

ANGUS COUNCIL

ANGUS COUNCIL – 23 MARCH 2017/18

PROCUREMENT STRATEGY

REPORT BY HEAD OF CORPORATE IMPROVEMENT AND FINANCE

ABSTRACT

This report seeks approval to implement the attached procurement strategy.

1. RECOMMENDATIONS

It is recommended that the Council approves the attached strategy for the forthcoming 12 month period

2. ALIGNMENT TO ANGUS COMMUNITY PLAN AND SINGLE OUTCOME AGREEMENT

This report contributes to the following outcomes;

- Local outcome 1 We have a sustainable economy with good employment opportunities.
- Local Outcome 10 Our Communities are developed in a sustainable manner

3. BACKGROUND

3.1 The attached Procurement Strategy reflects the requirements of the Procurement Reform (Scotland) Act 2014) ensuring that where pertinent these are incorporated in Angus Council's Procurement activities. This strategy seeks to run concurrently and in a complimentary manner with the Transforming Angus Procurement Reform review. The Procurement Strategy focuses on capability development, maximising efficiencies (with a focus on cost saving), continued development of collaborative opportunities and sustainable procurement as key objectives in order to guide procurement activity over the coming 12 month period.

4. CURRENT STAFF RESOURCE POSITION

4.1 There are currently three full time staff in the Corporate Procurement Team (with one of these seconded to the Transforming Angus Procurement Review). The content of this strategy is scalable dependant on resources available. A review of current practices is underway to release resources of these staff to focus on transformation projects and the outcomes contained within this strategy.

5. PROPOSALS

5.1 It is proposed to publish and implement the attached strategy. The strategy will also be notified to Scottish Government and through Annual Reports.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications arising from the approval of this report.

7. RISKS

7.1 There are no specific risks that require to be considered in relation to the Procurement Strategy.

8. CONSULTATION

8.1 Consultation has been undertaken with regard to the content of the Procurement Strategy with Tayside Procurement Consortium (TPC), the Procurement Sounding Board and Trade Unions.

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1. Introduction

This Procurement Strategy sets out the Procurement Vision and objectives of Angus Council for 2017/18.

The Council's Key Procurement Objectives reflect both national and local policies and our aim is to build on the devolved procurement model, already in place within most Scottish Councils, through our dedication to continuous improvement and a focus on:-

- procurement capability development;
- maximising efficiencies through procurement;
- development of collaborative opportunities; and
- fulfilment of sustainable procurement duties.

This focus will directly impact on our ambition to transform Angus and improve the community we serve, by ensuring that sustainability in our procurement remains a priority and that all procurement activities contribute to the carrying out of the Council's functions and realisation of its strategic objectives, while achieving Best Value and complying with statutory and regulatory duties.

The achievement of Best Value is reliant on a clear Procurement Strategy, aligned to the delivery of services which promotes an integrated approach across the organisation. In order to deliver the required outcomes of this Strategy there remains a need to implement changes and improvements to our ways of working and ensure that close partnerships exist within the Council and beyond.

Commitment and communication of this Strategy are key steps on the road to embracing best practice, achieving procurement effectiveness and delivering improved outcomes for the residents and wider community of Angus.

2. Background

2.1 Alignment with Tayside Procurement Consortium

Since 2008, Angus 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 procurement 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 Angus Council Procurement 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'.

2.3 Financial Context

The Council's most recent Medium Term Financial Strategy projections indicated that there would be ongoing significant General Fund revenue budget gaps to be addressed.

Managing this position to minimise the impact on services and respond to new and changing demands requires the Council to raise its ambitions and strive

to continually improve on the delivery of services and a role for procurement activity to assist in addressing this.

2.4 Legislative Context

The procurement landscape in Scotland has also changed dramatically since the last Procurement Strategy was published. With the impact of new procurement regulations introduced in 2016, (The procurement Reform Act Scotland 2014) coupled with the financial and economic pressures the Council faces, the support of a well organised resourced Strategic Procurement function, assisting Services in achieving Best Value, while adopting and implementing the legislation that governs public procurement is critical.

3. Strategy Key Objectives

The Council has set out outcomes within the Angus Council Plan for 2016. In order to support delivery of the Council's Plan, the Procurement Strategy includes 4 Key Objectives:-

1. Procurement Capability Development
2. Maximising Efficiencies through Procurement
3. Development of Collaborative Opportunities
4. Fulfilment of Sustainable Procurement Duties

These Key Objectives are expanded on below with an explanation of how these will be met and the outcomes expected from achievement of these ambitions.

