

Procurement Contract Delivery Plan 2018 - 2019

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

1 Purpose of Report

This report provides Cabinet with details of the Procurement Contract Delivery Plan 2018-19, together with an update on the development of the next Procurement Strategy, covering the years 2018-2020.

2 Background

- 2.1 A report to Council on 23 June 2015 sought approval of the current Procurement Strategy 2015-2018, a key strand in delivering the strategy was the development of a continual contract delivery plan covering two year periods.
- 2.2 The Procurement Reform (Scotland) Act 2014 which received royal assent in 2014 was transposed into Scottish Public Procurement Legislation in April 2016. One of the duties imposed on public bodies by this legislation is the development and advertisement of a contract delivery plan.
- 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 current 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

Example Achievement:

- *28% of spend currently goes to local businesses; this is above the national average.*
- **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.

Example Achievements:

- *Midlothian Council achieved Living Wage Employer accreditation in April 2016, in achieving this accreditation we worked with all our suppliers to ensure the Living Wage is paid to all employees working on Midlothian Council projects/buildings.*
- *Recent Care at Home Tender achieved work experience/placements, pre employment skills sessions, training, workshops and apprenticeships.*
- **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.

Example Achievements:

- *Recent Legal Services Tender achieved free of charge Legal Training for Council Officers*
- *Standardising stationary and paper procured has resulted in cashable savings of over £40k pa.*

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 which were transposed into the Public Contracts (Scotland) Regulations 2015 in April 2016.
- 3.2** All procurement activity undertaken through the contract delivery plan will adopt and be delivered utilising the principles of the existing and future Procurement Strategies.
- 3.3** In development of the contract delivery plan the Procurement Team identified the planned contracts that required to be tendered over the next two 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 two year contract delivery plan is attached (appendix 1); the contracts covered in the delivery plan are classified as Category C and C1 and are Midlothian specific contracts.
- 3.4** In addition to contracts which arise from procurement work undertaken by officers directly for the Council we also make use of a range of contractual agreements awarded in collaboration with other bodies:

- Scottish Procurement (CAT A) deliver contracts that the whole Public Sector can procure from, examples of these types of contracts are: Stationary, Fuel, Travel, Printing, IT Supplies, Fixed and Mobile Phones.
- Scotland Excel (CAT B) deliver contracts that are specific to local authorities, examples of these types of services are: Care at Home, Trades Materials, Engineering Consultancy, Fostering, Children's Residential Care,

Procurement Officers from the Council are heavily involved in the specification and contract management of the above contracts, our officers are key members of the project team to help shape and influence the outcomes on these contracts ensuring they meet both the Council and our customer requirements.

- 3.5** Although procurement legislation prevents public bodies from directly favouring local businesses for higher value Tenders (over £50k contracts), it is possible for lower value contracts to be shaped in a way that encourages the involvement of local and smaller businesses. To that end Midlothian Council invites local businesses to quote in every lower value tender where possible.

4 Savings

- 4.1** The existing contract delivery plan has already secured the following savings: £480K in Capital Projects, £352K in Revenue Expenditure (includes contractual rebates). Though for the reasons set out below these often have limited impact on reducing service budgets.
- 4.2** The majority of contracts on the delivery plan are moving into 3rd and 4th generation of tenders. Scope to achieve further savings is diminishing due to inflationary pressure, uncertainties over Brexit and other increased costs including the Living Wage. With some new contracts a cost avoidance approach will need to be adopted.

However going through a robust procurement process and challenging the way the existing contract is being delivered savings can still be identified and delivered, an example of this is Insurance Services as the table below demonstrates.

Contract	Award Date	Current Premiums (PA)	Tendered Premiums	Savings Delivered
Insurance Services 2017-2021	July 2017	£729,867.95	£656,765.13	£73,102.82

Through a robust procurement process in 2012 supported by City of Edinburgh Council's marketing team 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.) there was an expectation that

premiums would rise during the next procurement cycle. Increases in premium costs were avoided in 2017 by approaching the market early and offering insurance packages in combined lots which helped cost avoidance in certain premiums but also drove down the cost in others.

Another example is the procurement of tyres, our existing supplier has again won the contract however due to their experience working closely with Fleet Services over the past 2 years they were able to offer tyre solutions which met our needs and reduced our costs.

Contract	Award Date	2016/17 Spend (PA)	2017/18 New Rates (PA)	Savings Delivered (PA)
Framework for the supply of Tyres.	Aug 2017	£91,000	£76,107	£21,893

- 4.3** Potential savings against existing cost and available budget will continue to be identified during the commodity strategy phase prior to going to market. Actual savings delivered through the procurement process will then be validated in conjunction with the appropriate Head of Service and the Finance team. A benefit tracking model will track savings from targeted, to delivered and through to being realised, in particular this will identify where the procurement secures a saving against budget. 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 fully 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 value from all contracts.

6 Procurement Strategy/Annual Procurement Report

- 6.1** Two of the duties imposed on Public Sector Bodies through The Procurement Reform (Scotland) Act 2014 are the publication of a Procurement Strategy and an Annual Procurement Report.
- 6.2** The current Procurement Strategy runs from 2015-18 and is due for renewal from April 2018. One of the requirements of the duty is for the Procurement Strategy to be written in consultation with all

stakeholders. To this end consultation on the new strategy will commence in December with a new Procurement Strategy being presented to Cabinet in February/March 2018.

- 6.3** The second duty imposed through the Reform Act is for all public bodies to produce an annual procurement report for Scottish Ministers. The report will demonstrate that all procurements have been delivered against the key outcomes of the procurement strategy. The first annual procurement report is to be drafted after the 2017/18 year end and will cover the period January 2017 to March 2018. For future years the annual procurement report will fall in line with the Councils financial year.

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

It is increasingly challenging to secure savings from procurement exercises and particularly given economy to secure budget savings.

Delivering contracts through best practice sustainable procurement will reduce service delivery risk and ensure best use of available resource.

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 directly impact Midlothian Council's and wider partners performance and outcomes

7.5 Adopting a Preventative Approach

This report does not directly impact actions and plans in place to adopt a preventative approach. Although the social benefit clauses sought in procurements will create apprenticeship and targeted training.

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 Cabinet:

- a) Approve the Procurement Contract Delivery Plan 2018-19
- b) Note that a new Procurement Strategy will be presented to cabinet by March 2018
- c) Note the requirement to produce an Annual Procurement report for Scottish Ministers in April 2018.

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