



ANNUAL PROCUREMENT REPORT

**covering period of:
2016/17 (Q4) and
2017/18**

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Section 1 – Introduction and Purpose

1.1 Introduction

- 1.1.1 Fife Council is the third largest local authority in Scotland, with an annual third party spend in excess of £400million (N.B excluding grant payments or small payments to individuals) 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 Procurements provide 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 activities. This report summarises the council's regulated procurement activity throughout 2017/18. 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.

- 1.1.2 This report has been prepared as the Annual Procurement Report for the period 2017/18, 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.

1.2 Procurement Strategy

- 1.2.1 The minimum requirements to be considered in terms of procurement decision and activity are as follows:
- Delivery of Value for Money
 - Duty to treat relevant economic operators equally and without discrimination
 - Duty to act in a transparent and proportionate manner
 - Sustainable Procurement Duty
 - Community Benefit Requirements
 - Consulting and Engaging with those affected by individual procurements
 - Policy of payment of Living Wage
 - Promoting compliance with Health and Safety legislation
 - Policy on procurement of fairly and ethically traded goods and services
 - Policy on provision of food
 - Payment within 30 days (consideration of wider supply chain)

Fife Council has appropriate processes in place to consider and make effort for all of the above.

- 1.2.2 In relation to specific Fife Council policy, there is also a strong desire to support Small to Medium Enterprises (SMEs) (also reflected in the Procurement Reform (Scotland) Act 2014), particularly local companies or those that are affected within the supply chain. Additionally, Fife Council is a Living Wage Accredited employer which comes with obligations around making effort to encourage in-scope 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.
- 1.2.3 Fife Council is currently reviewing its Procurement Strategy and has embarked on consultation in this regard.

1.3 Executive Summary

- 1.3.1 During the reporting period 82 regulated procurements were completed. Of the 82 completed, 79 were carried out in accordance with the council's procurement policy.
- The Council made 3 direct awards within the reporting period which were authorised exemptions from our Scheme of Tender Procedures.
- 1.3.2 Community benefits were included in 16 of the regulated procurements awarded during the reporting period.
- 1.3.3 The council currently expects to commence approximately 198 regulated procurements over the next two financial years, however this is subject to change.

Section 2 – Summary of Regulated Procurements Completed

- 2.1 A regulated procurement is any procurement for public supplies or services with a value of over £50,000 and for public works with a value of over £2 million. For the purpose of this section, a regulated procurement is completed when the award notice is published or where the procurement process comes to an end. This includes contracts and framework agreements.

Table 1 highlights the summary of all regulated procurements carried out and Appendix 1A provides the full detail.

TABLE 1 – SUMMARY OF REGULATED PROCUREMENTS

Contract Type	Number	Estimated Contract Value £
CAT A	6 (6 call-offs)	£1,199,650.00
CAT B	21 (23 call-offs)	£51,408,349.00
CAT C – Frameworks	17	£66,425,951.00
CAT C – Commitment Contracts	33	£13,637,795.00
CAT C - Direct Awards	3	£1,308,000.00
CAT C1	2 (2 call-offs)	£1,000,000.00

NB: Where spend over the regulated value with multiple individual suppliers within a framework agreement is incurred, only one entry is recorded in the 'Number' in Table 1. (Example – 1 framework agreement within the 17 CAT C frameworks contains spend over the regulated value with 32 individual suppliers).

Where a Contract has been awarded outwith the reporting period, unless there has been an individual call-off over the regulated value, no entry is recorded within the table.

CAT A – National Cross Sector Frameworks, i.e. Scottish Procurement

CAT B – National Sector Specific Frameworks, i.e. Scotland excel

CAT C – Local Agreements, i.e. Fife Council

CAT C1 – Collaborative local agreement, may or may not be led by Fife Council

Section 3 – Future Regulated Procurements

- 3.1 The Council expects to commence approximately 198 regulated procurements over the next two financial years. These are detailed in Appendix 1B. The list comprises new and re-let Contracts.

It should be noted that procurement opportunities may be added to or removed from this list due to changes in requirements or route to market as well as any unknown activity at this stage.

