



Procurement Strategy

2007 - 2010

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Procurement Strategy

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Procurement Strategy

1. Introduction

● BUSINESS APPROACH

Shetland Islands Council is committed to a corporate approach to procurement for all works, services and supplies to be carried out in a professional, timely and efficient manner.

Good procurement practice can in turn enhance the provision of customer-focused services to be efficient, effective and economic.

Council policies will reflect its obligations under EU/UK law, including Best Value, supporting the local economy and encouraging greater collaboration both internally and between other public and private sector organisations.

PROCUREMENT STRATEGY AGENDA

The provision of an effective and measurable framework for all Procurement Policies, Procedures and Practices, that promote the Council's key priorities.

The Procurement Strategy also recognises the Council's objectives in the context of the Scottish Executive agenda on Efficient Government, and the McClelland report on Public Procurement. (Published March 2006)

This document sets out a Procurement Strategy for Shetland Islands Council in line with the Council's agenda for procurement change. A strategy that allows good procurement initiatives to be progressed should deliver: considerable cost savings; support for local contractors, suppliers and service providers; enhance the local economy; help local business to compete for Council and other public sector business, where possible. Essentially, the strategy looks to enhance and develop good procurement practice for the benefit of all concerned.

The strategy, however, is not a mechanism to remove existing procurement and related budgetary responsibilities, nor is it a means to create a rather narrow approach to procurement activity. It does not replace all other procurement policies and procedures, but should allow a more structured approach in their application.

The Strategy builds upon the procurement policy principles approved by Council in June 2005 as taken forward by the Executive Management Team (EMT) and thereafter the Procurement Strategy Project Board. The strategy will provide a corporate procurement structure under which related policies and procedures ensure procurement activity is managed in a manner where greater efficiency, transparency and collaboration are key priorities.

The strategy will be underpinned by updating these policies and procedures bringing them together in summary form in order that they can be easily referenced by officers involved in the procurement process. In addition, procurement reviews of specific products, services and works will be formulated as directed by EMT.

Procurement activity will require to be addressed in departmental Service Plans. This coupled with procurement reviews, will be used by Service Managers to implement the concept of this strategy.

The Procurement Strategy, as a high level document, should drive the procurement process. It will act as the framework by which the Council's corporate priorities can be progressed. The strategy will provide for a coherent approach to the adoption, progression and application of procurement practices across the Council.

Effective, efficient, innovative and collaborative procurement should allow the Council to enhance the provision of goods, works and services, meeting the best value agenda that can maximise savings opportunities. Technology solutions that can improve procurement practices and accessibility in an efficient and economic manner should be progressed where the business case is established. This will require corporate leadership, increased knowledge and professionalism coupled with the need to develop a culture of continuous improvement in all procurement activities.

Procurement Strategy

1. Introduction (continued)

Prior to establishing the project board it was clear that in all but a few areas there is fragmented approach to procurement across the Council. Although steps have been taken to address this, much more requires to be progressed to take advantage of potential savings without impacting on the quality of the products, works and services procured. Standardised procurement processes progressed via a central procurement hub and/or at a co-ordinated departmental level should develop procurement expertise in terms of:

- Management Information
- Strategy and Policy Development
- Standardised Procurement Processes
- Staff Skills
- Collaboration
- Legal requirements
- Learning and continuous improvement

2. Context

● BUSINESS CASE

Project Initiation Document (PID) to develop a corporate approach to Procurement to realise:

Overall net estimated savings on direct Revenue and Capital costs;

Overall savings on overhead and administrative costs;

More efficient working practices;

Continuity of supply under longer-term corporate contracts benefiting both the Council and those it contracts with;

Opportunity to develop and train staff in good procurement practice to meet legislation, policies and procedures applying, in accordance with Best Value.

External business drivers including:

Local Government in Scotland Act 2003;

Supporting the local economy; Use of technology, public sector collaboration and legislative compliance;

'Review of Public Procurement - the McClelland Report'.

✓ PROCUREMENT STRATEGIC CONTEXT (2.1)

Create a procurement service that addresses the aims of the Council's Improvement Plan, and meets the guidelines and recommendations of the Scottish Executive and the Efficient Government agenda.

Following audit recommendations, the Council agreed that a commitment be made to a corporate procurement approach. This requires actions to achieve improvements which will be effective and sustainable. The Procurement Strategy will outline a plan of action. The action plan will offer solutions to address:

- corporate priorities
- procurement principles
- procurement leadership
- accountability and governance
- procurement processes and procedures
- e-procurement
- internal and external collaboration
- identification and capture of savings
- accessibility and sustainability
- procurement education and competences

The Council's action plan, will also link to the [Review of Public Procurement in Scotland – the McClelland Report](#), where this accords with the Council's priorities including sustainability in the local economy. The McClelland report addresses issues similar to those in the Action Plan. The alignment of the Council's Procurement Action Plan to Scottish Executive and other public body initiatives should assist in progressing the Council's commitment to the modernising government agenda.

