

PROCUREMENT STRATEGY 2015-18

1. INTRODUCTION

- 1.1 This Procurement Strategy has been prepared in the context of the Comhairle's Strategic Objectives and the financial climate in which public bodies are now required to operate.
- 1.2 It also takes into account the statutory requirements included in the Procurement Reform (Scotland) Act 2014 which relate to the production of an annual procurement strategy.
- 1.3 The Strategy will direct procurement practice over the coming three-year period to maximise impact and benefit to the Comhairle and deliver excellence throughout the organisation.
- 1.4 The Strategy includes priorities, objectives and targets for achievement over the three-year period.
- 1.5 This Strategy can only be achieved through building on the existing partnerships between the Procurement and Creditors Section and departments and taking action together.

2. STRATEGIC CONTEXT

- 2.1 The Procurement Strategy needs to take into account the policy, financial and operational context in which the Comhairle currently operates.

Comhairle Policy

- 2.2 The Comhairle, as a member of the Outer Hebrides Community Planning Partnership, has signed up to the achievement of Forward Together, the Single Outcome Agreement.
- 2.3 Within the Single Outcome Agreement there are seven local outcomes. Whilst procurement is a key enabler for all seven outcomes, Local Outcomes 2 and 7 are those where a direct impact can be made.

Local Outcome 2:	The economy of the Outer Hebrides and the economies within the Outer Hebrides are thriving
Local Outcome 7:	The services of the Outer Hebrides are of high quality, continuously improving and reflective of local needs

- 2.4 The Comhairle approved a Corporate Strategy in 2012 which covers the period to 2017. Previous reviews of the strategic actions reinforces the assessment that procurement is a key enabler.
- 2.5 The Single Outcome Agreement and Corporate Strategy link into the Departmental Business Plans. The contribution made by procurement to the achievement of these Business Plans is included in the Departmental Procurement Plans.
- 2.6 The Comhairle, in common with all public bodies, is operating within the financial constraints required to reduce the UK Budget Deficit. An approved Comhairle Budget Strategy is in place.
- 2.7 Given the challenging financial times ahead, procurement must play a key role in supporting service redesign and efficiency programmes, to realise the cost savings required to balance the budget going forward.
- 2.8 Annual savings targets are proposed in this Strategy to focus activity in this area.

- 2.9 The Comhairle has given a Carbon Reduction Commitment and is working to achieve the challenging targets set by the Scottish Government; namely a 42% reduction by 2020 and 80% reduction by 2050.
- 2.10 Procurement is playing a key supporting role in the achievement of these targets primarily through the development and promotion of Sustainable Procurement.
- 2.11 The Comhairle recognises the way in which procurement can support the achievement of organisational corporate and social responsibilities. The Comhairle has approved the consideration of the use of community benefit clauses in all contracts.
- 2.12 Through the Outer Hebrides Community Planning Partnership the Comhairle seeks to support ethical procurement, in particular that promoted through the Fair Trade Movement. This strategy seeks to develop ethical procurement culminating in the achievement of the CIPS (Chartered Institute of Purchasing and Supply) Corporate Ethics Mark over the lifetime of this strategy.

Government Policy

- 2.13 The Procurement Reform (Scotland) Act 2014 includes a number of measures to continue the reform of public procurement in Scotland. Measures such as the publication of procurement strategies, inclusion of community benefit clauses and taking account of the living wage are included in the requirements of the Act.
- 2.14 The Comhairle currently undertakes many of the measures proposed meaning compliance once the Act becomes law may not be particularly onerous for many of the measures. Guidance is being developed and the Procurement Steering Group will agree how the Comhairle will meet the requirements laid out in the guidance once it is agreed.
- 2.15 In October 2013 the Scottish Government published the report on the Review of Scottish Public Sector Procurement in Construction. The review contains a number of recommendations which seek to improve the way construction procurement is carried out including a review of how retentions are operated for works contracts.
- 2.16 The Comhairle supports the recommendations in so far as they apply to the smaller scale construction contracts which are procured.
- 2.17 The Scottish Government continues to fund the Public Contracts Scotland advertising portal and the eSourcing tool PCS Tender. PCS Tender has been introduced to make the submission and evaluation of tenders easier for both buyers and suppliers. The Comhairle has implemented PCS Tender, is using it for all new contracts and will seek to utilise the evaluation and contract management functionality available over the lifetime of this strategy.
- 2.18 Promoting opportunities for Small and Medium sized Enterprises (SMEs) is a theme which runs through all government policy. The Comhairle's support for this sector is recognised in this strategy.

