

ANGUS COUNCIL

ANGUS COUNCIL – 14 JUNE 2018

PROCUREMENT ANNUAL REPORT 2017/18 AND PROCUREMENT STRATEGY REVIEW 2018

REPORT BY IAN LORIMER, HEAD OF FINANCE AND LEGAL

ABSTRACT

This report presents the Council's first statutory annual procurement report under the Procurement Reform (Scotland) Act 2014 and proposes a way forward to complete the first statutory review of the Council's Procurement Strategy and publish both the revised strategy and annual procurement report by the end of July 2018 in line with good practice guidance from Scottish Government.

1. RECOMMENDATION(S)

It is recommended that the Council:

- (i) notes the Angus Council Procurement Annual Report 2017/18 annexed to this report as **Appendix 1** and as summarised in Section 4 of this report and approves same for publication;
- (ii) approves the review of the Council's procurement strategy through the Procurement Annual Report process as set out in Section 5 of this report and in terms of the draft Angus Council Procurement Strategy 2018/19 annexed to this report as **Appendix 2**; and
- (iii) authorises the Head of Finance and Legal in consultation with the Procurement Sounding Board MOG to undertake further consultation on the Procurement Strategy review as set out in Section 6 of this report and to finalise and publish same as the Procurement Strategy 2018/19 along with the Procurement Annual Report 2017/18.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

This report contributes to the following local outcome(s) contained within the Angus Local Outcomes Improvement Plan and Locality Plans:

- Local outcome 1 - We have a sustainable economy with good employment opportunities.
- Local Outcome 10 - Our Communities are developed in a sustainable manner

This report also contributes to the following priorities contained in the Angus Council Plan 2017/22:

- We want Angus to be a 'go to' area for businesses
- We want Angus Council to efficient and effective

3. BACKGROUND

3.1 Section 15 of the Procurement Reform (Scotland) Act 2014 (the "2014 Act") requires any public organisation, which has an estimated total value of regulated procurement spend of £5 million or more (excluding VAT) in a financial year, to prepare and publish a procurement strategy. Such organisations must also publish an annual report within 4 months of the end of their financial year and carry out an annual review of their procurement strategy.

3.2 The provisions of the 2014 Act dealing with procurement strategies and annual reporting came into force at the beginning of 2017 and this is Angus Council's first procurement annual report and procurement strategy review under that Act.

3.3 The Council's existing procurement strategy was by reported Angus Council (Report 135/17 refers) and approved at its meeting on 23 March 2017.

4. PROCUREMENT ANNUAL REPORT 2018/19

4.1 A copy of the Procurement Annual Report 2018/19 (in line with the model format in terms of Scottish government guidance) is annexed to this report as **Appendix 1** (without the annexes due to its size). The full report is available on the Documents Centre.

4.2 The function of the Council's annual procurement report is to:

- aid stakeholder (citizen and government) visibility of procurement activities
- be a mechanism for conveying how the Council is meeting legislative procurement requirements; and
- outline how the Council's procurement activity is contributing to the delivery of its broader aims and objectives.
- address all of the commitments contained in the Council's procurement strategy and support the annual review of the strategy

4.2 The initial annual report period (due to the date of commencement of the 2014 Act) is from 1st January 2017 until 31st March 2018. Future annual reports will correspond with the financial year. During the 2017/2018 reporting period, the Council published 183 contract award notices on Public Contracts Scotland, of which 9 (5%) were "regulated", i.e. within scope of the procurement legislation (incl. EU Regulated) and 174 (95%) were non-Regulated. The total value of all contracts awarded was £58.3M. 57% by number (105) and 73% by value (£42.7M) were for construction projects.

4.3 Some key themes emerged from the procurement annual report which should inform the procurement strategy review:

- The key objectives of procurement capability development and maximising efficiencies should be the immediate priority for improvement as they offer the greatest benefit to the Council.
- The key objectives of increased collaboration and sustainability improvement whilst still being addressed are of lower current priority and can be addressed in that context.
- Sharper focus on fewer areas of improvement offers better application of resource and more chance of success.
- We need to use the improvement areas identified through the Procurement and Commercial Improvement Programme (PCIP) independent assessment process as drivers for change to our procurement approach prioritised according to those improvements which offer the most additional benefit.
- The chief recommended change from the PCIP is a move across to a strategically-based sourcing approach and adopt consistent contract and supplier management approaches across all procurement activity.
- If there is feeling that focus on savings opportunities from procurement is likely to offer benefit then the Council needs to adopt a benefits tracking approach to all our procurement, not just national / collaborative contracts, and track opportunities against realisation.
- Community benefits reporting should be developed and policy / practice reviewed over the course of 2018/19.
- Supported Businesses – if we are to maintain focus we should accept that Angus Council has no immediate plans to develop performance in this area.
- A forward procurement plan covering the period 2018/20 is now in place and will be published and maintained at least annually. This aligns directly to the Council priority for delivery by the end of 2018/19 that "We will publish a medium-term procurement plan to allow businesses to plan ahead." (Pentana action ref: CP1722_0005).

5. PROCUREMENT STRATEGY REVIEW

5.1 A copy of the draft Procurement Strategy 2018/19 reviewed in the light of the above key themes is also annexed to this report as **Appendix 2**.

