

Corporate Policy and Strategy Committee

10.00am, Tuesday 5 August 2014

Commercial and Procurement Strategy

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

The Council spends approximately £650million a year on goods, services and works. The new Commercial and Procurement Strategy (the Procurement Strategy) sets out how the Council will direct this external expenditure for the next three years and the objectives it seeks to deliver.

The Procurement Strategy incorporates and develops the three main strands of the Commercial Excellence programme, the aims of the national Procurement Capability Assessment and forthcoming changes required by the Procurement Reform (Scotland) Act 2014 and the new procurement Directives.

Links

Coalition pledges	P30
Council outcomes	CO24-27
Single Outcome Agreement	

Commercial and Procurement Strategy

Recommendations

1. It is recommended that the Committee note the contents of this report and approve the Procurement Strategy.

Background

- 2.1 The Council spends over £650 million externally each year on goods, services and works, representing over 50% of the Council's net expenditure.
- 2.2 The Council's Commercial and Procurement Service (the "Service") provides advice, support and tendering services to internal customers to ensure the Council's purchasing, legal and commercial requirements are met. The Service has a crucial role to play in helping the Council to achieve its budgeted savings targets.
- 2.3 Following considerable consultation, the Service has developed a formal Procurement Strategy for 2014-2017 which will apply to all external spend on goods, services and works. The Procurement Strategy reflects and restates the aims and objectives of the Commercial Excellence programme, underway since 2013. It also aligns with the requirements of the Contract Standing Orders which were approved in October 2012.

Main report

- 3.1 The stated vision in the Procurement Strategy is **"to embed commercial excellence throughout the organisation, ensuring that our services always deliver Best Value. To be recognised as having leading commercial, procurement and commissioning practices and skills delivering outstanding outcomes. To have the people of Edinburgh and service users at the heart of what we do"**.
- 3.2 The Procurement Strategy reflects the three main strands of the Commercial Excellence programme and addresses how these will be achieved – namely:
 - 3.2.1 Deliver savings and Best Value by generating cash savings through improved commercial activity by collaborative working and developing a pipeline of future procurement projects;
 - 3.2.2 Change supplier behaviour, internal behaviour and improve processes and policies by improving the quality and control of all purchasing activity.

This will be achieved by the introduction of Procurement Panels, Procurement Forums and by improving contract and supplier management across the Council; and

3.2.3 Increase the Council's expertise, capacity and effectiveness by developing staff and improving the Council's commercial awareness including contract and supplier capacity and capability with regard to commercial and procurement activities.

3.3 As highlighted in the report to Finance & Resources Committee on 5 June 2014, the Service has to date already made considerable improvements by following the above aims and objectives through the Commercial Excellence programme, including:

- 1) major service changes and enhanced commercial activities achieved through the Commercial Excellence programme resulting in £22million of savings or cost reductions being delivered in 2013/14;
- 2) the improvements recognised by the independent Procurement Capability Assessment carried out by Scotland Excel on behalf of the Scottish Government reflected by a 8% increase in score in 2013 since the previous year;
- 3) the development of the capability and capacity of the Service;
- 4) the introduction of the Procurement Handbook which follows the Scottish Government's procurement journey and best practice to ensure that there is a consistently high standard achieved in every procurement process;
- 5) the introduction of a management information dashboards to allow service areas to better understand their spend and provide CMT with up to date and effective management information;
- 6) A five stage procurement process (idea, develop proposal, approve proposal, implement proposal, operate and measure) has been developed and implemented with key responsibilities and activities identified for all relevant stakeholders. This ensures all parties are fully involved in the decision and implementation process; and
- 7) an increasing trend, showing improved compliance, in the use of Purchase Orders as part of the implementation of the wider "Procure to Pay" process work stream.

3.4 The Procurement Strategy will help build upon and develop these achievements and form a key element in the delivery of procurement related savings. It will be kept under review and will be updated as required as a result of forthcoming legislative changes following the implementation of the Procurement Reform (Scotland) Act 2014 and the Procurement Directives.

