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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>26 May 2009</b>
<b>Report By:</b>	<b>Corporate Director Improvement and Performance</b>	<b>Report No:</b>	<b>POL/29/09/PW/AS</b>
<b>Contact Officer:</b>	<b>Andrew Spowart</b>	<b>Contact No:</b>	<b>2039</b>
<b>Subject:</b>	<b>Development of a Strategic Procurement Framework 2009/11</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to seek approval from Committee for the development of a Strategic Procurement Framework for the Council.

## 2.0 SUMMARY

- 2.1 Members of the Committee have been previously advised that the strategic landscape in respect of procurement, particularly at a national level, has changed significantly with the creation of Procurement Scotland and Scotland Excel.
- 2.2 As a consequence of this change, the Council needs to evaluate its current approach to procurement with a view to establishing an overall corporate approach; this will be achieved through the development of a Strategic Procurement Framework.
- 2.3 It is acknowledged the Council's current approach to procurement requires improvement in a number of areas and that performance, together with associated processes, practices and behaviours, does not comply fully with the requirements of the McLelland Report on Public Procurement (2006).
- 2.4 Given the changing national context, together with the local position, it is appropriate to take stock of current arrangements to assess whether they are fit for purpose and initiate change through an improvement planning process.
- 2.5 This will be achieved through the development of a Strategic Procurement Framework - it is recognised that the status quo is not a sustainable or appropriate option, and the organisation cannot stand still with regards to procurement.
- 2.6 Any proposals to change the Council's approach to procurement need to reflect, and be consistent with, the proposals with regard to the Future Operating Model for the Council in both strategic and transactional terms.
- 2.7 The outline Strategic Procurement Framework will address four key areas for improvement:
- Leadership and Governance
  - Management Information/Systems Development
  - Managing Contracts including Collaborative Arrangements
  - Organisational Development

### **3.0 CONCLUSION**

- 3.1 The proposals detailed within the outline Strategic Procurement Framework will be developed in order to improve the Council's overall corporate approach to procurement. There is a recognition that there is considerable scope for improvement, however, this needs to be considered in terms of both capacity and capability, specifically with regard to the current Corporate Procurement Team and recent long-term absences.

### **4.0 RECOMMENDATIONS**

The Committee is recommended to:-

- a. consider and comment on the outline Strategic Procurement Framework;
- b. agree that a detailed business case for an appropriate procurement solution is finalised and progressed; and
- c. agree that the finalised Strategic Procurement Framework is submitted to Committee for approval in September 2009

**Paul Wallace**  
**Corporate Director**  
**Improvement and Performance**

## BACKGROUND

- 4.1 The Council has a statutory duty to make arrangements to secure Best Value through the Local Government in Scotland Act 2003. This means achieving continuous improvement (while maintaining an appropriate balance between quality and cost, whilst having due regard to economy, efficiency and effectiveness, equal opportunities and a contribution to achieving sustainable development).
- 4.2 The supporting Best Value guidance approved and issued by Scottish Ministers states that “a local authority must be able to demonstrate sound management of resources”.

This means amongst other things that the authority has a strategy for procurement and the management of contracts and contractors to ensure that it treats procurement as a key component in achieving all of its objectives, including those relating to sustainable development, equalities, health and safety. The guidance specifically states:

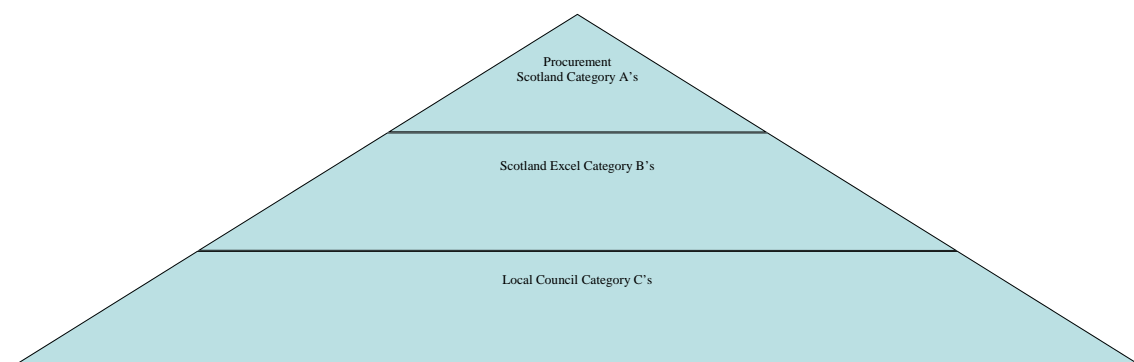
“That the authority has appropriate procurement expertise, guidance and training to support its activity and contractual relationships, and ensures that advice is available on developments in best practice and procurement law”.

“That the authority complies fully and appropriately with its obligations under European Community Law on public procurement”.

- 4.3 Looking forward, procurement will feature strongly in the revised audit methodology with regard to Best Value 2. A separate report on this agenda gives members information on Best Value 2. One of the key characteristics of a Best Value Council is having an agreed approach to corporate procurement. To support this, Audit Scotland have designed a specific audit tool which will be used in late 2009 to assess the performance of each Councils approach to procurement. In addition, procurement will be subject to a national study in 2009.
- 4.4 The audit tool is likely to assess the following areas:
- Structure / Organisation
  - Governance, Accountability and Leadership
  - Skills and capacity
  - Practices and procedures
  - Information systems
  - Opportunities for new introduction of innovative techniques/improvements

It is vital, therefore, that the Council’s proposed Strategic Procurement Framework effectively addresses each of these areas.