["The authority should have a strategy for procurement and the management of contracts and contractors to ensure that it treats procurement as a key component in achieving all its objectives."](#) (Ministerial guidelines - Local Government in Scotland Act 2003)

The McClelland Report clearly advocates the importance of procurement activity as a major contributor to the Councils' efforts to provide efficient government and genuine budgetary savings. It is evident that The Scottish Executive, who commissioned the Report, have already undertaken significant steps to implement its recommendations. Shetland Islands Council's Action Plan supported by this Strategy will provide the means to meet and comply with those recommendations, where appropriate.

The McClelland Report includes as a key recommendation, the need to advance procurement practices. This includes the requirement for local government to embrace new technology. With the help of such new technology, it should be possible to harness the combined buying power, where appropriate, to obtain value for money and improve service delivery. This strategy's endorsement of an Action Plan and its recognition of other national aims should achieve better local services and contribute to the effectiveness of procurement in Scotland, as a whole.

ACTIONS (See Appendix 2 - Strategic Objective 2.1)

- Align implementation of the Council's Action Plan under this Strategy, with national initiatives for procurement activities, such as the McClelland Report. Highlighting synergies that should be pursued.

3. Governance and Accountability

● BUSINESS APPROACH

The Scottish Executive, having endorsed the McClelland Report, agree the need for procurement to be given a higher priority both locally and nationally. This has led to a national agenda to raise the profile of procurement within the public sector and that it should play a contributory role in modernising government. Local government must rethink the status of procurement within the structure of the organisation.

Procurement professionals will require to be involved at earlier stages of Council plans, providing recognition and status to procurement functions, increasing accessibility thereby obtaining and using more accurate information.

✓ PROCUREMENT STRATEGIC OBJECTIVE (2.2)

Develop a procurement function with an excellent communication framework at its heart. Provide the means to disseminate best practice, information and advice to all levels of the Council and its stakeholders, as well as providing a framework for reviewing, learning and sharing of knowledge.

Raising the Profile

There is now a recognition to raise the profile of procurement both nationally and locally within the public sector. The main aim is to ensure that procurement is accountable, not only to the organisation's senior management but also to the wider public which it serves.

Within the Council this will mean a more direct route to senior management and a greater involvement in the formulation of Council strategy and policy. Additionally it will entail greater communication between dedicated procurement officials, those who have limited procurement duties and of course clients and service users within the Council.

In the wider community, better consultation with suppliers, contractors and service providers is needed, especially local SMEs, to encourage positive business relationships that can benefit both the Council and the local economy.

Communication with the general public will also form part of the process to ensure that procurement is meeting the community's aspirations for service delivery and, where possible, creating sustainable growth of the local economy, ensuring equality of access, addressing environmental concerns and generally contributing to the quality of life, in accordance with the Council's Corporate Plan.

Every public sector organisation in Scotland has voiced the commitment to collaboration to obtain the maximum benefit for the *public pound*. Such collaboration will only be feasible by promoting regular and informative communication between procurement professionals across all public sectors.

ACTIONS (See Appendix 2 - Strategic Objective 2.2)

- An executive sponsor will represent the procurement service at senior management level.
- A strategic team will co-ordinate procurement activities.
- A Procurement Network will be created to provide a forum for all procurement practitioners within the Council.
- Web sites, both internal and external, will be developed to provide easy access to procurement activities.
- Collaboration will be considered and acted upon objectively in all procurement activities.

Procurement Strategy

4. Redesigning Procurement Process

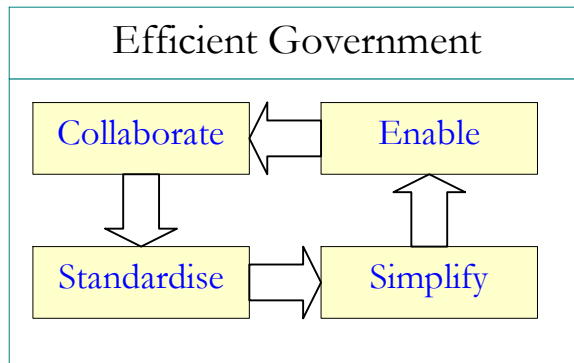
● BUSINESS APPROACH

Shetland Islands Council currently, operates with decentralised procurement functions, underpinned by EU directives, Council Standing Orders, Financial Regulations and various related policies and procedures. The Council now faces a major challenge to align the procurement function to benefit from current proposals and e-business opportunities.

The decentralised approach has resulted in resource duplication with various units of the Council employing differing practices for the same procurement functions. Standards of service, application of related policy and regulatory requirements can, therefore, be inconsistent and jeopardise the Council's obligations to legislative compliance.

The Council will face a major challenge in the re-design of these processes to ensure that they correspond with each other, within and across Council Resources.

There is general recognition at all levels of procurement within Scotland that there is a need to standardise procurement functions. Standardisation is being driven not only to comply with EU legislation, but also by the ongoing widespread introduction of e-technology. It is acknowledged that progress in this area will also support the efficient government initiative.



The McClelland Report and the Scottish Executive already propose standardised processes for public sector procurement. Although there is a case to standardise related processes and documentation within the Council, for obvious efficiency and service gains, this will require careful consideration in the local context when comparisons are made with wider national initiatives and system(s) in use.

The introduction of e-technology, as a key procurement tool, is essential in identifying the potential for change and effecting such change by virtue of standard software application formats. In adopting standardised processes with standard documentation, the Council will be well placed to adapt to e-business opportunities including future legislative requirements.

