

Finance and Resources Committee

10.00am, Thursday 24 September 2015

Commercial Excellence Programme – Update and Annual Review of the Council’s Commercial and Procurement Strategy

Item number	7.7
Report number	
Executive/routine	
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Executive summary

This report updates the Committee on progress with regard to the Commercial Excellence programme and delivery of the Council’s Commercial and Procurement Strategy.

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Commercial Excellence Programme – Update and Annual Review of the Council’s Commercial and Procurement Strategy

Recommendations

- 1.1 It is recommended that the Committee notes the progress on the Commercial Excellence Programme, the priorities for 2015/16 and the proposed approach to develop a revised strategy in 2016.

Background

- 2.1 The Council’s Commercial and Procurement Service (CPS) provides advice and support to customers to enable them to meet the Council’s purchasing and other commercial requirements. CPS carries out strategic sourcing and tendering procedures and also monitors and challenges planned purchasing activity to ensure it is both effective and compliant. CPS has a crucial role to play in helping the Council to achieve its budgeted savings targets and in delivering the Council’s Transformation Programme.
- 2.2 The Council’s Commercial and Procurement Strategy was approved by the Corporate Policy and Strategy Committee in August 2014. It reflects the three main strands of the Commercial Excellence Programme, namely:
 - generating savings through improved commercial activity;
 - improving the quality and control of all purchasing activity; and
 - improving the Council’s capacity and capability with regard to commercial and procurement activities.

Main report

- 3.1 CPS reviewed the Commercial and Procurement Strategy in July 2015 and concluded that it still meets the Council’s vision, strategic aims and objectives for procurement and commercial activity.
- 3.2 Since the strategy was approved, the following progress has been made:

Savings

- 3.3 Savings delivered in 2014/15 amounted to £17m and overall savings over the two years since the launch of the Commercial Excellence programme in 2013 amount to £39m.
- 3.4 Forecast savings amount to in excess of £20m for both 2015/16 and 2016/17, with a strong pipeline of savings activity over the coming years. CPS will continue to work with Directorates to identify and deliver further opportunities as they arise.
- 3.5 It is worth noting that income maximisation has been, and will continue to be, a key part of the benefits achieved through the Commercial Excellence programme. Nearly £30m of income is currently expected over the next five years through the Council's concessions which have been let (eg Festival wheel and meadows rental) and other commercial opportunities which have been taken up (eg strategic advertising contract with JC Decaux).
- 3.6 The process for developing and delivering projects has been much improved by:
- improved management information availability, for example on expiring contracts and the pipeline of procurement projects;
 - improved processes, for example the agreed "5 stage process" for the development and management of projects from an initial idea through to contract management and benefits realisation;
 - improved compliance levels; and
 - better engagement with services, for example through the close working of members of the CPS team with Directorate managers and Senior Management Teams.

Quality and Control of Purchasing Activity

- 3.7 The Council established a Procure to Pay (P2P) project in early 2014. This has resulted in:
- improved financial control - through having more expenditure pre-authorised through raising of purchase orders at the right time (currently 89%, compared with 30% in April 2014);
 - improved efficiency - having listened to feedback, including from the Schools Forum, making the ordering process quicker, more intuitive and more effective for staff; and
 - improved management information – having better information on what the Council spends its money on and who is accountable for purchases.
- 3.8 Procurement performance and compliance is now reported each month to Directorate management teams in a procurement dashboard.

- 3.9 CPS has established a successful supplier engagement programme with monthly surgeries and quarterly “Meet the Buyer” events. The latest event attracted 232 local businesses.
- 3.10 Work is progressing on a new corporate approach to contract and supplier management. A Board with representatives from each Directorate has been established. A forum has also been put in place for staff involved in contract management across the Council and a health check is underway for the contract management arrangements of the Council’s 20 most significant contracts.

