



# Annual Procurement Report

## 1<sup>st</sup> April 2019 – 31<sup>st</sup> March 2020



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## **Section 1 – Introduction and Purpose**

Fife Council is the third largest local authority in Scotland, with an annual third party spend in excess of £518 million and is responsible for delivering all local government services in the Kingdom. It is acknowledged that we are living in very challenging times and we aim to ensure all procurement activity provides best value to the council. We recognise this is not just about cost and quality, but about the best balance of cost, quality and sustainability.

Fife Council is a public sector contracting authority and as such is required to produce an Annual Procurement Report detailing all of our regulated procurement activity. This report summarises the council's regulated procurement activity throughout 2019/2020. A regulated procurement is any procurement for public supplies or services with a value of over £50,000.00 and for public works with a value of over £2 million.

This report has been prepared as the Annual Procurement Report for the period of financial year 2019/20, to meet the requirements of the Procurement Reform (Scotland) Act 2014 whereby all councils who are required to prepare a procurement strategy must also prepare an annual report on the regulated procurements completed during that year.

## **Section 2 – Context**

### **2.1 Procurement & Commercial Strategy**

In January 2019, Fife Council's Policy and Co-ordination Committee approved our Procurement & Commercial Strategy for implementation in April 2019. This strategy is updated to reflect current legislation as well as committed policies of Fife Council, it also stretches the procurement function to help meet some wider aims and objectives of the Council.

The aspirations set out in the strategy are ambitious yet reflective of the journey that Fife Council and the procurement function has embarked on. Fife Council via the Commercialisation Programme has invested in developing our procurement resources. It is envisaged that improvements will accelerate over the next couple of years and will aid the Council to becoming more commercial as well as achieving the considerable savings and benefits set out in the strategy.

This is therefore the first Annual Procurement Report in response to the 2019 approved strategy. Last year's Annual Procurement Report reflected mandatory reporting elements as well as recognised Fife Council priorities.

Our **vision** for the Fife Council procurement team is as follows:

A professional procurement service providing an expert strategic and solution-based service which utilises a commercial focus by collaborating with stakeholders and markets, to achieve best value by improving delivery of services and contributing to the Fife economy.

## **2.2 Procurement in Fife Council**

The Procurement function is part of Revenue and Commercial Services and is an 'enabling' support service, within the Council's Finance and Corporate Services Directorate.

The operating model for Procurement is a part-centralised function with a strategic focus on the generation of financial and non-financial benefits, effective supplier management, robust demand challenge, compliance and continuous improvement.

The Procurement function utilises a category management approach with a structured sourcing programme, categories of spend have been segmented into the following areas:

- Construction Materials
- Construction Projects/Works\*
- Corporate & Facilities Management\*
- Fleet, Plant, Hire & Environmental; Transportation Works\*
- ICT – Hardware, Telecommunications & Software; Utilities and Security
- Social Care
- Transportation & Travel

\*Procurement activity is delegated to authorised individuals within the service area for construction works related activity and some Facilities Management services, however process guidance is provided by the central Procurement function to aid consistency and compliance.

### Section 3 – Format and Content

The undernoted sections provide the quantitative detail required as part of the statutory reporting, and where appropriate some additional narrative and qualitative information to supplement the content. There are some additional sections to report on Fife Council policy commitments as set out in the Procurement and Commercial Strategy.

It is noted that the formal reporting requires information on regulated activity, however it is sometimes difficult to separate regulated from non-regulated, therefore some figures and content refer to all formal procurement activity but presenting the information in this way provides a more accurate reflection of actual activity across the board.

### Section 4 – Spend and Savings/Benefits Position

#### 4.1 Snapshot – statutory reporting and context

<u>Spend and Savings Summary</u>	<u>Source/Note</u>	<u>Response</u>
a) Total procurement spend for the period covered by the annual procurement report.	Oracle Spend Report via FC Finance	£518.658m
b) Total procurement spend with SMEs during the period covered by the annual procurement report.	Spikes Cavell	£170.274m
c) Total procurement spend with Third sector bodies during the period covered by the report	Spikes Cavell – organisations declared as being of charitable status	£27.608m (230 suppliers)
d) Percentage of total procurement spend through collaborative contracts.	Category A (Scottish Procurement)	£21.814m
	Category B (Scotland Excel)	£48.7m
	Other (national (Category A)/Category C1 (regional collaborative)) *	£78.762m
	Total	£149.276m
	Percentage	29%

\*includes COSLA – National Care Home Contract @£32m and Madras College (HUBCO) @£24.3m

Data Sources Notes:

**Fife Council Oracle Spend Report** with following exclusions applied: High level Income & Expenditure; management fees to Trusts and ALEOs; PPP Unitary Charges; Grant Payments; HMRC and Equal Pay Payments; Pensions added years contributions; Payments to Individuals; Pension Fund (exclusions = £98.3m) – Total remaining spend = £518.658m

**Spikes Cavell (public sector ‘Scottish Procurement Information Hub’)**, with following exclusions: Payments to and from entities other than Fife Council (i.e. ALEOs/Trusts); spend related to elections; employee benefits scheme; payments to individuals (staff); payments to individuals (under self-directed support); foster care payments; pension payments; Grants to charitable organisations/voluntary sector organisations where not supported by invoice; payments in relation to acquisition of land; childcare voucher spend; council tax refunds; rent rebates; direct debits; aggregate transactions <£1,000. Total spend reported = £352.953m

## **4.2 – Savings and Benefits**

Fife Council captures savings and benefits in accordance with a defined Benefits Realisation Policy. This policy is then applied by procurement staff recording benefits achieved on the benefits tracker spreadsheet which is then in turn verified by Finance before any benefits are deemed as made.

The total verified and delivered procurement financial benefits for 2019-20 amounted to £3.633m as illustrated below.

