

PERTH AND KINROSS COUNCIL

16 December 2015

PROCUREMENT STRATEGY AND ACTION PLAN

**Depute Chief Executive, Environment
(Sustainability, Strategic and Entrepreneurial Development)**

This report provides an update on a range of procurement related matters. Given the important role that strategic procurement has to play in securing savings and in supporting the delivery of the wider strategic aims of the Council's Corporate Plan and Transformation Strategy, it is essential that an ambitious and challenging plan, to embed best procurement and commercial practices across the organisation, is established. This report sets out an initial Procurement Strategy and Action Plan to support the Council's strategic objectives, meet impending legal requirements, and help deliver savings targets of £2.5m by 2019/2020, through procurement.

1. BACKGROUND

- 1.1. Perth and Kinross Council spends over £200m per annum with third party suppliers/providers. Good progress has been made in recent years improving procurement practices in the Council, as evidenced in the results of the Procurement Capability Assessments (PCA), the Scottish Government model for assessing procurement performance, which is completed by all Councils and relevant public bodies.
- 1.2. At the last PCA assessment in 2013, the Council achieved a score of 59% which, like the majority of other Councils in Scotland, places overall performance in the "improving" category within the assessment model. This is a significant shift from the initial assessment carried out in 2009 when the Council's score was 23%, again largely in line with the overall local government performance at that time.
- 1.3. However, as the Council's recent Transformation Strategy highlights, <http://www.pkc.gov.uk/CHttpHandler.ashx?id=31733&p=0>, the public sector is facing the greatest financial challenges in a generation. It is widely recognised that, in such circumstances, the role that strategic procurement has to play in meeting these challenges, by supporting Services and embedding a more innovative and commercially focussed approach to how the Council engages with its supply base, has never been more important.
- 1.4. This recognition is reflected in forthcoming changes to procurement legislation, and in the revisions that have been made to the way in which procurement performance will be assessed nationally in the future. The bar for procurement performance has been raised significantly. With this in mind, a review of existing arrangements has been undertaken and a draft Procurement Strategy and Action Plan have been developed, to ensure that the Council achieves further savings and wider benefits from its considerable spend with third parties

1.5. Other local authorities have embarked on cost savings reviews through more effective procurement practices, and, it is important that the learning from these experiences is applied to the Council's Transformation activities in procurement, to help meet future budget challenges.

2. REVIEW

2.1. Dorothy Cowie, a procurement professional with over 30 years' experience of transforming procurement and the former Director of Scotland Excel (Local Government's Centre of Procurement Expertise), was employed to undertake a review of the Council's procurement activities, to report on findings that could be used to inform the Council's Procurement Strategy for the period 2015-2020.

2.2. The review consisted of a range of activities including:-

- Desk top research – spend analysis, review of governance arrangements, performance reporting.
- Interviews with a range of Senior Managers across the Council to seek views on current arrangements and future priorities.
- Presentations to the Elected Members, the Corporate Management Team, and the Corporate Procurement Group to provide an overview of the procurement landscape and seek input into the future requirements.
- Discussion with Scotland Excel's Reform Team to identify transformation programmes in place within other Councils which could act as reference sites.
- Analysis of key elements of such transformation programmes including resource and action plans, savings targets, programme risks and issues.

2.3. The review highlighted a number of positive developments that have been made to the procurement process in recent years by the Council, as evidenced through the increasing PCA assessment scores. These include:-

- The roll out of the Scottish Government's electronic tender system and eProcurement ordering systems.
- The development of the Council's Contracts Register.
- The development of online procurement guidance based on the Scottish Government's strategic sourcing toolkit known as the "Procurement Journey".
- An increasing focus on the development of up front sourcing strategies for key commodity areas.
- Consolidation of existing contractual arrangements to reduce internal administration costs and encourage the provision of community benefits.
- Targeted training programmes to support Officers with their duties.
- Development of performance monitoring reports for Services.

- Professional support and delivery of collaborative contracts with Angus and Dundee Councils through the Tayside Procurement Consortium (TPC).
 - Through the TPC, the establishment of a 10 point action plan designed to support local businesses (see Appendix 4).
- 2.4. The review work has identified that whilst fit for purpose in the largely operational/transactional environment, which has typified local government procurement historically, current procurement practices will need to be amended in a number of ways if the Council is to:
- enhance its professional supply chain management capabilities.
 - meet the future demands of a more complex commercial and regulated environment and
 - maximise the opportunities that still exist for improvements to be delivered.
- 2.5. Before highlighting the kind of changes that the Council should consider in this regard, it is important to take cognisance of the key duties and obligations that will come into force shortly with the implementation of the new Procurement Reform (Scotland) Act 2014 and the revised EU Directives. Section 3 of this report provides a brief overview of the main changes.
- 2.6. Aligned to the new legislation, further changes to existing practices are likely as a result of the more challenging standards set out in the Scottish Government's revised framework for assessing public bodies' procurement capabilities. Replacing the PCA, a revised assessment model (known as the Procurement and Commercial Improvement Programme) is to be implemented across the public sector. Section 4 of this report summarises the key changes and challenges that this revised assessment approach will present.
- 2.7. The Council's procurement activity is undertaken with the collaboration and support of the Tayside Procurement Consortium. TPC has also reviewed the landscape in which it operates, and this is covered in section 5 of this report.
- 2.8. The Council's approach to transforming procurement activities, to meet the challenges ahead, and deliver budget savings, is detailed in section 6.

