



FALKIRK COUNCIL

CORPORATE

PROCUREMENT STRATEGY

2014 – 2017

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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 2013 national Procurement Capability Assessment (PCA) placed Falkirk Council (the Council) firmly in “Improved” status. Over the period of the 2014-2017 Procurement Strategy (the Strategy) the Council will continue to drive improvement in its procurement activities and aim to attain “Superior” PCA status.

To ensure the Strategy is a success and “Superior” status is secured, the Council is committed to increasing the scope and influence of its Central Purchasing Unit (CPU). This commitment will continue to 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 high 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 we can confidently deliver the Council’s vision and strategic priorities.

The Strategy 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.

By communicating the Council’s vision for procurement the Strategy 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/providers 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. Using procurement strategically and accelerating procurement reform is essential if the Council is to achieve significant savings, whilst improving service outcomes.

In the context of the reform of public finances and wider economic conditions, our 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.

Within this context the Strategy shall:

- Provide a strategic and operational framework to ensure the Council achieves continuous improvement across all its procurement activity;
- Ensure procurement activities are aligned to the Council's corporate priorities and provides efficiencies to help the Council deliver front line services;
- Enhance compliance and achieve superior procurement performance; and
- Further extend collaboration with partners and suppliers and;

We will know the Strategy is working if we demonstrate that procurement is contributing to:

- Improved contracts resulting in improved services
- Cashable savings that help protect front line services.
- Increased opportunities for SMEs and particularly Local Companies to bid for contracts.
- Standardisation of procedures to reduce legal challenges and to assist businesses tender for contracts.
- Increased efficiency in the ordering of goods and payments to suppliers.
- Increased collaborative working between procurement and the voluntary and third sectors.

4. REVIEW OF PREVIOUS STRATEGY

The Council's 2011-2014 Corporate Procurement Strategy was focused on three core themes and aimed to improve purchasing practice across all activities of the Council and achieve savings through procurement. Over the period of the Strategy, the Council improved its procurement capabilities, as measured by the centre of expertise for local government procurement, from an assessment rating of 30 in 2010 to a rating of 60 in 2013. This places the Council firmly in "Improved" status as measured by the national procurement capability assessment process.

Over the past three years the Council's procurement activity has been successful in delivering a range of outcomes and improvements across the three 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. The table below summarises progress across the three themes, aligned to the Council's values.

THEME	PROGRESS
<p>Maintaining the highest standards of corporate governance through developing and implementing best practice procurement Structures and Systems.</p> <p>Core Value: Public Service</p> <ul style="list-style-type: none"> • Fairness • Listening & responding • Being open, accessible and accountable 	<ul style="list-style-type: none"> • "Procurement Team of the Year" Award at the Scottish GO (Govt Opportunities) 2013 Awards Ceremony • Year on year improvement assessed via the Procurement Capability Assessment process and attained "Improved" status. • Permanent procurement team structure now in place, supported by the establishment of cross service commodity teams, reporting to the Council's Procurement Board • Revised Contract Standing Orders implemented, supported by service wide training. • One of only 5 Local Authorities with over 90% of expenditure covered by Commodity Strategies. • Roll-out of e-procurement technology across the Council • Full adoption of Public Contract Scotland technologies, including c£2.8m procured via Quick Quotes and piloting the use of PCS tender
<p>Embedding Sustainable procurement into all our activities and improving access to our contract, particularly for local businesses and SMEs</p> <p>Core Value: Partnership</p>	<ul style="list-style-type: none"> • Sustainable Procurement Action Plan and Guide in place, including guidance on Supporting the Local Economy Through Procurement • Recognised best practice sustainable procurement work by Zero Waste Scotland and

<ul style="list-style-type: none"> • Effective communication • Sharing decision-making • Encouraging partnership 	<p>Sustainable Scotland Network</p> <ul style="list-style-type: none"> • Achieved silver status, as part of the WWF “What Wood You Choose Campaign” and signed up to a Gold pledge • 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 • Influencing and working with partners to maximise locally available training and job opportunities. • Supported Local Companies access and compete for other Public Sector work, with Falkirk based companies securing c£150m pa of public sector work • Updated “How to do Business” guide for suppliers, supported by regular attendance at business forums and meet the buyer events • Fully committed to the national supplier development programme and closely work with Business Gateway • 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. • Fully adopted the principles of the Supplier Charter, including quicker payments and standard PQQ’s • Nationally recognised for excellence in developing Public Social Partnerships with voluntary organisations and third sector (IRISS)
<p>Maximising procurement Skills to support the delivery of quality front line services and collaborating with others to deliver Savings</p> <p>Core Value: Performance</p> <ul style="list-style-type: none"> • Providing quality • Achieving value for 	<ul style="list-style-type: none"> • Training delivered to over 200 officers • Procurement Guides and supporting information in place for buyers, including new Contract Management procedures • Savings in excess of £3m delivered, with a further c£1m programmed as part of the 2014/15 budget