3.1 Key Objective 1 - Procurement Capability Development

Ambitions

1. To use the knowledge and skills of our staff, in order to embed a more strategic and commercial approach into all of the Council's functions and purposes.
2. To ensure that all procurement activities are undertaken in a consistent, robust, transparent and accountable manner, in accordance with all relevant governance.
3. To keep the Council up to date with the latest developments in the wider procurement environment and maintain an awareness of current cross-functional procurement practices.
4. To strive for continuous improvement in procurement, as measured by the Scottish Government's Procurement and Commercial Improvement Programme (PCIP).

How ambitions will be met

1. By delivering appropriate training to staff where required, while nurturing and developing opportunities for integration and partnership between Strategic Procurement and other Services.
2. By working together with the Council's Legal Services in adapting our internal procedures, processes and documentation to reflect the changes brought about by the implementation of the Procurement Reform (Scotland) Act 2014, The Public Contracts (Scotland) Regulations 2015 and The Procurement (Scotland) Regulations 2016.
3. Through continued adherence to the EU principles of equal treatment, non-discrimination, proportionality, transparency and mutual recognition while promoting equality by tackling discrimination and disadvantage and by working collaboratively with Tayside Procurement Consortium Scottish Procurement, Scotland Excel, the Crown Commercial Service and other local authorities or Public Sector organisations, to share knowledge and benchmark our performance.
4. Through continued participation in the PCIP assessment scheme the Council will identify, develop and implement best practice in procurement on an ongoing basis and gain a clear understanding of what is required to allow the Council to continue on an upward curve of procurement development. In this regard Angus Council's first assessment is scheduled for May 23rd 2017.

Outcomes expected

1. Added value in all new procurement exercises and additional benefits through better management of existing contracts.
2. Compliance with statutory and regulatory requirements and mitigation of the risk of legal challenge.
3. Strategic Procurement is able to offer innovative procurement solutions.
4. To use our Procurement and Commercial Improvement Programme score as a base score to enable us to focus on areas for further improvement and to be fully prepared for PCIP assessment

3.2 Key Objective 2 - Maximising Efficiencies through Procurement

Ambitions

1. To ensure that appropriate contracts are in place for all of the Council's requirements and that these deliver Best Value.
2. To facilitate the modernisation of business processes across the Council through the implementation and development of electronic procurement solutions.
3. To utilise Management Information (MI) effectively ensuring that procurement operates according to our core set of indicators and measures for best practice.
4. To identify cost saving opportunities.
5. To support Services in the identification and delivery of cost savings.
6. To realise financial and efficiency savings in the successful procurement of contracts, through proactive Contract and Supplier Management.

How ambitions will be met

1. Through proactive integration and influence of Strategic Procurement, throughout all Directorates and Services, allowing for a strategic analysis of all relevant considerations to be made, when client requirements are met and contracts are put in place or renewed.
2. Through the use of new and existing electronic procurement systems in both the advertisement of opportunities and throughout the purchase process in the delivery of services.
3. Through the maintenance and publication of information, from various performance management systems, to monitor progress against targets on efficiency, capability, collaboration, compliance and savings.
4. Through the development of contract strategies in **advance** of procurement activities, to identify where savings can be made.
5. Through the early engagement of all stakeholders to aid in the re-design of services and the investigation into more innovative sourcing solutions and effective commercial evaluation models, with a focus on process efficiency and cost reduction. Consulting with Services on defining the criteria required to be able to determine the most economically advantageous tender, using an appropriate combination of cost and quality elements,,
6. Through continual engagement with contracted suppliers developing a formalised system of monitoring performance against contractual requirements at tender stage, to ensure the successful delivery of services and allow for a focus on the development of initiatives and innovations to help improve the procurement of these services in the future.

Outcomes expected

1. Compliance with the Council's Standing Orders Relating to Contracts and Procurement Journey resulting in a reduction in non-contracted or "maverick" spend.
2. Achievement of targeted procurement cost savings.
3. Measurable and demonstrable improvements in the correct use of the electronic procurement systems available to the Council.
4. Embedded forward procurement planning within directorates
5. Continuous improvements evidenced against Service Improvement Plan key actions and towards the Scottish Government's annual Procurement and Commercial Improvement Programme.
6. Developed contract management

3.3 Key Objective 3 - Development of Collaborative Opportunities

Ambitions

1. To identify and actively participate in all appropriate collaborative opportunities
2. To prepare forward plans to share with TPC and wider public sector to maximise collaborative opportunities.
3. To improve on the level and methods of communication with all internal and external stakeholders.