✓ PROCUREMENT STRATEGIC OBJECTIVE(2.3)

Reduce the cost of the procurement function and ensure legislative compliance through the use of corporate standard processes with appropriate tools across all Council Departments and Units.

ACTIONS (See Appendix 2 - Strategic Objective 2.3)

- Map procurement processes in relation to current legislation and e-procurement requirements.
- Standing Order Compliance be standardised and documented.
- Procurement Network will consult on Internal Collaboration and standardisation.
- Procurement Network will facilitate External Collaboration with Scottish Executive and other stakeholders.
- Standardised Procurement processes and documentation circulated via posting on procurement Web sites and Council intranet.

5. E-procurement

● BUSINESS APPROACH

If electronic procurement is to be developed in the future to significantly contribute to the modernising government agenda, the Council must embrace new ways of thinking, with innovative ideas for doing business, extensive collaboration and use of new technology. It will mean providing services which enables staff, provides up to the minute procurement information, ensures contract compliance, increases internal collaboration, enables suppliers and contractors to meet the Council's obligations as Employer.

✓ PROCUREMENT STRATEGIC OBJECTIVE(2.4)

Review all Procurement processes and functions to develop procurement capacity, ensure compatibility with other Council systems, provide Business Information, improve procurement controls including integration with suppliers and partners, where appropriate.

The E-challenge – The System

Electronic (e)-procurement is not new to Shetland Islands Council. Steps have been taken in the past to progress. These now require to be reviewed in light of the e-procurement agenda now being pursued at a national level.

It is recognised that central to an improved procurement function, e-Procurement will be an essential element.

The Council's e-Procurement Strategy details the business benefits and objectives in relation to Efficient Government. However, it is worth repeating here a number of key business drivers:

- Support for Standardised Processes
- Transparent Integration with the Council's Accounting Systems
- Commitment Accounting
- Automated Catalogues & Market Places
- Business Intelligence
- Improved Contract & Supplier Management

This Strategy recognises the Council's progress to date in the implementation of an integrated suite of Financial Management tools through operation of the Integra System. There is, however, a case to determine if the system(s) available are being utilised in a consistent and efficient manner.

The Procurement Strategy emphasises the business requirement to consolidate and review the lessons of the initial e-Procurement pilot.

ACTIONS (See Appendix 2 - Strategic Objective 2.4)

- Present review proposals for procurement system(s) in operation across the Council to EMT.
- Prepare a detailed Business Case to support the proposals.
- Prepare a detailed implementation plan where a new approach to e-procurement is recommended.

6. Collaboration

● BUSINESS APPROACH

The Council has been party to some collaborative frameworks/contracts, mainly in supplies for some time. However, for procurement as a whole the approach has been fragmented and inconsistent and has not taken full advantage of other potential savings opportunities.

Procurement must embrace, where the case is made, all collaborative opportunities, both internally and externally and consider national frameworks, as recommended by the McClelland Report, in order to gain the benefits from a collective approach to the use of resources and spending power. Key factors to be considered, however, are the local economy, service delivery and logistics.

✓ PROCUREMENT STRATEGIC OBJECTIVE(2.5)

Establish a collaborative culture within the Council. Promote collaboration as the first factor to be considered, whether for internal or external procurement activities.

Economies of Scale

It is now widely recognised that greater national collaboration with external partners from the public sector will:

- Aggregate spend for increased purchasing power
- Can better utilise scarce procurement skills and resources
- Spread best practice procurement
- Simplify dealing with suppliers
- Support e-procurement

It is recognised, however, that for Shetland Islands Council, steps to improve internal collaboration will require to be addressed on a greater scale than at present, before further opportunities for external collaboration are progressed.

The Council in endorsing a more corporate approach to procurement recognises that greater opportunities for more internal collaboration exist. These can be progressed in order to make the best use of the procurement expertise available, avoid duplication of effort whilst taking advantage of economies of scale. Increased internal collaboration, although requiring greater scrutiny under EU Procurement Regulations, can reduce administration costs, provide more accurate management information, support e-procurement initiatives, rationalise the supplier base and encourage standardisation of specification in accordance with related policies, such as sustainable procurement.

The Council will commit to a more consistent participation in collaborative ventures internally and at a Regional and National level, where appropriate. Procurement collaboration, must be considered not only from an efficiency gains viewpoint but also to maintain quality. Collaboration well planned and executed will encourage innovation and should produce measurable savings in monetary and efficiency terms.

ACTIONS (See Appendix 2 - Strategic Objective 2.5)

- Identify existing and further internal procurement opportunities and progress options for corporate collaborative solutions.
- Actively engage in collaborative ventures with external partners, such as NHS Shetland, Trusts, Scottish Executive, other public sector bodies, where appropriate.
- Make use of existing knowledge base regarding collaboration, i.e. established frameworks and pilot procurement projects.

7. Savings and Benefits

● BUSINESS APPROACH

Shetland Islands Council, as a public sector body, is obliged to provide services to required standards, within the resources available. Increasingly as commitments and expectations rise, this can prove difficult when it is also expected that, Council expenditure should be properly controlled and managed.

The Council recognises that efficient procurement can directly benefit the expenditure issue to maintain service delivery, through provision of savings and efficiency benefits which will accrue annually, for the life of the supply contract or service provision.