Fife Council	Revenue £m	Capital £m	HRA £m	H&SC £m	ALEO £m	Total £m
Delivered	0.747	0.086	0.470	0.055	0.040	1.398
Delivered - Non Cashable	0.411	0.332	1.235	0.258	0.000	2.235
<b>TOTAL DELIVERED</b>	<b>1.157</b>	<b>0.418</b>	<b>1.704</b>	<b>0.313</b>	<b>0.040</b>	<b>3.633</b>

Table 1 – Savings and Benefits 2019-2020

The benefits reported in 18/19 were £3.384m therefore there has been an increase in savings/benefits in the last financial year.

## **5 - Summary of Regulated Procurements Completed**

Fife Council maintains a contract register which captures high level contract detail information in line with the requirements of procurement legislation, it also contains additional information that is captured to aid policy reporting.

The below table provides the statutory reporting detail on the procurement activity over the reporting period.

Total number of regulated contracts awarded within reporting period	74 regulated procurement exercises (211 contracts with individual suppliers)
Total value of regulated contracts awarded within the report period	£76,579,506
Total number of 'contracts' awarded via PCS <i>N.B. each supplier awarded to a contract is considered a contract, hence the higher figures</i>	521

[Appendix 1A](#) provides summary of regulated procurement activity as required for statutory reporting.

During the reporting period there were circa. 408 active contracts on the register – this does not include un-regulated one-off tender activity such as sub-contract packages. This figure is subject to change throughout the year but was representative of position at March 2020.

## **Section 6 – Local Businesses & SMEs**

### **6.1 – Context and Approach**

In relation to specific Fife Council policy, there is a strong desire to support Small to Medium Enterprises (SMEs), particularly local companies or those within the supply chain. Additionally, Fife Council is a Living Wage Accredited employer which comes with obligations around making effort to encourage relevant contractors to pay the Scottish Living Wage as a minimum. For this reason, activity in these areas are specifically reported on in addition to the minimum expected content.

### **6.2 – Local Contracts Awarded**

The below provides analysis of contracts awarded via Public Contracts Scotland (the national public sector procurement portal for advertising and awarding contracts). The images below illustrate that 38% of contracts awarded are to businesses that are registered as trading from Fife.

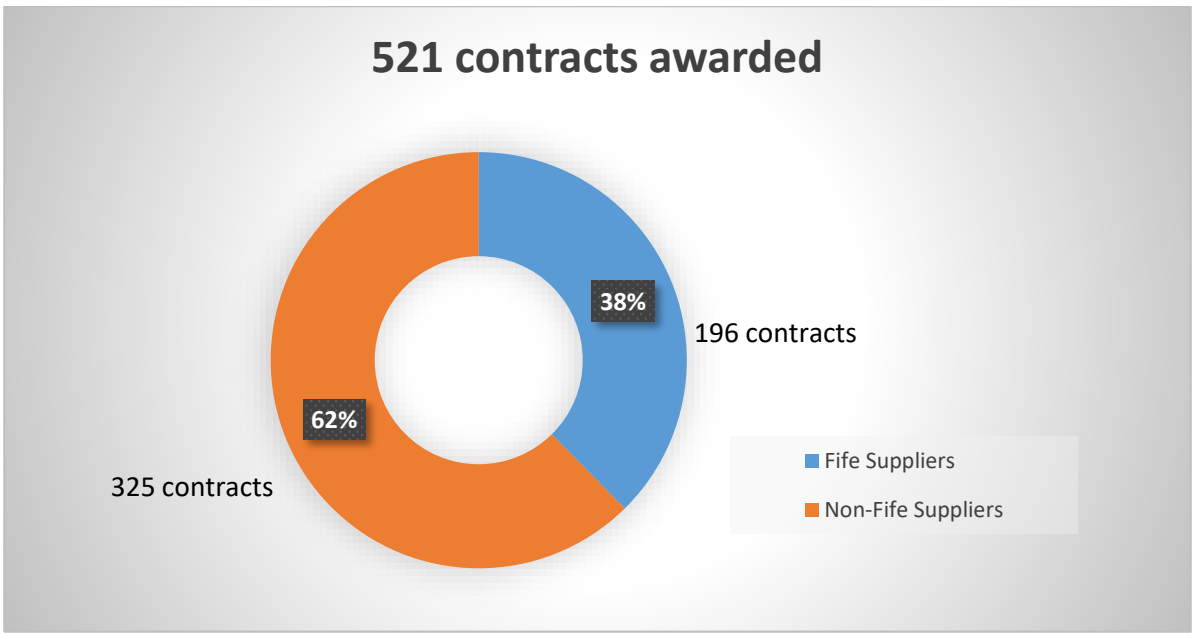


Figure 1 – analysis of PCS contract award notices 1<sup>st</sup> April 2019-31<sup>st</sup> March 2020

In comparison to last year, contracts awarded to local businesses has increased by 2% from 36% to 38%.

### **6.3 Small to Medium Enterprises (SMEs)**

The chart below illustrates the contract awards in terms of the size of the organisation. 86% of contracts have been awarded to organisations from micro size (1-9 employees), Small (10-49 employees) and Medium size (50-149 employees) Enterprises.



Figure 2 – SME Status per awarded contract, source PCS contract award notices 1<sup>st</sup> April 2019-31<sup>st</sup> March 2020



The percentage of contracts awarded to SMEs as reported in 2018-2019 was also 86%, however there has been an increase in contract awards from 450 to 521.