3. CHANGES TO PROCUREMENT LEGISLATION

- 3.1. Scottish Ministers have confirmed that there will be a co-ordinated approach to the implementation of the Procurement Reform (Scotland) Act 2014 and the revised EU Procurement Directives. The new legislation is expected to be laid before the Scottish Parliament by the end of 2015 but must come into force by 18 April 2016 at the latest.

3.2. The Procurement Reform (Scotland) Act builds on the work achieved so far in the reform of public procurement in Scotland, and will result in a greater proportion of the Councils' contracts being regulated. The Act places new statutory duties on Councils and other relevant public bodies for "regulated procurements", i.e. for goods and services contracts with a total value over £50,000, and works contracts with a total value over £2m.

- A 'general duty' (echoing fundamental EU Treaty principles) to treat economic operators equally and without discrimination, and to act in a transparent and proportionate manner.
- A 'sustainable procurement duty', aimed at improving economic, social and environmental wellbeing, while boosting small/medium enterprises (SMEs), third sector and supported business involvement, and promoting innovation.

3.3. The Act also creates some **new** obligations for Councils and other public bodies. Key requirements include :-

- The requirement to **maintain and publish online a contracts register** for all regulated procurements (above £50,000 for goods and services and £2m for works contracts)
- The need to **prepare and publish an annual procurement strategy** which sets out how the Council intends to carry out its regulated procurements and a statement on its policy on the use of a range of matters including:
 - Community benefits.
 - Fair Work Practices including the Living Wage.
 - Consulting and engaging with those affected by its procurements.
 - Compliance with Health and Safety legislation.
 - Fairly and ethically traded goods and services.
- The requirement to **prepare and publish an annual procurement report**, which includes a summary of contracts awarded, a review of whether they have complied with the procurement strategy, a summary of any community benefits requirements imposed, a summary of steps taken to facilitate the involvement of supported businesses, and a summary of the regulated procurements the Council expects to commence in the next two financial years.
- Compliance with **specific rules relating to community benefits**, which will apply to all regulated procurements with an estimated contract value of £4 million or more.

4. CHANGES TO THE PROCUREMENT ASSESSMENT FRAMEWORK

4.1. There have been a number of changes in the procurement landscape in recent years including:

- The new Directives and the Reform Act outlined above
 - The increasing focus on sustainability obligations
 - The need for an increased focus on the provision of social care service
- 4.2 The Scottish Government, in conjunction with representatives from the procurement community in the wider public sector, undertook a review of the national Procurement Capability Assessment framework which has been used to measure the progress of organisations against the national Procurement Reform Programme objectives since 2009.
- 4.3 Following detailed consultations with key stakeholders, a revised, and much more challenging assessment framework has been developed and launched by the Scottish Government. The new framework, which replaces the PCA, is known as the Procurement and Commercial Improvement Programme. The aim of this new approach is to develop a single national assessment tool to:-
- Raise the bar in procurement standards.
 - Continue to challenge higher performing organisations.
 - Ensure that assessments reflect the legislative changes.
 - Drive further economic and social benefits.
 - Have broader procurement influence in contract management activities.
 - Allow for new areas to be assessed including – fraud awareness and prevention, commercial acumen as well as a more in depth analysis of the high spend areas of social care and construction.
- 4.4 Perth and Kinross Council’s assessment under this new, more challenging framework is currently scheduled for 9 June 2016.

5. TAYSIDE PROCUREMENT CONSORTIUM (TPC)

- 5.1 In 2008, the TPC was established as a shared service initiative to deliver procurement reform and it was the vehicle through which the Council delivered recommendations in response to the 2006 McClelland report on public procurement in Scotland (see link below) <http://www.gov.scot/Publications/2006/03/14105448/0>. The TPC was one of the first formal collaborative models created by local authorities in Scotland and has been recognised as a pathfinder model for local collaboration. The shared service is populated by qualified procurement professionals who bring a recognisable level of procurement professionalism to the commercial activity undertaken by the Councils.
- 5.2 The work of TPC is driven by a strategy, agreed by each of the constituent Councils. With the expiry of the previous strategy, the new procurement legislative requirements and the other challenges facing the Councils, TPC has drafted a new strategy. This TPC strategy pulls together the latest government initiatives and our own local Tayside priorities for 2015-2020, developed in accordance with the principles of the Councils’ Community Plans. The Strategy has been updated to reflect the Tayside Councils’ desire to continue to improve joint procurement and to focus on those activities that add value to the services that TPC delivers.

- 5.3 This Procurement Strategy and the Councils' collaborative approach is notable for:
- Delivery of efficiencies – in their annual efficiency statements, the three councils have reported in excess of £15 million in procurement savings since the establishment of the TPC in 2008.
 - Delivery of a portfolio of 120 collaborative contracts for use in the Councils.
 - A range of collaborative procurement policies including:
 - ❖ A Sustainable Procurement Policy.
 - ❖ A Delivering Community benefits through Procurement Policy & Guidance.
 - ❖ A Local Supplier Support Plan
 - ❖ Supporting the activity to ready the Councils' procurement approach in relation to the changes that will be required as a result of the implementation of the Procurement Reform Act.

