

FALKIRK COUNCIL

**Subject: PROCUREMENT STRATEGY UPDATE**  
**Meeting: EXECUTIVE**  
**Date: 29 April 2014**  
**Author: DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

**1. INTRODUCTION**

- 1.1 This report provides an update on progress with delivering the outcomes set out in the Council's Corporate Procurement Strategy 2011-14. The report also provides a new Procurement Strategy for the coming three year period i.e.: 2014–2017 for Member consideration.

**2. BACKGROUND**

- 2.1 The Council's Procurement Strategy was approved in June 2011 and covers the 3 year period to 2014. The Strategy sets out a procurement vision that reflects both corporate and service policies and priorities.

**Procurement Vision**

*“To secure Best Value through professional, planned and sustainable procurement, which best meets the needs of our communities and supports the delivery of the Council's Corporate Plan Goals”*

- 2.2 Good procurement practice is therefore at the centre of ensuring the Council delivers the Services our communities need and supports the delivery of our Corporate Plan objectives.
- 2.3 In addition to the delivering the Procurement Vision, the Strategy also supports the Council's drive to improve its procurement activities and aim to achieve “Improved” PCA status, during the life of the current Strategy.
- 2.4 To support the Procurement Vision, three core procurement themes have been identified, with six key areas of improvement and development (Six “S”s).

<b>PROCUREMENT THEME</b>	<b>STRATEGIC OUTCOMES</b>
Maintaining the highest standards of corporate governance through developing and implementing best practice procurement <b>Structures</b> and <b>Systems</b> .	Procurement activity conducted to the highest possible standard with no duplication. 100% of procurable spend is covered by a professional procurement process
Embedding <b>Sustainable</b> procurement into all our activities and improving access to our contract, particularly for local businesses and <b>SMEs</b>	Council contracts are accessible and SME and third sector are increasingly doing business with the Council. Procurement contributes fully to the Council's sustainability and carbon reduction plans.

Maximising procurement <b>Skills</b> to support the delivery of quality front line services and collaborating with others to deliver <b>Savings</b>	Collaborative opportunities will be maximised and deliver tangible and long lasting savings and benefits through procurement. There is Council wide awareness of how procurement contributes to efficiencies and improved services.
---	--

### 3. PROCUREMENT STRATEGY 2011-14 UPDATE

3.1 Over the past three years the Council's procurement activity has been successful in delivering a range of outcomes and improvements across the 3 core themes. In delivering these outcomes, the Strategy has made a direct contribution to delivering on the Council's values, as set out in the Council's Corporate Plan.

3.2 In particular, the Procurement Strategy has provided the impetus and direction to deliver:

- Year on year improvement assessed via the Procurement Capability Assessment process. The Council has progressed from an assessed score of 24 (Non-Conformance) in 2009 to 60 (Improved) in 2013
- c£3m of savings, with a further c£1m programmed as part of the 2014/15 budget
- Support to Local Companies to access and compete for other Public Sector work, with Falkirk based companies securing c£150m pa of other local authority work
- Growth in collaborative procurement, with over £45m of goods and services sourced through collaborative contracting arrangements in 2013/14 i.e.: National and Scotland Excel contracts

3.3 The table below summarises other areas of progress across the 3 themes, aligned to the Council's values.

THEME	PROGRESS
Maintaining the highest standards of corporate governance through developing and implementing best practice procurement <b>Structures</b> and <b>Systems</b> .  Core Value: <b>Public Service</b> <ul style="list-style-type: none"> <li>• Fairness</li> <li>• Listening &amp; responding</li> <li>• Being open, accessible and accountable</li> </ul>	<ul style="list-style-type: none"> <li>• "Procurement Team of the Year" Award at the Scottish GO (Govt Opportunities) 2013 Awards Ceremony</li> <li>• Permanent procurement team structure now in place, supported by the establishment of cross service commodity teams, reporting to the Council's Procurement Board</li> <li>• Revised Contract Standing Orders implemented, supported by service wide training.</li> <li>• One of only 5 Local Authorities with over 90% of expenditure covered by Commodity Strategies.</li> <li>• Roll-out of e-procurement technology across the Council</li> <li>• Full adoption of Public Contract Scotland technologies, including c£2.8m procured via Quick Quotes over the last year and piloting the use of PCS tender</li> </ul>