#### **6.4 Statutory Reporting**

<b>Regulated</b>	
Number of suppliers across (74) regulated contracts (total)	211
Number of unique suppliers across regulated contracts	189
Number of (unique) suppliers awarded with contracts during reporting period that are SMEs	153 (81%)

#### **6.5 Fife Council Spend – local and SME status**

	<b>2019-20 £M</b>	<b>%</b>
Total Fife Council Spend*	518.658	
Total spend with Fife Suppliers (KY postcode)	196.639	37.91

*\*Oracle Cloud spend data with following exclusions applied: High level Income & Expenditure; management fees to Trusts and ALEOs; PPP Unitary Charges; Grant Payments; HMRC and Equal Pay Payments; Pensions added years contributions; Payments to Individuals; Pension Fund (exclusions = £98.3m)*

Last year, the spend and local spend figures were reported using Spikes Cavell which is a 'public sector 'Scottish Procurement Information Hub'. However, it was determined that the exclusions applied to the data that was submitted does not represent a true picture of third party spend. The data submitted by the Council is within the parameters of what is requested by the Scottish Government but upon review of the data output, some relevant spend information was omitted therefore it is considered that the Spikes Cavell information is not a fully reliable source of data. Given the investment in Oracle ERP, Oracle ERP (will be Oracle Cloud hereinafter) is our intended source of data moving forward. The local spend reported last year was 33% but it should be noted that it is not necessarily directly comparable for the same reason.

Having said that, Oracle ERP did not classify the organisation size so in order to report on this, the Spikes data set has had to be used – not all suppliers are classified in Spikes therefore the data is indicative only. The supplier record in Oracle Cloud

does have this functionality however, so once records are manually updated, this data source will also be able to be used to provide statistical information in relation to SMEs. The below gives an indication of spend with SMEs and Fife SMEs in particular in percentage terms.

	<b>2019-20</b> <b>%</b> <b>(Spikes Data)</b>
Total spend with SMEs	53
Total spend with Fife SMEs	22.5

Spend with SMEs in 18/19 was reported at 54% so this result is comparable, albeit a 1% reduction.

## **6.6 Fife Council Spend – wider local impact**

A report published by the Centre of Local Economic Strategies entitled ‘Local Procurement: Making the Most of Small Business, One Year On: Scotland Report states that ‘for every £1 local authorities spent on goods and services with local SMEs, an additional 63p was generated for the local economy’. ([CLEs Report for Federation of Small Businesses Scotland](#)). This suggests that for the £196.639m spent within Fife, Fife Council’s third party spend has contributed an additional £123.88m to the local economy.

This report also states that ‘on average, local authorities in Scotland spend 53% of their total procurement spend with SMEs, which is higher than the national figure of 51%’. Based on the above, Fife is sitting at 53% so is right on the average. Furthermore, the statistics presented in relation to contracts awarded by Fife Council indicate that the majority of contracts (86%) were awarded to SMEs. Having reviewed the spend associated with large firms, some of these are procured through national arrangements and others have not been procured in the reporting period, i.e. these are existing contracts. It is therefore anticipated that this statistic will vary year on year depending on the nature of the contracts being procured that year. The level of spend is probably therefore a more reflective and consistent position to consider, however, the gaps in identifying those as an SME or large organisation hinders this.

Additionally, the report advises that ‘on average, local authorities in Scotland spend 27% of their total procurement spend in their local authority boundary; lower than the national figure of 31.1%. At 37.91%, Fife Council is above this average figure. It is also worth acknowledging that local spend is perhaps not insignificantly underestimated as some organisations are based out with Fife yet have a significant local presence (i.e. base in Fife with employees) but these are not being recorded as spend within Fife. Additionally, the exclusions as previously noted will likely include Fife organisations.

In an effort to illustrate the impact that spend with non-Fife suppliers can still have on the Fife economy, some data gathering, and analysis is being undertaken with some of our top spend suppliers. Position was sought in terms of residence of employees utilised to service their Fife contract, whether there was any supply chain presence etc. Below is an output from that piece of work which will be continually built on to inform and steer work in regard to the ‘buy local’ agenda which is referenced later in this report.

Number of survey returns at time of writing this report	67
Approximate annual spend represented from survey activity	£120.680m (23%)

No. of companies with HQ based in Fife	27
Spend with these Fife based companies	£36.060m
Approx. average employment of Fife residents	93%

No. of companies with Fife presence (i.e. depot/branch and/or Fife based employees for Fife contract) <i>i.e. over and above those with HQ in Fife</i>	27
Spend with these companies	£63.677m
Approx. average employment of Fife residents	47%

The above illustrates that whilst £36.060m would be captured as local spend in the wider analysis, up to £63.677m is not captured as local spend despite having significant local impact.

Similarly, as part of the survey, suppliers were asked to indicate how much of their supply chain (i.e. sub-contractors or suppliers) is sourced within the Fife region. The average response from all that responded to this question is 41% which acknowledges a further positive indirect impact of the council's procurement spend on the Fife economy.

Whilst the above is only a sample of suppliers, this data gathering exercise will continue to glean further insight into this subject.

Section 9 of this report (Community Benefits) also demonstrates some of the wider local economic impact, such as significant supply chain/sub-contract spend.

## **6.7 Scotland Excel – Local Supplier Reporting**

Scotland Excel manage a portfolio of national frameworks for the local authority sector. Over the reporting period\*, there were 27 local suppliers on 23 Scotland Excel frameworks which also provides wider opportunity for these suppliers to supply out with Fife Boundaries. Spend with Fife suppliers through these frameworks was £31.349m (£9.95m increase from last year). £8.1m of this spend was from Fife Council and represent 26% of spend via Scotland Excel frameworks.



## **6.8 Supplier Development Programme**

Fife Council, in conjunction with colleagues in Economic Development have active participation with the Supplier Development Programme.

The Supplier Development Programme working together with Local Authorities and other public bodies to provide business support in all aspects of tendering. By assisting businesses to become tender ready for public procurement, all-round efficiency, sustainability and market potential is improved.

Whilst Fife businesses can access this service and hopefully improve their chances of winning Fife Council business, this also enhances their opportunity to bid for business out with Fife to further strengthen their market position.

The below table provides figures of registration with the Programme as well as participation in training events:

### Number of Companies Registered with SDP (2019/2020)

Council Area	Companies Registered in 2019/20	Total Companies Registered
Fife	103	897

### Number of Businesses Participating in SDP Events & Activities (2019/2020)

Council Area	Representation
Fife	57 businesses attended the SDP Fife workshops, including 34 Fife businesses.  35 individual businesses attended the Meet the Buyer event.