A copy of the most recent TPC Annual Report is available in the Councillor's Lounge.

- 5.4. The approach taken in the TPC strategy helps to inform and complement the PKC specific Strategy and Action Plan as detailed in section 7.4.
- 5.5 The Tayside Procurement Consortium Strategy 2015-20 is attached (Appendix 3). This report seeks approval for the TPC Strategy.

6. TRANSFORMATION PROGRAMME

- 6.1 The review of Procurement has been included as part of the Councils' Transformation Programme, approved by Council on 1 July 2015 (Ref No 15/291), and funding of £770,000 was allocated to support this review (as part of a wider package of transformation funding) by the Strategic Policy & Resources Committee on 18 September (Report No 15/397). This review estimates recurring revenue budget savings to the Council of £2.5m by 2019/20.
- 6.2 The proposals contained in the Procurement Transformation Review will be instrumental in supporting implementation of the Council's Procurement Strategy, and delivering a more corporate approach to strategic procurement.
- 6.3 The Transformation Review proposals are based around the following objectives:

- Embed a more corporate and commercially focussed approach to all procurement activities to deliver **SAVINGS**.
- Improve the **SYSTEMS** required to support this more commercially focussed approach.
- Embed **SUSTAINABILITY** in procurement as “business as usual” and secure maximum social value from the council’s significant spend.

7. PROPOSALS

- 7.1 Based on the initial review findings, the impending legislative and performance assessment changes outlined above and the significant funding and demand challenges the Council faces, it is important that the Council develops an appropriate plan to enhance and embed a more commercial approach, which will lead to cost savings and enhanced service delivery.
- 7.2 Based on similar procurement or “commercial excellence” transformation projects being undertaken in other councils, the required changes will impact on a number of areas ranging from processes and systems, governance and reporting, to the allocation of resources and the skillsets required. As the Council’s “Building Ambition” Transformation Strategy has already identified, some of the changes required will be to mind-sets and behaviours, both internally and externally. The “How Will We Do It” principles set out in the Transformation Strategy document will be key in effecting the necessary changes in this area.
- 7.3 Specific procurement related areas that will be implemented further include:-
- The introduction of a more formal **category management** approach in key areas of procurement (this groups products and services together based on the ability of the market to supply not on the basis of organisational boundaries) to improve the “big picture” of Council spend in such areas.
 - Clarity on **roles and responsibilities** and a review of the discretionary/mandatory aspects of the procurement process, to raise staff awareness of accountability and controls.
 - **Procurement activities to be reviewed regularly** through appropriate governance mechanisms.
 - A **shift in focus** within the Corporate Procurement team from operational activities to the higher value strategic areas of spend.
 - The development of a **council wide approach to benefits tracking** so that there is a robust approach in place by which benefits to the organisation of the process are tracked, understood and published.
 - **Improvements in the coverage of the Contracts Register** and the ease with which the required data is captured to assist with the development of a clear pipeline of procurement opportunities.

- **Improved reporting of procurement performance** to be submitted for Committee approval on a regular basis (including procurement savings and non-financial benefits secured and a clear explanation for non-participation in national collaborative contracts), in accordance with the recommendations made in Audit Scotland's 2014 report on Procurement in Scotland.
- Provision of specific **training for Elected Members** sitting on the key Committees dealing with procurement, to help them undertake their governance role, again, in accordance with the recommendations made in Audit Scotland's 2014 report on Procurement in Scotland
- Enhancements to systems to **improve usefulness/effectiveness of captured spend data** to ensure that a consistent and corporate wide view of spend is readily available.
- The introduction of a **corporate wide system for contract and supplier management** to ensure that contracts are managed effectively throughout their duration and savings/benefits secured in line with the contract terms.
- The introduction of a **more systematic and challenging approach to demand management.**

7.4 The proposed Council Procurement Strategy and Action Plan are detailed in Appendices 3 and 4 respectively. The Strategy does not seek to replicate the TPC Strategy (Appendix 2), but rather complements it, and strengthens the approach to our specific circumstances. The Councils' Strategy will have to be revised each year to meet the Procurement Reform legislative requirement, for the preparation and publication of an annual procurement strategy (section 3.3 refers).

8. GOVERNANCE

- 8.1 The significant changes to Procurement nationally and within the Council highlight the need for strong governance surrounding this activity. The following monitoring arrangements are proposed:
- (a) Progress updates to each Executive Officer Team Finance and Resources Group.
 - (b) As part of the Council's Transformation Programme, progress with implementing the Procurement Strategy, will be reported to each meeting of the Modernising Governance Member Officer Working Group (MGMOWG).
 - (c) Regular updates on progress with meeting financial savings targets, and benefits realised will be reported to the Strategic Policy and Resources Committee.
 - (d) Annual report on progress with the Strategy and Action Plan to Council, and to Scrutiny Committee, to meet the statutory requirement for an annual report.