Capability and Capacity

- 3.11 CPS has established a comprehensive learning and development programme with over 50 events taking place in the first half of 2015. All CPS staff have participated in a core programme which has been recognised as an exemplary model by the Council’s Organisational Development service. This covered:
- The customer experience;
 - Change;
 - Effective influencing;
 - Risk management; and
 - Council business
- 3.12 CPS has appointed two staff as Commercial Partners in order to strengthen relationships and engagement with Directorates and assist with both compliance and planning.
- 3.13 A pilot is underway of a new procurement delivery “tactical” team. Members of the team have been drawn from across CPS and the aim is to funnel less complex contract opportunities through this team and allow the existing procurement teams to focus on more strategic projects. The Tactical Team also provides a great learning environment for staff who are new to procurement which assists with the ambition to grow our own talent.
- 3.14 The team has recently successfully completed the ICT re-procurement, one of the largest and most innovative tender exercises carried out by the Council. This contract will provide the Council with many opportunities to transform service provision and is also expected to save the Council significant sums compared to current spend on ICT.

External Accreditation

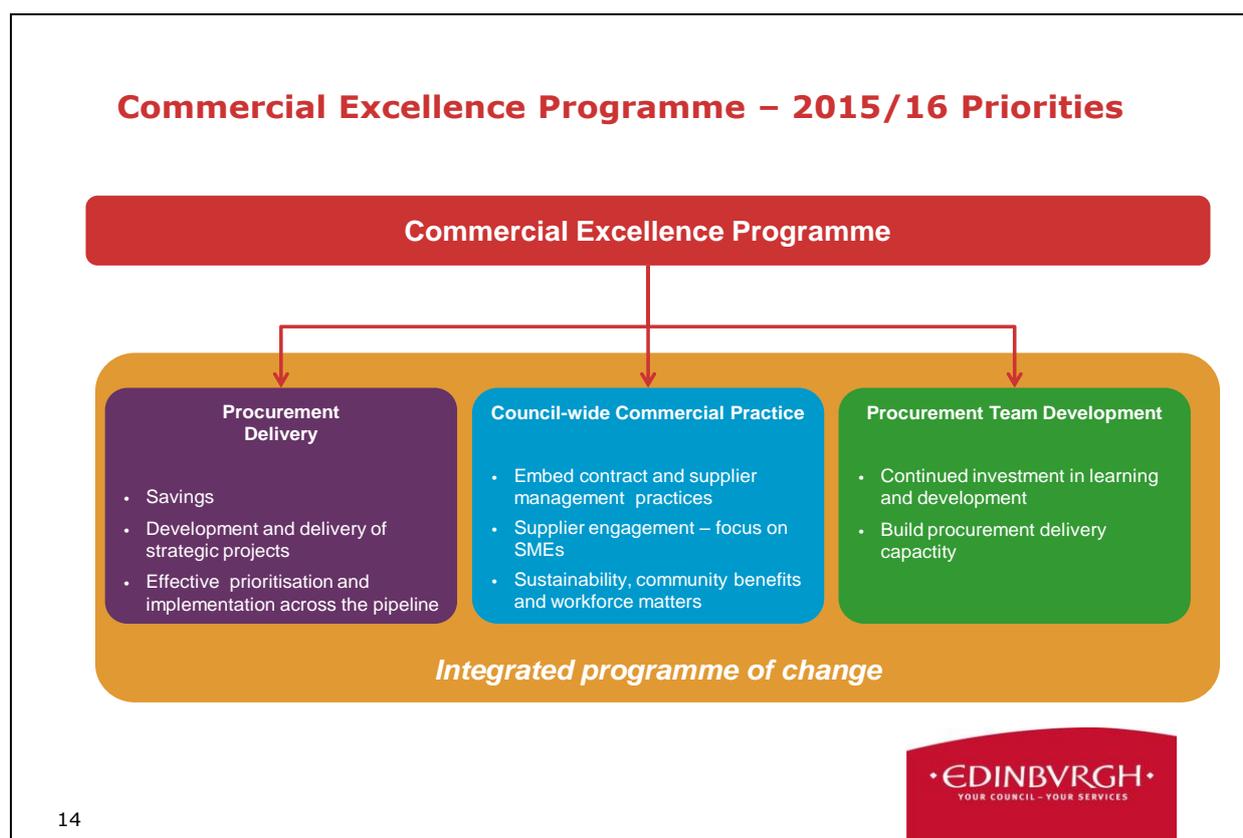
- 3.15 CPS progress over the last year has been recognised in a number of external assessments.
- 3.16 All councils undergo an annual Procurement Capability Assessment undertaken by Scotland Excel on behalf of the Scottish Government. In 2014 the Council’s PCA score was 76%, up from 51% in 2012 and 59% in 2013. This placed the

Council one of the top three Councils in Scotland in the “superior performance category”.