Over the reporting period, 10 training courses/events were provided in Fife (with Procurement representation) as follows:

Date	Training Event
April 2019	Introduction to Working with the Public Sector
May 2019	Introduction to Tendering
June 2019	Using PCS & PCS Tender
September 2019	Tender Procedures and the ESPD
November 2019	Fife Real Living Wage Event: Updates on Employment Law, and Contract/Tendering
November 2019	Finding and Understanding Framework Opportunities Heathrow Logistics Hub – Meet the Buyer with Babcock International Group
January 2020	Improving Your Bid Score
March 2020	NNG Offshore Wind Supply Chain Event
March 2020	Understanding Community Benefits and Sustainability

An event 'Using PCS and PCS Tender Procedures – Fife Health and Social Care Partnership/Fife Council – Care Homes for Adults' was scheduled for 26<sup>th</sup> March 2020 was postponed due to COVID-19 pandemic:

This will be rescheduled as a virtual event once the sector/service area are in a position to take this piece of work forward.

## Section 7 – Summary of Regulated Procurement Compliance

Number of regulated contracts awarded within the period that complied with Procurement Strategy (and/or Scheme of Tender Procedures)	100%
Number of regulated contracts awarded within the period that did not comply with Procurement Strategy (and/or Scheme of Tender Procedures)	N/A*

*\*There were 20 direct awards during the reporting period, but all were either compliant routes to market (i.e. direct call-off from existing arrangement) or approved exemptions from our Scheme of Tender Procedures and Procurement legislation as appropriate.*

## Section 8 – Sustainable Procurement Duty, Climate Duties

### **8.1 – Context (Public Sector Climate Change Duties)**

Fife Council recognises its responsibility to carry out its procurement activities in an economically, environmental and socially responsible manner. Fife Council's Procurement Strategy includes a commitment to purchase goods, materials and services that minimise or reduce the impacts of its activities on the local and global environment, including whole life costing, energy efficiency, supply chain management and sustainably-sourced products.

As part of fulfilment of the 'Public Sector Climate Change Duties', the Council has a duty to provide a return for its 'Public Bodies Duties Report' (PBDR). Procurement feed into this with responses to specific questions (Part 5 of the return), and the content is replicated in the below table:

<b>How have procurement policies contributed to compliance with climate change duties?</b>
<p>Fife Council is a major procurer of goods and services within Fife. The embodied carbon of our up and downstream supply chain is likely to be a significant contributor to Fife-wide carbon emissions and to emissions further afield.</p> <p>The Council is keen to try to reduce the environmental impacts of our procurement activities, and to use procurement to assist with compliance with</p>

our duties under the Climate Change (Scotland) Act and is seeking to do this via a number of activities. The Procurement service works with other services to develop contract terms and procurement award criteria. Procurement weightings are developed in collaboration with the service area. If any barriers are identified in such discussion, effort is made to overcome these barriers.

We utilise the Scottish Government's 'Procurement Journey' guidance in terms of best practice. This includes considerations such as sustainability and climate change mitigation and tools are provided to be utilised with the goods/services that are intended to be procured in mind. Mainstreaming these best practice principles to our procurement activities will contribute to our compliance with climate change duties.

Fife Council's Procurement Strategy acknowledges the national legislative framework for sustainable public procurement in Scotland. To aid the Council achieving its aim of 'Inclusive Growth' (Fife's Economic Strategy 2017-2027), the Council, through its procurement activities will incorporate the Sustainable Procurement Duty into its processes and consider prior to defining procurement requirements.

Procurement are embedded within the Climate Fife Sustainable Energy and Climate Action Plan (2020 – 2030) and are represented across the eight key areas.

Fife Council shall consider/support:

- the use of whole life cost where appropriate;
- the use of Sustainable Procurement Duty Tools that aid the prioritisation of sustainability to achieve maximum benefits within all regulated procurements and also to prioritise and focus on those categories of spend that offer the greatest potential sustainable outcomes;
- the use of the Scottish Government Flexible Framework Self-Assessment Tool (FFSAT) to ascertain the level of performance of sustainable procurement across the Council. This tool will provide a clear action plan that will set out how, and by when, improvements in sustainable procurement will be made;
- The environmental impact of construction projects as appropriate, including specifying high Building Research Establishment Environmental

Assessment Methodology (BREEAM) ratings for sustainable design and construction;

- Encourage recycling and reuse of materials through waste management plans in order to minimise waste to landfill;
- The use of low energy equipment and environmentally friendly chemicals,
- Maximise use of materials from sustainable sources in accordance with government buying standards; and
- Support corporate initiatives/working groups in relation to the sustainability agenda where supplies/services are relevant and undertake any associated procurement activity, e.g. elimination of single use plastics.
- Continue to feed into and work with colleagues in the development of Climate Fife Sustainable Energy and Climate Action Plan (2020 – 2030) and in particular the areas directly affected by Procurement.

The procurement function has established a workstream to support Sustainable Procurement activity with scope and actions to formalise and embed the above throughout the Council.

#### **How has procurement activity contributed to compliance with climate change duties?**

Regulated procurement requires the consideration and application, where applicable and appropriate, of the Sustainable Procurement Duty in all procurements as per the Procurement Reform (Scotland) Regulations 2016 and the Public Contracts (Scotland) Regulations 2015. The Procurement Service works with Fife Council services to develop contract terms and procurement criteria. Procurement weightings are developed in negotiation between the procurement team and client services.

Client services can and do, consider direct and indirect carbon emissions (i.e. supply chain emissions, provenance, and manufacturing methods) within their procurement specifications, but these have to be balanced against other procurement criteria so that the requirements are proportional and are not so specific as to effectively reduce options down to only one supplier as this could be seen as raising barriers to business.