Measures of success

4. The measure of success of the Procurement Strategy will be:
 - 4.1.1 the increased delivery of procurement related savings and efficiency targets which have been included in the approved budget within a robust purchasing control environment
 - 4.1.2 increased compliance in the use of Purchase Orders
 - 4.1.3 increased customer satisfaction; and
 - 4.1.4 an increased Procurement Capability Assessment score from the 59% achieved in 2013 indicating improved procurement and commercial capabilities and standards.

Financial impact

- 5.1 To date over £22million of savings or cost reductions have been achieved through improved commercial and procurement activities through the Commercial Excellence programme. Enormous benefits can be derived from more effective procurement and commercial activity and the Procurement Strategy will assist in the delivery of the planned savings which play a significant role in enabling the Council deliver a balanced budget position.
- 5.2 Following a review of the structure of the Service completed in autumn 2013 the team has now been resourced to deliver the strategic aims of the Council.

Risk, policy, compliance and governance impact

- 6.1 The key risks to successful implementation of the Procurement Strategy include those highlighted in the report to Finance and Resources Committee on 5 June 2014.
- 6.2 The risks associated with delivering the Procurement Strategy will be mitigated by regular monitoring with review and management action taken as appropriate. In addition, the Procure to Pay (P2P) review, the Better Outcomes through Leaner Delivery (BOLD) programme and improved Contract Register and supplier management will help in addressing these underlying issues.

Equalities impact

- 7.1 There is no relationship to the public sector general equality duty to the matters described in this report and no direct equalities impact arising from this report.

Sustainability impact

- 8.1 The proposals in this report will have a positive impact on sustainability and help to achieve a sustainable Edinburgh because the aims of the Procurement Strategy include:
- 8.1.1 supporting a cooperative approach and the development of cooperative and consortium-based bids by third sector and other providers for public contract opportunities;
 - 8.1.2 promoting opportunities to use public social partnerships and other co-production models for service and contract designs which focus upon the needs of the user and the wider community; and
 - 8.1.3 Embedding sustainable procurement as business as usual and incorporating community benefits into our contracts. Supporting local businesses and SMEs through closer working with Economic Development and by making our processes more streamlined and accessible.

Consultation and engagement

- 9.1 Consultation has included:-
- 9.1.1 feedback and formal approval by the Corporate Management Team;
 - 9.1.2 feedback from Heads of Service and key colleagues in service areas with a direct involvement in procuring goods, services or works; and
 - 9.1.3 discussions and input from EY colleagues.
- 9.2 The Strategy will be annually reviewed and a specific request for feedback is included.

Background reading/external references

Report to Finance and Resources – 29 August 2013, [Commercial Excellence Programme - update](#)

Report to Finance and Resources – 5 June 2014, [Commercial Excellence Programme - update](#)

The Procurement Capability Assessment 2013 - Scotland Excel

McClelland Phase 2 Transforming Procurement: Accelerating Delivery

The Procurement Reform (Scotland) Act 2014.

Alastair Maclean

Director of Corporate Governance

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning.
Council outcomes	CO24 - The Council communicates effectively and internally and externally and has an excellent reputation for customer care. CO25 - The Council has efficient and effective services that deliver on objectives. CO26 - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives. CO27 - The Council supports, invests in and develops our people
Single Outcome Agreement	
Appendices	Appendix 1 : Corporate Procurement Strategy

Commercial and Procurement Strategy

April 2014



Commercial and Procurement Strategy

April 2014

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1 Foreword

The launch of the Council's new Commercial & Procurement Strategy is a good opportunity to look back at the progress made so far in the Commercial Excellence programme and also to look ahead to the challenging times which we face. These challenges include demographic changes, increasing service user expectations, environmental and social challenges and the need to deliver further significant efficiency savings.

These challenges can only be met through partnership working – by service areas working closer together, through better engagement with communities and the supplier market, as well as working with our strategic partners (including NHS Lothian) and EY as our procurement delivery partner.