9. CONCLUSION AND RECOMMENDATIONS

- 9.1 The introduction of new procurement legislation, the challenging financial climate, and the opportunities presented by the Council's Transformation Strategy, all combine to create a set of circumstances to refresh the Council's approach to procurement. The next step towards organisational commercial excellence requires an accelerated pace of transformation and to move the focus of procurement activities from a transactional, back office function, to a strategic delivery mechanism. Effective procurement helps support a prosperous, fair and sustainable area, whilst delivering best value, as well as local economic and social benefits.
- 9.2 The proposals in the report set out the agenda delivering these significant improvements.
- 9.3 Council is requested to approve;
- (i) The Perth and Kinross Council Procurement Strategy (Appendix 1).
 - (ii) The Action Plan, which accompanies the Council's Procurement Strategy (Appendix 2).
 - (iii) The governance arrangements, detailed in section 8.
 - (iv) The Tayside Procurement Consortium Strategy 2015 -2020 (Appendix 3).

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	YES
Corporate Plan	YES
Resource Implications	
Financial	NO
Workforce	NO
Asset Management (land, property, IST)	NO
Assessments	
Equality Impact Assessment	NO
Strategic Environmental Assessment	NO
Sustainability (community, economic, environmental)	NO
Legal and Governance	YES
Risk	YES
Consultation	
Internal	YES
External	YES
Communication	
Communications Plan	NO

1. Strategic Implications

Community Plan / Single Outcome Agreement

1.1 The proposals support the delivery of the Perth and Kinross Community Plan / Single Outcome Agreement in terms of the following priorities:

- (i) Giving every child the best start in life
- (ii) Developing educated, responsible and informed citizens
- (iii) Promoting a prosperous, inclusive and sustainable economy
- (iv) Supporting people to lead independent, healthy and active lives
- (v) Creating a safe and sustainable place for future generations

Corporate Plan

1.2 The proposals support the achievement of the Council's Corporate Plan Priorities:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report. The proposals in this report will constitute to the delivery of revenue budget savings.

Workforce

- 2.2 There are no workforce implications.

Asset Management (land, property, IT)

- 2.3 There are no asset management implications.

3. Assessments

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

- 3.2 The proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

- 3.4 The proposals in this report support sustainability through greater use of social and environmental benefit considerations in procurement, and also the reporting of these benefits regularly to Committee.

Legal and Governance

- 3.5 The Head of Legal Services has been consulted.

4. Consultation

Internal

- 4.1 The Head of Finance, Head of Legal Services and Head of Democratic Services have been consulted in the preparation of this report.

External

- 4.2 The Head of Tayside Procurement Consortium has been consulted in the preparation of this report.

5. Communication

- 5.1 Part of the Action Plan includes a commitment to communicate on procurement matters to staff and Elected Members.

2. BACKGROUND PAPERS

Hyperlinks to background papers are included in the text of the report.

3. APPENDICES

- Appendix 1 – Perth and Kinross Council Procurement Strategy
- Appendix 2 – Action Plan
- Appendix 3 – Tayside Procurement Consortium Strategy 2010-2015
- Appendix 4 – Tayside Procurement Consortium 10 Point Action Plan to Support Local Businesses

Perth and Kinross Procurement Strategy

1. Foreword

As highlighted in the “Building Ambition” Transformation Strategy 2015-2018, the Council is facing the greatest financial challenges in a generation, preparing for an unprecedented population increase along with rising demand for our services; managing the most significant change in public service with the integration of health and social care as part of a larger public sector reform agenda.

It is widely recognised that in such circumstances, embedding a strategic and partnership approach to procurement and adopting innovative, commercially focussed practices in the management of our spend with third parties (over £200m per annum), will play a significant role in meeting such challenges whilst supporting the Council’s broader aims of achieving better outcomes for our communities.

This recognition is reflected in forthcoming changes to procurement legislation through the Procurement Reform (Scotland) Act 2014, the EU Directives on Public Procurement and in the revisions that are being made to the way in which Public Sector procurement performance is assessed nationally in the future.

The launch of this new Procurement Strategy sets out how the council will direct its external spend on goods, services and works to meet these new requirements, to achieve savings and to deliver wider local economic, environmental and social benefits for our community.

Leader of the Council

Chief Executive

2. Executive summary

The council spends over £200m per year on goods, services and works. This Procurement Strategy and its associated action plan sets out how the Council will direct this expenditure, and highlights how it will be used not only to deliver essential savings but also to support the Councils' wider objectives.

The Procurement Strategy aligns to the Scottish Government's vision of **"Delivering procurement that improves public services for a prosperous, fairer and more sustainable Scotland"** and **"delivers local economic, environmental and social benefits"**. It also aligns to the Tayside Procurement Consortium (TPC) strategy which provides an overarching approach for the three constituent Tayside Councils who form the TPC.

This new strategy has been designed to support Perth and Kinross Council's specific needs and ensures that the Council's working practices align with legislative and regulatory requirements introduced by the Procurement Reform (Scotland) Act 2014, and the implementation of the EU Directives.

3. Introduction and purpose of the strategy

Since 2008, Perth and Kinross Council has been a part of the Tayside Procurement Consortium (TPC) which was established as a shared services initiative to deliver procurement reform for the three Tayside Councils of Angus, Dundee City and Perth and Kinross. The work of TPC is driven by a procurement strategy, agreed by each of the constituent Councils. The TPC strategy pulls together the latest government initiatives and reflects, at a high level, the local Tayside priorities developed in line with the principles of the strategic direction of the three Councils' Community Plans. The TPC model works effectively and the high level vision, strategic priorities and procurement principles set out in the TPC strategic plan for 2015 -2020 are fully supported by the Council.

