

Finance and Resource Committee

10.00am, Thursday, 1 December 2016

Commercial and Procurement Strategy

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive Summary

The revised Commercial and Procurement Strategy for 2016-2020 (the Procurement Strategy) sets out for the next three years how the Council will direct its external expenditure on goods, services and works, over £500m a year, and the objectives it seeks to deliver.

The Procurement Strategy incorporates and develops the changes required by the Procurement Reform (Scotland) Act 2014 and the EU Procurement Directives.

Links

Coalition Pledges	P25 , P28 , P30
Council Priorities	CP13
Single Outcome Agreement	

Commercial and Procurement Strategy

1. Recommendations

- 1.1 It is recommended that the Committee notes the contents of this report and approves the Procurement Strategy.

2. Background

- 2.1 The Council spends over £500m externally each year on goods, services and works.
- 2.2 The Council's Commercial and Procurement Service (CPS) provides advice, support and tendering services to internal customers to ensure the Council's purchasing, legal and commercial requirements are met.
- 2.3 CPS has a crucial role to play both in helping the Council to achieve its budgeted savings targets and in delivering wider benefits, by using procurement to promote sustainability and fair work practices, to support the local economy and to deliver improvements for the people and communities of Edinburgh.
- 2.4 Since 2013 the Council has delivered these benefits through the Commercial Excellence Programme and the previous Commercial and Procurement Strategy for 2014-2017.
- 2.5 Following consultation CPS has revised the Procurement Strategy for 2016-2020. The Procurement Strategy reflects the Council priorities and incorporates the legislative requirements of the Procurement Reform (Scotland) Act 2014, which came into effect on 18 April 2016 and EU Procurement Directives.

3. Main report

- 3.1 The stated vision in the Procurement Strategy is "*To maximise the benefits of procurement and make a positive impact on customers and service users, supporting the Council's strategic aims. To work collaboratively and with fairness and integrity in all aspects of commercial activity*".
- 3.2 The Procurement Strategy reflects the three main strands of the Council's Commercial Excellence Programme, which are:
 - 3.2.1 To generate savings through improved commercial activity;
 - 3.2.2 To improve the quality and control of purchasing activity; and

- 3.2.3 To improve the Council's capacity and capability with regard to commercial and procurement activities.
- 3.3 It also reflects the requirements of the Procurement Reform (Scotland) Act 2014 which sets out a national legislative framework for sustainable public procurement in support of Scotland's economic growth, for example by:
 - 3.3.1 Incorporating community benefits in all appropriate contracts with values of £50,000 and above;
 - 3.3.2 Applying fair work requirements to procurements and promoting the adoption of the Living Wage; and
 - 3.3.3 Encouraging, where appropriate, the development of co-production models for service and contract designs which focus upon the needs of the user and the wider community.
- 3.4 The financial outlook for all Councils over the next few years continues to be very challenging, with increasing demand for services combined with continuing financial constraints and uncertainty.
- 3.5 The Commercial Excellence Programme continues to make a significant contribution towards the savings that are required for the Council to meet the financial challenge, delivering £72m of savings from 2013-2016, with a further £38m forecast in 2016/17.
- 3.6 In addition, the Council has received recognition nationally for its procurement activities in the form of awards for innovation and best practice from the Chartered Institute of Public Finance and Accountancy (CIPFA), and for sustainable procurement, innovation and contract management from The Government Opportunities (GO) Excellence in Procurement Awards.
- 3.7 The Procurement Strategy will be reviewed and the results reported to the Finance and Resources Committee annually.

4. Measures of success

- 4.1 Deliver £150m of savings from 2013-2018.
- 4.2 Increase percentage of expenditure with contracted suppliers (97% in September 2016).
- 4.3 Enhance the community benefits delivered through procurement.
- 4.4 Increase adoption of the Living Wage by the Council's suppliers.

5. Financial impact

- 5.1 Delivery of £150m savings from 2013-2018. Savings of £72m were delivered from 2013-2016 with a further £38m forecast in 2016/17.

6. Risk, policy, compliance and governance impact

- 6.1 The delivery of the Procurement Strategy supports the community planning vision to ensure that Edinburgh is a thriving, sustainable capital city in which all forms of deprivation and inequality are reduced.
- 6.2 It will also support the four strategic priorities outlined in the Council's Business Plan 2016-2020 of:
 - 6.2.1 Improving quality of life;
 - 6.2.2 Ensuring economic vitality;
 - 6.2.3 Building excellent places; and
 - 6.2.4 Delivering a lean and agile Council.
- 6.3 The Procurement Reform (Scotland) Act 2014 sets out a number of duties that public bodies must comply with in their procurement activities. These include requirements in relation to:
 - 6.3.1 Procurement strategies and annual reports;
 - 6.3.2 A Sustainable Procurement Duty;
 - 6.3.3 Community benefit requirements;
 - 6.3.4 Fair work practices; and
 - 6.3.5 Consultation with those affected by procurements.