This strategy sets out a framework, which is designed to enable the Council to continue on its journey of change and innovation through:

- Building capacity and skills within the Council to continue to improve commissioning and procurement activity
- Increasing the level of collaboration both internally, between service areas, and externally with other partner organisations
- Engaging proactively with key suppliers through contract and supplier relationship management to ensure that we extract maximum value and innovation from our supply base
- Focusing our commissioning and procurement activity on delivering improvements for the people and communities in the City of Edinburgh
- Working cooperatively in everything we do to support SMEs and the third sector as the Co-operative Capital



Councillor Alasdair Rankin
Convener of Finance and Resources

Alastair Maclean
Director of Corporate Governance



2 Purpose of the strategy

The purpose of this Strategy is to set out how the Council will direct its external expenditure on goods, services and works over the next three years.

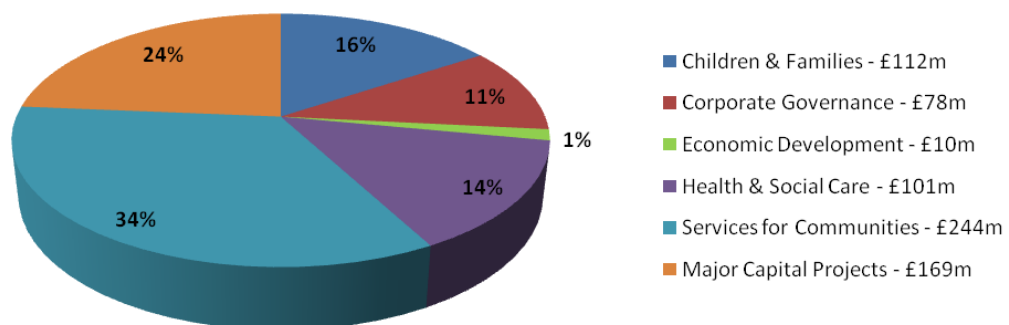
3 Context and drivers for change

The strategy is heavily influenced by internal and external factors, all of which require the Council to continue to accelerate its delivery of Commercial Excellence and ensure that the drive for Best Value is embedded at all levels throughout the organisation. Further details of the internal and external context can be found in the Appendix.

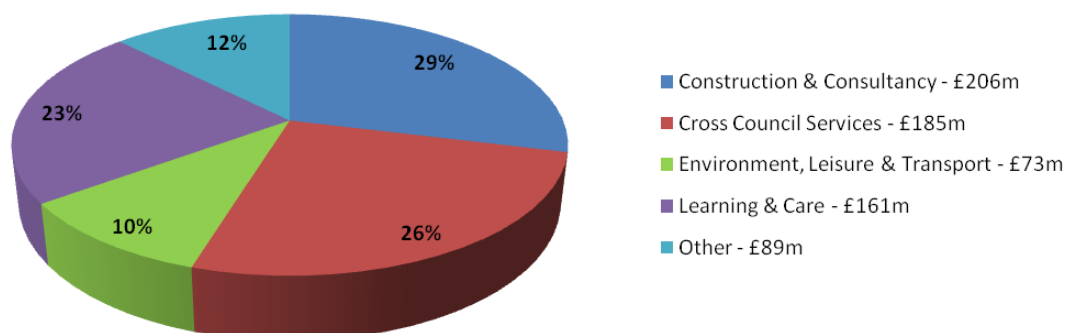
The City of Edinburgh Council spends over £650 million externally each year on goods, services and works, which accounts for over 50% of our operating costs and represents a large proportion of Scottish local authority external expenditure.

The graphs below provide an analysis of the Council's external expenditure.

Directorate Expenditure 2012/13



Category Expenditure 2012/13



4 Scope

This strategy applies to all of the Council's external expenditure on goods, services and works, with the exception of grant funding and expenditure by Council owned entities which have their own arrangements in place.

5 Where we are now

The City of Edinburgh Council seeks to embed a culture of Commercial Excellence throughout the organisation.

