

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

Ref

Date 18/09/19

Procurement Commercial Improvement Programme 2018/19

From James McKinstry - Head of Asset and Procurement Solutions

Email proudfootg@northlan.gov.uk **Telephone** Graham Proudfoot
01698 403957

Executive Summary

The purpose of this report is to inform Committee of the outcome of the 2018/19 Procurement and Commercial Improvement Programme (PCIP) assessment for the council and the approach to be adopted to secure further improvement in procurement performance.

Recommendations

It is recommended that the Committee note:

- the outcome of the 2018/19 Procurement and Commercial Improvement Programme assessment; and
- the approach to be adopted to secure further improvement in procurement performance and, as result, an improvement in the score achieved at future PCIP assessments.

The Plan for North Lanarkshire

Priority All priorities

Ambition statement All ambition statements

1. Background

- 1.1 The Procurement and Commercial Improvement Programme was introduced in 2015 and is a maturity model designed to assess Scottish public sector procurement performance in a common format. The PCIP is a continuation of the work undertaken by the Procurement Capability Assessment carried out on an annual basis since 2008 until the introduction of the PCIP. The focus of PCIP is on the policies and procedures driving procurement performance and the results they deliver.

- 1.2 The first round of PCIP assessments was carried out with all 32 councils in 2016/17. Following this, a 'lessons learned' and consultation exercise was carried out with key stakeholders including the Procurement Improvement Programme Steering Group to inform the approach for the next round scheduled for 2018/19. The outcome of this was for two assessment routes to be offered to councils in 2018/19: the existing full assessment route and a streamlined focussed assessment route. Any councils that scored below 55% in the 2016/17 assessment were automatically subject to the full assessment.
- 1.3 Following selection of the assessment routes, the council along with a further 24 councils, elected to undertake the focussed assessment and 7 were required to complete a full assessment. As of August 2019, 30 of the 32 assessments have been completed and the full programme will be completed by September 2019.
- 1.4 The PCIP assessment covers a comprehensive review of procurement activity across the council and not just the activity of the Corporate Procurement Team.
- 1.5 The Scottish Government has stated that all qualifying public organisations will undertake a third assessment by June 2021. Scotland Excel will notify the council of the schedule for the third round of assessments in due course.

2. Report

- 2.1 Scotland Excel, the local authority centre of procurement expertise, carries out PCIP assessments for each Scottish local authority and produces a report on the results achieved. Each local authority may then use the results as the basis for improving procurement capability across the organisation, determining the priorities for the coming year and allocating resources to deliver these.
- 2.2 The council accepted the opportunity to undertake a "Focussed Assessment" which concentrated on a narrower scope of questions to recognise specific areas of improvement identified and prioritised for improvement since the 2016/17 PCIP, these included;
 - review the resourcing and operating model of the procurement function;
 - explore the extent of the Corporate Procurement teams influence;
 - ensure that spend not influenced by procurement is managed effectively;
 - publish and embed the Procurement Strategy; and
 - ensure systems are in place for tracking staff understanding and acceptance of counter fraud and other related policies.
- 2.3 The 2018/19 PCIP assessment took place on the 18 April 2019 and Scotland Excel formally notified the council of the outcome of the assessment on 3rd July 2019. The council achieved a score of 70%, this places the council in the top performance banding (F1) with regards to procurement performance according to the Scottish Government bandings, depicted in table 1.

Table 1

Performance Band	Score (%)
F1	>70%
F2	66<>69%
F3	61<>65%
F4	56<>60%
F5	51<>55%
F6	46<>50%
F7	41<>45%
F8	36<>40%
F9	31<>35%
F10	26<>30%
F11	20<>25%
F12 – Non conformance	>19%

- 2.4 This demonstrates a highly significant improvement from a score of 56% in 2016/17 and we have been advised that the improvement across council services is one of the highest recorded across the local government sector in the 2018/19 round of assessments. The Council's score improved in three of the four PCIP assessment areas, and we are now in line with the average overall score achieved across the local government sector. Further details are provided in table 2.