Section 4 – Community Benefits

- 4.1 Community benefits are one of a range of social and environmental considerations that can be included in public contracts and frameworks.

Community benefits should always be relevant and proportionate to the contract in question and there is a statutory duty to consider inclusion of such criteria for all procurement exercises above the regulated threshold values.

The consideration of inclusion of such clauses is done as standard practice a contract strategy stage and the approach and process is continuing to evolve.

- 4.2 Over the reporting there were 16 regulated procurements which had Community Benefits committed. Community Benefits were also achieved within numerous existing and non-regulated procurements. Appendix 1C provides a snapshot of some activity identified and delivered in terms of Community Benefits. This is not necessarily exhaustive and it is committed that there shall be ongoing monitoring and reporting of such benefits from 18/19 onwards.

Section 5 – Supported Businesses

- 5.1 Before carrying out a regulated procurement, Fife Council includes consideration of how the procurement 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 procurements, therefore effort is made to consider supported businesses in all regulated procurements.

- 5.2 An example of involving Supported Businesses within a specific procurement exercise is in a tender for Care Home furniture and furnishings. Within this procurement, a specific award criteria was included on this subject. Tenderers were required to propose a percentage commitment of the contract awarded to them that would be sub-contracted to a Supported Business. Tenderers were signposted towards the Scottish Government's Supported Business Framework. This was scored and contributed to the overall score of the tender returns.

Four out of the six tenderers for the contract offered a commitment to a Supported Business, with 3 of these offers being to Matrix Fife. The awarded contractor had committed 22% of the contract to Matrix Fife which equated to over £55,000 being routed to Matrix Fife as a direct result of the procurement strategy.

- 5.3 Another example of facilitating involvement of Supported Businesses is by utilising the SG Supported Business framework for the requirement of doors (internal and fire doors) for schools and refurbishments. There had been issues encountered with the doors that were purchased from the existing contract and as such, the SG Supported Business framework was investigated as a potential route to market. It was concluded that Dovetail Enterprises could satisfy the requirements and with better timelines than existing source of supply. As such, the requirements were routed through this supplier. We had issues with the supply of the doors from the Scotland Excel Building & Timber Framework providers. This demand of this requirement has increased significantly in the last financial year due to the Grenfell tragedy, and as such there has been high level of spend routed through this supported business.

- 5.4 In addition to the above, Fife Council Procurement has a place on Matrix Fife's Management Committee and has ongoing engagement with Matrix Fife. This is in an effort to better understand the operations of Matrix Fife as well as share

an operational and strategic insight of procurement activity with an ultimate aim of identifying opportunities for potential growth of the Supported Business.

- 5.5 Table 2 illustrates spend with supported businesses for the following period of 2016/2017 (Q4) and 2017/2018:

TABLE 2 – SPEND WITH SUPPORTED BUSINESSES

SUPPLIER (SUPPORTED BUSINESS)	2016/17 Q4	2017/18
Dovetail Enterprises	£40,897.93	£444,721.72
Matrix Fife	£75,676.35	£213,532.46
Lady Haig's Property Factor	£61.62	£3235.19
Haven Products Ltd t/a Haven Sign Factory	£240.00	£270.00
TOTAL SPEND WITH SUPPORTED BUSINESSES	£116,875.90	£661,759.37

N.B the spend mentioned with Matrix Fife in point 5.2 is not acknowledged in the above as was not spend directly from Fife Council, but rather indirectly via Fife Council's contractor.

Section 6 - Living Wage

- 6.1 Fife Council is a Scottish Living Wage (SLW) Accredited Employer. Fife Council believes it is right to expect those that deliver public contracts adopt fair employment practices. These include, for example, no inappropriate use of zero hours' contracts and ensuring that workers receive fair terms and conditions and fair pay.
- 6.2 In order to satisfy the conditions of the Accreditation as well as advocating that others apply similar standards to Fife Council, it is necessary to consider such aspects in relevant procurement exercises.
- 6.2.1 The Council considers 'workforce matters' in connection with their contracts if the services provided have the effect of employees being considered an indirect 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 'indirect' employees:
- Social Care providers (care at home/homecare/domiciliary social care services);
 - Any service being conducted on our premises regularly. 'Regularly' being defined as 2 hours a day over 8 consecutive weeks.

