

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Corporate and Efficient Governance Committee: 21 March 2012

Subject: Procurement Capability Assessment 2011 – Notification of Outcome and Improvement Plan

1. Purpose

- 1.1** The purpose of this report is to advise Members of the outcome of the 2011 Procurement Capability Assessment (PCA) and to seek approval for the PCA Improvement Plan.

2. Background

- 2.1** As part of the national Procurement Improvement Programme developed by the Scottish Government following the McClelland Review in 2006, all Scottish public sector bodies undergo an annual Procurement Capability Assessment.

- 2.2** The Scottish Government place great importance on procurement at a national level. The Public Procurement Reform Board (PPRB) introduced the Procurement Capability Assessment (PCA) in 2009. This is an annual assessment of each public sector organisation which measures progress in procurement activity. The PCA measures, not just the central procurement function, but the whole Council. The PPRB has set the following targets:

- 60% of all public sector organisations to reach improved performance by March 2012; and
- 100% of all public sector organisations to reach improved performance by March 2013.

- 2.3** The PCA is seen as a key tool to help organisations improve their structure, capability, processes and performance and to drive local best practice and deliver savings.

- 2.4** Organisations are assessed against 68 different questions grouped into eight main headings.

3. Main Issues

- 3.1** The results of the 2011 assessment, which took place on the 25th November 2011, are outlined below. Also included in the table are the results from the 2010 assessment (reported to CEGC in June 2011) and the local authority sector average for 2011.

Section	WDC 2011 score	WDC 2010 score	LA 2011 average
Procurement Leadership and Governance	38%	19%	47%
Procurement Strategy and Objectives	50%	13%	58%
Defining the Supply Need	33%	13%	29%
Procurement Commodity / Project Strategies and Collaborative Procurement	31%	19%	39%
Contract and Supplier Management	19%	7%	23%
Key Purchasing Processes and Systems	39%	33%	38%
People	33%	14%	49%
Performance Measurement	27%	20%	33%
Overall Status	33%	17%	40%

- 3.2** The 2011 results represent an overall improvement of 16% for WDC from the previous PCA and, more importantly, an improving trend in all eight sections. The Council is now well within the “Conformance” bracket (25%-49%) in six of the eight sections and has moved into the “Improved” bracket (50%–74%) in Section 2 - Procurement Strategy and Objectives. The only section which is still classed as “Developing” is Section 5 - Contract and Supplier Management which is similar to the average position for all Local Authorities.
- 3.3** The work done in the last year to achieve this improved result has been part of a wider ongoing review of procurement. A new Procurement Manager will be commencing in April 2012 and she will be responsible for implementing a new Procurement Operating model which will allow further improvements to be made.
- 3.4** The Improvement Plan attached at Appendix 1 identifies actions that should allow PCA scores to be improved in individual areas.
- 3.5** As stated at 2.2 above, the PCA is an evaluation of the whole Council approach to procurement. Therefore in order to continue to improve the Council’s approach to procurement requires to be more joined-up. This will be supported by the planned changes to the management of procurement, as described in a separate report to this Committee.

4. People Implications

- 4.1** No additional resources have been allocated for implementation of this Improvement Plan. Members of the existing Corporate Procurement Team will take the lead in implementing these actions along with their other duties until the new structure is in place.

- 4.2** The new Procurement structure will be implemented later this year in accordance with the Council's Organisational Change Policy and responsibilities for implementing the PCA Improvement Plan will be allocated by the Procurement Manager.

5. Financial Implications

- 5.1** Improving the Council's procurement capability and driving best practice will help to deliver procurement efficiencies.

6. Risk Analysis

- 6.1** There is a risk that the rate of improvement achieved in 2011 (16% year-on-year) will not be able to be sustained in 2012 as the implementation of the new Category Management Operating model will divert available resources. For this reason, the Improvement Plan has been prioritised so that an acceptable rate of improvement can be achieved with the resources available.

7. Equalities, Health & Human Rights Impact Assessment (EIA)

- 7.1** No equalities impact assessment was required in relation to this report.