- 4.5 In addition, the recently created National Public Procurement Reform Board has started to implement and deliver improvements in line with the McClelland Report (2006). In particular, the structure for procurement in the local government sector is changing. It can be expressed as:-



- 4.6 At national, regional and local levels, there is considerable movement in improving efficiency in service delivery through more effective approaches to procurement by collaborating with other agencies.
- 4.7 This being entirely in line with the Scottish Government's Efficient Government Initiative which prompted the creation of organisations such as Procurement Scotland and Scotland Excel.
- 4.8 Inverclyde Council was the first local authority to become a member of Scotland Excel which reflected the Council's commitment to collaboration from a procurement perspective. Procuring from Procurement Scotland and Scotland Excel will improve the way we strategically source our goods, works and services and had already generated savings for the Council.
- 4.9 Procurement in Scotland is part of a rapidly changing public sector landscape where improvements are being made at an accelerating rate it is only appropriate for the Council to establish its own strategic position on all matters procurement. For example, a report on this Committee's agenda addresses the issue of use of a national portal for advertising contracts.

## **5.0 PROPOSED STRATEGIC PROCUREMENT FRAMEWORK 2009/11**

- 5.1 Following extensive discussions an outline strategic procurement framework has been developed.

The suggested component parts of the framework are detailed below:-

- Leadership and Governance
- Management Information and Systems Development
- Managing Contracts, including Collaborative Arrangements
- Organisational Development

### **5.2 Leadership and Governance**

Within the organisation there is a need to create an environment that allows procurement decisions to be made that are entirely consistent with the Council's legal, financial and, ethical responsibilities. In addition procurement decisions must reflect and accord with the policies of the Council.

To achieve this there is a need to ensure that the appropriate leadership and governance arrangements are in place and work. In this regard it may be appropriate to:-

- Establish a Programme Management Board to oversee procurement
- Standardise the Councils approach to procurement with regard to processes
- Review Standing Orders and Financial Regulations to reflect a revised strategic approach

In addition, it is important to ensure that all employees and elected members have an appropriate understanding of procurement policies, procedures and process and are constantly reminded of their unique responsibilities in this regard.

### **5.3 Management Information and Systems Development**

The absence of consistent and reliable management information inhibits the organisation's understanding of issues associated with spend visibility. Without key management information it is difficult if not impossible to create an environment in which procurement performance can be properly assessed and its improvement encouraged. Reliable and accurate procurement underpins the Council and services ability to analyse spend more effectively.

- In this regard it may be appropriate for the Council to invest in processes and systems which connect procurement with payment, ie, an e-procurement system

Information is central to the need to manage the spend more effectively. In addition, for the Council to monitor and report on the Scottish Government's Best Practice Performance Indicators, reliable information is a requirement.

#### 5.4 **Managing Contracts**

Within the Council there is a need to establish a collaborative culture with regard to procurement. Collaboration needs to be promoted as the norm rather than the exception whether external or internal procurement opportunities are being sought.

The Council has made policy decisions with regard to Procurement Scotland and Scotland Excel. There is now a need to strategically align Council spend with all contracts let by Procurement Scotland/Scotland Excel in order to realise potential benefits. For this Council collaboration has a number of advantages, including:

- Better utilisation of more procurement resources and skills
- Aggregation of spend to create greater purchasing power which will in turn result in improved cost savings
- A more efficient and less complex interface to suppliers utilising the efficiency of systems and other refinements of trading

Internal collaboration is an obligation under EU procurement directives. Increasingly, the Council needs to embrace internal collaboration, as it will reduce off contract spend, reduce administration costs, provide accurate management information and comply with EU Directives.

#### 5.5 **Organisational Development**

There is a need to establish a corporate organisational approach in order to support effective and efficient procurement. The current approach needs to be strengthened and improved with due regard to organisational and management responsibilities. This needs to embrace the need to establish a clear corporate path for procurement in Inverclyde with defined accountabilities and responsibilities within an agreed structure.

In this regard, it may be appropriate to:-

- Redefine the role and purpose of the Corporate Procurement Team, and its interrelationships with services, particularly Legal & Administration
- Up skill the procurement expertise within the Council

Clarification on roles and responsibilities is essential and this needs to be developed in order to raise the importance of the procurement activity within the Council. There is also a need to address and resolve functional relationships between a corporate procurement presence and Directorates.

### 6.0 **CONCLUSION**

The full Strategic Procurement Framework will be developed and designed to:

- Provide the Council with a coherent direction of travel in terms of an agreed corporate approach to procurement
- Identify a number of areas for development with specific actions which will be designed to secure a step change in the Council's corporate performance

## **7.0 IMPLICATIONS**

### **7.1 Finance**

There are no direct financial implications arising from this report.

### **7.2 HR**

There are no direct human resource implications arising from this report.

### **7.3 Legal**

This report has been passed to the Head of Legal and Administration for input.

## **8.0 BACKGROUND PAPERS**

None.