

The Highland Council
Resources Committee – 26 August 2015

Agenda Item	26
Report No	RES/ 82/15

Procurement Policy and Strategy 2015 to 2020

Report by Director of Finance

Summary

This report presents the Council's high level intentions and aspirations in respect of outcomes delivered through Procurement work across the Council for the next five years. It recommends a long term strategy based on the Council's values and sets out at a strategic level how Procurement will deliver those values.

1. Background

- 1.1 Procurement is a key means of delivering the Council's objectives for sustainable economic growth, expressed specifically in its goal of securing increases in local/SME spending. It is also seen by Government at all levels as key to the achievement of the Europe 2020 agenda.
- 1.2 The existing strategy is out of date and requires replacement. It is also no longer appropriate to the Council's long term needs, being focussed on the achievement of standards imposed by external assessment criteria. As such it may be viewed as being too mechanistic and not linked closely enough with the Council's aspirations and the need for Procurement to focus on innovation and change.
- 1.3 There are nearly 450 staff within the Council authorised to take part in the making of contracts, with fewer than 2% of those staff (a total of seven including the Head of Procurement) being part of the Council's core Procurement Team, and only two staff outside that team actually having formal procurement qualifications.
- 1.4 In light of that extremely devolved approach it is vital that all staff involved in this work understand and embrace an approach to Procurement based squarely on the Council's core values.

As such the strategy set out below, in the context of all the influencing factors listed at **Annex A**, is intended to show the basis of how Procurement will contribute to the delivery of the Council's core values over the next five years.

2. Next Steps

- 2.1 The following are the steps which would need to be taken to implement any new strategy and policy

1. The policy and strategy will need to be built into the implementation phase of the Council's Procurement Improvement Programme
2. Operational plans will need to be drawn up showing how each Service's procurement activities will be aligned with this policy strategy.
3. The policy and strategy itself will need to be communicated to all authorised staff through Service Management Teams and their Procurement Project Board representatives.
4. A communications plan will be drawn up to ensure that all authorised staff are kept informed of matters which affect them in their conduct of Procurement work.
5. Standing Orders relating to Contracts will be reviewed to ensure that they are fully aligned with this policy and strategy and with the development of the Procurement Reform (Scotland) Act.
6. The policy and strategy will be used to inform the Council's response to the Scottish Government's forthcoming consultation on the Implementing Regulations and Commencement Order on the Procurement Reform (Scotland) Act and EU Procurement Directive 2014.
7. The Council's internal training courses will be reviewed to ensure that they refer appropriately to this policy and strategy.

3. Implications

- 3.1 Resource, Legal, Risk, Gaelic and Equalities - There are no specific implications. Best practice in Procurement should ensure equality of treatment to all, and apply specific quantitative and qualitative measures of assessment.
- 3.2 Climate Change/Carbon Clever - Implementing this strategy should better enable the Council to maximise Procurement's contribution to the environmental agenda.
- 3.3 Rural - Implementing this strategy should better enable the Council to reach businesses and third sector organisations in rural areas.

Recommendation

Members are invited to approve the Council's Procurement Policy and Strategy 2015 to 2020.

Designation: Director of Finance

Date: 14 August 2015

Author: Ashley Gould

Procurement Policy and Strategy 2015 to 2020

Context

Procurement is one of the core features of the operation of any organisation of any kind. It is that section of operation which concerns itself with identifying what the organisation needs to deliver its outcomes, understanding all the ways in which they might be met, engaging with markets in securing these means of delivery, and ensuring that once secured, they do deliver what they should. It has customers both inside and outside the organisation, and is one of the keys to the success of the organisation itself.

The Highland Council's Procurement Strategy covering the period 11/12 to 14/15 was based on the eight areas of improvement identified by the Scottish Government's national Procurement Capability Assessment (PCA).

In terms of the PCA the Highland Council has progressed to "improving" performance, the second highest level of performance (the four levels being developing, conforming, improving, and superior). Attainment of the superior status should remain an aspiration, however the Council has adopted its own improvement programme and as such the Highland Council's new Procurement Strategy needs to align with this, and with the Council's own policy aims and commitments to improved delivery of public services. As such it needs to be more ambitious, more imaginative, and more aspirational.

Procurement has been used as a means of improving organisational efficiency and achievement of savings since 2002. The Highland Council was the first Council in Scotland to adopt electronic purchase to pay systems, electronic tendering, and use of the Public Contract Scotland portal.

This has been with a view to

- Maximising visibility of Council opportunities to all businesses
- Ensuring that the same information is available to all bidders at the same time
- Ensuring that the way we work across the Council is consistent
- Ensuring that the requirements on businesses for bidding for Council opportunities are as straightforward as possible
- Making the management of ordering to invoicing as transparent, efficient, and rapid as possible

Since measurement of savings began in 2004, well over £14m has been delivered through Procurement work. The majority of this historically has been retained within Services to meet budget pressures elsewhere, or to contribute to Service improvements. Savings have only been taken from Service budgets over the last three financial years.