How ambitions will be met

1. Through identification of opportunities to aggregate spend and requirements, an increase in cooperation through TPC and a proactive involvement with national procurement groups and forums where appropriate
2. Through an increase in engagement with Services, suppliers, local businesses, during the development stage of projects, ensure that all opinion and feedback is recorded and considered during contract execution.
3. By continually reviewing what, how and when we report on our procurement activities to Services, corporate management, elected members, suppliers and the wider public, while ensuring that all necessary information is published to help support Procurement Strategy objectives.

Outcomes expected

1. Achievement of mutually beneficial results with our collaborative partners including economies of scale, a reduction in administration and the sharing of procurement best practices
2. Continuous improvement in the Council's procurement processes and practices, influenced by PCIP/ Internal feedback/Supplier feedback
3. A procurement strategy that is fully aligned with the Council's overall ambition and vision that can be implemented as intended.

3.4 Key Objective 4 – Fulfilment of Sustainable Procurement Duties

Ambitions

1. To achieve improved standards of sustainable procurement throughout the Council, in accordance with the duties set out within the Procurement Reform (Scotland Act) 2014.
2. To develop established methods of evaluation and recording of community benefits in the execution of individual contracts.
3. To continue to support and improve access to procurement opportunities for SMEs, including local businesses, Third Sector Bodies and Supported Businesses.
4. To work in partnership with all Services, in line with the Council Plan, to ensure that we improve the way that we work as a Council in delivering services which benefit the area and communities we operate in.

How ambitions will be met

1. Through use of the Scottish Government's Sustainability Test tool, during the development of individual contract strategies, to identify where relevant and proportionate sustainability requirements can be embedded, including support for the Living Wage, during the development of contract specifications and tracking these during delivery of services through MI, Contract and Supplier Management.
2. Continuing to follow the Scottish Government's Sustainable Procurement Action Plan, in conjunction with statutory guidance, while updating our progress against sustainability targets using the Flexible Framework self-assessment tool (FFSAT).
3. Through Procurement's influence over Services to suggest how bespoke and relevant Community Benefits can be achieved in all procurement exercises over the stipulated thresholds with an increased focus on the recording and management of Community Benefits delivered using our Community Benefits register to promote and publicise benefits received as a result of procurement activity. The use of voluntary Community Benefits will also form part of ongoing Contract and Supplier Management processes.
4. Through early consideration, either at contract strategy stage or through our knowledge of forthcoming collaborative opportunities (local or national), on how SMEs, local businesses, Third Sector Bodies and Supported Businesses can be made aware of public procurement activity, while promoting established business support initiatives such as the Supplier Development Programme.

Outcomes expected

1. Compliance with the Sustainable Procurement Duty of the Procurement Reform (Scotland) Act 2014, which requires that the Council makes every effort to improve the area in which it operates.
2. Measurable and demonstrable social, economic and environmental benefits to Angus communities from the effect of sustainable procurement activity.
3. Increased contracts with community benefits included.
4. Removal of any barriers, real or perceived, which hinder SMEs, Third Sector Bodies and Supported Businesses to take advantage of business opportunities within Angus or the wider Public Sector.

Governance, Legislation & Best Practice

4.1 Internal Governance Arrangements

The delivery of this Procurement Strategy will ensure that the Council's regulated procurements adhere to the mandatory requirements as set out in Section 15(5) of the Procurement Reform (Scotland) Act 2014.

In adhering to these mandatory requirements the Council relies on the following Procedures, Policies and Procurement Tools being in place to support its procurement activities:

As a contracting authority, Angus Council is responsible for establishing arrangements for ensuring the proper conduct of organisational business, including conformance to standards of good governance and accountability with regard to procurement.

To ensure Procurement Strategy Key Objectives are delivered effectively, there will remain a continuing need to recognise the requirement for and execution of an appropriate Council governance framework.

The presence of this framework will enable Key Objectives to be achieved through a decision making process which ensures required authorisation and appropriate delegations and approvals are in place.

In adhering to this governance framework, the Council ensures that, in line with this Procurement Strategy that these procurements will be undertaken in compliance with its duty to act in a transparent and proportionate manner.