8. Strategic Assessment

Economic and social regeneration

- 8.1** Sections 2 and 4 of the PCA ask questions about the Council's approach to sustainable procurement which includes consideration of economic and social issues. Improvements in these areas will have an impact on economic and social regeneration in WDC.

Making best use of our money

- 8.2** The Council's procurement spend is currently around £90 million per annum. Improved procurement practice will help us to make better use of this resource, and small percentage savings through better procurement can have a significant impact

Making better use of physical and human assets

- 8.3** Improvements in the way we procure works, goods and services can allow better use of our physical assets through better definition of the supply need (Section 3) and improved category strategies (Section 4). In addition, the PCA considers People Management at Section 7.

Impact on service provision

- 8.4** Procurement activities are carried out in all four Departments of the Council. Improvements made as a result of this plan will have an impact on service provision by releasing cash savings, managing demand and better supplier and contract management.

9. Conclusions and Recommendations

- 9.1** The Council's procurement capability has improved since the last PCA was done in 2010. The work that has been done to achieve this improved status will be continuing over the next year with the implementation of a new Procurement Operating Model. A PCA Improvement Plan has been developed to identify actions that aim to improve performance in future PCAs
- 9.2** It is recommended that Members note the results of the 2011 PCA and approve the attached PCA Improvement Plan.

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Date: 28 February 2012

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Appendix: Appendix 1 – Procurement Capability Assessment
Improvement Plan 2012

Background Papers: “Procurement Capability Assessment 2010 –
Improvement Plan” – Report to Corporate & Efficient
Governance Committee 22nd June 2011

Wards Affected: All

Section 1**PROCUREMENT LEADERSHIP AND GOVERNANCE**

Action	Priority	Lead Officer	Expected Completion date
Embed use of commodity strategies and ensure roles and responsibilities of procurement and departmental stakeholders are formally documented	M	Manager of Procurement	Mar-13
Following the implementation of the Category Management model, develop a means of capturing influenceable spend.	M	Manager of Procurement	Mar-13
Develop a complete list of delegated purchasers / financial signatories, ensure adequate training is provided and that scheme of delegation is adequately audited	M	Manager of Procurement	Mar-13
Develop a standard format for seeking customer feedback on procurement in all areas. Ensure this includes aspects of the process as well as procurement team's performance	M	Manager of Procurement	Mar-13
Ensure audit plan has adequate coverage of strategic procurement aspects and key risks / gaps are routinely advised to Procurement	M	Manager of Procurement & Section Head Internal Audit	Mar-13

Section 2**PROCUREMENT STRATEGY AND OBJECTIVES**

Develop a Project Plan for the Change Management programme required to deliver new procurement operating model	H	Manager of Procurement	Sep-12
Following Committee approval of Procurement Strategy, ensure it is communicated widely to all devolved procurers.	H	Manager of Procurement	Sep-12
Develop policies relating to sourcing and supplier management and integrate into wider Council Procurement policies	H	Manager of Procurement	Sep-12
Develop the remit, membership, activities and schedules for Procurement Project Board	H	Manager of Procurement	Sep-12
Develop embedded policies and processes on sustainable procurement and ensure these are issued to all devolved procurers	M	Manager of Procurement	Mar-13
Develop Corporate Procurement Team objectives and ensure progress against these is reported to senior management	M	Manager of Procurement	Mar-13

Action	Priority	Lead Officer	Expected Completion date
Develop capacity for Category Managers to become involved in outsourcing decisions	M	Manager of Procurement	Mar-13
Engage with other Councils to identify procurement best practice initiatives	M	Manager of Procurement	Mar-13

Section 3**DEFINING THE SUPPLY NEED**

For strategic purchases, develop User Intelligence Groups that stay together for the life of the contract to proactively challenge new and existing products and services	M	Manager of Procurement	Mar-13
Embed the use of output specifications in strategic contracts, following the implementation of the Category Management operating model	M	Manager of Procurement	Mar-13
Following the implementation of Category Management model, develop a process whereby departments use procurement expertise when going to market for new product introduction	M	Manager of Procurement	Mar-13