Recognising the importance of employee contribution to change, the Council has also recently launched the BOLD programme - Better Outcomes, Leaner Delivery - an internal initiative to generate ideas for achieving the wider budget savings required across the Council.

To date, significant progress has been made, including:

- Through the Commercial Excellence programme in 2013/14 major service changes and enhanced commercial activities have resulted in significant savings (in excess of £20m) being delivered;
- The independent Procurement Capability Assessment carried out by Scotland Excel on behalf of the Scottish Government recognises the incremental improvements made by the Council with regard to procurement and commercial capabilities and standards;
- The development of the capability and capacity of the Council's Commercial & Procurement Service to enable a greater focus on strategic procurement and being a trusted commercial partner to service areas; and
- The Council has developed a Procurement Handbook which is in line with the Scottish Government's Procurement Journey and Best Practice to ensure that there is a consistently high standard achieved in every procurement process.

6 Our vision, strategic aims and objectives

Our vision

To embed commercial excellence throughout the organisation, ensuring that our services always deliver Best Value.

To be recognised as having leading commercial, procurement & commissioning practices and skills delivering outstanding outcomes.

To have the people of Edinburgh and service users at the heart of what we do.

Our strategic aims and objectives

Our strategy is to:

1. Deliver savings and Best Value and we will do this by:

- Working together to identify opportunities and continuing to challenge the status quo
- Ensuring that all opportunities are thoroughly considered and all implications of change in service areas are fully appraised
- Increasing our collaboration with other organisations
- Developing a coordinated pipeline of future procurement projects to improve our services

2. Change supplier and internal behaviours, improve processes and policies by:

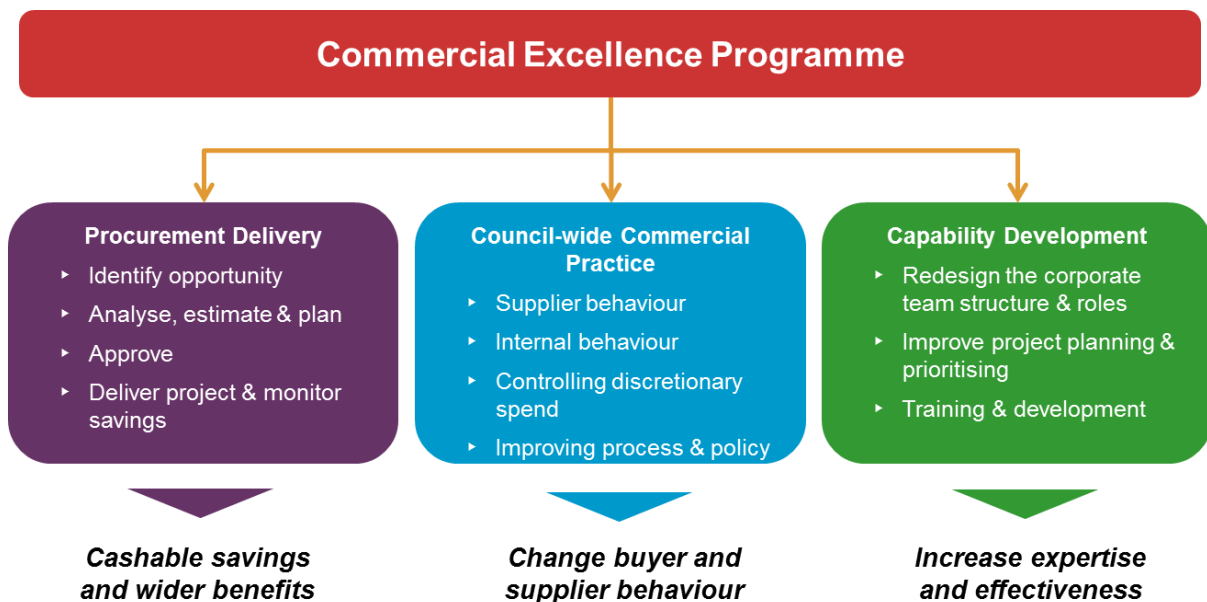
- Creating a Procurement Panel to provide support and promote support and understanding at a senior management level in the Council and to oversee implementation of this Strategy
- Creating Procurement Forums to engage with service areas at a middle manager level in the Council, including schools
- Introducing regular reporting of procurement performance and compliance
- Improving contract and supplier relationship management across the Council to ensure that we are getting the most value and innovation from our contractual relationships