✓ PROCUREMENT STRATEGIC OBJECTIVE (2.6)

The provision of a Tracking system that accurately identifies and values all perceived benefits accruing from revised procurement activities, that can be measured against recognised standards and can be utilised for regular monitoring and reporting purposes.

Good Procurement Benefits

Good procurement practice should realise savings in expenditure and time. Such savings can have a positive effect on overall Council expenditure that can be easily measured and accounted for. Good procurement practice will also address quality, efficiency gains, equality of opportunity and service level improvement.

In the past, these hidden benefits have been considered a *bonus*, with little attempt to quantify or value these or appreciate their significance to improved service delivery or the effect on Council funds.

The Council has identified, via the Procurement Action Plan, savings targets for the years 2007 to 2010. These particular savings will not be achieved through service level cuts or significant rises in service level charges, but by efficiency measures. It has become essential to accurately identify and quantify both monetary and efficiency benefits to justify resource requirements in order to meet savings targets.

It is essential that the Council consider and implement a Tracking system. The system will provide accountability by providing a cost base for savings verification.

The Council will review the systems already available and where appropriate consult with other local authorities and public sector bodies in developing same.

ACTIONS (See Appendix 2 - Strategic Objective 2.6)

- Review internal reporting tools to identify "Tracking System", consult with the Scottish Executive and other public sector organisations, where necessary, to trial and adopt an appropriate Tracking Tool.
- Engage internally via the Procurement Network to obtain sign-up to the implementation and maintenance of the Tracking Tool.
- Develop a reporting hierarchy for the benefits identified.
- Organise appropriate "Benefits Tracking" training.

8. Sustainability and Transparency

● BUSINESS APPROACH

The Council is required to carry out its procurement activities in an objective and transparent manner. This approach is underpinned legally by the Treaty of Rome, EU Directives, Standing Orders and Codes of Conduct. The Freedom of Information (Scotland) Act 2002 also reinforces this in addition to Council procurement policy principles.

Procurement activities must address sustainability. The community is increasingly aware of the steps being taken regarding environmental sustainability. The Council is also determined to reflect the need for equality of opportunity, social improvement and employment as part of the overall well being of the community. The procurement function can form a key part in these aims.

✓ PROCUREMENT STRATEGIC OBJECTIVE (2.7)

Establish a Procurement culture that recognises accessibility and sustainability as the norm and promotes the Councils objectives for business and the community.

An Open, Objective and Transparent Agenda

In local government there is much more of a requirement to actively promote *accessibility*. This does not only apply to physical accessibility under Disability Discrimination legislation, but also better access to services or access to information held under the Freedom of Information (Scotland) Act 2002. The Council is aware of its obligations regarding access, and has enhanced its Customer Service operations, via an interactive IT website and continuation of a decentralised approach to service provision. Improved procurement services will contribute to and build upon the work carried out to date.

An improved procurement approach will contribute to the Council's objectives to provide business with easily accessible portals in order to engage with the Council. This is especially relevant for local small and medium sized enterprises (SMEs), the voluntary sector, social enterprise organisations and other minority businesses.

Procurement will also endeavour to provide greater accessibility to other Council stakeholders, whether internal or in the wider community.

The Council is also committed to a sustainable approach in all its activities. As part of this commitment, steps have already been taken under Council policy to minimise the environmental impact of its business practices. Practices range from waste disposal and environmental clean-up to the setting of minimum targets of recyclable material in paper products and construction projects.

Procurement is recognised as a major contributor to the sustainable agenda. A comprehensive strategic approach can address local needs and consider wider global responsibilities in the Council's activities.

ACTIONS (See Appendix 2 - Strategic Objective 2.7)

- Provide portals for procurement accessibility via the intranet and the external internet website.
- Liaise with the Economic Development Unit and other parties, to promote and simplify business accessibility.
- Develop a green procurement guide/toolkit
- Develop collaborative (internally and externally) procurement opportunities which fully recognise sustainable and environmental obligations.
- Provide checklists for procurement activities which allow officers to follow sustainability policies and procedures in a transparent manner.

9. Training and Competence

BUSINESS APPROACH

The UK public sector business community has acknowledged the importance of procurement activities in order to: provide opportunities for savings; improve service delivery; ensure legislative compliance; utilise technology to modernise government; improve supply chain management and to address environmental issues such as sustainable development.

The need to equip those involved in procurement with a recognised standard of skills and abilities to achieve these benefits is now, widely accepted.

The Professional Benefit

Procurement has traditionally been viewed as a profession that practitioners “drifted” into, as procurement duties eclipsed their original role. The relevance of good procurement and the contribution it can make to business success is now widely acknowledged, especially in the public sector. Government reports, such as the Byatt and Gershon reports in England and more recently the McClelland Report in Scotland, advocate the need to introduce greater competence through increased skill levels in the procurement function, with adequate professional training and development. The McClelland Report recommends that public sector bodies *professionalise* procurement functions, increase the status of procurement and its accountability.