- 5.2 The function of the Council's procurement strategy is to:
- underpin the Council's strategic plan, comprised by the Angus Local Outcomes Improvement Plan/Corporate Plan and provide a strategic focus for our procurement activities.
 - set the context in which the Council will work to ensure that procurement delivers value for money and directly contributes to the achievement of its broader aims, objectives and, where relevant, those of our Angus Community Planning Partnership.
 - demonstrate how the Council ensures it has considered the wider social, economic and environmental aims of procurement in a consistent manner as required by the sustainable procurement duty under the 2014 Act.
 - to help businesses understand what is important to the Council in the performance and delivery of a contract.
- 5.3 It can provide a particularly important function in a contracting authority such as Angus council which operates a fully devolved procurement model in terms of bringing the procurement function together to a common strategic aim.
- 5.3 It is important, therefore, for the Council to provide clarity in its procurement strategy about how it intends to carry out its procurement activity. In particular, the procurement strategy should be clear how that activity will contribute to carrying out its functions, how it will deliver value for money and how it will contribute to meeting the general duties in the 2014 Act.
- 5.3 The current approved strategy has 4 key strategic objectives which are aligned to the cross-cutting themes of Angus Local Outcomes Improvement Plan/Corporate Plan, especially that of the "economy":
1. Procurement Capability Development
 2. Maximising Efficiencies through Procurement
 3. Development of Collaborative Opportunities
 4. Fulfilment of Sustainable Procurement Duties
- 5.4 The proposed conclusion from the review in the light of the Procurement Annual Report 2017/18 is that the current key strategic objectives remain the correct objectives for the Council at this time but there need to be a sharper focus on fewer areas of improvement to offer better application of resource and more chance of successful achievement of improvement within a reasonable timescale. As such the strategy is proposed for 2018/19 to focus on Key Objectives 1 and 2 procurement capability development and maximising efficiencies as they offer the greatest realisable benefit to the Council and with the most direct linkages to assuring the achievement of the best value for money we can from our procurement activity. Key Objectives 3 and 4 will still of course receive attention but the strategic approach is one of focus to achieve improvement.
- 5.5 Accordingly, the procurement strategy has been revised only to the extent of clarifying that prioritisation and focus for 2018/19. The opportunity was also taken to ensure that all aspects of mandatory content required by the 2014 Act are more transparently addressed in the Council's procurement strategy. It is envisaged that the further review which will take place in a year's time will consider progress against that strategy and whether more changes are required to the strategy in that light and at that time.

6. PROPOSAL

- 6.1 To bring further focus on the improvements required to achieve the Key Objectives 1 and 2 in the Procurement Strategy 2018/19, it is proposed that further consultation takes place on the reviewed procurement strategy and that an action plan is prepared to accompany the strategy identifying the actions and committing the resources required across the Council's procurement function to drive the required improvements and achieve the Key Objectives.
- 6.2 That further consultation is proposed to involve all Services with a significant stake in the procurement function, the Council's Corporate Procurement group, the Council's community planning partners, including the Angus Health and Social Care Partnership and ANGUSalive.
- 6.3 Given the summer recess, it will not be possible to report back the results of that consultation to Committee or Council prior to publishing Angus Council's annual procurement report and associated reviewed procurement strategy. The report and procurement strategy should be

published by 31 July in line with Scottish Government good practice. It is therefore necessary to delegate power to the Head of Finance and Legal as set out in recommendation (iii) to authorise publication. That will be done in consultation with the Procurement Sounding Board MOG.

6. FINANCIAL IMPLICATIONS

There are no financial implications for the Council arising directly from approval of the recommendations set out in this report.

7. OTHER IMPLICATIONS (IF APPLICABLE)

Equalities

The proposals set out in this report have been formally assessed for equalities impact and found to contribute positively to both the general equality duty under the Equality Act 2010 and the specific duty under the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 to consider the application of award criteria and conditions in relation to public procurement to help it better perform the general equality duty.

Strategic Environmental Assessment (SEA)

On consideration of the Angus Council Procurement Strategy 2018/19, it has been concluded that this strategy is likely to have no or minimal environmental effect and the statutory "SEA Gateway" will be notified accordingly, as required by the Environmental Assessment (Scotland) Act 2005. This notification will be published by the SEA Gateway on the public register maintained to that end.

Fairer Scotland Duty Assessment

This duty under Part 1 of the Equality Act 2010 came into effect in Scotland on 1st April 2018. It requires the Council to pay due regard to how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. Approval of the Angus Procurement Strategy 2018/19 is a strategic decision. It has been assessed to consider what its main impacts are in terms of addressing socio-economic disadvantage and how it could be improved so it reduces or further reduces inequalities of outcome.

It has been concluded that whilst approval of the procurement strategy does not directly address the reduction of inequalities of outcome caused by socio-economic disadvantage, it does however indirectly contribute to removing socio-economic disadvantage and reducing inequality by promoting and endorsing the Council's policy approaches on:

- Securing community benefits from Angus Council procurement (see Section 4.5.2 and 4.5.5)
- Payment of a living wage (see Section 4.5.3)
- Securing equalities in procurement (see Section 4.5.5)

The assessment has therefore been approved on the basis that due regard has been paid by Angus Council as to how it could reduce inequalities of outcome caused by socio-economic disadvantage, when approving the Council's Procurement Strategy 2018/19.

8. CONSULTATION (IF APPLICABLE)

Given the corporate scope of this report, all Angus Council chief officers and the Angus Health and Social Care Partnership chief officer have been consulted in the preparation of this report. Given its strategic context, the Tayside Procurement Consortium Head of Procurement has also been consulted in the preparation of this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

Appendix 1 – Angus Council Procurement Annual Report 2017/18

Appendix 2 - Draft Angus Council Procurement Strategy 2018/19