- 6.2.2 Whilst it is not feasible to make payment of the Living Wage a mandatory criteria 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.
- 6.2.3 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.
- 6.3 During the reporting period, 10 contracts that were considered in scope but hadn't had absolute commitment of payment of the SLW were monitored and efforts made to encourage and set milestones to achieve this.
- 6.3.1 Of the 10, this included 47 social care providers (1 contract). All providers of Adult Social Care are considered in-scope for payment of the SLW. The Health and Social Care Partnership increase the rates paid to Adult Social Care Providers in line with planned increases in the SLW in order to allow providers to make payment of the SLW to all providers. Providers are required to confirm that they will pay the SLW before the increased rates are processed. Payment of the SLW is monitored as part of the Social Work Contract's team monitoring process.
- 6.3.2 Of the 10 contracts, 2 were related to security services. The requirements have since been migrated on to the Scotland Excel framework and contractors selected have committed to paying the SLW.
- 6.3.3 Of the 10 contracts, 1 contract was re-tendered during the reporting period and workforce matters was included as part of the award criteria. The contract was awarded to a company committed to paying the SLW to all employees servicing the contract.
- 6.3.4 Of the 10 contracts, 3 contracts have since been deemed out of scope, therefore not applicable.
- 6.3.5 Of the 10 contracts, 1 contract was related to works that is now complete therefore no longer applicable.
- 6.3.6 Of the 10 contracts, 2 are related to services conducted by the same company. To date, efforts to encourage payment of the SLW have not been successful. One of the contracts is due for renewal shortly in the next six months therefore this shall be factored in to the tender evaluation as appropriate. Following this, dialogue shall be had to progress further if/as necessary.

Section 7 – Savings and Benefits

- 7.1 Table 3 presents the savings and benefits achieved through procurement activity:

TABLE 3 – SAVINGS AND BENEFITS

Year	2016/17 £m	2017/18 £m	Total £m
Total Benefits	0.977	3.77	4.654

Section 8 – Spend With Local Suppliers

- 8.1 The Procurement Service, as well as achieving statutory requirement to achieve best value in every contract issued by Fife Council, also has a policy requirement to achieve the best outcomes for the wider Fife economy and this is achieved by ensuring as much of the attributable annual procurement spend is done so with local Fife businesses, especially the SME sector.

Analysis of the data we have demonstrates the following continued improvement in the overall spend with local Fife companies:

TABLE 4 – LOCAL SPEND (2015-2017)

	2015-16 £M	%	2016-17 £M	%
Total Fife Council Spend*	318.818		336.227	
Total Spend with Fife Suppliers	100.747	31.6	118.304	35.2

*Total spend and local spend as extracted from Spikes Cavell data excludes some Health & Social care spend.

The above table illustrates and increase of nearly £18 million per annum that is being spent by Fife Council with Local suppliers, an increase of 3.6% on the previous year.

For 17-18, there was recognition that exclusion of some Health & Social Care spend (i.e. recurring payments) was not presenting a true reflection of local spend. Therefore the spend report for this period was run without those exclusions therefore the starting point does differ but provides a more reflective base line moving forward.

TABLE 5 – LOCAL SPEND (2017-2018)

	2017-18 £M	%
Total Fife Council Spend*	419.426	
Total spend with Fife Suppliers	157.955	38

*Total spend as extracted from Fife Council Oracle payment activity 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.

TABLE 6 – LOCAL CONTRACTS AWARDED

	2016-17 (Q4)	%
Contracts awarded (on Public Contracts Scotland)	138	
Contracts awarded to local suppliers	49	35
	2017-18	%
Contracts awarded (on Public Contracts Scotland)	673	
Contracts awarded to local suppliers	358	53

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Appendix 1A – Summary of Regulated Procurements

Appendix 1B – Future Regulated Procurements

Appendix 1C – Community Benefits

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