



FALKIRK COUNCIL

CORPORATE

PROCUREMENT STRATEGY

2011 - 2014

CONTENTS

- 1. PROCUREMENT VISION**
- 2. INTRODUCTION**
- 3. CONTEXT**
- 4. REVIEW OF PREVIOUS STRATEGY**
- 5. GOVERNANCE ARRANGEMENTS FOR PROCUREMENT**
- 6. PROCUREMENT - The Six “S”s**
- 7. RISK MANAGEMENT**
- 8. CONCLUSION**

APPENDIX: ONE

- 1. Three year targets for each procurement theme**

1. PROCUREMENT VISION

The Council is committed to enhancing its procurement capabilities to respond to a national agenda, which is demanding accelerated year on year improvement in procurement performance.

The 2010 national Procurement Capabilities Assessment (PCA) placed Falkirk Council (the Council) firmly in “Compliance” status. Over the period of the 2011-2014 Procurement Strategy (the Strategy) the Council will continue to drive improvement in its procurement activities and aim to attain “Improved” PCA status.

To ensure the Strategy is a success and “Improved” status is secured, the Council is committed to increasing the scope and influence of its Central Purchasing Unit (CPU). This commitment will deliver new ways of working and establish stronger partnerships between the CPU and all service departments.

Communication of the Strategy and gaining the full support of all services will be crucial to ensuring that the Council can improve its procurement activities. The Strategy, therefore, 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. INTRODUCTION

Procurement is the whole process of acquisition from third parties and covers goods, services and works. The aim of the Strategy is to ensure that the Council uses procurement strategically to deliver its Vision, support strategic priorities and sustain the delivery of quality front line services.

To achieve this, the Strategy sets out a number of key procurement themes. These themes are structured to help ensure effective procurement across the whole organisation, so the Council's vision and strategic priorities can be delivered.

The strategy document combines detailed proposals for reform with a flexible planning framework, within which further developments in procurement can evolve. This will enable the Council to respond to the changing public sector procurement environment and encourage continuous improvement and innovation.

It also communicates the Council's vision for procurement and will provide a framework within which all procurement activity by the Council can be managed. The strategy will be made available to all key stakeholders, including Council staff and suppliers in the private and voluntary sectors.

3. CONTEXT

Over the period of the Strategy the Council will be faced with very difficult decisions over reducing budgets, whilst at the same time rising to the challenge of protecting front line services. Strategic procurement and accelerating procurement reform will enable the Council to achieve significant savings and improve service outcomes.

This focus on the contribution that enhancing procurement capabilities can make to savings and protecting front line services, is reflected in the national aspiration that all 32 Scottish Local Authorities will achieve “Improved” Procurement PCA status by the end of 2012.

In the context of the reform of public finances and wider economic conditions, the local economy is also facing a range of challenges. It is therefore essential that over the period of the Strategy, the Council through its procurement activity promotes and sustains local economic activity, wherever possible.

4. REVIEW OF PREVIOUS STRATEGY

The Council's 2008-2011 Corporate Procurement Strategy, was structured to support the Council's response to the recommendations contained within the McClelland report. In particular, the Strategy focused on improving purchasing practice and achieving savings through procurement.

The Strategy reflected the Council's values of *Public Service*, *Performance* and *Partnership*. Over the past three years procurement activity has been successful in supporting the Council's values in a number of ways, some of which are set out below:

Public Service

Public Service has been improved through the establishment of a Procurement Board, supported by User Intelligence Groups. These arrangements have ensured much closer working arrangements between service based procurement activities and the Council's CPU.

The new Council management structure also provides a stronger model of governance, with clearer roles and responsibilities for Procurement matters established at both Chief Officer and Service Unit Manager tiers.

Suppliers have also been provided with increased access to information on contract opportunities, through further development of the Council's tendering web site, increased advertising, less burdensome tendering processes, attendance at "meet the buyer" events and the distribution in 2010, of an updated "How to do business" guide for suppliers.

Performance

Performance has been improved through the realisation of significant cash savings of over £2million. These savings have been delivered across a wide range of Council activities, including Care, Telephony, Water Services, Building Materials, Transportation and Facility Management Services.