<p>Embedding <b>Sustainable</b> procurement into all our activities and improving access to our contract, particularly for local businesses and <b>SMEs</b></p> <p>Core Value: <b><i>Partnership</i></b></p> <ul style="list-style-type: none"> <li>• Effective communication</li> <li>• Sharing decision-making</li> <li>• Encouraging partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Procurement Action Plan and Guide in place, including guidance on Supporting the Local Economy Through Procurement</li> <li>• Recognised best practice sustainable procurement work by Zero Waste Scotland and Sustainable Scotland Network</li> <li>• Achieved silver status, as part of the WWF “What Wood You Choose Campaign” and signed up to a Gold pledge</li> <li>• Over 200 Falkirk Council residents have benefited from work based training and employment opportunities, through our adoption of community benefits clauses across all our areas of spend and not just major construction projects</li> <li>• Influencing and working with partners to maximise locally available training and job opportunities.</li> <li>• Updated “How to do Business” guide for suppliers, supported by regular attendance at business forums and meet the buyer events</li> <li>• Fully committed to the national supplier development programme and closely work with Business Gateway</li> <li>• Establishing small lots to create opportunities for SMEs and local businesses who would be unable to take on larger contracts e.g.: meat; fish and fresh fruit and veg.</li> <li>• Fully adopted the principles of the Supplier Charter, including quicker payments and standard PQQ’s</li> <li>• Nationally recognised for excellence in developing Public Social Partnerships with voluntary organisations and third sector (IRISS)</li> </ul>
<p>Maximising procurement <b>Skills</b> to support the delivery of quality front line services and collaborating with others to deliver <b>Savings</b></p> <p>Core Value: <b><i>Performance</i></b></p> <ul style="list-style-type: none"> <li>• Providing quality</li> <li>• Achieving value for money</li> <li>• Promoting innovation</li> <li>• Seeking continuous improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Training delivered to over 200 officers</li> <li>• Procurement Guides and supporting information in place for buyers, including new Contract Management procedures</li> <li>• Maximising the use of collaborative contracts, with over £45m of goods and services sourced through collaborative contracting arrangements in 2013/14</li> </ul>

#### 4. PROCUREMENT STRATEGY 2014 – 2017

4.1 In developing the Procurement Strategy for the next 3 years, it is recognised that there are a number of significant challenges to be faced, including:

- Deliver on-going and significant levels of procurement related savings to support the Council meet the current and forthcoming financial pressures.
- Support and grow local businesses through the current economic difficulties, through helping them access Council and other public sector contracts.
- Provide and maximise employment and training opportunities for Falkirk Council residents, to support growth in our local economy.
- Continued PCA improvement towards “Superior” performance status and a greater focus on early and incisive market research; embedding contract and supplier management across the Council; increasing the automation of procurement processes and improving procurement management information.

4.2 Additionally, the Procurement Strategy for 2014 – 2017 is seeking to deliver improvement within a changing and uncertain legislative and regulatory framework, including the new Scottish Procurement Reform Bill; revised Public Procurement Directives and an increasingly robust assessment framework.

4.3 The Procurement Reform (Scotland) Bill was introduced to the Scottish Parliament in October 2013. The Bill is a significant element of the continuing Public Procurement Reform Programme and will establish a national legislative framework for sustainable public procurement. Whilst the Bill is proposing a wide range of significant changes to public sector procurement, it is considered that the Council is well positioned to meet the Bill requirements once approved. Outlined below is the Council’s current position, compared to some of the main themes/proposals contained within the Bill as currently drafted.