These reports introduce an agenda to invest in the resources and skills of procurement staff to deliver a procurement function that has a higher priority than is current within the organisation. The McClelland Report refers to guidelines from Ministers in the Local Government in Scotland Act 2003: “The authority should have appropriate procurement expertise, guidance and training to support its procurement activity.” There is no quick fix to provide an immediate solution to this requirement. It is generally recognised that there is a shortage of competent and qualified procurement staff. The McClelland Report estimates the shortage in Scotland to be in the region of 250.

The Council recognises the need for competent staff with improved training in this field that may also offset recruitment constraints. A structured training regime is deemed necessary. Such a regime will present staff with career progression opportunities and retain existing skills and experience. The Council recognise that work is already progressing nationally, therefore, collaboration with other public sector bodies should be considered, under a training plan.

✓ PROCUREMENT STRATEGIC OBJECTIVE (2.8)

Develop Procurement Staff with skills and competences to the necessary professional level.

ACTIONS (See Appendix 2 - Strategic Objective 2.8)

- Identify competences via a skills audit and collate training requirements.
- Actively engage in collaboration with external partners, Scottish Executive, other public sector bodies, to implement a recognised training regime.
- Implement training programmes for staff which support Personal Development with professional qualifications, where appropriate.
- Encourage staff progression internally.

Procurement Strategy

10. Implementation of the Procurement Strategy

● BUSINESS APPROACH

All strategies need an executive sponsor to ensure service delivery.

The role of the Sponsor is to ensure that all elected members and senior officers understand the benefits of efficient, effective procurement for the Council.

In addition the Sponsor should lead strategic procurement development and secure commitment from all parties to establish priorities for the Procurement function and the programme of action as high profile.

The lead role in implementing the Procurement Strategy will be taken by EMT and will be driven forward in each of the Council's Service areas by an appointed procurement representative. It will be the responsibility of all Executive Directors to ensure that Service plans reflect the priority now accorded to procurement by the Council. It is recognised that in taking the Procurement Strategy forward, there will be increased pressure to effect change which may require funding to support initiatives.

The overall direction of procurement for the immediate future (3+ years) has been defined by the Procurement Strategy Project Board approved by the Executive Management Team.

In order to steer the direction of procurement activities necessary under this Procurement Strategy, the Procurement Strategy Project Board, has recommended the appointment of a small specialist team. The team will act as a steering group to ensure the strategy is implemented and that procurement reviews be undertaken by key officers. Procurement reviews will be recommended to EMT by the Head of Finance. The team will oversee the implementation of the strategy, consider funding when appropriate, assist in prioritising the programme of action and report back to the Executive Management Team.

At an operational level the programme of action will be implemented by relevant Heads of Service/Service Managers, who will report back to the specialist team. A main aid to implementation will be the establishment of a Procurement Network comprising of representatives of each Service area.

✓ PROCUREMENT STRATEGIC OBJECTIVE (2.9)

“The provision of a Procurement function that can combine technology and best procurement practice with effective review and learning to facilitate effective business outcomes.”

ACTIONS (See Appendix 2 - Strategic Objective 2.9)

- The Procurement Strategy Project Board will disband after approval of the strategy by EMT and Council.
- EMT will approve an executive sponsor and a specialist team to implement the Procurement Strategy as well as establishing a Procurement Network to assist Heads of Service. This will be developed and meet monthly, initially, to drive implementation and act as a forum for procurement activities generally.
- EMT guided by recommendations from the Head of Finance will approve a list of products/services that will be subject to procurement review.
- The Specialist Team will monitor implementation of the strategy and procurement reviews and report to the executive sponsor. The Action Plan will be in the form of a Traffic Light update report.

Procurement Strategy

APPENDIX 1a

1 Procurement Review Checklist

Managers and Staff are asked to note the requirements of the Procurement Strategy when implementing a Procurement Solution. The checklist is as follows,

Ref	Procurement Checklist
1	Is there an existing contract for the goods, work or service in place within your Service?
2	Is there an existing contract for the goods, work or service in place within Shetland Islands Council?
3	Is there an existing contract for the goods, work or service in place with collaborative partners, e.g. OGC?
4	Is there an opportunity, via the Procurement Network, to collaborate, either internally or externally
5	Is there a requirement to procure according to the EU Procurement Regulations? (Check Contract Compliance)
6	Will the procurement conform to Council Standing Orders Relating to Tenders and Contracts?
7	Is there a requirement to conduct an Environmental Impact Assessment?
8	Is there a need to consult other user groups?
9	Will the procurement allow for Racial Equality, Equal Opportunities, Sustainability requirements?
10	Is there a requirement for Tenderer Selection and a Tender Evaluation Model?
11	Is there a requirement for an Alcatel standstill period under EU Regulations?
12	Is there value in conducting the procurement process electronically – by e-tender or e-auction?
13	Will the procurement provide a solution compatible with the SIC e-procurement system?
14	Will the procurement provide a solution compatible with the SIC purchasing card strategy?

2 Business Justification

Managers and staff are also asked to note, in preparing their Procurement Business Case, the high level business justification to meet Best Value requirements,

Ref	Business Justification
1	Does the procurement solution improve client and user satisfaction?
2	Does the procurement solution increase service level provision?
3	Does the procurement solution provide measurable benefits in efficiency or cash savings?
4	Does the procurement solution improve the quality of service provision?
5	Does the procurement solution increase accessibility to prospective service providers?
6	Does the procurement solution increase accessibility to service users?
7	Does the procurement solution offer sustainable improvements?
8	Does the procurement solution offer e-business advantages?
9	Does the procurement solution offer the Best Value option?