In maintaining this governance framework, the Council will ensure that a continuing focus remains in relation to updating, and appropriately applying the following procedural governance documents:-

4.2 Standing Orders Relating to Contracts

The Standing Orders Relating to Contracts are subject to the over-riding provisions of European Union, United Kingdom, or Scottish legislation. They are also subject to any EU Commission, UK Government or Scottish Government guidance on public procurement that may be issued from time to time.

The Council's Standing Orders Relating to Contracts set out how contracts for all goods, services and works will be made by the Council.

The purpose of these Standing Orders is to ensure that contracts are appropriate for their purpose provide the right balance between price and quality, and are procured in an open way that demonstrates probity and compliance with the Council's policies.

The Standing Orders are applied having regard always to the EU Treaty Principles of equal treatment, non-discrimination, proportionality and transparency. All Council employees are instructed to treat tenderers equally and without discrimination and act in a transparent and proportionate manner at all times.

The Standing Orders also set out the Council's obligations in ensuring that the suppliers and service providers it contracts with comply with all statutory requirements in respect of ensuring equal opportunity in employment, under the provisions of the Equality Act 2010 and with all current Health and Safety legislation and approved Codes of Practice, as may be applicable to

the contract. Promotion of this compliance is in line with the requirements of the Procurement Reform (Scotland Act) 2014.

4.3 Financial Regulations

The Council's Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs.

They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting procedures and professional good practice.

The Council's Financial Regulations apply to every member and employee of the Council or anyone acting on its behalf. All members and employees have a general responsibility for taking reasonable action to provide for the security of assets under their control, and for ensuring that the use of these resources is legal, properly authorised, and provides Best Value.

4.4 Scheme of Delegation

The Scheme of Delegation is intended to facilitate the effective undertaking of Council business by clearly setting out the nature and extent of the powers delegated to officers by the Council, in order to ensure an efficient running of day to day operations and to allow the Council to carry out its functions and achieve its Strategic Objectives.

To further ensure that the Council's regulated procurements contribute to the carrying out of its functions and the achievement of its purposes, this Procurement Strategy, in line with its Key Objectives, will be delivered in accordance with the Council Plan, the individual Service and Improvement Plans and a set of national and local policies and strategies. These are embedded within existing procurement processes with outcomes measured against the Council's core set of indicators and measures for best practice:

4.5 Statutory Guidance

4.5.1 Sustainable Procurement Duty

The Council's approach to sustainable procurement, are rooted within the procurement process to promote a commitment to sustainability and achievement of Best Value for the Council. In an ongoing effort to embed sustainability issues in procurement exercises, three strands of sustainability should be explored at the contract strategy stage; environmental, social and economic factors along with a consideration on how the Council can facilitate the involvement of SMEs, third sector bodies and supported businesses in procurement exercises, as well as a promotion of innovation in the design and delivery of services. This approach is in line with the Council's Procurement Strategy

4.5.2 Community Benefit Requirements

The Council will adhere to all statutory guidance and legislation on the use of Community Benefits, ensuring that all regulated procurements with a value greater than or equal to £4,000,000 include Community Benefits clauses.

4.5.3 Payment of a Living Wage

The Council follows the lead of the Scottish Government by promoting the payment of the Living Wage to persons involved in fulfilling procurement requirements by considering, where relevant and proportionate, when Fair Working Practices should be addressed in contracting opportunities. The Council will comply with the Statutory Guidance on the Selection of Tenderers and Award of Contracts – Addressing Fair Work Practices, including the Living Wage, in Procurement, in line with the our Procurement Strategy's

Key Objective 1; Procurement Capability Development.

4.5.4 Procurement of Fairly and Ethically Traded Goods and Services

In line with the Council's Procurement Strategy **Key Objective 4; Fulfilment of Sustainable Procurement Duties** and where ethically traded goods and services are available, the Council will work with all relevant stakeholders and take a Best Value approaches when applying fair and ethically trading principles in procurement activities. Angus Council also works closely with Fairtrade partnerships to promote Fairtrade products and explore the differences that choices on the procurement of these ethically traded goods can make to the lives of others.

4.5.5 Procurement Tools

Key tools that the Council has embedded into the procurement process, which help contribute to compliance with the mandatory requirements under the Procurement Reform (Scotland) Act 2014, are detailed below.

These tools are considered at the contract strategy stage of any contract, influencing the procurement where relevant and proportionate and, along with the procedures and policies outlined above, ensure that the Council's regulated procurements deliver value for money.