<b>REFORM BILL PROVISION</b>	<b>COUNCIL POSITION</b>
<p>Regulated contracts (&gt;£50,000 for Goods and Services &amp; &gt;£2,000,000 for works) to be included within the scope of the Bill. This will include a sustainable procurement duty for all regulated contracts to:</p> <ul style="list-style-type: none"> <li>• improve the economic, social, and environmental wellbeing of the authority’s area;</li> <li>• facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process.</li> </ul>	<p>The council already uses a threshold of £50,000 to identify lower value contracts, for Goods, Works and Services.</p> <p>These lower value contracts are subject to a full contracting process and the Council is therefore well placed to meet any duties or obligations (including the Sustainable procurement duty) introduced for Regulated Contracts.</p>
<p>All regulated contracts must be published on the Public Contracts Scotland website</p>	<p>Falkirk Council currently publishes all contract notices above £50,000 on Public Contracts Scotland.</p>

The authority is to publish procurement strategies and annual reports.	The Council has had a procurement strategy in place since 2008 and reports through the Procurement Board on progress against strategy objectives.
Community benefit requirements must apply to all contracts at or above £4m	Community Benefit requirements are included in all relevant Falkirk Council contracts for goods, works & services above £50,000.
Prohibiting contracting authorities charging for participating in the procurement process and for procurement documentation	Falkirk Council does not charge suppliers for participating in the procurement process or for procurement documentation
Debrief information must be provided to both successful bidders (if requested) and unsuccessful bidders, and to those excluded from bidding, providing the opportunity to request additional information in a defined timescale.	Detailed information is included in the unsuccessful letter and a further debrief is offered to both successful and unsuccessful bidders for all contracts above £50,000.

4.4 Given the Council's current procurement direction and scope of activities and not withstanding the future challenges, the current Procurement Vision as set out in paragraph 2.1 is still considered to be valid and robust. As such, it is proposed that the Vision and the 3 supporting Themes remain unchanged in the new Strategy.

4.5 Although much of the current Procurement Strategy structure for 2014/17 has been retained from the current Strategy, there is an increased focus on Sustainability and Supporting SME's, particularly local businesses. This also reflects the focus and emphasis of the Procurement Reform Bill. In particular, the Strategy aims to deliver the following benefits:

- Social and local economic benefits from our procurement are maximised;
- Environmental impacts are minimised and environmental benefits maximised from our procurement activity
- Falkirk Council has a vibrant and sustainable supply chain
- Sustainable procurement is embedded across Council activities

4.6 The Strategy will be supported by a number of key activities and a more detailed Annual Procurement Improvement Plans will also be developed and progress monitored through the Council's Procurement Board. The activities detailed in the Appendix to the Strategy, develop and build upon existing work-streams and include:

- Ensuring contract management procedures are embedded across all contracting activities
- Embedding the principles of the Sustainable Procurement Guide across Services, including focus on Local Economic considerations.

- Automating the procurement processes to ensure full compliance with Contract Standing Orders and Financial Regulations
- Working with local SMEs and the third sector to access and compete for Public Sector work
- Increasing the scope and coverage of community benefits and sustainability clauses to lower value contracts
- Working with suppliers and providers to share and adopt best practice e.g.: payment of living wage
- Enhancing procurement capability across the Council through training and guidance
- Realising tangible savings as part of the Councils financial strategy

## **5. RECOMMENDATIONS**

**Members are invited to:**

- 5.1 Note the outcomes from the 2011-2014 Procurement Strategy set out in Section 3 and**
- 5.2 Approve the 2014-2017 Corporate Procurement Strategy attached in Appendix 1.**

## **DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

Date 31 March 2014

Ref:

Contact Officers: David McGhee, Head of Resources & Procurement, extn 0788  
William McQuillan, Procurement and Performance Manager, extn 0810

### **BACKGROUND PAPERS**

1. Procurement Strategy 2011 - 2014

Any person wishing to inspect the background papers listed above should contact the officers listed above.