

THE HIGHLAND COUNCIL

Resources Committee

1st October 2008

Agenda Item	
Report No	

Highland Council Procurement Strategy

Report by Depute Chief Executive and Director of Finance

Summary

This report presents the Council's Procurement Strategy for the period 2008 - 2011.

1. Introduction

- 1.1 The production of a Procurement Strategy is required as an outcome of the McClelland Review of Public Procurement, and the Executive Summary, Mission Statement, Strategy and Method of Delivery, and outlines of The Highland Council Procurement Improvement Programme are set out at Annex A to this Report
- 1.2 There is a detailed operational plan which sets out the actual tasks required to deliver this strategy between now and 2011, consisting of 42 individual pieces of work.
- 1.3 It is aligned to the Single Outcome Agreement, and Finance Service and Corporate Plans, and will be supported in its implementation by the Corporate Change programme.
- 1.4 It is innovative in nature and will in itself require the Council the review and challenge itself on its whole approach to procurement, but the requirements for the Council to improve its efficiency, make cashable savings; whilst at the same time develop businesses that service it and directly provide public services, and optimise our contribution to the environment in which we live, will require nothing less.

Recommendations

Members **approve** the above attached Procurement Strategy:

Signature:

Designation: Depute Chief Executive and Director of Finance

Date: 8th September 2008

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THE HIGHLAND COUNCIL PROCUREMENT STRATEGY 2008/2011

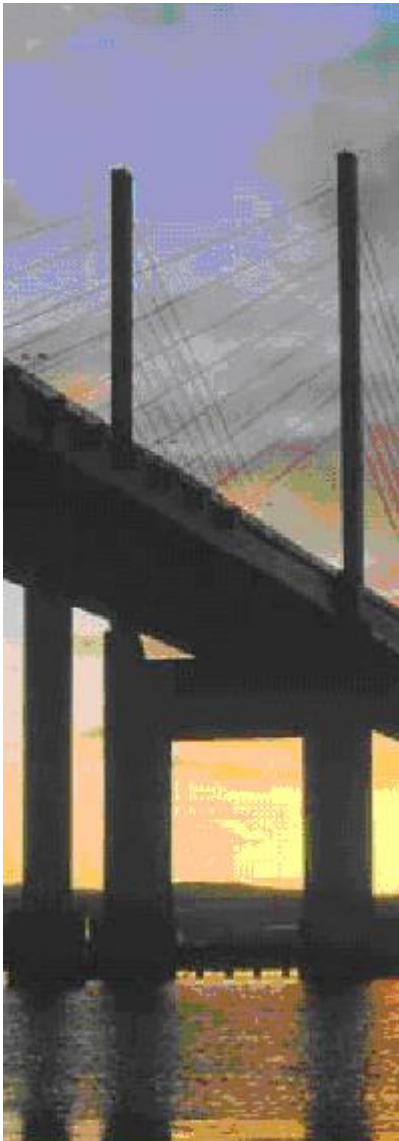


THE HIGHLAND COUNCIL PROCUREMENT SERVICE



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1 Executive Summary: The Mission Statement

The purpose of public sector procurement is to secure by whatever means is most appropriate, the delivery of public services in a way which will achieve best value for the Council and the public we serve. In that sense it is not a support or “back office” service but a direct, strategically vital, customer facing operational service.

In this context, the improvement of Public Sector Procurement and the delivery of savings and efficiencies through those improvements is a key priority for the Scottish Government. The Council’s own recently established procurement service’s Mission therefore is to enable and deliver:

- Government Improvement Priorities
- Substantial cash savings;
- Process efficiency;
- Development of the supply network including local, SME, BME, and Social Enterprise Businesses and Voluntary Sector organisations acting as commercial service providers;
- Community Benefits and environmental sustainability in contracting;
- Legal and budgetary certainty;
- Transparency and accountability, and;
- Equality of opportunity within both the supply network and the businesses which comprise that community.

The Strategy

The Strategy is to deliver the Mission Statement through a programme of improvement which will

- Challenge accepted certainties
- Increase levels of professionalism
- Drive change within the Council
- Directly support delivery of the Programme for the Administration
- Directly support the statutory duty of Best Value.

In order to achieve the Mission Statement, procurement must be central to the Council’s business and operational decisions from the point at which the public service outcomes the Council wishes to deliver are identified, through the lifecycle of the requirement and the review of the delivery of those outcomes following implementation.