Table 2

PCIP Section	2016/17 Score	2018/19 Score	Change	Sector Average	NLC compared with LA Sector
Leadership and governance	55%	73%	+18%	76%	-3%
Development and Tender	58%	73%	+15%	65%	+8%
Contract	50%	63%	+13%	60%	+3%
Key purchasing processes	50%	50%	0%	70%	-20%
Overall Score	56%	70%	+14%	70%	Equal

- 2.5 The council decided not to undertake assessment of 'key purchasing processes' as part of the focussed assessment as this was not an area identified in the 2016/17 PCIP assessment as a priority area. Focusing on priority areas maintained a proportionate balance between the resources required to undertake assessment, the need to maintain rigour and consistency, the ability to support continuous improvement and to undertake 'business as usual' procurement activity. Further improvement in this area is largely predicated on a greater degree of digitisation/automation of aspects of the purchasing process. This work will be included in the 2019/20 Procurement Improvement Plan and discussions are underway with the Digital NL programme team to explore a complimentary approach.

- 2.6 The PCIP assessment identified the following key areas of strength;
- Fraud Awareness and Prevention;
 - Implementation and Exit Strategies;
 - Contract Coverage/Maverick Spend; and
 - Lessons Learned
- 2.7 The PCIP assessment also identified a small number of areas where there may be some room for further improvement;
- Contractual Obligations and Additional Benefits;
 - Spend Analysis;
 - Demand management; and
 - Procurement Process Automation
- 2.8 The Procurement Improvement Plan will be updated to include the opportunities for further development and improvement identified by the PCIP assessment and the Corporate Procurement Working Group, comprising Chief Officer representation from all council services areas, will continue to be responsible for the successful delivery of the Procurement Improvement Plan.
- 2.9 Committee will recall that the councils procurement strategy sets out the actions that will be taken to deliver the agreed strategic objectives for procurement, this along with the successful delivery of the Procurement Improvement Plan will continue to drive further improvement in procurement capacity and capability across the organisation and as a result further improvement in future PCIP assessment scores. An updated procurement strategy, along with the annual procurement report are also included on today's committee agenda.
- 2.10 The council will continue to engage with Scotland Excel to ensure that the Procurement Improvement Plan remains consistent with best practice.

3. Equality and Diversity

- 3.1 Fairer Scotland Duty – N/A
- 3.2 Equality Impact Assessment - N/A

4. Implications

4.1 Financial Impact

Maximising the delivery of procurement benefits will bring improved financial return to the council and the areas wider economy. Certain benefits have a monetary value attached and these will be monitored on a project by project basis. Financial savings attributable to procurement activity will help the council achieve its budgeted savings targets.

4.2 HR/Policy/Legislative Impact

Contracts awarded by the council must be compliant with procurement legislation, statutory guidance and the council's internal procurement procedural rules. (General Contract Standing Orders).

Changes to procurement legislation are now driving many of benefits that can be realised through good procurement practice. These include legislative requirements in relation to;

- procurement strategies and annual reports;
- advertising contract opportunities;
- a Sustainable Procurement Duty;
- community benefits;
- fair work practices;
- notification of the outcome of contract award procedures; and
- consultation with those affected by council procurements.

4.3 Environmental Impact

Sustainable procurement is one of the key objectives of the Councils Procurement Strategy and will have a positive impact, including embedding sustainable procurement as business as usual and incorporating community benefits into our contracts. Supporting local businesses and SMEs through closer working with colleagues in the Enterprise team and the Supplier Development programme and by making our processes more streamlined and accessible.

4.4 Risk Impact

Adopting the procurement strategy and the recommendations arising from the PCIP assessment will improve controls, increase compliance, improve governance, build capacity and capability, introduce a commercial focus and will deliver better outcomes from our procurement activity.

5. Measures of success

- 5.1 Contracts support the delivery of council priorities.
- 5.2 Contracts awarded by the council are compliant with council's internal procurement procedural rules and procurement legislation.
- 5.3 Procurement savings help the council to achieve its budgeted savings targets.
- 5.4 Procurement delivers a range of benefits, these include benefits to the local economy through contracts with local businesses and the third sector, community benefits such as employment and training opportunities, environmental benefits and use of procurement to promote sustainability and fair work practices.
- 5.5 Best Value is both demonstrable and achieved.
- 5.6 Procurement performance is monitored and reported against a suite of performance indicators.
- 5.7 An improvement in the PCIP assessment score indicating improved procurement and commercial capabilities and standards.

6. Supporting documents

6.1 None

A handwritten signature in black ink that reads "James McKinstry". The signature is written in a cursive style with a long horizontal stroke at the end.

James McKinstry
Head of Asset and Procurement Solutions