- Reviewing and improving our Purchase to Pay (P2P) processes to strengthen controls, increase efficiency and provide useful and up-to-date management information
- Ensuring that there are standard templates in place for all procurement and contracting documentation and ensure that these are regularly reviewed in line with new legislation and best practice
- Embedding sustainable procurement as business as usual and incorporating community benefits in all appropriate contracts. Supporting local businesses and SMEs through closer working with Economic Development and by making our processes more streamlined and accessible

3. Increase expertise, capacity and effectiveness and we will do this by:

- Developing staff in Commercial & Procurement Services through training, secondments and mentoring
- Developing and professionalising contract and supplier management practices and improving commercial awareness across the Council

This can be represented graphically as follows:



7 Consultation & Review

The strategy will be annually reviewed. If you have any comments or feedback please contact procurement@edinburgh.gov.uk

Appendix – Local and National Context

Local context

Financial pressures

The Council is operating in an increasingly challenging financial environment. Whilst demand for services is increasing, mainly due to demographic changes, our net revenue funding is increasingly under pressure. Adopting this Strategy will help service areas to address this pressure.

The Edinburgh Partnership Community Plan (SOA 4) 2013 -16

This plan is focused on key economic, environmental and social priorities in the City including neighbourhood partnership activity, prevention strategies, resource sharing initiatives, health inequality factors, promoting economic growth to create employment, reducing re-offending, promoting physical activity, enhancing the quality of life for older people, improving early years services and ensuring safer communities.

The Corporate Governance Service Plan

The Service Plan commits to achieving savings through efficiencies in procurement by delivering a fit for purpose, sustainable in-house procurement team and raising standards in procurement practices across the Council.

The Capital Coalition's pledge

We will support a cooperative approach to maximise value in the way that we deliver our services. We will also encourage, where appropriate, the development of cooperative and consortium-based bids by third sector and other providers for public contract opportunities and seize opportunities to use public social partnerships and other co-production models for service and contract designs which focus upon the needs of the user and the wider community.

The Council's Sustainable Procurement Policy and Action Plan

This aims to maximise the social, economic and environmental benefits flowing from the Council's procurement activity through, for example, the use of community benefit clauses in contracts.

Edinburgh Compact Social Enterprise Strategy

This commits the Council and other public bodies to engage with social enterprises and community organisations to better engage and understand this provider community.

National context

Changes to European Directives

The new Directives aim to simplify and speed-up public procurement processes.

Procurement Reform Bill

Introduced to Parliament in October 2013, the Bill aims to deliver social and economic benefits to the Scottish economy by introducing a new sustainable procurement duty as well as other duties. For example, publishing the Council's contract register and a forward plan of forthcoming contracts.

[Self Directed Support \(Scotland\) Act 2013](#)

The Act gives people a range of options for how their social care is delivered, beyond just direct payments, empowering people to decide how much ongoing control and responsibility they wish to have over their own support arrangements.

[Public Bodies \(Joint Working\) \(Scotland\) Bill](#)

This Bill relates to the integration of health and social care services in order to improve the quality and efficiency of these services to the public.

[The Scottish Government's reform agenda](#)

[McClelland Phase 2 Transforming Procurement: Accelerating Delivery](#) – with four key priorities: efficiency and collaboration; delivering real cash savings; improving access to public sector contracts for SMEs and making sustainable procurement business as usual.

[The Procurement Capability Assessment \(PCA\)](#)

A key tool used by the Scottish Government's reform programme to help drive best practice, deliver savings and improve the procurement capability of organisations. Councils are compared against each other and also against other sectors. Whilst the Council has an upward trend in performance it would like to be the highest performing local authority in Scotland.