7. Equalities impact

- 7.1 There is no equalities impact directly as a result of this report.

8. Sustainability impact

- 8.1 Sustainable procurement is one of the key objectives of the Procurement Strategy. Delivery of the Procurement Strategy will support the Council in meeting the Sustainable Procurement Duty.

9. Consultation and engagement

- 9.1 The Procurement Strategy was made available on the Council's Consultation Hub from 14 October 2016 to 11 November 2016.
- 9.2 Engagement will continue on specific procurement projects with those affected by procurements.

10. Background reading/external references

10.1 [Commercial and Procurement Strategy 2014-2017](#)

10.2 [Commercial Excellence update and annual review of the Procurement Strategy](#)

Hugh Dunn

Acting Executive Director of Resources

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11. Links

Coalition Pledges	P25 – Introduce a Living Wage for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development P28 – Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city P30 – Continue to maintain a sound financial position including long-term financial planning
Council Priorities	CP13 – Deliver lean and agile Council Services
Single Outcome Agreement	
Appendices	Commercial and Procurement Strategy 2016-2020

Commercial and Procurement Strategy

December 2016 to March 2020



Commercial and Procurement Strategy

December 2016 to March 2020

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Local and National Context

1 Foreword

The launch of the Council's new Commercial & Procurement Strategy is a good opportunity to look back at the progress made by the Commercial Excellence programme established in 2013 and 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 savings.

Partnership working is key to successfully meeting these challenges – by service areas working closer together, through better engagement with communities, providers and strategic partners.

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

- Focusing commissioning and procurement activity on delivering improvements for the people and communities in the City of Edinburgh
- Building capacity and skills within the Council to improve commissioning and procurement activity
- Increasing the level of collaboration internally and externally
- Engaging proactively with providers to ensure maximum value and innovation
- Working cooperatively to support the local economy
- Promoting sustainability and fair working practices through procurement

By delivering on these areas, the Council will be in the best possible position to provide a fit-for-purpose procurement service to the benefit of all stakeholders.



Councillor Alasdair Rankin
Convener of Finance and Resources



Hugh Dunn
Executive Director of Resources(acting)

2 Vision

To maximise the benefits of procurement and make a positive impact on customers and service users, supporting the Council's strategic aims. To work collaboratively and with fairness and integrity in all aspects of commercial activity.

The City of Edinburgh Council and Edinburgh Partnership Vision

The delivery of the Commercial and Procurement Strategy will enable delivery of the community planning vision, to ensure that Edinburgh is a thriving, sustainable capital city in which all forms of deprivation and inequality are reduced.

The City Vision 2050

The delivery of the Corporate Procurement Strategy will align with the City Vision 2050 which will be agreed in July 2017.

3 Context

Local Strategic Objectives

The City of Edinburgh Council's Business Plan 2016-2020 outlines four strategic priorities:

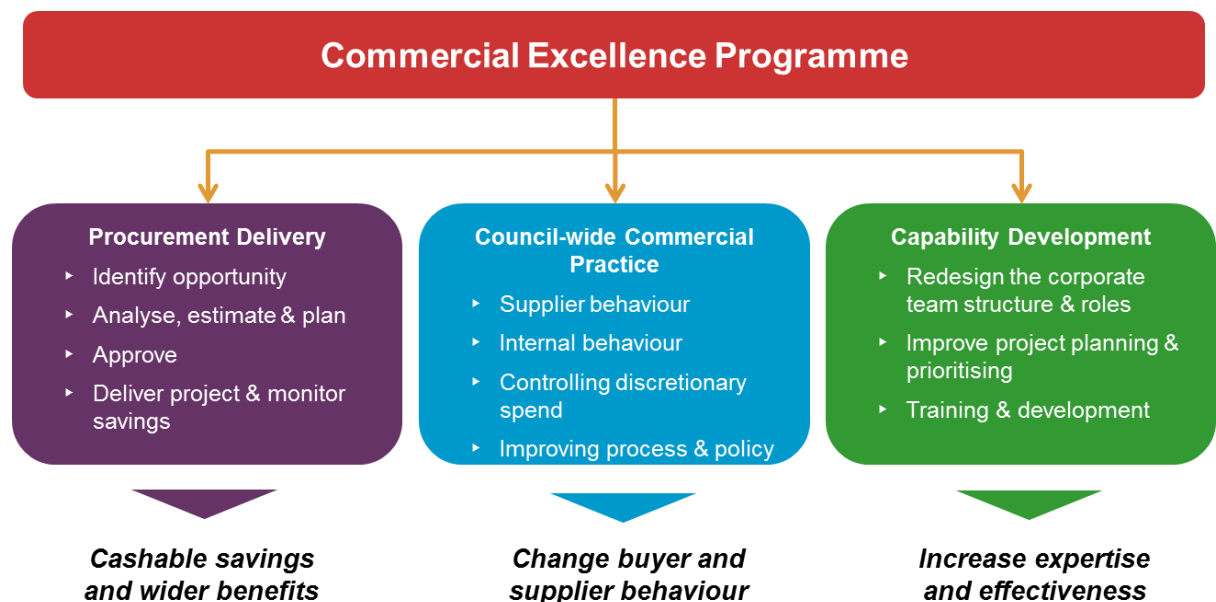
- Improve quality of life
- Ensure economic vitality

- Build excellent places
- Deliver a lean and agile Council

The Commercial and Procurement strategy will assist in the delivery of these priorities.

Since 2013 the Council's Commercial Excellence Programme has aimed to:

- generate savings through improved commercial activity;
- improve the quality and control of all purchasing activity; and
- improve the Council's capacity and capability with regard to commercial and procurement activities.



This strategy supports and develops these aims, in particular to strengthen collaboration with citizens, service users and providers to ensure continuous improvement and innovation.

Delivery of this strategy will also enable the Council to meet its legal obligations and deliver the Council business plans and Locality Improvement Plans.

The Procurement Reform (Scotland) Act 2014 now provides a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice. As a whole, both the Act and the recent procurement Directives implemented in national legislation provide the statutory foundations for the Scottish Model of Procurement. The Scottish

Government's Value for Money triangle below sets out the Scottish Model of Procurement; it is not just about cost, but about the best balance of cost, quality and sustainability continues to seek to improve capability in the sector through the public procurement reform programme (currently the Procurement and Commercial Improvement Programme).



The Government programme supports local authorities to “deliver procurement that improves public services for a prosperous, fairer and more sustainable Scotland.”

This includes delivery on the following objectives:

- Efficiency and collaboration
- Delivering and highlighting real cash savings
- Improving access to public sector contracts
- Making sustainable procurement business as usual

The Council plans to support delivery of these objectives by building on the work the Commercial Excellence programme has delivered to date with particular focus on coproduction, sustainability and innovation.

Coproduction	Sustainability	Innovation
<ul style="list-style-type: none"> • Collaborative design of services with service users • Partnership with the third sector • Development of light touch procurement process 	<ul style="list-style-type: none"> • Fair Work Practices • Community Benefits • Climate Change • Supported businesses • SMEs and social enterprises • Edible Edinburgh 	<ul style="list-style-type: none"> • Stimulate new technology or service solutions • Support the Scottish circular economy and Job creation • Deliver efficiencies through innovative ways of working

Delivery of the strategy will be made through our Commercial and Procurement Services Improvement Plan. Areas of improvement identified through our own activities, along with customer and user feedback, and any external assessment will be incorporated into the strategy during its annual update. Further local and national drivers supporting strategy are noted in the appendix.

4 Strategic Aims, Objectives & Key Priorities

This strategy applies to all of the Council's external expenditure on goods, services and works.

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
- Focusing on the delivery of a service which delivers successful preventative care and early intervention through the localities model

- Improving contract and supplier relationship management across the Council to ensure optimum value and innovation from our contractual relationships
- Applying a whole life costing approach which balances cost, quality and sustainability
- Increasing market engagement and benchmarking to drive competitive tenders and to improve quality through best practice
- Increasing collaboration through the City and Lothians as well as with other public sector organisations
- Maximising community benefits

2. Improve processes and policies by:

Developing a light touch procurement regime for health and social care services which will deliver the best service outcomes for the available budget.