money <ul style="list-style-type: none"> • Promoting innovation • Seeking continuous improvement 	<ul style="list-style-type: none"> • Maximising the use of collaborative contracts, with over £45m of goods and services sourced through collaborative contracting arrangements in 2013/14
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5. GOVERNANCE ARRANGEMENTS FOR PROCUREMENT

Procurement of goods, services and works are regulated by the Council's Contract 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 and is focused on 8 separate commodity groups (see Table below)

These commodity categories have the core objectives of:

- Improving Value for Money by:
 - Achieving the most advantageous pricing for goods and services purchased & improving the quality of those goods and services
 - Reducing the cost of purchasing and the time it takes
 - Improving the management of contracts and
 - Ensuring that procurement expertise is applied to Service needs
- Developing efficient procurement procedures appropriate to the commodity
- Creating effective partnerships with service providers
- Delivering wide ranging and measureable benefits for the local economy
- Expanding internal and external collaboration on contracts

PROCUREMENT STRUCTURE

PROCUREMENT BOARD

COMMODITY GROUPS

WASTE SERVICES

- Processing and Disposal of Domestic Waste
- Waste Collection Services (primarily carried out by In-House operation)
- Waste Collection Containers
- Disposal of Commercial Waste Arising from Council Operations

Est. Annual Value
£5m

TRANSPORT & FLEET

- Education & Social Work Transport
- Purchase of Vehicles & Plant
- Hire of Vehicles & Plant
- Vehicle Maintenance and Supplies
- Vehicle Fuel

Est. Annual Value
£12m

EQUIPMENT & MATERIALS

- Catering Provisions
- Cleaning Materials & Equipment
- Occupational Therapy Equipment
- Stationery & Office Supplies
- Educational Materials
- Library Books
- PPE
- Postal & Mail Service

Est. Annual Value
£5m

CONSTRUCTION & MAINTENANCE

- Maintenance & Improvements to Council Houses
- New Builds of Council Housing
- Property Maintenance & Improvements to Operational Properties
- Roads & Infrastructure Maintenance & Improvements

Est. Annual Value
£55m

CARE

- Care & Support and Community Care
- Day Care
- Children's Services
- Other Support Services
- Residential Care
- Housing and Homelessness Support

Est. Annual Value
£60m

TELECOMMS & IT

- Fixed and Mobile Telephony Services
- Network Cabling
- System Software Licensing and Maintenance
- IT Hardware, including PC's, Servers, Audio Visual Equipment
- Multi-Functional Printing Devices
- IT Consumables

Est. Annual Value
£4m

PROFESSIONAL SERVICES

- Secondary Schools and Associated FM Services
- Pension Fund/ Insurances / Financial / Legal & Other Professional Services
- Agency & Temporary Staff
- CCTV Monitoring Services
- Occupational Health Services
- Employee Benefits Scheme

Est. Annual Value
£37m

UTILITIES

- Supply of Energy (Gas & Electricity) to Council Operational Properties
- Supply of Energy (Gas & Electricity) to Council Houses (Voids & Temporary Accommodation)

Est. Annual Value
£6m

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 to ensure the Council:

- Achieves the highest standards of corporate governance
- Embeds sustainable procurement in all our activities
- Maximises procurement skills and savings