Examples of procurement activities which have contributed to our compliance with climate change duties in the reporting year include:

Description/Commitment	Examples/confirmation of compliance
Alternative Fuelled vehicles including Electric Vans and Pool Cars as part of the Council's Fleet Replacement Programme	<p>Currently has 38 electric vehicles and 19 plug-in hybrids.</p> <p>The grant funding for 2020-2021 will allow us to lease another 17/18 vehicles depending on the type and operational specification. The lease period has now changed from 3 to 4 years</p>
Continued use of a collaborative framework to support the increase of the number of charge points allowing wider use of electric vehicles and positively contributing to our climate change commitment.	<p>29 units purchased 2019 - 2020</p> <p>7 Units scheduled for 2020 – 2021 (Roads &amp; Transportation and Fleet Operations)</p>
Heavy Goods Vehicles generally contain in excess of 90% recyclable materials which can be reclaimed at the end of the vehicle's life and the primary goal of the Euro VI (or latest Euro Engine) emissions standards is to reduce harmful emissions from vehicles	<p>EURO 6 is the current standard and vehicles purchased must adhere to this.</p> <p>Scotland Excel Framework includes sustainable procurement within the technical section of the tender and a range of sustainable measures were outlined by suppliers including Fleet/environmental Standards Reducing carbon footprint Waste reduction Vehicle and waste prevention</p>
LED lighting and LED street lighting and luminaires programmes have resulted in carbon and CO2 reductions	<p>33,998 LED street lighting lanterns in Fife which is approximately 50% of the street light network. This is an increase of 6,377 since 2018-19.</p> <p>The energy consumption for unmetered street lighting including lit signs, bollards and traffic signals was: -</p> <p>2018-19 = 12,807,126 kwh 2019-20 = 9,889,424 kwh</p> <p>Which shows a reduction of 2,917,702 kwh and therefore a reduction of approximately 1,183 tonnes CO2</p>

Use of carbon based whole-life costing (WLC) tools in appropriate procurements	Procurement of heavy-duty laundry contract
Use of whole – life – costing (WLC) tools in appropriate procurements	Procurement of Refuse Collection Vehicles
All vehicles used on bus contracts must not be older than 20 years and must be manufactured on or after 1 October 2000.	Transport contracts (Taxis, Bus and Coach) require membership of the ECO Stars Fleet Recognition Scheme.  Ongoing analyses of vehicle age and emissions which to link into the Council's Climate Change Strategy and individual procurement exercises.
Contracts must provide Fife Council with copies of declarations of conformity or conformity certificates	Timber contracts requirements - Ability to provide detail for chain of custody and certification on advice notes and invoices for materials.
Establishment and defining scope of Sustainable Procurement Workstream and creation of an Action Plan  Ongoing continuous improvement championed by Sustainable Procurement workstream	Development of a Workstream Action Plan Launch of new Online Sustainable Procurement Toolkit Delivery of Sustainable Procurement Workshops and Presentations

Note that this list presents an illustrative sample of Fife Council tenders where procurement activity sought to reduce emissions as part of the procurement criteria and is not necessarily exhaustive.

### **Supporting information and best practice**

Fife Council is a Scottish Living Wage Accredited Employer, and this encourages its adoption by contractors.

A 'Sustainable Procurement Workstream' is active within Procurement to review and enhance Sustainable Procurement within procurement and shall continue to include subject matters such as - General Policy, Community Benefits, Modern Slavery, Sustainable Procurement Toolkits, Whole Life Costing, Supported Businesses and the Innovation Challenge Fund. The Sustainable Procurement Working Group will look to cover areas such as - Sustainable Procurement Reporting Templates, Continual use of Sustainable Procurement Tools and the

creation of a Sustainable Procurement Action Plan and Sustainable Procurement Training to Fife Council.

## **8.2 Single Use Plastics**

The commitment to support the elimination of single use plastics within Fife Council has continued. Procurement has supported this by researching single use plastics purchased and seeking cost-effective sustainable alternatives from suppliers.

Procurement are part of a cross-functional working group and collectively have implemented the following during the reporting period:

- As of 7 October 2019, cups, cutlery and straws can no longer be purchased by Fife Council, Fife Sports & Leisure Trust and Fife Cultural Trust/ONFife.
  - Cups – reusable cups available at cafes. Paper cups available at water coolers. ONFife using compostable cup for takeaway drinks
  - Cutlery – plastic teaspoons and stirrers replaced with metal and wooden stirrers
  - Straws – single-use plastic straws removed from use, replaced with compostable/reusable straws where feasible. Work is ongoing with the school milk supplier to address the straws provided with the cartons.
  - Cable ties – use reusable cable ties and string as opposed to single-use plastic cable ties
  - Replacement of single-use plastic catering items (specifically sandwich boxes, salad boxes and pots used for yogurt, fruits and granola) with compostable materials.

Work continues to investigate other plastic free options in conjunction with colleagues in Climate Change & Zero Waste teams and suppliers to progress this.

## **Section 9 – Community Benefits**

### **9.1 – Context and Approach**

Fife Council believes that public procurement contracts can help realise a wide range of social and environmental benefits, including more and better employment opportunities.

Community benefits can help contribute to local and national outcomes relating to employability, skills and the reduction of inequality.

In the context of the Procurement Reform (Scotland) Act 2014, a community benefit requirement is a contractual requirement imposed by a contracting authority –

- (a) Relating to:
  - (i) Training and recruitment
  - (ii) The availability of sub-contract opportunities, or
- (b) Which is otherwise intended to improve the economic, social or environmental wellbeing of the authority's area in a way additional to the main purpose of the contract in which the requirement is included.

Community Benefit Clauses (CBCs) are essentially clauses within contracts requiring tenderers to commit to undertaking some form of social benefit as part of the contract. These clauses are aimed at tackling issues in training, employment, economic regeneration and the environment through investment in local communities.