- Working closely with service areas in commissioning activities to fully comply with the Procurement (Scotland) Regulations 2015, Procurement Reform (Scotland) Act 2014, Procurement 2016 and Statutory Guidance by embedding requirements in our procurement handbook and standard procurement documentation
- Making sustainable procurement business as usual, and incorporating community benefits in all appropriate contracts with values of £50,000 and above
- Applying Fair Work requirements to procurements and encouraging the adoption of these and promotion of the Living Wage
- Supporting local businesses and SMEs through closer working with City Strategy and Economy and other partners, and by making our processes more streamlined and accessible
- Working closely with the third sector and supported businesses to deliver better outcomes for service users and our communities

- Promoting compliance by contractors and sub-contractors with the Health and Safety legislation
- Promoting the highest standards of animal welfare and encouraging the procurement of fairly and ethically traded goods and services
- Continuing to improve compliance using our Purchase to Pay (P2P) processes further to maximise the controls available through new electronic systems introduced from 2017
- Ensure as far as reasonably practicable that payments to contractors and down through the supply chain are made no later than 30 days after a valid invoice is presented

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

- Promoting and supporting professional training opportunities through apprenticeships, trainee programme and continuing professional development options for wider specialist team including CIPS and learning opportunities offered via Scotland Excel
- Developing practical delivery skills in Commercial and Procurement Services through training, secondments, work shadowing and mentoring activity
- Promoting Commercial and Procurement Services across the Council to support compliance and improved commercial awareness by delivery of drop in sessions, alongside a library of learning events
- Engaging with other local authorities and other organisations which provide scope for knowledge transfer and efficiency through working together
- Improving contract and supplier management practices across the Council

5 Finance

Financial Outlook

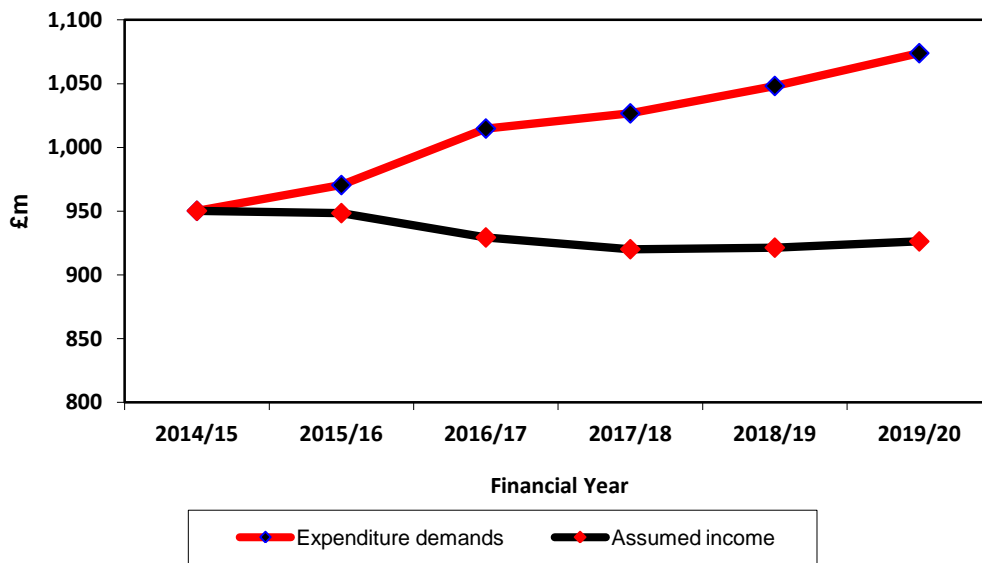
The next few years will bring significant challenges for all Councils, with increases in demand for key front line services coming with continuing financial constraints and uncertainty.

For the foreseeable future there will be continuing uncertainty over both UK-wide public expenditure levels and Scotland's share of this, both in overall terms and the proportion that will be allocated to Local Government. Following the UK-wide Spending Review in 2015, the Scottish Government issued only a one-year budget for 2016/17 and Scottish Ministers have confirmed that the next settlement, which will be announced in December 2016, will again cover one year only.

Councils also continue to face significant pressures on expenditure, in particular in relation to demographic factors, such as growing numbers of older and disabled people with increasingly complex support requirements, and in areas such as energy supplies which are inherently volatile.

An illustration of the growing gap between expenditure demands and the Council's anticipated funding position is shown in Figure A below. This shows the position against a 2014/15 baseline and illustrates the scale of the gap in this financial year (2016/17) that the Council has had to close. It also shows the continuing pattern of increasing demand against flat or reduced funding.