Procurement Strategy

APPENDIX 1a

3. Procurement Tender Process Checklist

Ref	Check	Note
1	Checked for an existing contract for the proposed procurement	If not, you should refer the procurement to your line manager, your Service procurement representative, the Procurement Network, the Strategic Procurement Team.
2	Verified there is a budget/fund available for the procurement and the procurement process.	If not, you should refer the procurement to your line manager or your Service procurement representative.
3	Evaluated the possibilities of a collaboration	If not, discuss with your Service procurement representative and the Strategic Procurement Team
4	Evaluated the Council's legislative obligations for the procurement – the requirement to meet EU Regulations, especially aggregation rules, and Council Standing Orders	If not consult your line manager, your Service procurement representative and Contract Compliance/Legal.
5	Where EU Regulations apply decided upon type of tender process – open, restricted, competitive dialogue, negotiated, etc.	If not, consult your Service procurement representative, the Strategic Procurement Team and Contract Compliance/Legal.
6	Identified the need for, and conducted a consultation – either a user group consultation or an Environmental Impact Assessment (EIA) consultation.	If not, consult your line manager regarding a user group consultation. For an EIA consultation you must consult the SIC Environmental Health Section.
7	Considered an electronic tender option, either e-tender or e-auction.	If not, consult your Service procurement representative or the Strategic Procurement Team and ICT.
8	Considered Council policy and other legal obligations relating to your tender, for example the level of sustainability, equality of access, Race Equality provision.	If not, consult your Service procurement representative, the Strategic Procurement Team, Waste Management and Contract Compliance/Legal.
9	Arranged for adequate advertising for prospective tenderers via a selection process or use of the Council's approved list.	If not, consult your line manager, your Service procurement representative or the Strategic Procurement Team and Contract Compliance.
10	Considered the procurement and contract "fit" with the Council's e-procurement or purchasing card system.	If not, consult your Service procurement representative, the Strategic Procurement Team and IT services.
11	Formed a working group to prepare tendering exercise and related documentation.	If not consult your line manager, technical staff, users, your Service procurement representative, or the Strategic Procurement Team and Contract Compliance.

Procurement Strategy

APPENDIX 1b

Procurement Principles

1. Procurement exercises must achieve the statutory requirement of Best Value

This includes the objectives of efficiently acquiring and delivering the appropriate goods, works and services (suitable quality) for the best price (economy) in a way which best meets the requirements of the service and the Council (effectiveness).

2. Promotion of a competitive local market in goods, works and services

There should be a prejudice in favour of local sourcing of goods, works and services in order to support the local economy and to encourage competitiveness within it, wherever possible.

3. Low overheads

Procurement processes should minimise SIC overheads (whether storage facilities or administrative burdens), which implies just-in-time delivery, probably by local suppliers, with the simplest possible internal charging arrangements (probably annual recharging).

4. Quick and measurable savings

There is an imperative (set by the Chief Executive) to get early benefits to justify this approach, which requires the measurement of the existing baselines and to monitor results accurately against those baselines.

5. Environmental sustainability

The pursuit of good environmental outcomes implies a prejudice in favour of local supplies with low transport costs, low waste and good recyclability.

6. Volume Purchasing

Consideration requires to be given to volume purchasing and procuring centrally on a corporate basis, whilst supporting the local economy as detailed in 2 above.

7. Simplicity in Operation

It is essential that those who will use the procurement methods established, find them easy to learn and operate with minimum administrative effort, no duplication and less documentation, whilst maintaining the integrity of the process.

8. Communication

Must underpin the whole process throughout, involving all stakeholders with advice of relevant Council officers at key stages.

Procurement Strategy

Appendix 2 - Summary of Strategic Objectives Action Plan

Strategic Objective	Rationale	Who	Action	When
<input checked="" type="checkbox"/> 2.1 Create a procurement service that addresses the aims of the Council's Improvement Plan, and meets the guidelines and recommendations of the Scottish Executive and the Efficient Government agenda.	<ul style="list-style-type: none"> ▪ Implement strategy with high level support ▪ Raise visibility and importance of procurement ▪ Improve internal communication and collaboration ▪ Create a strategic centre for information and advice 	EMT via an executive sponsor Head of Organisational Development Head of Finance Specialist Procurement Team Procurement Network ICT Unit	<ul style="list-style-type: none"> ▪ Align implementation of the Council's Action Plan under this Strategy, with national initiatives for procurement activities, such as the McClelland Report. Highlighting synergies that should be pursued. 	Ongoing to 2008