New contractor and supplier management procedures have also improved communication with suppliers and this in turn has delivered improved service reliability and quality.

Process cost savings have also been achieved through a programme of expanding the use of procurement cards and other e-procurement initiatives, with c£10million per annum now procured by procurement card.

The CPU has, from 2010, used the national advertisement portal for issuing all tender documents. Work also commenced in 2010 to facilitate the full electronic return of tender documents. It is planned that this process will become the Council's usual way of doing business by the end of 2011.

Partnership

Partnership activity has developed and over the period of the last Strategy a number of major collaborative contracts have been established e.g.: the Council now participates in National Category “A” contracts for Energy, Water, Paper and Office Products.

The Council has also been a fully operating member of Scotland Excel since October 2010. It is anticipated that by the end of 2011 the Council will be participating in over 20 Category “B” Excel contacts. Savings are expected to increase as contract participation grows.

The Council continues to work in collaboration, at a regional level, with Stirling and Clackmannanshire Councils and has also now entered into the first joint procurement exercise with West Lothian Council.

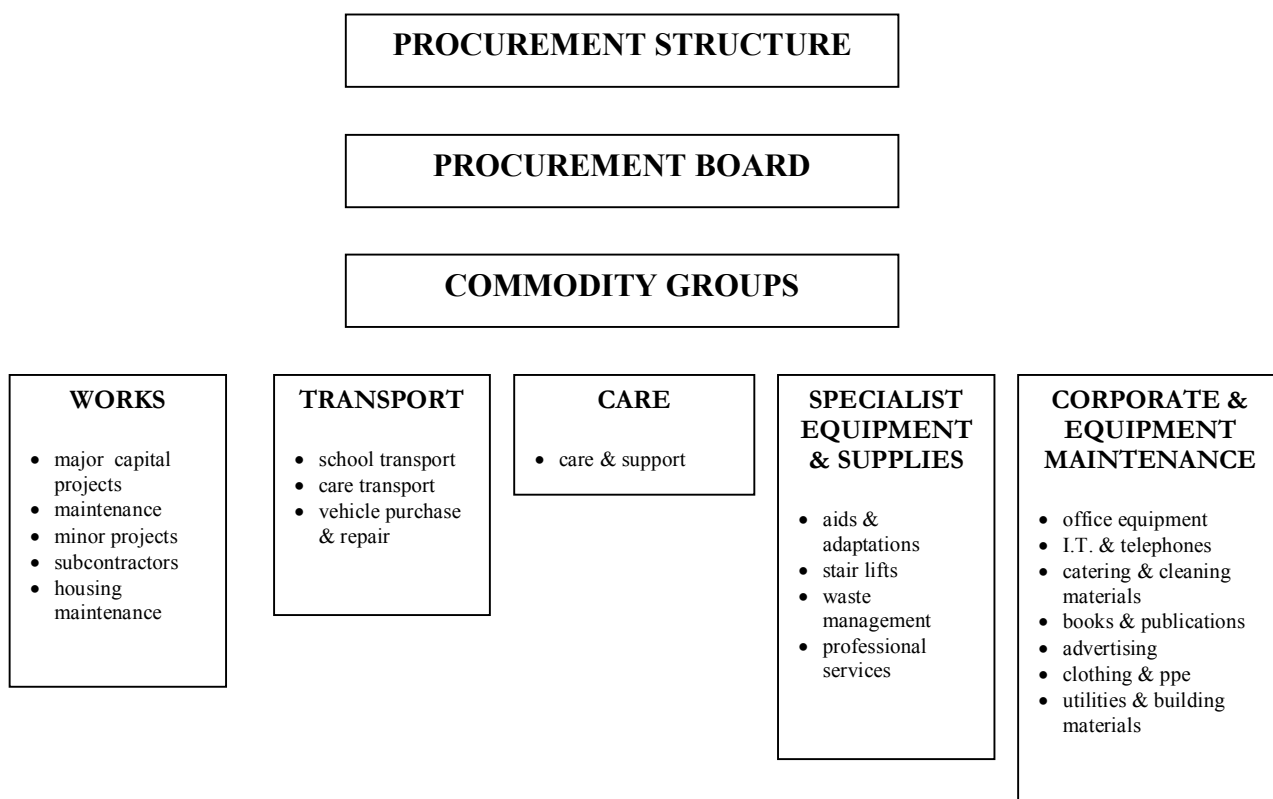
In addition, the Council continues to support increased communication with its suppliers to encourage SMEs and local suppliers to do business with the Council e.g.: in 2010 the Council fully committed to the national supplier development program and continues to work with “Falkirk for Business”. The proportion of spend with local companies has also remained consistent at approximately 40% of total Procurement spend.