It should be noted that whilst a number of actions can be commenced within fairly short timescales, there will be significant requirements for training and behavioural change in order for these changes to become effective.

Similarly, these are delivered operationally through contracting activities. As such then, the effect of these changes will not be achieved in the short term. Contracts are being awarded at the time of writing which will not be affected by this strategy for at least three and in some cases five or more years into the future.

Any such strategy needs to reflect the local, national, and international expectations of what public bodies can achieve through improving their approaches to Procurement.

Locally it needs to reflect the commitments made in the Council's own Procurement Improvement Programme to address the following main issues

- How to reverse the SME/local business declining share
- How to act as a joined up organisation
- How to minimise duplication
- How to minimise bureaucracy
- How to work better with others
- How to maximise Community Benefits and Best Value simultaneously
- How to deal with the continued pressure for savings

Nationally it needs to reflect the Scottish Government's expectation of organisations delivering public Procurement and its overarching concern which is that:

"The actions of the public sector have a huge impact on society, the economy and the environment and in no area is this more obvious than how we spend public funds. Procurement is a key means of delivering this Government's priorities and underpins the achievement of the social, economic and environmental benefits that sustainable economic growth demands"

Scottish Government Sustainable Procurement Policy, October 2009

Internationally it needs to reflect the EU Parliament and Commission expectation of its contribution to the achievement of Europe 2020.

"Public procurement plays a key role in the Europe 2020 strategy, set out in the Commission Communication of 3 March 2010 entitled 'Europe 2020, a strategy for smart, sustainable and inclusive growth' Directive 2014/24/EU of The European Parliament And Of The Council Of 26 February 2014

Major issues now established via the Procurement Reform (Scotland) Act are intrinsic to what the Highland Council as well as the Public Sector across the whole of the EU wants its Procurement activity to make a direct contribution to. These are:-

- Innovation
- Environmental Sustainability
- Economic Growth and Employment
- Community Benefits
- Better Engagement with SMEs/Third Sector Organisations
- Joint Working & Shared Services
- Community Involvement/Engagement

The Council's overall Procurement Strategy therefore needs to determine how its various Procurement delivery teams will contribute to these agendas. The strategy needs to be supported with operational plans of measurable actions for each delivery team. All of this needs to bear in mind and be based on the Council's core values and focus on improving service delivery to our service users.

Statement of Intent

The Highland Council will between 2015 and 2020, use its Procurement Strategy and delivery teams to deliver better public services through:

Innovation
Environmental Sustainability
Economic Growth and Employment
Community Benefits
Better Engagement with SMEs/Third Sector Organisations
Joint Working & Shared Services
Community Involvement/Engagement

All of this will be based on the Council's core values of listening, openness, valuing, improving, supporting, partnering and delivering.

In all of this the Highland Council and all of its staff engaged in Procurement work will act with selflessness, integrity, accountability, objectivity, openness, honesty and leadership

Through this it will deliver, in all its Procurement teams across the Council

- More successful engagement with the SME/local business and third sector communities
- A joined up Procurement organisation
- A Procurement organisation that avoids duplication
- A Procurement organisation that minimises bureaucracy
- A collaborative, shared service based Procurement Organisation
- A Procurement organisation that balances Community Benefits and Best Value simultaneously to best effect
- An efficient Procurement organisation

Structure of the Strategy

Within the Programme for the Council, the main focus in terms of Procurement is around the increasing use of local Small and Medium Sized Enterprises (SMEs). Whilst this Strategy is intended to contribute to that target, its aims are wider than described by that target. There is a significant range of influencing factors affecting the development of this strategy set out at Annex A to this document, and describing in a Strategy how each one would be contributed to would be counter-productive, however all the actions set out below are intended to help to deliver the broad thrust of these influences.

The Council's Procurement Strategy will therefore be based on the application of its core values. The Strategy is divided into seven sections, one for each of its values. Each section will describe at a high level how the principle will be implemented through the operation of Procurement and summarise the headline actions that will demonstrate it. Once approved it will be supported by an action plan showing in greater detail what will be done, by when and by whom

Section 1 Listening

The Council currently engages positively with the business and third sector communities in terms of optimising its approach to Procurement via the Highland Economic Forum and Federation of Small Businesses, and will continue to do so. It will take into account such valid concerns as they express in determining sourcing strategies, approaches to lotting of requirements, and ease of engagement/communication with the Council overall.

The Council will engage through established interfaces and representative organisations including the Highland Economic Forum, the Federation of Small Businesses, and the Third Sector Interface to improve communications and understanding. It will by 31st March 2016 agree on communication protocols with those representative organisations to ensure that their communities have a better understanding of the Council's Procurement plans, and organisations are able to seek any support they need in advance of opportunities arising.

By 2020 this should secure a further net increase in the number of SMEs and third sector organisations participating in Council opportunities, and a percentage increase in each individual project by those organisations where the industry make-up is suitable.