However, in view of the increasingly important role that strategic procurement plays in enabling each Council to deliver local economic, environmental and social benefits, it is now appropriate for the Council to develop its own specific procurement strategy to reflect the changes that the Council must make to the way in which it carries out its procurement activities. The Perth and Kinross strategy will align to the TPC strategy and will provide a framework for ensuring that procurement activities are more closely linked to the Council's corporate priorities, that continuous improvement is achieved across all procurement activities, and that efficiencies to help the front line services are secured in a sustainable way.

The purpose of this strategy is therefore to set out the vision for how Perth and Kinross Council will direct its external expenditure on goods, services and works to meet the needs of the communities it serves, and to highlight the key principles will support the continuous improvement of procurement across the Council, in line with the 2014 Accounts Commission Report on Procurement in Councils recommendations.

This strategy should be read in conjunction with the Tayside Procurement Consortium procurement strategy 2015 -2020.

4. Context/drivers for change

The Council works in an increasingly complex, dynamic and challenging environment. It is important to consider the context and drivers for change (both local and national) that have informed the development of this strategy. Appendix 1 of this report sets out further details of this context and the background that frames this strategy.

5. Scope

This strategy applies to all of the Council's external expenditure on goods, services and works.

6. Vision for procurement

The Council's vision for procurement is:

"To achieve commercial excellence in our procurement activities and ensure that we deliver Best Value services to the communities of Perth and Kinross. To do so in an effective, efficient, ethical and sustainable way that delivers local economic, environmental and social benefits"

7. Strategic Aims

These aims, set out in the table below, have been developed to support the continuous improvement of procurement activities in the Council and addresses a range of issues raised in the Accounts Commission report on Procurement in Councils.

Strategic Aims	Ways in which this will be achieved
<p>1. To deliver savings and Best Value whilst improving outcomes for our communities through our procurement activities</p>	<ul style="list-style-type: none"> • By reviewing and investing in our systems to develop a corporate wide pipeline of procurement opportunities and provide better quality data to inform decision making and identify priorities • By working together and in collaboration with others to identify opportunities • By making better use of market research and benchmarking • By engaging early with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service users requirements • By challenging the status quo and demand • By incorporating social value requirements in appropriate contracts • By embedding a corporate approach to measuring the benefits achieved through procurement and producing regular reports of what has been achieved – in cash and non-financial terms
<p>2. To embed a more innovative and commercially focussed approach to procurement across the Councils to simplify processes, deliver best value and reduce risk</p>	<ul style="list-style-type: none"> • By clarifying roles and responsibilities of those involved in procurement exercises and ensuring that these are complied with. • By considering how best to allocate resources to deliver procurement activities and, create the level of expertise required in key commodity areas • By developing staff through appropriate training and mentoring • By standardising and simplifying our procurement processes and documentation • By improving the Councils' approach to contract and supplier management to ensure that contracts are delivering value and innovation throughout their life cycle • By publishing regular performance and compliance reports [and engaging with an appropriate Elected

	<p>Members/Officers group, with responsibility for reviewing the reports and providing the drive and leadership required to make the change]</p> <ul style="list-style-type: none"> • By being recognised as a “customer of choice” by the supply base
<p>3. To secure maximum social value from the Councils’ considerable spend with third parties by embedding sustainable procurement as “business as usual”,</p>	<ul style="list-style-type: none"> • By thinking innovatively and strategically about the Council’s needs and the range of options for delivery. • By early engagement with key stakeholders to seek input • By adopting a corporate approach to procurement • By maximising the use of Community Benefit clauses in all appropriate contracts • By capturing data which allows such benefits to be reported • By supporting local businesses, SMEs’ third sector and voluntary organisations and encouraging them to participate in our contracts • By making the council processes more streamlined and accessible to suppliers of all sizes • By developing and maintaining a corporate risk register specifically for contracts to reduce risks and identify common areas for improvement.

An associated action plan to ensure that the strategy is delivered has been prepared. A more detailed operational action plan will be maintained by the Head of Strategic Commissioning & Organisational Development and the Corporate Procurement Manager to manage the change programme and the delivery of the objectives.

8. Procurement Principles

In delivering these strategic aims, the Procurement Principles set out in section six of the TPC Strategy document will equally underpin how the Council carries out its procurement.

Covering a range of important aspects from securing Value for Money to Collaboration to Sustainability, Corporate Social Responsibility, the Local Supply Base and the Procurement Conduct that will be adopted, these principles are fundamental to how the Council carries out its procurement activities. These will support the Council to delivers savings and Best

Value and improve the economic, social and environmental wellbeing of the communities it serves.

The Council will also fully consider how the following matters can be addressed, where appropriate, in its procurement activities:-

- The payment of a living wage in relevant contracts.
- The inclusion of community benefit requirements.
- The engagement and involvement of those affected by the procurement exercise.
- The promotion of compliance by contractors and sub-contractors with Health and Safety at Work legislation.
- The procurement of fairly and ethically traded goods and services.
- In relation to procurement activities relating to food, the Council will consider how to procure sustainably grown food which represents value for money whilst improving the health, wellbeing and education of communities in our area and promoting the highest standards of animal welfare.
- The payment of invoices in line with contractual terms throughout the supply chain.