The Sustainable Falkirk Strategy sets out key economic and environmental priorities where procurement plays a central role. The adoption of Community Benefits as “business as usual” has seen an increase in the number of employment and training opportunities delivered, with around 100 placements achieved. In addition, environmental design continues to be central to the Council’s capital investment programme.

5. GOVERNANCE ARRANGEMENTS FOR PROCUREMENT

Procurement of goods, services and works are regulated by the Council's standing orders and financial regulations.

The Council's structure for procurement is led by a Procurement Board which is chaired by the Director of Corporate and Neighbourhood Services:



6. PROCUREMENT - The SIX “S”s

The Strategy sets the vision for procurement over the next three years. To support the Vision three core procurement themes have been identified.

| PROCUREMENT THEME | STRATEGIC OUTCOMES |
|--|---|
| Maintaining the highest standards of corporate governance through developing and implementing best practice procurement Structures and Systems . | Procurement activity conducted to the highest possible standard with no duplication. 100% of procurable spend is covered by professional procurement process. |
| Embedding Sustainable procurement into all our activities and improving access to our contracts, particularly for local businesses and SMEs | 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 Skills to support the delivery of quality front line services and collaborating with others to deliver Savings . | 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 |

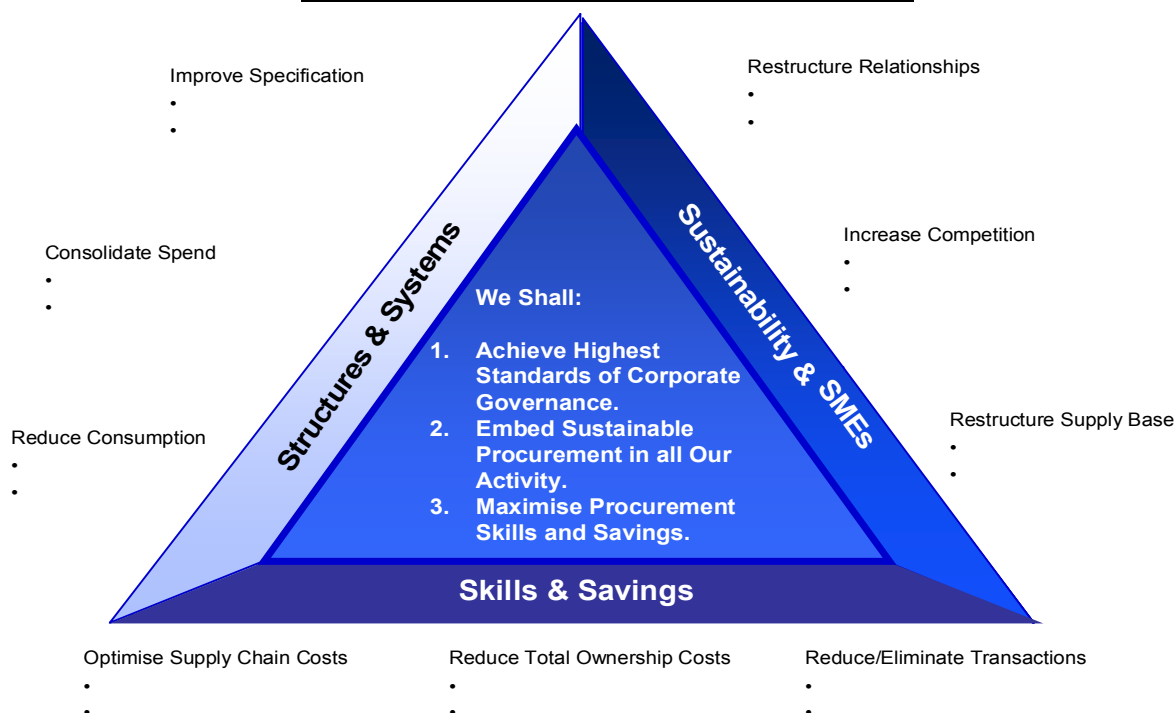
Achieving accelerated improvements in procurement capabilities, particularly as measured by the PCA, demands that improvement is balanced and that all areas of procurement performance are assessed and developed.