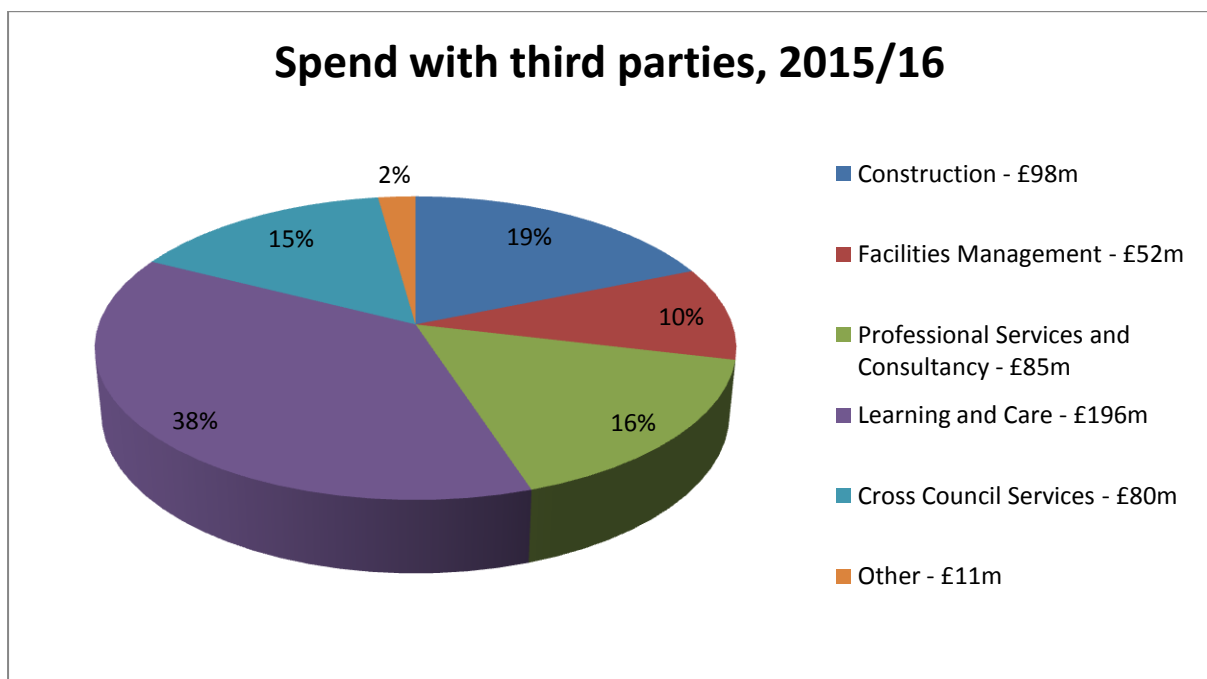
Figure A



Council expenditure with third parties

In total the Council spends more than £500m per annum with third parties

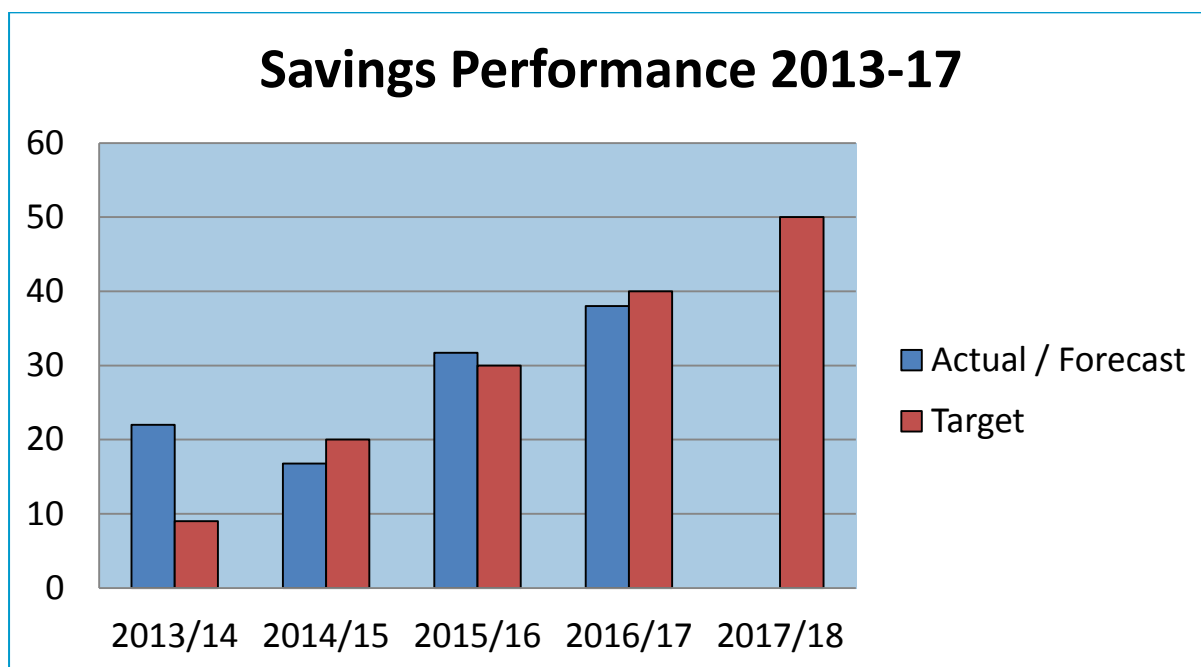
Figure B



And through the Commercial Excellence Programme, the Council aims to achieve savings of £150m in total between 2013 and 2018.

Currently the Council is on track to deliver our five year target with £72m delivered in the first three years and another £38m forecast in 2016/17.

Figure C



6 Monitoring, Reviewing and Reporting

The strategy will be annually reviewed and reported to the relevant City of Edinburgh Council Executive Committees.

The strategy has been developed in consultation with elected members, Council staff and been subject to public consultation.

If you have any comments or feedback please contact procurement@edinburgh.gov.uk

The Council will publish an annual procurement report on its procurement activities following the end of each financial year. The report will include:-

- Procurements completed in the relevant period
- Details of procurements undertaken in accordance with this strategy
- How the activity achieved the policies set out in this strategy and contributed to the wider aims and objectives of the Council
- Details of policies not met in the relevant period and how those will be achieved in the future

- A brief statement on methodology used to review regulated procurements
- Details of any regulated procurements that did not comply and a statement on how compliance will be achieved, monitored and reported
- A summary of community benefits requirements imposed and fulfilled during the financial year
- A summary of steps taken to facilitate the involvement of supported businesses
- A summary of the regulated procurements the Council expects to commence in the next two financial years
- Findings from work with stakeholders affected by procurements and other information on compliance, collaborations, and overall improvements

7 Policies, Tools & Procedures

The Council's Contract's Standing Orders and Procurement Handbook provide the rules and procedures applied to contracts awarded on behalf of the Council for all goods, works and services. These rules and procedures are reviewed in light of new legislation, procurement notifications from Scottish Government and findings from case law and other sources of good practice.

With regards to the exit from the European Union, in the short term the Council will still be required to comply with current legislation and advertise contracts in accordance with the EU Directives. The Council will continue to ensure future processes comply with the fundamental principles of procurement i.e. openness, fairness, transparency and non-discrimination.