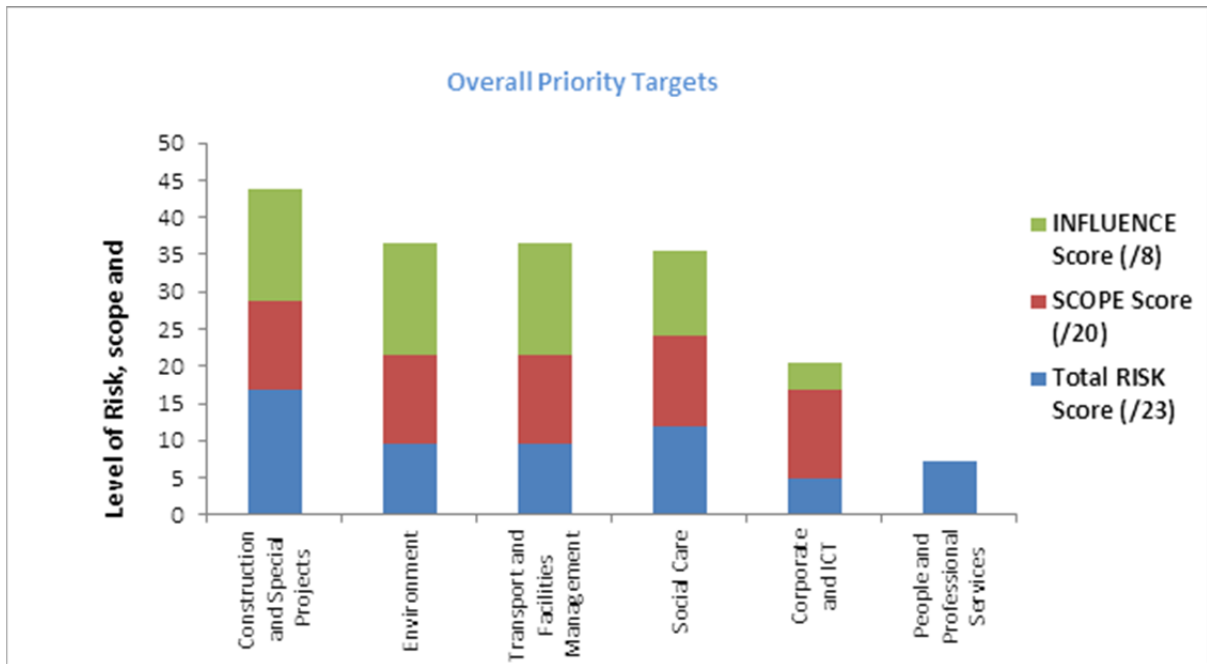
Best Value and Risk Management

- 2.19 For the past 5 years, the Comhairle has been reviewed annually by Scotland Excel using the Procurement Capability Assessment framework.
- 2.20 In 2013 the Comhairle was assessed at 66% which is classified as being in "Improved Performance" and was an increase of 9% on the 2013 score.
- 2.21 In 2014/15 the Comhairle's significantly improved performance was recognised with the achievement of the GO Awards for local government procurement team of the year both at a Scottish and UK level.
- 2.22 A new assessment regime is being introduced across public procurement in Scotland. Known as the Procurement and Commercial Improvement Programme (PCIP), it seeks to focus on the policies and procedures driving procurement performance and more importantly, the results they deliver.

- 2.23 As procedures for undertaking procurement are largely now in place, the Procurement Strategy must now focus on the priorities for improvement laid out in the PCIP.
- 2.24 The strategic procurement risks as identified by the Procurement Steering Group are as follows:
- Opportunities for cost savings or service improvements missed during the specification process
 - Errors or omissions in specifications
 - Tender prices received in excess of budget
 - Limited suppliers in the market leading to increased contract prices
 - Risks to service delivery arising from the inability to enforce supplier performance through appropriate contract management
- 2.25 This Strategy seeks to implement control measures where appropriate for these risks.
- 2.26 The Audit Scotland report “Procurement in Local Government” identified a number of recommendations for Scottish Councils.
- 2.27 Whilst the Comhairle was cited as a good practice example of investing in staff to improve procurement performance in the report, the recommendations for all councils are relevant and should be implemented.
- 2.28 Recommendation themes include:
- The use of national procurement information hub information for research and benchmarking performance;
 - Earlier engagement with service users and suppliers to improve specifications and enable innovation;
 - Using Public Contracts Scotland Tender (PCS-T) for all contracts; and
 - Improve benefits reporting (financial and non-financial).
- 2.29 This Strategy seeks to address the recommendations raised by this report.
- 2.30 In line with the recommendations in the British Chamber of Commerce manifesto published in early 2015, the Comhairle will seek to put in place evaluation criteria that recognise quality as well as lowest cost to ensure better value is achieved from contracts.

Sustainable Procurement

- 2.31 The Comhairle approved a Sustainable Procurement Policy in June 2013 which has helped to influence procurement practice in this area.
- 2.32 A new risk assessment tool issued by the Scottish Government has been used to identify which commodities and suppliers would reap the maximum sustainability impact and benefit.
- 2.33 The following graph identifies the categories of spend where sustainable procurement activity should be targeted.



- 2.34 The new Strategy objectives and targets in this area reflect the outcome of this risk assessment process.