Procurement Strategy

Appendix 2 - Summary of Strategic Objectives


Action Plan

Strategic Objective	Rationale	Who	Action	When
<p><input checked="" type="checkbox"/> 2.3 Reduce the cost of the procurement function and ensure legislative compliance through the use of a corporate standard processes with appropriate tools across all Council Departments and Units.</p>	<ul style="list-style-type: none"> ▪ Improve business information re; procurement processes ▪ Apply consistent standards ▪ Ensure legislative compliance ▪ Review and embed Council policies 	<p>Specialist Procurement Team Head of Finance Head of Legal and Administration Procurement Network ICT Unit Manager</p>	<p>Map procurement processes in relation to current legislation and e-procurement requirements. Standing Order Compliance be standardised and documented. Procurement Network will consult on Internal Collaboration and standardisation. Procurement Network will facilitate External Collaboration with Scottish Executive and other stakeholders.</p> <hr/> <p>Standardised Procurement processes and documentation circulated via posting on procurement Web sites and Council intranet.</p>	<p>Ongoing to 2009</p>
<p><input checked="" type="checkbox"/> 2.4 Review all Procurement processes and functions to develop procurement capacity, ensure compatibility with other Council systems, provide Business Information, improve procurement controls including integration with suppliers and partners, where appropriate.</p>	<ul style="list-style-type: none"> ▪ Establish the Council at the business and technology forefront of the Efficient Government agenda. ▪ To automate the Procure to Pay process ▪ Reduce costs and introduce greater efficiency in the procurement process 	<p>ICT Unit Manager Head of Finance e-Procurement Project Group Internal Customers Technology Partners Specialist Procurement Team External Stakeholders – suppliers, service providers</p>	<p>Present review proposals for procurement system(s) in operation across the Council to EMT. Prepare a detailed Business Case to support the proposals.</p> <hr/> <p>Prepare a detailed implementation plan where a new approach to e-procurement is recommended.</p>	<p>December 2007</p> <p>December 2007</p> <p>Ongoing from January 2008</p>


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Strategic Objective	Rationale	Who	Action	When
 <p>2.5 Establish a collaborative culture within the Council. Promote collaboration as the first factor to be considered, whether for internal or external procurement activities.</p>	<ul style="list-style-type: none"> ▪ To challenge the inefficiencies associated with disparate procurement. ▪ To address recommendations of the McClelland Report ▪ To ensure compliance where aggregation rules apply ▪ To obtain Best Value ▪ To address audit recommendations regarding corporate tendering. 	<ul style="list-style-type: none"> ▪ Head of Finance ▪ Specialist Procurement Team ▪ Heads of Service ▪ Procurement Partners –NHS Shetland, Scottish Water, Trusts, OIC, Scottish Executive, OGC, other public sector bodies 	<p>Identify existing and further internal procurement opportunities and progress options for corporate collaborative solutions.</p> <p>Actively engage in collaborative ventures with external partners, such as NHS Shetland, Trusts, Scottish Executive, other public sector bodies, where appropriate.</p> <p>Make use of existing knowledge base regarding collaboration, i.e. established frameworks and pilot procurement projects.</p>	<p>December 2007</p> <p>Ongoing from July 2007</p> <p>Ongoing</p>


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Strategic Objective	Rationale	Who	Action	When
 <p>2.6 The provision of a Tracking system that accurately identifies and values all perceived benefits accruing from revised procurement activities, that can be measured against recognised standards and can be utilised for regular monitoring and reporting purposes.</p>	<ul style="list-style-type: none"> ▪ To accurately monitor and report benefits accrued. ▪ To adopt a model which allows easy comparison both internally and with other public bodies. ▪ Introduce consistency of approach to savings monitoring ▪ Create the basis for a benchmarking network 	<ul style="list-style-type: none"> ▪ Head of Finance ▪ ICT Unit Manager ▪ Specialist Procurement Team ▪ Procurement Network 	<p>Review internal reporting tools to identify “Tracking System”, consult with the Scottish Executive and other public sector organisations, where necessary to trial and adopt an appropriate Tracking Tool.</p> <p>Engage internally via the Procurement Network to obtain sign-up to the implementation and maintenance of the Tracking Tool.</p> <p>Develop a reporting hierarchy for the benefits identified.</p> <p>Organise appropriate “Benefits Tracking” training.</p>	<p>July– December 2007</p> <p>Ongoing from July 2007</p> <p>July 2007</p> <p>Jan 2008</p>


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Strategic Objective	Rationale	Who	Action	When
 2.7 Establish a Procurement culture that recognises accessibility and sustainability as the norm and promotes the Councils objectives for business and the community.	<ul style="list-style-type: none"> ▪ To embed the Council’s sustainability policy in the procurement process ▪ To improve accessibility to procurement for the community ▪ To reflect the Councils commitment to the environment. ▪ To fulfil legislative obligations 	<ul style="list-style-type: none"> ▪ Head of Environment & Building Services ▪ Head of Community Development ▪ ICT Unit Manager ▪ Specialist Procurement Team ▪ Procurement Network 	<p>Provide portals for procurement accessibility via the intranet and the external internet website.</p> <p>Liaise with the Economic Development Unit and other parties, to promote and simplify business accessibility.</p> <p>Develop a green procurement guide/toolkit.</p> <p>Develop collaborative (internally and externally) procurement opportunities which fully recognise sustainable and environmental obligations.</p> <hr/> <p>Provide checklists for procurement activities which allow officers to follow sustainability policies and procedures in a transparent manner.</p>	<p>By July 2007</p> <p>Ongoing to December 2007</p> <p>Ongoing to December 2007</p> <p>By July 2007</p>