- 3.17 In June 2015 CPS participated in the annual Customer Service Excellence assessment for Financial Services. The assessment was successful with full compliance on 53 criteria (93%).
- 3.18 The Council applied for two GO Excellence in Procurement Awards in 2014, for the Commercial Excellence Programme and the P2P Project. Both applications were shortlisted.
- 3.19 The Council has also been advised that it is a finalist for three categories of the GO Excellence in Procurement Awards. The winners will be announced in October 2015.
- 3.20 The Council also applied the CIPFA Scotland Awards in 2015. The Commercial Excellence Programme won the Award for Innovation, Improvement and Best Practice and the P2P project team was shortlisted for the Team of the Year.

Priorities for 2015/16

- 3.21 Over the next year the priorities for CPS remain broadly the same and fit within the three main strands of the Commercial Excellence Programme. This is shown below.



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- 3.22 Areas of particular focus in the short term include:

- development of Sustainable Procurement practices, including consideration of environmental factors, workforce issues including the living wage, opportunities for co-production with service users and for local SMEs;
- contract and supplier management; and
- building procurement delivery capacity in a market where there is high demand across Scotland for skilled procurement staff.

3.23 In addition the Council must continue to manage a number of risks and issues which have previously been highlighted to Committee, including:

- inconsistent recognition of the scale of transformation required to meet the budget challenge;
- wide scale change in roles and responsibilities as the Council moves to a new organisational structure;
- capacity and capability in services, as well as within CPS where recruitment and retention remains a concern, particularly to resource an effective approach to contract and supplier management; and
- the transition to a new ICT provider.

Looking ahead

3.24 The Procurement Reform (Scotland) Act 2014 received Royal Assent in June 2014. The new duties do not come into effect until a Commencement Order and further regulations are put in place. This is expected to be late in 2015. In the meantime the Scottish Government has carried out a formal consultation on the Act and is currently developing detailed guidelines.

3.25 The Act sets out a number of points that public bodies will be required to cover within their procurement strategies, including:

- Approach to compliance with Sustainable Procurement Duty;
- Approach to community benefits;
- Consultation with those affected by procurements;
- Policy on procurement of fairly and ethically traded goods and services;
- Policy on how the Council intends its approach to regulated procurements involving the provision of food to (i) improve the health, wellbeing and education of communities in the authority's area, and (ii) promote the highest standards of animal welfare.

3.26 CPS will undertake a full update of the Council's Commercial and Procurement Strategy to meet the requirements of the Act and any associated guidance when it comes into effect.

Measures of success

- 4.1 The Council will achieve the financial targets which have been included in the approved budget within a robust purchasing control environment

Financial impact

- 5.1 Delivery of the planned savings plays a significant role in the Council delivering a balanced budget position.

Risk, policy, compliance and governance impact

- 6.1 The delivery of the Commercial Excellence programme is a key factor in the Council achieving its financial targets. The risks associated with the programme are regularly monitored and reviewed and management action is taken as appropriate. In addition, the P2P review and improved management information are improving planning and compliance.

Equalities impact

- 7.1 There are no direct equalities implications arising from this report.

Sustainability impact

- 8.1 The proposed focus in 2015/16 on sustainability will support the Council in meeting the Sustainable Procurement Duty as required in the Procurement Reform Act.

Consultation and engagement

- 9.1 Services have all had an opportunity to comment on this report.

Background reading/external references

[Commercial Excellence Update, Report to Finance and Resources Committee, 30 October 2014](#)

[CPS Strategy, report to Corporate Policy and Strategy Committee, 5 August 2014](#)

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	None