For major works projects, Fife Council committed to:

- Due consideration of whether to impose community benefit requirements as part of the procurement and if so, provide a summary of what it intends to include, and if not, provide a justification of why not deemed appropriate. Where included, Fife Council will include in the award notice a statement of the benefits it considers will be derived from those requirements.

The above is a mandatory requirement in accordance with the Procurement Reform (Scotland) Act 2014, however Fife Council's policy goes beyond the minimum requirement and gives consideration of community benefits for goods/services contracts as well as major works projects, where deemed proportionate and relevant to do so, however there is recognition that it may not be appropriate to include in some cases.

## 9.2 Statutory Reporting

Total number of regulated contracts awarded with a value of £4m or greater	5
Total number of regulated contracts awarded with a value of £4m or greater that contain Community Benefit requirements	5
Total number of regulated contracts awarded with a value of less than £4m that contain Community Benefit requirements	32

Community Benefit Type	No.	£ value (where quantified)
Number of jobs	134	£212,471.00
Number of apprenticeships	116	£287,778.00
Number of work placements	46	£2,215.00
Number of qualifications achieved through training	50	£13,460.00
Other community benefit(s) fulfilled such as: <ul style="list-style-type: none"> <li>SME and third sector spend (sub-contract/supply chain)</li> </ul>	N/A	£17,215,232.09
<ul style="list-style-type: none"> <li>Social Value Rebate (including donations, charitable work etc.)</li> </ul>	29	£173,724.20
<ul style="list-style-type: none"> <li>Environmental &amp; Ethical</li> </ul>	4	£92,705.79
<ul style="list-style-type: none"> <li>Skills and Training (Workshops, Careers advice etc.)</li> </ul>	19	£2,357.00
<b>Total</b>	<b>398</b>	<b>£17,999,943.08</b>

Appendix 1B provides summary detail of community benefits recorded as delivered over the reporting period.

## Section 10 – Fair Work and Real Living Wage

### 10.1 – Context and Approach

With a view to supporting the strategic aim of providing *Opportunities for all*, Fife Council considers payment of the Scottish living wage to be a significant indicator of an employer's commitment to fair work practices and that payment of the Scottish

living wage is one of the clearest ways that an employer can demonstrate that it takes a positive approach to its workforce.

The Council considers 'workforce matters' in connection with their contracts if the services provided have the effect of employees being considered an in-direct employee of Fife Council and/or if there is known or perceived history of unfair work practices. The following define what would be deemed to be 'in-direct' employees:

- Social Care providers (care at home/homecare/domiciliary social care services); and/or
- Any service being conducted on our premises regularly. 'Regularly' being defined as 2 hours on any given day over 8 consecutive weeks.

Whilst it is not feasible to make payment of the Living Wage a mandatory criterion within the procurement process, it can be packaged up into fair work practices and evaluated alongside other workforce matters and as such have an impact on the award decision.

The process associated with the above is established within Procurement and enables identification of in-scope contractors that are committed to paying the SLW or those that are not. In the case of those that are not, expectations are that continued encouragement is ongoing and milestones set where appropriate.

## **10.2 – Position/Statutory Reporting**

Number of regulated contracts awarded during the period that have included a scored Fair Work criterion.	12
Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period.	31
Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period.	21
Number of unique suppliers who have signed up to the <a href="#">Scottish Business Pledge</a> * and were awarded a regulated contract awarded during the period	11

\*The Scottish Business Pledge ultimately endeavours to commit suppliers to pay their suppliers on time which has sound business benefits as well as being ethical and fair.

Paying on time ensures that suppliers' cash flows are healthy, which has positive benefits for those companies, as well as minimising disruption to the supply chain.

#### **10.4 – Other Council Commitments**

As part of the Procurement & Commercial Strategy, Fair Work is further promoted within procurement activity by seeking commitment to our Construction Charter and Ethical Care Charter where applicable.

The Construction Charter is included in relevant construction related contracts to acknowledge the council aspiration and expectations for them to practice in their organisation also. The strategy also acknowledges that the council is opposed to blacklisting, and there is no evidence that any of our contractors practice blacklisting.

Similarly, we incorporate the Ethical Care Charter in relevant procurement exercises for homecare related services.

### **Section 11 – Invoice Payment Performance**

#### **11.1 – Context**

Fife Council is committed to ensuring that businesses are paid on time because we understand how important it is to pay businesses promptly once a service has been performed or goods delivered. Late payment is particularly detrimental to SMEs, third sector bodies and supported businesses. Fife Council also mandates via contract conditions that main contractors must pay their sub-contractors and suppliers promptly in an effort to ensure cashflow is positive throughout the supply chain.

Late payment legislation places a statutory duty on all public bodies to pay commercial debt within 30 days. Legislation also allows businesses to claim interest and recovery costs if goods and services are not paid for on time.

## **11.2 – Position**

Fife Council performance statistics are presented below in regard to paid invoices during the reporting period:

<b>Time Period</b>	<b>No. of Invoices</b>	<b>%</b>
<b>Under 30 days</b>	<b>237,725</b>	<b>94.81</b>
31-60 days	7,346	2.94%
61-90 days	2,208	0.88%
Over 90 days	3,411	1.37%
Total	249,690	

*Fife Council invoice payments (excluding recurring payments)*

The figures are comparable with last year, although it is noted that there is a reduction in invoices processed – this will likely be due to an increase in virtual cards for food/catering items and increase in recurring payments. Procurement strives to ensure the most efficient payment mechanisms are in place for volume invoice transactions. Work will continue in that regard. In comparison to last year, the payment of invoices under 30 days has increased by 0.95%

## **11.3 – eInvoicing**

Fife Council utilises the Scottish Government’s eInvoicing solution which provides a platform that accepts a range of invoice formats that can be automatically processed for matching and payment. It is intended to provide an easy, consistent and standard platform for suppliers to the public sector and is compliant with relevant Directive requirements. There are no costs and should be no technology changes for suppliers to issue invoices through the system.

During the reporting period, 18,621 eInvoices have been processed via this method.