This will require the Council via its procurement service to implement in full the core principles of Best Value and to

- Challenge
- Consult
- Compare
- Compete

in all areas: there must be no barriers to procurement’s freedom to do this if the Council is to achieve its required outcomes in procurement

The Method of Delivery

All public sector organisations have the requirements of the Mission Statement in common, and in 2006 the McClelland Review of Public Sector Procurement was published, recommending ways in which the Mission Statement and the strategy could be effectively implemented, based upon improvements in:

- Governance;
- Professionalism
- Sharing of services
- Use of eProcurement tools;
- Standardisation, and;
- Aggregation of demand

The Highland Council's response to the challenges of the McClelland Review is set out in this strategy document.

This strategy document summarises the programme of projects which the Council's procurement service is leading. The operational plan within the overall strategy sets out the high level tasks which the service and the Council will need to complete in order to deliver this programme.

It is vital that the Council understands that whilst the procurement service leads on and has ultimate responsibility for these tasks, procurement as a whole is an issue for the whole Council: the Council corporately will need to take ownership in order to deliver the required outcomes.

In charging its procurement service with primary responsibility for delivering these outcomes, the Council will need to recognise that the procurement consolidated must have the authority and freedom to take these tasks forward proactively, and to recognise that they can only be achieved with the clear and continuing support of the Council's Senior Management Team.

The Highland Council can and should be seen as an exemplar of public sector procurement if the challenge of this Mission Statement is accepted and delivered.

It is to the Council's credit that the Head of Procurement reports directly to the Depute Chief Executive and Director of Finance, acting as the Procurement Sponsor; and that there is visible governance by the Senior Management Team through regular reporting to the Chief Executive's Weekly Business Meeting. This is a vital element in successful delivery of this Mission Statement.

2 Policy

The essence of public sector procurement policy is to provide a means to improve public service delivery through the use of competition:

- Through indirect competition (e.g. benchmarking) in which the Council will assess the competitiveness of current arrangements and improve their effectiveness by reference to these arrangements.
- Through direct competition in which contracts will be awarded to the provider(s) offering the most economically advantageous balance of quality and cost.

Competition must be based on the principles of openness and fairness, with each tenderer being afforded exactly the same information and opportunities as every other. The following are essential elements of public sector business irrespective of whether indirect or direct competition applies

- The acknowledged source of in-house expertise as well as the customer or user must always be consulted
- Performance standards and monitoring strategies must be developed
- Cost information must be properly identified and collected

- Innovation must be encouraged
- Social and environmental values and the Council's policy objectives must be protected
- Probity, accountability and competitive neutrality must be ensured
- The responsibilities and accountabilities of all parties must be explicit
- Legal frameworks including Contract Standing Orders must be complied with
- Business awarded in open competition must be placed with the successful bidder
- Contractors must be managed actively in order to extract maximum value from contracts.

The procurement service supports the Council's approach to partnership working as commercial partnering arrangements can often provide Best Value over a long-term relationship.

In order to function openly and fairly within the public procurement arena however, partnerships must be based upon the use of competition; and clearly mutually understood rules must be articulated within the contract documentation. It is more important in a long term partnering relationship than in any other type of arrangement to ensure that the Contract fully describes the entire relationship between the Parties to the Contract.

Statements of Direction

This Strategy will be brought to life through implementation of the following statements of direction for the improvement of procurement within Highland Council, which form the basis of the operational plan.

1. Governance:

The Council requires its procurement structures and processes to deliver Best Value, achieve real and measurable savings through full exploitation of the Council's commercial position, manage the commercial risks to which it is exposed proactively, and to reflect a focus on operational service delivery.

2. Purchase to Pay and the Digital Toolkit.

The Council requires procurement resources to be structured and managed in the most effective way pursuant to the achievement of the Council's targets on best value, sustainable procurement, operational support, and CIPS accreditation in procurement.

The Council requires implementation of 21st Century procurement tools including, EPS, ETS, Contracts Management, the Hub, the Public Sector Contracts Portal, and general and fuel-specific purchase cards in order to reduce off-contract spending, reduce process cost, and inform the development of future contracts.

3. People & Skills

The Council requires a consistent level of core procurement competence throughout its

procurement practitioners in line with achievement of CIPS accreditation for its procurement service, which will establish the Council as a recognised exemplar of public sector procurement.

4. Strategic Sourcing:

The Council requires the principles of challenging, comparing, consulting, and competing, and the implementation of the Scottish Government's Best Practice toolkit to form the basis of its procurement activities and through the exercise of those principles, achieve measurable operational benefits in terms of the release of funds tied up in less than optimal arrangements, and those tied up in overhead activities and duplicated processes within Services

5. Performance Management and Management Information

The Council requires accurate, reliable, and auditable procurement information for the purposes of public reporting, achievement of best value, and maximisation of the Council's commercial advantage.