4.5.6 Procurement Guidance Tools

The Scottish Government's Procurement Journey - supports all levels of procurement activity and helps to manage the expectations of stakeholders and facilitate best practice and consistency across the Scottish Public Sector.

4.5.7 Sustainability Tools

The Scottish Government's "Sustainability Test" Tool – Designed to help embed relevant and proportionate sustainability requirements in the development of frameworks and contracts and is considered at the individual contract strategy stage of procurement activity and offers guidance on complying with all of the sustainable procurement duties set out in the Procurement Reform (Scotland Act) 2014.

The Scottish Government's Sustainability Test Tool;

<http://www.gov.scot/Topics/Government/Procurement/policy/corporateresponsibility/Sustainability/ScottishProcess/SustainableProcurementTools/SustainabilityTest>

Flexible Framework – Use of the Flexible Framework self-assessment tool under the Scottish Government's Sustainable Procurement Action Plan to establish the performance level of sustainable procurement across the Council.

4.5.8 Community Benefit Tools

The Scottish Government's Community Benefits in Public Procurement policy assists Procurement Officers in our ongoing ambition to embed Community Benefits into the procurement process where relevant and proportionate are realised.

Annex 2

Annual Spend

The Council's annual procurement spend is around £118 million, inclusive of purchases for a wide variety of goods, services and works.

15/16 Published Data Overview



Key:

Total Spend - The total amount of spend for the 15/16 year.

Input Suppliers - The number of suppliers on finance system, before de-duplication.

De-duplicated Total Suppliers - The number of unique suppliers.

Duplicate Suppliers - The number of suppliers which are duplicates of another supplier.

Transactions - The total number of transactions.

Avg. spend per supplier - The average spend per unique supplier.

Core Trade Spend - Core Trade is a sub-set of your supply base that includes all **Trade Suppliers** and **Social Care Providers** with whom you have spent £1,000 or more in the financial year.

SME Suppliers - Small & Medium sized businesses where the supplier has less than 249 employees or where the annual revenue is less than £22.8m.

SME Spend - Spend with SME as a percentage of Core Trade Spend.

Local Suppliers - Spend with suppliers within the same local authority area as your organisation (based on Postcodes).

Local Spend - Spend with local suppliers as a percentage of Core Trade Spend.

Annex 3 - Glossary

Term or abbreviation Explanation

Best Value

The duty of Best Value in Public Services places a statutory duty on local authorities to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

Commodity

Taxonomy (classification) for the entire Council, to give the Council the ability to accurately describe the primary business activities of their suppliers.

Community Benefits

Community Benefits are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social economic and or environmental benefits.

Contract and Supplier Management

Contract and Supplier Management is the management of post award activities and can be divided into three areas: service delivery management; relationship management and contract administration.

Covalent

An electronic Performance Management System which helps to ensure that objectives are delivered in line within the standards and timescales anticipated.

Flexible Framework Self- Assessment Tool (FFSAT)

The tool will help organisations to assess where their current level of performance lies and the actions required improving their performance. The SSAP recommends that organisations carry out initial and periodic self-assessments against the FFAT. This enables measurement against various aspects of sustainable procurement.

Procurement & Commercial Improvement Programme

Procurement & Commercial Improvement Programme (PCIP) is part of the Scottish Governments public procurement reform agenda and guides how local authorities undertake procurement of goods and services

Quick Quote

Quick Quote is an online request for quotation facility used on Public Contracts Scotland (the single electronic portal where suppliers can bid for public service contracts). It is used to obtain competitive quotes for low value/low risk procurement exercises or procurement mini competitions within framework agreements from suppliers who are registered on the website.

Scheme of Delegation

Angus Councils Scheme of Delegation details the decision making structure and operational requirements of the Council.

Single Outcome Agreement

The Single Outcome Agreement (SOA) is of part of the Community Planning Process whereby the Community Planning Partners, including local authorities, agree the Strategic Priorities for their local area. Partners then deliver these priorities, individually or jointly, focussing on agreed outcomes.

SME's Small and medium-sized enterprises (SMEs) are businesses whose personnel numbers fall below certain limits.

Standing Orders

Standing Orders are the written rules which regulate the proceedings of the Council.

Sustainable Procurement

A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits, not only for the organisation but also to society, the economy and the environment.

Work Plan A list of upcoming procurement activity including re-tenders, extensions, and new activity.