with the contract delivery plan will be subject to the same principles of the procurement strategy.
- 3.3** The 2 year contract delivery plan has been attached (appendix 1); the contracts covered in the delivery plan are classified as Category C and C1 and are Midlothian specific contracts. Over and above these locally delivered contracts Procurement will be working closely with the Scottish Government and Scotland Excel to deliver Category B contracts (Sectoral) and Category A contracts (National).

### 4 Savings

- 4.1** The majority of contracts on the delivery plan and National/Sectoral contracts are moving into 2<sup>nd</sup> and 3<sup>rd</sup> generation. Scope to achieve further savings is diminishing, and with some a cost avoidance approach will need to be adopted.

Insurance Services are an example of this challenge as the table below demonstrates.

Contract	Award Date	Budget	Delivered Contract Value	Savings Delivered (2012)
Insurance Services	July 2012	£732,458	£624,404	£108,054

Through procurement in 2012 we managed to reduce insurance premiums by over £100k per annum, this was achieved by adopting a different approach to market and not going through an insurance broker, however due to our claims experience over the last few years (Hopefield School Fire Damage etc.) the likelihood of reducing premiums again are unlikely and the target will be to avoid increased costs and to maintain the current premiums.

- 4.2** Potential savings will be identified during the commodity strategy phase prior to going to market. Actual savings delivered through the tender process will then be validated in conjunction with the appropriate Head of Service and the Finance team. A benefit tracking model has been developed which will track savings from targeted, delivered and realised. The benefits tracking model will also monitor any community benefits which have been delivered and realised through the award of contracts (this includes apprenticeships, work experience etc.).

## **5 Contract Management**

- 5.1** All current and recently awarded key contracts are subject to a contract and supplier management process.
- 5.2** The aim of contract and supplier management is to ensure suppliers are meeting their contractual obligations and allowing the opportunity for innovation throughout the period of the contract which will enable the provision of a sustainable service at a reduced cost. Support from the appropriate service teams is vital to ensure the Council is achieving the maximum from all contracts.

## **6. Living Wage**

- 6.1** The Council is currently applying for accreditation as a Living Wage Employer, a meeting was held with the Living Wage Foundation on the 18 November, advice and guidance has been provided on the steps required to achieve accreditation.
- 6.2** First step is to contact all existing contracted providers asking if they are currently paying the living wage or do they have plans in place to pay the living wage.
- 6.3** Second stage is to identify current contracts where the provider does not pay the living wage and put a plan in place to seek the payment of the living wage through the next tender process and award of contract.
- 6.4** All future contracts will be encouraging providers who are successful in winning contracts to pay the living wage or have a plan in place to introduce the living wage during the duration of the contract.
- 6.5** The Living Wage Foundation has advised that the Council should aim to achieve accreditation by April 2016.

## **7 Report Implications**

### **7.1 Resource**

There are no direct resource implications as a result of this report, each procurement activity will be led by an existing procurement officer and supported by a user intelligence group consisting of service managers and technical experts.

## 7.2 Risk

Delivering contracts through best practice sustainable procurement will reduce service delivery risk.

## 7.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

## 7.4 Impact on Performance and Outcomes

This report does not impact Midlothian Councils and wider partners performance and outcomes

## 7.5 Adopting a Preventative Approach

This report does not impact actions and plans in place to adopt a preventative approach

## 7.6 Involving Communities and Other Stakeholders

Relevant staff has been consulted during the development of the contract delivery plan

## 7.7 Ensuring Equalities

An equalities impact assessment will be carried out on each procurement activity prior to going out to tender.

## 7.8 Supporting Sustainable Development

The adoption of the contract delivery plan will strengthen our commitment to sourcing in a sustainable way

## 7.9 IT Issues

There are no IT issues arising from this report

## 8 Recommendations

It is recommended that Council:

- a) Note the Procurement Contract Delivery Plan 2016 -2018
- b) Note the progress to secure Living Wage Employer Accreditation by April 2016

**24 November 2015**

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