## **11.4 – iSupplier**

The Fife Council Oracle ERP system has functionality called iSupplier which allows suppliers to have their own unique login to their account details within the Council’s system. This functionality allows suppliers to review order, payment and catalogue status/details. Some also use this functionality to create their own invoices via the system, which when matched to an existing order and matched receipt, will automatically pay. This creates efficiency for the council as the invoice does not need



to be handled in any manner by council personnel (unless there is a mismatch). Over the reporting period, 26,815 invoices were processed via this method.

## **Section 12 – Supported Businesses**

### **12.1 – Context and Approach**

Before carrying out a regulated procurement, Fife Council includes consideration of how the process can facilitate the involvement of Supported Businesses. The involvement of Supported Businesses is considered at strategy stage. Completion of contract strategies are mandatory for all regulated procurement exercises; therefore, effort is made to consider supported businesses in all regulated procurements.

An example of facilitating involvement of Supported Businesses is by utilising the Scottish Government Supported Business framework for internal fire doors for schools and refurbishments. There is a need for supply of these doors to ensure that schools and public buildings meet fire safety standards. The Scottish Government Supported Business framework was investigated as a potential route to market. Dovetail Enterprises were awarded the supply contract for these doors in 2016/17 and continue to satisfy the requirements. Furthermore, Fife Council is in a position to purchase the door blanks and manufacture the fire doors for other councils/customers so there is commercial opportunity for the council as well as opportunity to continue/increase spend with Dovetail Enterprises, as a competent supplier through this supported business.

### **12.2 – Spend with Supported Businesses**

<b>Supported Business</b>	<b>2019/20</b>
Dovetail Enterprises	£267,550
Matrix Fife	£175,209
The Lady Haig's Poppy Factory	£3,217
Haven Products Ltd T/A Haven Sign Factory	£300
Capture All	£293
<b>Total spend with Supported Businesses</b>	<b>£446,569</b>

Spend with supported businesses has increased by over £12,000 on last year (2.8% increase)

## **Section 13 - Pipeline**

Total number of regulated procurements expected to commence in the next two financial years	207
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\* (as of October 2019) NB, this is subject to change and refreshed 'Pipeline' is published on fife.gov website regularly

Appendix 1C provides the Pipeline of procurements expected to commence in the next two financial years. Note this is continually updated and available publicly on the Fife Council website.

## **Section 14 – Milestones/Achievements and Improvement Activity**

### **14.1 – Context**

Over the reporting period there has been a number of milestones and improvements including the following:

- Continued progress with the Commercialisation Programme in conjunction with Scotland Excel designed to upskill the procurement function and pursue strategic procurement opportunities – all governed via Commercialisation Board reporting in to Changing to Deliver Programme/Change Board.
- Launch of Procurement and Commercial Strategy from 1<sup>st</sup> April 2019 covering next 5 years (approved at Policy and Co-ordination Committee on 24<sup>th</sup> January 2019).
- Creation of Category Strategies for the majority of procurement activity to pull together category related spend analysis; market profiles; risks and issues; opportunities and implementation plan. Creation of such a document ensures activity is aligned to strategic objectives and assists resource planning. A gap remains in the construction works category area due to resource vacancy.
- Introduction of Procurement Review Board in September 2019. This Board has rotating participants representing each team level of the Corporate Procurement team. The purpose of the Board is to develop and embed an approach, associated with the review and approval of procurement opportunities, in a consistent manner and with a focus on ensuring the delivery of commercial excellence.

- Created a Stakeholder Engagement Strategy and plans at category level to assist the development and strengthening of relationships with internal and external stakeholders.
- Training sessions for the procurement and devolved procurement team members run by the Corporate Fraud team to raise awareness of key fraud themes, vulnerability indicators and fraud prevention tools.
- Provided development opportunities for all procurement personnel via knowledge transfer sessions in the undernoted subject areas to address the skills gaps identified from the national (Scottish Government) Procurement Development Framework:
  - Negotiation Skills
  - Project & Programme Management
  - Risk Management
  - Sustainable Procurement
  - Commercial Awareness
  - Strategy & Tender Process
  - Market & Supply Chain Analysis
  - CSM Fundamentals
- Developed individuals through formal training such as Commercial Leadership and Management Diploma (CMI) – resulting in procurement team members gaining the following qualifications:
  - 4 individuals obtaining Level 5 Diploma and Level 6 Certificate, with 3 being awarded Chartered Manager status
  - 1 individual obtaining Level 6 Certificate working toward Level 5 Diploma
- In conjunction with the project team, supported aspects of preparation for Oracle Cloud go-live.
- Increased use of more efficient payment mechanisms where deemed appropriate.

## **14.2 – Internal Audits on Procurement Activity**

Over the reporting period, there were two routine audits involving procurement processes that were conducted on procurement activity and neither were assessed as high risk. Three investigations involving procurement practices were carried out, none of which found evidence of impropriety, but did result in improvements to processes.

## **Section 15 – Annual Review of Procurement & Commercial Strategy/Moving Forward**

### **15.1 Annual Review of Procurement and Commercial Strategy**

The Procurement Reform (Scotland) Act 2014 requires contracting authorities to review its procurement strategy annually. This report provides a mechanism to report on its review which is conducted to assess whether the procurement activity and priorities remain in alignment to the council's broader priorities.

The review concluded that the commitments and priorities all remained relevant, however due to prevalent risks and impacts, there is acknowledgement that some areas will require increased focus to support the council's broader objectives as follows:

#### **Brexit**

As the UK left the EU on 31<sup>st</sup> January 2020 and is in transition period until 31<sup>st</sup> December 2020, whether or not a trade deal is agreed, there are going to be impacts in terms of goods and services bought by the Council.

Procurement is represented on the Council's Brexit Incident Management team (IMT) and risks have been identified around rising costs, import delays and access to appropriate workforce, e.g. social care and construction workers. In an attempt to prepare for such impacts, each category area has produced a 'Brexit Category Statement' identifying category specific risks and impacts and any mitigating actions. The information is shared with relevant stakeholders for appropriate consideration/contingency planning and aids discussion/input to the Brexit IMT.