9. Reporting performance

Ensuring that procurement performance is reported regularly to an appropriate committee was highlighted as an essential requirement in the Accounts Commission Report on Procurement in Councils. Progress of the delivery of this strategy and a report on procurement savings and non-financial procurement benefits will be considered by Council on an annual basis.

10. Review and revision process

This strategy will be reviewed and published annually.

Appendix 1 – Local and National Context

Local context

- **Finance and Resources**
- **Public Service Reform and New Legislation**
- **Demographics and Service Demands**
- **Complexity of modern public service delivery**
- **Confidence and Ambition within the organisation**
- **Community Planning Partnership and Single Outcome Agreement**
- **Corporate Plan 2015-2018**
- **Building Ambition: Transformation Strategy 2015-2020**
- **Sustainable Procurement Policy**
- **Fair Working Practices including Living Wage**
- **Resourcing procurement**

National Context

- **Scottish Government Reform Agenda**
- **Procurement Reform (Scotland) Act and the new Sustainable Procurement Duty**
- **Introduction of the new national procurement and commercial improvement programme (PCIP) to replace the Procurement Capability Assessment**
- **Changes to EU directives**
- **Self Directed Support Bill**
- **Public Bodies (Joint Working) (Scotland) Act 2014 etc**
- **Community Empowerment Act**
- **Community Planning Partnership and Single Outcome Agreement**
- **Social Value – Tackling Inequalities – links to Community Benefits**
- **Accounts Commission Report on Procurement in Councils April 2014**
- **Equality Act**

Improvement Action Plan to Support Procurement Reform			
Improvement Area	Improvement Action (Lead Responsibility)	Delivery Timescales	Expected Outcomes
<p>People Ensure those involved in our procurement processes are appropriately skilled and supported to deliver value for money services.</p>	<ul style="list-style-type: none"> Review roles and responsibilities and reporting lines of those participating in procurement activities, clarify and communicate the need for change. (Head of Strategic Commissioning and Organisational Development) 	By January 2016	<ul style="list-style-type: none"> Clear roles and responsibilities defined leading to improved procurement processes and reduced risk.
	<ul style="list-style-type: none"> Review current activities and job descriptions, identify Learning & Development requirements against the national competency framework (procurement skills) and develop an appropriate action plan to develop skills across the organisation including Elected Members (Corporate Procurement Manager) 	By June 2016	<ul style="list-style-type: none"> Better matching of skills to activities leading to greater degree of professionalism and improved outcomes for all.
	<ul style="list-style-type: none"> Develop a specific action plan to shift activities of the Corporate Procurement Team from operational to a more strategic focus and set specific personal objectives linked to the new strategic plan. (Head of Strategic Commissioning and Organisational Development) 	By April 2016	<ul style="list-style-type: none"> Less time spent on routine procurement activities and more effort dedicated to supporting the delivery of higher value/higher risk spend areas.
	<ul style="list-style-type: none"> Effective communication plan to be developed to keep key stakeholders informed of programme and changes (Head of Strategic Commissioning and Organisational Development) 	By April 2016	<ul style="list-style-type: none"> Good staff engagement levels and support for the required changes Input and feedback provided by key stakeholders

<p>Processes Provide effective frameworks to manage the Council's procurement activities.</p>	<ul style="list-style-type: none"> Develop a Council wide procurement pipeline and associated capacity plan and category management, including clear targets (savings, community benefits, living wage rates etc.), identified and agreed with the Services for specific contracts/commodities (Head of Strategic Commissioning and Organisational Development) Standardised, corporate processes and documentation to be implemented across the Council (Corporate Procurement Manager) Upfront demand management challenge process to be implemented (Corporate Procurement Manager) Corporate wide contract risk register to be developed and maintained (Corporate Procurement Manager) Benefits tracking methodology to be developed and embedded across the Council (Head of Strategic Commissioning and Organisational Development) Develop and implement a corporate approach to contract management activities. (Corporate Procurement Manager) 	<p>First version finalised by February 2016 and refreshed annually thereafter.</p> <p>By June 2016.</p> <p>By end March 2016</p> <p>By end June 2016</p> <p>By end March 2016</p> <p>By end of December 2016.</p>	<ul style="list-style-type: none"> A clear and focused plan of action with appropriate resources allocated accordingly to ensure that targets are met. Simplified processes, consistently applied thus reducing effort and risks. Savings opportunities identified and delivered. Reduced risk and less threat of reputational damage. Improved reporting of procurement performance and easier to track progress against savings targets. Increased savings opportunities secured and post award contract risks reduced.
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<p>Systems Invest in digital technology to ensure efficiency of our procurement processes and effective knowledge management for our contracts.</p>	<ul style="list-style-type: none"> ▪ Review IT systems from a procurement perspective and develop an appropriate action plan for improvement (resourced from Transformation project) (Head of Strategic Commissioning and Organisational Development) ▪ Develop plan for ensuring full compliance with use of Public Contract Scotland tender to improve coverage of the contract register to meet new legislative requirements and ensure a clear procurement pipeline of opportunities is developed and maintained (Corporate Procurement Manager) 	<p>Review commenced in April 2016.</p> <p>Plan in place by June 2016.</p>	<ul style="list-style-type: none"> • Procurement opportunities more easily identified and measured. Increased user satisfaction which will improve compliance rates. Reduced risk by using consistent and automated processes. • Full compliance with new Reform Act requirements. More consistency and easier for suppliers to do business with us.
<p>Governance and Reporting Ensure the commercial activities undertaken maximise the benefit to our communities.</p>	<ul style="list-style-type: none"> ▪ Introduce a category management structure for key areas and develop reporting of key commodities at a corporate level (Corporate Procurement Manager) ▪ Make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements (Corporate Procurement Manager) ▪ Establish a more regular, improved reporting of procurement performance in line with Audit Scotland recommendations (Head of Strategic Commissioning and Organisational Development) ▪ Develop regular report to capture procurement savings and other non-cashable savings such as community 	<p>By June 2016.</p> <p>Process in place by April 2016.</p> <p>By April 2016</p> <p>By December 2016</p>	<ul style="list-style-type: none"> • Reduces fragmentation and risk of duplication • Increases level of expertise • Better informed, more evidence based decision making • Improved governance and scrutiny of procurement decisions. • Increased focus on procurement and the benefits that can be