PROCUREMENT THEME	STRATEGIC OUTCOMES	RELATED DOCUMENTS
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 a professional procurement process.	<ul style="list-style-type: none"> • Contract Standing Orders • Financial Regulations • Code of conduct for Officers • Corporate Procurement Procedures • Commodity Strategies
Embedding Sustainable procurement into all our activities and improving access to our contracts, particularly for local businesses and SMEs	Council contracts are accessible and local businesses, SMEs and the third sector are increasingly doing business with the Council. Procurement contributes fully to the Council's sustainability and carbon reduction plans.	<ul style="list-style-type: none"> • Sustainable procurement guide and supporting toolkits • Sustainable Development & Climate Change Strategy • Sustainable Development & Climate Change Action Plan • Carbon Management Plan • My Future's In Falkirk
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	<ul style="list-style-type: none"> • Service Plans • Workforce Strategy and Plans • Council Budget Updates • Single Outcome Agreement • Employee Training Bulletins

Achieving accelerated improvements in procurement capability, 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 strategic outcomes for each of the three themes. Six strategic outcomes (Six S's), with each being of equal importance, will ensure that improvement activity and procurement successes cover the whole process of procurement.

For each of the Six S's we have set out the key activities we are seeking to undertake and achieve in the next three years. These are set out in Appendix One.

To achieve these aspirations we will set detailed and challenging annual procurement improvement plans (PIPs). These PIPs will focus on the year ahead, which will ensure that we have the flexibility to react to changes in our environment and will also mean that we are 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, so as to improve the likelihood of the Strategy achieving its stated objectives. There is also a need to look at controlling the operational risks that can impact on each individual contract.

Strategic Risks are defined as risks that need to be considered over the term of the Strategy (i.e. 2014 –2017) 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 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 placed upon bidders are proportionate.)

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

Operational risks are more often linked to individual contracting situations and 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 a 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.
- The risk that insurmountable failures or future lack of ability to satisfy contracts with key suppliers could jeopardise delivery of service.

These operational risks will be controlled through individual risk registers being established, for each contract, in compliance with the Procurement Journey templates and best practice examples. Furthermore, the CPU will support the Council's Corporate Risk Management Plan by establishing a register of Business Continuity Plans where overall spend with key suppliers is shown to be or is forecasted to be greater than £2mp.a.

8. CONCLUSION

The success of the Strategy will be determined by the support it receives and how effective we are at mitigating risk. Consequently, the Strategy will be widely communicated and the Procurement Board will regularly monitor progress against targets.

In addition, a risk register as noted in section 7 will be agreed and its effectiveness monitored by the Procurement Board.

By ensuring that our annual Procurement Improvement Plans support the Six Ss, we 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 sets the basis for the Council to achieve "Superior" procurement performance by the end of 2017. Achieving this status will help us demonstrate compliance with all relevant legislation and provide evidence that we are obtaining maximum benefit from all our procurement activities.

Appendix One:

PROCUREMENT THEME	STRATEGIC OUTCOMES	Key Activities
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>	<ul style="list-style-type: none"> Investigate all procurement spend to ensure full compliance with Contract Standing Orders Develop and deploy more efficient ordering and invoice processing techniques Embed corporate procurement procedures across all spend areas to meet Council requirements and procurement regulations Ensure the corporate contract management procedure is applied to all Council contacts. To use the PCS-T for all appropriate Council tenders by April 2015.

PROCUREMENT THEME	STRATEGIC OUTCOMES	Key Activities
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 us.</p> <p>Procurement contributes fully to the Council's sustainability and carbon reduction plans.</p>	<ul style="list-style-type: none"> Promote tender opportunities to support SME's, voluntary organisations and the third sector (particularly those in the Falkirk Council area) to reduce barriers to doing business with the public sector. Embed the principles and practices of the Sustainable Procurement Guide across the Council, including focus on developing the Local Economy Develop a local construction forum and Social Care partnership forum to share ideas, issues and best practice. Be an active member of the Supplier Development Programme and deliver training to local SMEs Ensure community benefits and sustainability are considered in all contacts with a value greater than £50,000 Promote the payment of the living wage Ensure a fair representation of local companies is invited for low value quotes and monitor the success rate of this approach

PROCUREMENT THEME	STRATEGIC OUTCOMES	Key Activities
<p>Maximising procurement Skills to support the delivery of quality front line services and collaborating with others to deliver Savings.</p>	<p>We maximise collaboration 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>	<ul style="list-style-type: none"> • Implement effective Contract Management processes to ensure that savings and benefits are realised • Increase use of collaborative contracts • Implement a Council wide procurement training strategy • Develop the Council's intranet as a single source for all procurement information for the Council. • Identify c£2m of cashable savings from contracts over the period of the Strategy