## **Financial Savings/Benefits**

Budget pressures remain a significant challenge for Fife Council, indeed the challenge is greater than previously reported due to the unprecedented impact of the COVID-19 pandemic. It is imperative now more than ever that all efficiencies around third party spend are explored and realised. We will continue to populate our 'opportunities pipeline' with identified opportunities and explore these in conjunction with services and suppliers as necessary.

## **Supporting Local Businesses, SMEs and Third Sector**

Due to the local economic impact of the COVID-19 pandemic, it is recognised that procurement has a part to play in supporting economic recovery. This is addressed further in 'Priorities moving forward' section below.

## **COVID-19 Response and Recovery**

Whilst this paper is reporting on activity during financial year 2019/20, of which the vast majority was largely unaffected by the COVID-19 pandemic, it would be remiss not to acknowledge the immediate and ongoing impact on procurement activity such as the following:

- Quick response to source and secure PPE and associated items in an extremely volatile market – right quality, right price, right time etc. followed up with a longer-term continued procurement of such items
- Establish governance and process to facilitate supplier relief and construction claims in line with national policy
- De-mobilise and re-mobilise transport provision for schools/local bus network and social work
- Procure provisions of food and toiletry items to enable activity within the food resilience programme. The planned purchase activity has been supplemented by donations to support the council's response
- Input to Education mobilisation plans
- Input to Social Work mobilisation plans
- Supplier engagement in an alternate, virtual format for Meet the Buyer events and SDP training sessions.

Whilst not specifically procurement activity, it is also worth noting that some of the team were re-purposed to create businesses as 'suppliers' on Oracle ERP to allow Business Grants to be paid to eligible businesses.

Throughout the pandemic and moving forward, in conjunction with services and suppliers, the team aim to ensure that the council has appropriate strategic and operational contingency plans to ensure supplies, services and works can continue as effectively as possible in the event of further impacts resulting from this pandemic. Procurement is represented on the Council and Directorate Incident Management Teams to report on arising issues and impacts and to feed-in to such plans.

## **15.2 Other Priorities Moving Forward**

### **'Buy Local', Community Wealth Building**

As noted in earlier section, the council has committed to developing a community wealth building agenda in Fife with a focus on strategies in relation to an inclusive growth economy and community-led delivery.

Procurement features as one of the five main strands of this work, termed 'Progressive Procurement'

Progressive procurement of goods and services is a means through which benefits can be achieved for local people and place.

1. Identify opportunities to increase the supply chain of local enterprises to enable increased local spend to create jobs, contributing to a multiplier effect which in turn creates additional jobs via increased demand for local goods and services.
2. Review the Fife elements of the national Supplier Development Programme to support increased capacity for delivery of local supply chain opportunities.

The second strand 'Fair Employment and Just Labour Markets' is also relevant in procurement activity in relation to our approach with Fair Work in relevant tender exercises.

The ultimate aim is to ensure that Community Wealth Building is embedded into procurement process as a key driver of purchasing decisions, within a legal framework.

A high-level audit was undertaken to attempt to capture a baseline of how much of the council's procurement spend already impacted the local economy – this was presented in section 6.6 of this report.

Procurement is committed to support this work and will actively engage with relevant stakeholders to progress accordingly. The Head of Revenue & Commercial Services is a member of this working group which consists of both officers and members to take this work forward.

### **Continuing Transformation Programme**

Now that Scotland Excel have concluded their on-site work on our Transformation Programme, it is essential that follow-on actions are progressed to embed practices that were introduced to ensure continuous improvement is a focus and that savings and benefits are maximised.

It is also our intention to continue the development of the procurement team, through formal training/development such as use of Scotland Excel's Academy (individual workshops and/or CIPS) and continued knowledge transfer efforts.

### **Procurement Structure/Delegated Procurement Authority**

Again, now that the Scotland Excel resource have departed, it is felt opportune to review the structure to ensure it remains fit for purpose to deliver its strategic objectives and operational statutory requirements. It is aimed to have this reviewed for implementation in April 2021.

As part of the programme, a review of the Delegated Procurement Authority model was undertaken. This has identified some areas of potential improvement, largely aligning process to streamline and standardise procurement activity – whether delegated or centrally conducted. Implementation of the revised model will take place during financial year 20/21.

It is noted that the current vacancy of a Category Manager in the construction category requires addressing in the aforementioned structure review.

## **Technology in Procurement**

### **Oracle Cloud/Procure to Pay (P2P) Processes**

Given the investment in the Oracle Cloud system, it is important to ensure that the functionality is used to its full potential and that efficiencies are maximised. Focused effort will be made in conjunction with the Business Management Innovation Unit to continue this work.

In addition to efficiencies, any risk management capabilities using technology will be explored in an effort to combat any opportunity for procurement related fraud activity.

### **Power BI**

Despite the Oracle Cloud system providing strong data in terms of spend activity, due to the qualitative aspects of reporting in procurement activity, many spreadsheets require to be maintained – Contract Register, Pipeline, Benefits Tracker to name a few. This is not as efficient as it could be and requires manual effort to update and create dashboards etc. Now that Power BI is available in the Council, it is our intention to investigate how this could help and enhance the data information that we need to report on.

### **Community Benefits Recording**

Community Benefits is another area where manual spreadsheets are used – we are exploring alternative options around the capturing of commitments through a software offering which will make it easier to track and ensure the committed benefits are delivered. This piece of work may provide opportunity to extend to other areas of recording – such as contract register.



## **List of Appendices**

[Appendix 1A – Summary of Regulated Procurement Activity](#)

[Appendix 1B – Community Benefits](#)

[Appendix 1C – Future Regulated Procurements \(Pipeline\)](#)

[Annex A - Scottish Government statutory return](#)

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