	<p>benefits (Head of Strategic Commissioning and Organisational Development)</p> <ul style="list-style-type: none"> ▪ Review procurement performance and report progress. (Head of Strategic Commissioning and Organisational Development) ▪ Prepare second annual procurement strategy (Head of Strategic Commissioning and Organisational Development) 	<p>Annually</p> <p>By December 2016</p>	<p>delivered. Audit Scotland recommendations met</p> <ul style="list-style-type: none"> • As above. • Compliance with regulatory requirements
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The Tayside Procurement Consortium



Procurement

Strategy

2015- 2020

Introduction to, and Purpose of this Strategy

This Third Tayside Procurement Consortium Procurement Strategy 2015-2020 has been updated to reflect the Tayside Council's desire to continue to improve our procurement and to focus on those activities that add value to the services we deliver. This Collaborative Procurement Strategy therefore sets out how we will:

Simplify procurement process for the benefit of both suppliers and the Councils

Increase the professionalism and commercial skill of TPC and Council procurement activity

Improve opportunity to local and SME suppliers to bid for TPC and Council business by increasing visibility of our procurement plans and contract opportunities

Maximise innovation, sustainability and collaboration in all our procurement activities

Nationally, the Scottish Government are leading Procurement Reform through the Procurement Reform Scotland Act 2015 which delivers on both the changes to the EU Directives governing procurement, and the establishment of sustainability as the heart of good public sector procurement

This TPC strategy pulls together these latest government initiatives and our own local priorities for 2015-2020, developed in line with the principles of the Councils' Community Plans, which set out strategic direction and priorities. These plans identify the outcomes that the Councils seek to achieve, it explains how these outcomes will be

delivered and in doing so, the main challenges likely to be faced across the next five years.

This strategy advocates the positive role that robust procurement activity has in allowing the Councils to continue to deliver effective and efficient services.

The Head of Procurement TPC is the owner of this Procurement Strategy and is responsible for all TPC procurement activity. The Corporate Procurement Managers in each Council have key responsibilities in relation to Council specific procurement as follows:

- Responsibility for the actions in relation to procurement by all Council based corporate procurement teams
- Ensuring that Council based staff engaged in the procurement and contracting process are properly authorised to act, are properly trained and supervised, understand Standing Orders and related Corporate Procurement Procedures, and their compliance

Context to this Strategy

This is the third Collaborative Strategy published by the Councils in Tayside and it seeks to build on the good progress made to date. The Councils typically spend approximately £400m a year on procuring goods, works and services. The Councils aim to continue to attain best value from this expenditure. In the years to 2020 we are likely to see a reduction in this spend, to reflect national and local budget reductions, so attaining best value for money remains significantly important.

This Strategy identifies the actions that we will take and the principles we will follow to maximise value from our procurement spend.

What is Procurement?

Traditionally procurement activities have principally related to the tendering stage of the contract process.

It is widely acknowledged that the benefits of optimising the experience and expertise of procurement professionals has a much wider reach and should be maximised throughout the entire procurement process, from service design/re-design through to effective contract management.

Procurement should be considered as being the commercial management of a full range of activities relating to the supply of goods, works or services, from “cradle to grave”, including the definition of requirements through the acquisition process and payment to the

Procurement can also be referred to as buying, purchasing, contracting or commissioning and all Council service areas will engage in procurement, which can range from the most basic requirements to multimillion pound services and works.

The Council's Vision and Strategic Priorities

The Councils have published their priorities and the following are common themes:

- Giving every child the best start in life
- Developing educated, responsible and informed citizens
- Promoting a prosperous, inclusive and sustainable economy
- Supporting people to lead independent, healthy and active lives
- Creating a safe and sustainable place for future generations

TPC Vision for Procurement

The TPC Vision for Procurement reflects the Councils' vision and is built around the Scottish Government's model of Procurement

Scottish Procurement



Scottish Model of Procurement



In the deliver of our Procurement vision we will be:

Improving Supplier Access to Public Contracts: To make procurement as straightforward as possible for the Council and potential suppliers, in particular to improve access for local suppliers and SMEs and to eliminate anything that does not add value to the procurement. To support and encourage an effective local supplier market including the voluntary sector and the promotion of local social value in contracts (such as the creation of apprenticeships and local supply chains).