The Council requires that the achievements of its procurement activities should be measurable and able to stand up to external scrutiny

3 The Highland Council Procurement Improvement Programme Executive Summary

This strategic programme summary describes the individual projects and elements of this strategy and links them to the goals of the Single Outcome Agreement and the “Strengthening the Highlands” programme for the Administration. In particular, it clearly links to

SOA Objective 1: We live in a Scotland that is the most attractive place to do business in Europe

SOA Objective 2: We realise our full economic potential with more and better employment opportunities for our people

SOA Objective 3: We are better educated, more skilled and more successful, renowned for our research and innovation,

SOA Objective 4: We reduce the local and global environmental impact of our consumption and production and;

SOA Objective 15: Our public services are high quality, continually improving, efficient and responsive to local people’s needs

These projects form the specific means by which the Mission Statement will be delivered and the supporting Statements of Direction will be implemented.

3.1 Project A, Governance (Objectives 1, 2, 3, and 15)

Overall aim: To provide a framework of accountability which will ensure fair treatment of all, the transparent conduct of business and a common understanding of the Council’s approach to the conduct of business. It will:

- Support the delivery of key Highland Council and Scottish Government priorities
- Ensure the delivery of the improvements required by the McClelland Review
- Support the delivery of improved Best Practice Indicators
- Ensure the delivery of Internal Audit Report recommendations

3.2 Project B, Purchase to Pay and the Digital Toolkit Project (objectives 1 and 2)

Overall aim: To provide the basis of strategic management and tactical every day business and working procedures and guidelines, on which the achievement of procurement excellence, best value, and the undernoted specific projects can be delivered. It will rationalise the number and positioning of staff involved in procurement activity and rationalise and standardise processes employed. It includes the following elements:

eProcurement

The implementation of transactional purchasing arrangements which will improve purchasing efficiency within the Council and achieve savings by establishment and use of appropriate electronic means of issuing orders to and processing invoices from contracted suppliers which will

- Eliminate off-contract spending thus maximising contract advantage
- Reduce duplication of effort within the Council
- Improve administrative process reducing time and paper consumed in purchase processing, and eliminating invoice discrepancy
- Provide management information which will enable better contracting
- Support the delivery of collaborative projects
- Support consistency in purchase-to-pay practices.

Electronic tendering

The implementation of tools to improve consistency of practices and documentation which in turn support greater transparency, a stronger audit trail and governance, and clearer accountability. Amongst the improvements it delivers will be

- Improved access to council requirements to the greatest possible spread of bidders
- The basis of a long term tendering cycle database, allowing the Council to establish a customer profile, and minimising the time required for European tendering
- Eliminating waste in the tendering process
- Reducing advertising costs
- Enabling quicker evaluation of tenders on demonstrably fair bases, extrapolated from declared performance requirements and evaluation criteria
- The delivery of greater consistency in practices which businesses have told us they want to see.

Contracts Management

Overall aim: To contribute to contract life-cycle efficiency and effectiveness by

- Maximising the Council's use of its contracts management information to extract maximum value from contractual arrangements
- Effective use of local, sectoral, and national contracts and framework agreements

3.3 Project C, People and Skills (Objectives 2 and 3)

Overall aim: To support delivery of Best Value, equal opportunities, the local, SME, voluntary, and Social Enterprise sector communities and professionalism in all procurement activity by

- Implementation of the Suppliers' Charter
- Implementation of a supplier development programme with partners including HIE, Chambers of Commerce, and the Scottish Council for Development and Industry
- Implementation of a procurement Competency Framework for the Council
- Achievement of CIPS accreditation of the Council's procurement service.

3.4 Project D, Strategic Sourcing (Objectives 1, 2, 4, and 15)

Overall aim: To form the operational basis of the achievement of procurement excellence by placing procurement at the centre of the business decisions the council makes in terms of delivering its required outcomes, and to implement procurement best practice. It will

- Reduce costs through consolidating disparate contracts into coherent tender packages and eliminating waste
- Improve service by achieving the correct balance of risk between supplier and customer
- Improve quality by clear codification of requirements into full and clear specifications
- Inform the ETS, Contracts Management and Stores systems on the most appropriate means of managing supplies and suppliers under contract.
- Encourage innovation by developing relationships with suppliers on an open and fair basis acting as an intelligent client
- Establish sustainability in procurement by implementing the Council's sustainable procurement policy and ensuring that specifications, contracts, and evaluation criteria are able to make the most of their potential contribution to both environmental sustainability and community benefits.

3.5 Project E, Performance and Management Information (Objective 1, 2, and 15)

Overall aim: To support delivery of the overall programme and pursuit of excellence through development and use of Best Practice Indicator and other information

- Implementation of the Public Sector Portal
- Implementation of use of the Procurement Hub
- Regular monitoring and benchmarking using mandatory Best Practice Indicators