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.

Localities working

As part of transforming the Council, we will provide more joined up services locally which respond to the needs of our customers. This locality-based approach means we will also bring decision making closer to citizens. Our new locality areas will cover the same geographical areas as our public sector partners such as the NHS, police and fire services, as well as Neighbourhood Partnerships, which will allow us to work more closely together.

Sustainability

The Procurement Reform (Scotland) Act, introduces a general obligation on Scottish public sector contracting authorities to consider how it can, throughout the procurement process, "improve the economic, social, and environmental wellbeing of the authority's area, facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process, and promote innovation".

The Edinburgh Partnership Community Plan (SOA 4) 2015 -18

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 (Scotland) Act 2014 and statutory guidance

The Act delivers 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 and Commercial Improvement Programme \(PCIP\)](#)

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.

[Integration](#)

The Scottish Government has introduced the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act). It requires that NHS Lothian and The City of Edinburgh Council create a new Integration Authority for Edinburgh with responsibility for delivering the national Health and Wellbeing Outcomes.

[Community Empowerment Act](#)

Part 10 of the Act includes Participation in Public Decision-Making: A new regulation-making power enabling Ministers to require Scottish public authorities to promote and facilitate the participation of members of the public in the decisions and activities of the authority, including in the allocation of its resources. Involving people and communities in making decisions helps build community capacity and also helps the public sector identify local needs and priorities and target budgets more effectively

Edinburgh Health and Social Care Partnership

NHS Lothian and the City of Edinburgh Council are now working as one team (Edinburgh Health and Social Care Partnership), with joint responsibility and accountability for services. This team is directed by the Edinburgh Joint Integration Board (IJB). The Strategic Plan for Edinburgh was approved by the Edinburgh Integration Joint Board (EIJB) on 11 March 2016.