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Strategic Objective	Rationale	Who	Action	When
 2.8 Develop Procurement Staff with skills and competences to the necessary professional level.	<ul style="list-style-type: none"> ▪ To meet the recommendation of the McClelland Report (now endorsed by the Scottish Executive) ▪ To apply improvement to the delivery of procurement services ▪ To identify and address skills gap ▪ Participate in national initiative to raise procurement standards ▪ Motivate and empower staff ▪ Reinforce the Council commitment to Personal Development 	<ul style="list-style-type: none"> ▪ Head of Organisational Development ▪ Train Shetland ▪ Specialist Procurement Team ▪ Procurement Network ▪ Procurement Partners OIC, Trusts, Shetland Enterprise, Scottish Executive 	<p>Identify competences via a skills audit and collate training requirements.</p> <p>Actively engage in collaboration with external partners, Scottish Executive, other public sector bodies, to implement a recognised training regime.</p> <p>Implement training programmes for staff which support Personal Development with professional qualifications, where appropriate.</p> <hr/> <p>Encourage staff progression internally.</p>	<p>September 2007</p> <p>By December 2007</p> <p>Ongoing from July 2007</p> <p>Ongoing</p>

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Strategic Objective	Rationale	Who	Action	When
 <p>2.9 “The provision of a Procurement function that can combine technology and best procurement practice with effective review and learning to facilitate effective business outcomes.”</p>	<ul style="list-style-type: none"> ▪ To establish the Council as a centre of procurement excellence ▪ Deliver measurable procurement performance ▪ Enhance relationships with suppliers and procurement partners ▪ Deliver identifiable savings 	<ul style="list-style-type: none"> ▪ Executive sponsor ▪ Head of Finance ▪ ICT Unit Manager ▪ Head of Legal and Administration ▪ Head pf Organisational Development ▪ Specialist Procurement Team ▪ Procurement Network ▪ Customers and suppliers 	<p>The Procurement Strategy Project Board will disband after approval of the strategy by EMT and Council.</p> <p>EMT will approve an executive sponsor and a specialist team to implement the Procurement Strategy as well as establishing a Procurement Network to assist Heads of Service. This will be developed and meet monthly, initially, to drive implementation and act as a forum for procurement activities generally.</p> <p>EMT guided by recommendation from the Head of Finance will approve a list of products/services that will be subject to procurement review.</p> <hr/> <p>The Specialist Team will monitor implementation of the strategy and procurement reviews and report to the executive sponsor. The Action Plan will be in the form of a Traffic Light update report.</p>	<p>By July 2007</p> <p>July 2007</p> <p>Ongoing from July 2007</p> <p>Ongoing to 2010</p> <p>July 2007 with quarterly reporting.</p>

Procurement Strategy

Appendix 3 – Service Planning Example

Procurement Action Plan 2007-08: Maintenance Services

[This should detail procurement actions to be undertaken during 2007-08]

Budget (£)	Description of work/service/supply	Officer Involved	Procurement Options (refer to procurement c/list)	Start/ Completion Date
75,000	New equipment	A.N.Other	Consider collaboration	June 07 / Jan 08
150,000	Maintenance testing	A.N.Other	Tendering exercise under EU Regulations.	Aug 07 / Feb 08

Note: Start /Completion dates refer to the procedure to be followed. Allowance will require to be made for appropriate lead in time subject to the procurement procedures applying, advice to be sought from Legal & Contract Compliance.

Procurement Strategy

Appendix 4 - Pilot Projects Summary

<u>Goods/Work/Service</u>	<u>Lead Officer / Contact details</u>	<u>Review conclusions & Recommendation</u>
1. Travel	Head of Finance	Standardise procurement process, with simple transactions being booked by in-house staff (usually on-line), and complex transactions being booked by one of the local travel agents (after quotes are obtained from both). Savings estimated in the range £(29,000-210,000) per annum. Actual results to 31 March 2007 to be reported in July 2007.
2. Franking Machines	Contract Compliance Manager	Centralise a franked mail service for Lerwick based depts//units and target discounts to save on "clean mail" postage expenditure.
3. Supply of Foodstuffs	Waste Services Manager	Ongoing
4. Supply of Paper	Head of Legal and Administration	Ongoing
5. Consultancy Services	Senior Capital Projects Manager	Ongoing (See also Internal Audit Report - Contracts Investigation Follow up)

Appendix 5

Review of Public Procurement in Scotland John F. McClelland (March 2006)

Highlight of Review Conclusions

- Some progress made to date but not consistently across the whole public sector
- Specific good work has created some “islands of excellence”
- Urgent action required to on governance issues
- Higher priority needed for procurement
- Action also required on resources and skills. Some investment is necessary
- Attention to basic practices essential to deliver already targeted financial savings
- More leadership needed from centre with policy being mandatory
- New approaches and supplier charter are required to address significant concerns held by suppliers
- Advanced procurement practices have to be pursued
- More collaboration also needed
- New “Commodity Centres of Expertise” – a vital step
- Achievement of superior performance will deliver Best Value and long-term savings above current targets
- Direction understood – missing ingredient is conviction to implement. A Procurement Reform Board is proposed in support of this. Ministerial support is a prerequisite.

A copy of the report is available on the Scottish Executive website: www.scotland.gov.uk

<http://www.scotland.gov.uk/Resource/Doc/96269/0023302.pdf>