Section 4**PROCUREMENT COMMODITY STRATEGIES AND COLLABORATIVE PROCUREMENT**

Develop a consistent, cross functional, team based approach to formation of category and commodity strategies in line with the Procurement Journey. Strategies to be in place for over 75% of procurement spend and to include forecasts of benefits and savings	M	Manager of Procurement	Mar-13
Embed sustainable procurement requirements into procurement policies and develop a method of measuring progress towards demonstrating sustainable procurement practices and processes	M	Manager of Procurement	Mar-13
Develop and embed a process which shows "touch points" where Legal would be involved in the contract process	M	Manager of Procurement	Mar-13
Develop a standard approach to gathering of internal information and carrying out market analysis to ensure that contract and category strategies are based on reliable, comprehensive data.	M	Manager of Procurement	Mar-13
Ensure all new contracts are signed off by Category Managers and maximise the use of Public Contracts Scotland portal as the standard means of advertising and awarding contracts	M	Manager of Procurement	Mar-13
Increase awareness and use of sustainability clauses in contracts following robust analysis of all risks and factors	M	Manager of Procurement	Mar-13

Action	Priority	Lead Officer	Expected Completion date
Introduce standard approach across all departments to new supplier introduction including the use of the Scottish Standard PQQ	M	Manager of Procurement	Mar-13
Introduce as standard post procurement reviews / lessons learned and ensure these are communicated widely.	M	Manager of Procurement	Mar-13
Promote proactive participation in collaborative procurement activity not only for contract development but also sharing of best practice	M	Manager of Procurement	Mar-13

Section 5**CONTRACT AND SUPPLIER MANAGEMENT**

Increase the number of Council contracts published on the Public Contracts Scotland portal	H	Manager of Procurement	Sep-12
Adopt a standard approach to supplier segmentation and a consistent approach to supplier management	M	Manager of Procurement	Mar-13
Develop improved contract information on intranet showing more detail i.e. content and pricing	M	Manager of Procurement	Mar-13
Ensure contingency plans are included as part of strategic sourcing methodology (see Section 4 above)	M	Manager of Procurement	Mar-13
As part of supplier management approach, include facility for suppliers to feed back on the performance management process itself.	M	Manager of Procurement	Mar-13

Section 6**KEY PURCHASING PROCESSES AND SYSTEMS**

Develop plan for the implementation of PCS Tender (SPQQ, e tender, e auction, e evaluation, e contract and supplier management)	M	Manager of Procurement	Mar-13
Develop a P2P strategy to define which technology should be used and when.	M	Manager of Procurement	Mar-13
Consider processes to further reduce payment times and increase volume of invoices paid within 30 days	M	Manager of Procurement	Mar-13

Section 7**PEOPLE**

Develop manpower resource plan identifying number of procurement staff required, method and timescale for filling vacancies	H	Manager of Procurement	Sep-12
Build up training and development plan for procurement personnel linked to skills assessments and training needs analysis	M	Manager of Procurement	Mar-13

Action	Priority	Lead Officer	Expected Completion date
Instigate initiatives to improve procurement efficiency and effectiveness in the Council (should follow from implementation of Category Management model)	M	Manager of Procurement	Mar-13
Implement a programme of assessment against the PCF for all Procurement personnel as part of the regular PDP process	M	Manager of Procurement	Mar-13
Develop a register of EU training managed by a dedicated individual and a record of training requirements and training undertaken	M	Manager of Procurement	Mar-13

Section 8**PERFORMANCE MEASUREMENT**

Develop Procurement processes to take account of sustainability improvements appropriate to the commodity strategy	M	Manager of Procurement	Mar-13
Develop a strong set of tailored local performance indicators which are regularly monitored and reported.	M	Manager of Procurement	Mar-13
Develop a robust approach to gathering procurement performance information that feeds into the corporate system	M	Manager of Procurement	Mar-13
Develop a standard approach to reporting of procurement spend and monitoring of benefits and savings.	M	Manager of Procurement	Mar-13