The Strategy has therefore identified two areas of improvement for each of the three themes. Six areas for improvement, with each being of equal importance, will ensure that improvement activity and procurement successes cover the whole process of procurement.

Fig 1:

The Six S's support the Procurement Strategy and help with the delivery and achievement of the Council's strategic priorities and Procurement Vision.

The 6 SS of Procurement



For each of the Six S's targets have been set where the Council aims to be in three years time (Appendix One). To achieve these targets detailed and challenging annual procurement improvement plans will be developed. These annual plans will focus on the year ahead, which will ensure that the Council has the flexibility to react to changes and will also mean that the Council is able to respond to opportunities, which are identified in the annual round of PCAs.

7. RISK MANAGEMENT

Risk management covers the planning, monitoring and controlling of actions that will address identified threats and potential problems. Effective management of strategic risks will help support the Strategy to achieve its stated objectives. In addition it is important that operational risks, which can impact on an individual contract, are effectively controlled and managed.

Strategic risks are defined as risks that need to be considered over the term of the Strategy (i.e. 2011–2014) and they include:

- Failure to deliver the Council's corporate priorities (e.g. a failure to integrate sustainability considerations into procurement decisions and failure to maximise the contribution that the Council's procurement activity makes to the wellbeing of the local economy.)
- The effects of changes in demographic, social or economic trends impacting on the Council's ability to deliver services (e.g. failure to procure sufficient care provision for an ageing population and procurement not supporting services to respond to budget constraints.)
- The Council's capacity to deal with the pace of technological change and our ability to use technology to its full potential (e.g. a failure to fully meet the e-procurement agenda and not having the data to allow for efficient supplier management across all Council spend.)
- Not ensuring that all our operations continue to be competitive and deliver value and quality (e.g. the failure to address a failing service through improvement, market testing or outsourcing.)
- A failure to meet the current or changing needs and expectations of those that use Council contracts or those that compete for Council business (e.g. the demand from users for easier access to contract information and ensuring that the burdens place upon bidders are proportionate.)

In order to control all strategic risks, a detailed risk register will be compiled and agreed by the Procurement Board. The Procurement Board will formally review this register at least twice a year.

Operational risks are more often linked to individual contracting situations and would include:

- Weaknesses in specific contract terms leading to contract failure.
- Failure to apply appropriate financial appraisal techniques, prior to contract award, leading to supplier failure.
- Breaching legislation through failing to advertise a contract under the European Procurement Directives or through applying non compliant award processes.

- Technological failures, relating to a reliance on single e-procurement system, disrupting the procurement of critical goods and services.
- The risk that a contract does not minimise its environmental impact in areas such as pollution, noise, energy efficiency and the use of unsustainable sources of wood for building and furniture.

These operational risks will be controlled through the introduction of individual risk registers for each contract, in compliance with the Scottish Procurement Departments Procurement Journey templates and best practice examples.

8. CONCLUSION

The success of the Strategy will be determined by the support it receives and how effective the Council mitigates risk. Consequently, the Strategy will be widely communicated and the Procurement Board will regularly monitor progress against targets. In addition, as noted in section 7, a risk register will be agreed and its effectiveness monitored by the Procurement Board.

By ensuring that our annual improvement plans support the Six Ss, the Council will deliver better contracts and this will result in improved and more cost effective services. The Strategy will improve contract and supplier management and, through the adoption of best practice, will help to protect the Council from risk.

The Strategy therefore sets the basis for the Council to achieve “Improved” performance by the end of 2012. Achieving this status will help demonstrate compliance with all relevant legislation and provide evidence that the Council is maximising cash savings from its procurement activities.