3. CONTEXT

- 3.1 In 2014/15, 85% of expenditure was actively influenced by the Comhairle's Procurement Section. Compared to 72.1% in 2013/14.
- 3.2 An estimated £0.63m efficiency savings were made from procurement projects in 2014/15 and 78.76% of relevant annual spend was with contracted suppliers.
- 3.3 In 2014/15, 46 tendering processes were undertaken with all contact notices being published on the Public Contracts Scotland web site.
- 3.4 The Comhairle Revenue Budget excluding staffing and capital for 2015/16 is £52m.
- 3.5 Planned capital expenditure for 2015/16 is £22m.

4. GUIDING PRINCIPLES

- 4.1 The following guiding principles should govern all procurement activity in the Comhairle.

Where a local or national contract is in place for a commodity this will be used in all but exceptional circumstances.

- 4.2 For amounts between £1,000 and £25,000 permission must always be sought for off contract spend. For amounts over £25,000 the Comhairle's contract regulations must be applied.

Where a range of options for a commodity are available through a local or national contract, the best value alternative will be selected.

- 4.3 Heads of Service are asked to enforce this principle through communication with those ordering goods and scrutiny of orders placed and challenge where appropriate.

5. PRIORITY THEMES FOR ACTION

5.1 The five priority themes for action for the period ending 2018 are:

- Winning ways for local suppliers
- Developing strong supplier relationships
- Strengthening the Comhairle's hand
- Promoting sustainability
- Efficiency in purchase to pay

5.2 Winning ways for local suppliers

What? Suppliers from the Western Isles secure more public contracts

Why? More income from public contracts both with the Comhairle and other local and mainland public bodies means more revenue for businesses and jobs based locally.

The measure

will demonstrate....

Percentage of local spend with suppliers

the share of the Comhairle's spend with local suppliers and their success in our tendering and quotation processes.

Percentage of contracts where a local supplier submits a tender

that the Comhairle's procurement processes are accessible and local suppliers are able to bid

Number of Scotland Excel frameworks with a Western Isles supply base where a tender is submitted

whether proactive work by the Comhairle and Scotland Excel is resulting in more growth opportunities for local businesses

5.3 Developing strong supplier relationships

What? Suppliers are seen as partners working with the Comhairle to improve performance, reduce costs and foster innovation

Why? An adversarial relationship with suppliers is both time consuming and counter-productive. Better supplier relationships can help the Comhairle to deliver better, more cost effective services both now and in the future.

The measure

will demonstrate....

Measure Percentage of contracts with an appropriate contract management plan in place

a process is in place to deliver contract management commensurate with the risk and impact of the goods, service or works being procured.

Value of savings negotiated during the contract period

an ongoing dialogue with suppliers about the cost of the contract and the potential to reduce them.

Number of contracts where improvements have been agreed and implemented

a partnership with suppliers to find ways to improve including innovative new solutions.

5.4 Strengthening the Comhairle's buying power

What? The Comhairle's procurement processes deliver benefits and savings.

Why? Good procurement should add value and be able to demonstrate it is doing so.

The measure

will demonstrate....

Measure The value of savings secured through the procurement process collaborative contracts and local tendering processes are effective in delivering financial savings for the Comhairle.

Percentage of procurement spend covered by a commodity strategy rigorous processes are in place which consider the best use of competition and how benefits and sustainability can be delivered.

Percentage of procurement spend covered by a contract compliance across the organisation with procurement policy.

5.5 Promoting sustainability

What? All Comhairle procurement maximises the benefits to the Outer Hebrides and wider world which may rise from a purchase

Why? It is important that the needs of tomorrow are safeguarded whilst the needs of today are met. Under the Procurement Reform (Scotland) Act the Comhairle has a sustainable procurement duty.

The measure

will demonstrate....

Measure Number of community benefit clauses in place value is added to contracts through community benefit clauses which can deliver a range of outcomes including apprenticeships and work placements.

Value of spend avoided a culture of reuse and sharing is in place across the Comhairle

Percentage of spend with the third sector and supported businesses these organisations are valued and there is recognition of what they put back into our communities through social outcomes and support for vulnerable people

5.6 Efficiency in Purchase to Pay

What? The Comhairle has a purchase to pay (P2P) process that delivers value for money and an excellent service to suppliers

Why? It is important not only to keep P2P costs low but also to ensure efficient ordering and processes which benefit suppliers

The measure

will demonstrate....

Measure Percentage of invoices paid within 30 days suppliers are paid promptly in particular small and local businesses

Percentage of invoices paid using intelligent scanning how the drive to pay invoices more efficiently is progressing which includes, at the start of the process, raising purchase orders.

Number of supplier invoices paid how effective efforts to work with suppliers to find more efficient ways of invoicing, for example consolidated invoices, have been which will reduce costs for both parties.

6. DELIVERING THE STRATEGY

- 6.1 An action plan with associated risks has been developed to support the delivery of the Strategy.
- 6.3 Progress on the achievement of the targets and action plan will continue to be reported to the Policy and Resources Committee on an annual basis.