Section 2 Open

The Council has been delivering an annual programme of direct engagement events around Highland with the business and third sector communities since 2007 and will continue to do so. It will actively seek increased participation in these by businesses and third sector organisations which have not previously done business with the Council

The Council will publish its current Contracts Register within the Procurement section of its website, along with annual Procurement plans showing what requirements are to be opened up to competition in coming years by 31st March 2015

The Council will continue to improve its approach to maximising the information available to unsuccessful bidders at the conclusion of competitions, ensuring maximum transparency in decision making. This will include full information at contract award of the relative merits of the successful as opposed to unsuccessful tenders for unsuccessful bidders by 31st March 2015, in respect of all Council contracts.

Section 3 Valuing

The Council will optimise the opportunities it has through opening its requirements for services, supplies, and works to competition with a view to securing positive environmental, social and economic outcomes.

The Council will value its local businesses and third sector communities by considering how appropriate opportunities might be aggregated and lotted to maximise their opportunities for involvement. It will develop its understanding of the profile and make-up of Highland markets and will show on its forward procurement plans the high-level approach to the lotting of each project. This will be complete by 31st December 2016

The Council will consult with all those with a stake in its significant individual procurement decisions (contracts with a value of £4m or more) in order to secure the best available outcomes for them. In doing so, it will be able to demonstrate by 31st March 2020, an established pattern of behaviour which involves Highland businesses and third sector organisations, and takes their ideas and suggestions into accounts in developing specifications and statements of requirements.

The Council will ensure through existing and evolving management arrangements that all staff involved in procurement work are fully committed to the Council's employee values of selflessness, integrity, accountability, objectivity, openness, honesty, and leadership

Section 4 Improving

The Council will be forward looking and proactive in its sourcing strategies, building in time for structured research and pre-market engagement with businesses and third sector communities, to pursue new and innovative ways of delivering services.

The Council will minimise as far as possible the level of bureaucracy attached to the conduct of competitions and ensure that it is proportionate with the risks attached to the Procurement projects it delivers.

The Council will improve its internal information management in terms of data held relating to businesses and third sector organisation that it deals with, and be more consistent, transparent and proportionate in its approach. It will by 31st December 2016 develop an internal intelligence management operation within the core Procurement Team, which will be able to identify those who have previously bid for Council business. This will mean that those will only require to update appropriate pieces of information rather than start afresh each time. This will also ensure consistency of approach across Services and projects.

The Council will optimise its use of shared technology in delivering more efficient, consistent and transparent ways of working. It will by 31st December 2017 achieve universal use of the Public Contracts Scotland Tender module for all formally tendered contracts, and of the use of the Quick Quote facility for lower value contracts. It will establish a single electronic Purchase to Payment channel within its

main financial system through which all commercial orders and invoices will be processed by 31st December 2018.

The Council will welcome the new EU Procurement Directive and the Procurement Reform (Scotland) Act and the many positive aspects contained in them, and will implement them as quickly as possible and wherever possible ahead of required timescales.

Section 5 Supporting

The Council will encourage community groups in developing, tendering and delivering solutions to its competed requirements wherever opportunities are identified. Through all of the above activities, this will aim to show an overall increase in the number of community based groups participating in Council opportunities, and a percentage increase in each individual project by those organisations where the industry make-up is suitable by 31st March 2020.

The Council will ensure that the staff it charges with delivering and managing commercial relationships are appropriately skilled, qualified, and experienced in Procurement work and that they are fully aligned with this strategy.

The current programme of training events will continue to be developed and will be digitised and made available via e-learning by 31st December 2015

Section 6 Partnering

The Council will work closely with neighbouring Councils and other public bodies within its own Council boundaries on shared services in procurement and the joint procurement of services, supplies and works wherever possible.

The Council is currently working with Orkney, Shetland, Moray, Western Isles, and Argyll and Bute Councils to develop a range of future joint procurement projects and several have already been delivered. A draft protocol on joined up procurement between the Community Planning Partners has been developed. Work on business and third sector engagement between the Council, Scottish Natural Heritage, the University of the Highlands and Islands, NHS Highland, the Forestry Commission, and Highland and Islands Enterprise is underway, and should be delivered by 31st March 2015.

By 31st December 2018 the Council will aim to secure formal shared services arrangements with the above organisations, maximising visibility and availability of opportunities for relevant organisations.

The Council will seek cooperative relationships with contracted businesses and third sector organisations working jointly to ensure the delivery of outcomes. This will be evidenced by an improved Council-wide approach to contract and vendor management supported by operators from all sectors, by 31st March 2018.

Section 7 Delivering

The Council will ensure that the businesses and third sector organisations contracted for the provision of services, supplies and works, deliver in full and are accountable for their actions. This will also be evidenced by an improved Council-wide approach to contract and vendor management supported by operators from all sectors, by 31st March 2018. By 31st December 2020 this will aim to evidence improved outcomes across all the Council's Procurement priorities.

The Council will put in place robust plans and arrangements to deliver its programme of Procurement projects and ensure that it's staff deliver their responsibilities to the standard of time, quality and cost expected by its customers.

In support of this, the current programme of training events will continue to be developed and will be digitised and made available via e-learning by 31st December 2015.