Maximising efficiency and collaboration: To continue to embed professional procurement and develop further contract management skills across the Councils. This goes hand in hand with moves to increase the commercial acumen of the Council.

Embedding Sustainability in all we do: To use sound procurement practices and innovative solutions to promote sustainability and value for money, making use of collaboration and partnership opportunities where this accords with the Councils Principles of partnership working

Delivering Savings and Benefits: To work to a national legislative framework for sustainable public procurement that supports Scotland's economic growth by delivering economic, social and environmental benefits including community benefits, supporting innovation and promoting processes and systems which are transparent, streamlined, standardised, proportionate, fair and business-friendly

The actions that each Council will take to deliver this vision are set out in the Corporate Procurement Plans.

TPC Procurement Principles

Fundamental to this TPC strategy are the TPC Procurement Principles. These are the principles that underpin how we procure:-

General

Throughout any procurement we will be clear about the outcomes and objectives we want to achieve and the steps that we will take to achieve them.

The requirements identified in our procurement will support the delivery of the Council's strategic priorities, other statutory requirements and best value.

We will assess and manage the risk associated with our procurement in the context of the desired commercial outcomes.

Wherever possible, requirements will be expressed in terms of outcome and performance to provide scope for innovation.

Value for money and Collaboration

We will aim to achieve value for money defined, for the purposes of this Strategy, as the best combination of whole-life cost and quality to fulfil the requirements of the users of the service (internal or external as appropriate) or works (e.g. a building) or commodity.

We will continue to have collaboration at the heart of our procurement approach and will seek the opportunity for working with other authorities especially for goods and services which can be procured more cost-effectively in a collaborative group.

Sustainability

We will continue to deliver on the policy and principles as laid out in our Sustainable Procurement Policy.

The Local supply base

TPC and the Councils will continue with their activity to support businesses local in Tayside through a range of initiatives including:

Making it simpler to do business with the Councils.

Reduce the bidding burden on suppliers.

Having regard to the impact on small/local firms of the way in which a procurement is structured.

Providing clear information about selling to the Council on our website.

Advertising all our contract opportunities on Public Contracts Scotland.

Providing information where we can about potential sub-contract opportunities arising from major Council procurements.

Relationships with suppliers

In longer-term contracts, we will incorporate provisions for continuous improvement both within the contracted service and to the benefit of the community it is serving.

In higher value contracts contractors will be encouraged to identify ways in which they can contribute to improving the economic, social and environmental well-being of Tayside.

Corporate Social Responsibility (CSR)

Our Procurement outcomes, processes, and documentation will reflect the relevant principles of good CSR:-

- Health, Safety, and Welfare
- Equalities and Diversity
- Ethical Sourcing, including Fairtrade
- Workforce Matters & Employment Practices

CSR principles will be considered as a key requirement in any appropriate contract which involves, for example, direct contact with the public, or where the contractor is acting on the Council's behalf in a public environment.

Our Procurement conduct

In all our procurement dealings, we will preserve the highest standards of honesty, integrity, impartiality and objectivity and shall comply with the Councils' Codes of Conduct at all times.

In selecting contractors we will generally evaluate offers received on the basis of the most economically advantageous tender (MEAT) and will take into account, where appropriate, whole life costing seeking an appropriate balance between cost and quality.

Monitoring and Review

This strategy will be reviewed annually by the Head of Procurement and its effectiveness will be measured through the existing annual TPC procurement report.

Appendix 4

10 Point Action Plan to Support Local Businesses - Tayside Procurement Consortium

	ACTION	SUB ACTION
1.	Continue to support Tayside Meet the Buyer events	Attend and take an active role in meet the buyer events including -Delivering presentations, - participating in Q & As.
2.	Ensure all tenders are advertised on the one marketplace – Public Contracts Scotland (PCS)	All TPC opportunities advertised through PCS.
3.	Offer debriefs to all unsuccessful suppliers to help with future bids	Include in all successful/unsuccessful letters.
4.	Offer to meet local businesses on a one to one basis to ensure there is on-going dialogue between the TPC and local business	
5.	Review and monitor local business success rates at passing TPC Standard Pre Qualification Questionnaire (SPQQ) process	Keep a register of SME and local business success rate at passing SPQQs. For non- completion - request a reason. Monitor success rate following feedback.
6.	Ensure consideration is given to local business issues when developing a tender strategy	Include a section for local business issues in commodity strategies. Consideration given to lotting strategies within frameworks to make it simpler for local suppliers to bid for work. E.g. Geographical lotting.
7.	Attend Tayside Construction forum as required. This should also be considered for any other commodity area with a strong local marketplace	Request feedback on forum and topics for discussion.
8.	Establish what the local market can actually supply and analyse that against current council spend activity – identify the gap and look to target specific activity	Work with Scotland Excel / National project - Monitor success rate of this policy. Report finding to Steering Group.
9.	Review tender documents to ensure they are consistent and user friendly - fully align to Procurement journey	Review upon supplier feedback. Compare regularly against others.
10	All low value procurement activity below £50k advertised via the Quick Quote Function on Public Contracts Scotland. 2 local and 1 national suppliers to be invited to quote.	Use Quick Quote