Appendix One:

| PROCUREMENT THEME | STRATEGIC OUTCOMES | | |
|--|---|---|--|
| Maintaining the highest standards of corporate governance through developing and implementing best practice procurement Structures and Systems . | <p>Procurement activity conducted to the highest possible standard with no duplication.</p> <p>100% of procurable spend is covered by professional procurement process.</p> | | |
| | 2011-12 | 2012-13 | 2013-14 |
| <p>Structures & Systems</p> <p>(Three year Targets)</p> | <p>KPI Reports submitted to Procurement Board for scrutiny</p> <p>Conduct Post Procurement Reviews for all procurement activity</p> <p>Increase spend matched against purchase order, minimise manual ordering processes and maximise adoption of payment by Pcard.</p> <p>Increase the use of Integra Catalogues to facilitate analysis at line item detail.</p> | <p>KPI are reviewed & developed into appropriate commodity strategies</p> <p>Regular reviews with services focusing on joint development of business cases and commodity strategies.</p> <p>There is a P2P strategy in place which defines what technology should be used and when.</p> <p>Suitable technology is used for contract databases Content Management.</p> | <p>Fully integrated KPIs which are integral to all commodity strategies</p> <p>Formal process for stakeholder management & joint development of business cases and commodity strategies.</p> <p>A full P2P strategy has been implemented and is being fully utilised.</p> <p>A variety of integrated E-Procurement solutions used to actively control and manage the procurement function.</p> |

| PROCUREMENT THEME | STRATEGIC OUTCOMES | | |
|---|--|--|--|
| Embedding Sustainable procurement into all our activities and improving access to our contracts, particularly for local businesses and SMEs | <p>Council contracts are accessible and SMEs and the third sector are increasingly doing business with the Council.</p> <p>Procurement contributes fully to the Council's sustainability and carbon reduction plans.</p> | | |
| | 2011-12 | 2012-13 | 2013-14 |
| <p>Sustainability & SMEs</p> <p>(Three year Targets)</p> | <p>Sustainable procurement policies are in place and are incorporated into major projects.</p> <p>The use of community benefit clauses is rolled out across all Council Procurement activity.</p> <p>Fully adopt the Supplier Charter</p> <p>Standard clauses adopted for suppliers to pay their supply chain within 30 days</p> | <p>All specifications are subject to sustainability check as per the Procurement Journey</p> <p>Work with key Partner Organisations to incorporate community benefit clauses in their contracts.</p> <p>Detailed awareness of the reputational risk exposure from the supply chain with clauses in contracts.</p> <p>Evidence that all suppliers are paying their supply chain within 30 days.</p> | <p>Sustainability is embedded into the procurement process from specification through to supply chain management.</p> <p>Have procured at least two Article 19 contracts.</p> <p>Strong management of reputational risk & mitigating actions identified.</p> |

| PROCUREMENT THEME | STRATEGIC OUTCOMES | | |
|---|---|--|--|
| <p>Maximising procurement Skills to support the delivery of quality front line services and collaborating with others to deliver Savings.</p> | <p>Collaborative opportunities are maximised and deliver tangible and long lasting savings and benefits through procurement.</p> <p>There is Council wide awareness of how procurement contributes to efficiencies and improved services</p> | | |
| | 2011-12 | 2012-13 | 2013-14 |
| <p>Skill & Savings</p> <p>(Three year Targets)</p> | <p>As a minimum all key procurement staff trained in essentials of procurement.</p> <p>Training Plans in place for Central Purchasing Unit.</p> <p>Procurement savings and 3 year savings target reported to and agreed by the Procurement Board.</p> | <p>Procurement Competency Framework is used to assess competency levels as part of regular performance review.</p> <p>Training Plans in place for key procurement staff across the Council.</p> <p>Increase % of procurable spend that has a fully developed strategy.</p> <p>Key commodity strategies are developed that forecast benefits and savings.</p> | <p>Procurement Competency Framework is used to identify competency profiles for procurement posts.</p> <p>Monitor effectiveness of Training Plans.</p> <p>Benefits and savings are fully tracked against targets for 100% of procurable spend.</p> |