

## Procurement Strategy

September 2011

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## 1. Foreword

This procurement strategy has been prepared in response to the changing procurement agenda and the current financial climate.

The strategy sets out the procurement aims and goals of the council for 2011-2014. These aims and goals reflect both national and local policies and priorities.

In order for this strategy to achieve the financial and efficiency savings identified, as well as the other procurement objectives of the Council, it is essential that we continue to embrace a change to our existing ways of working, and develop a close working partnership between the Procurement Service and its client Resources.

Commitment to and the communication of this strategy is a key step to achieving excellence in all procurement activities and practices throughout the Council.

In the current financial climate there is pressure on Procurement, as there is on all Council functions, to save money. This is reflected throughout this strategy. However, it is acknowledged that market conditions may mean that benefit is actually derived from minimising increases in cost. This along with legal compliance and improved performance will also represent gains from the procurement function.

We spend in excess of £390 million per year on the Small/Medium Enterprises (SMEs) procurement of goods, services and works. Of this spend, more than £32 million is with SMEs located in the South Lanarkshire Council area. We do business with over 5000 suppliers and process over 320,000 invoices every year. It is vital that we obtain value for money from this expenditure, thereby releasing the maximum amount of resources to deliver front line services.

In order to get the very best from our procurement activity, we recognise that we need a comprehensive procurement strategy which will detail our objectives and an annual action plan underpinning the delivery of an effective and efficient procurement service.

**Archie Strang**  
**Chief Executive**  
**South Lanarkshire Council**

# Procurement Strategy

## 2. Introduction

This document sets out the procurement strategy for South Lanarkshire Council and seeks to communicate its vision for procurement. The strategy recognises the Council's objectives in terms of the Scottish Government's agenda for Efficient Government. In particular it promotes the recommendations of the McClelland Report, advocating the importance of procurement activities in contributing to efforts to provide efficient government and genuine budgetary savings. The strategy aligns with the Procurement Capability Assessment (PCA), a major element of the Scottish Government's measures to improve procurement.

The procurement strategy makes an important contribution to the Council's sustainable development strategy, through the procuring of appropriate/sustainable goods/services and the Council's financial strategy through the development of best value procurement and the capturing of identified efficiencies.

The procurement service has a commitment to the Council's vision within Connect (Council Plan 2007 – 2012) particularly in ensuring "Efficient and effective use of resources". Within the Procurement Strategy, each of the following sections clearly identifies the link to the appropriate Resource objective and reflects our contribution to the delivery of other key council values and improvement themes, namely:-

- Vision and strategic direction
- Performance Management and Improvement
- Governance and accountability

The strategy provides a common framework through which all procurement can be managed, and through which greater and earlier involvement, improved communication, sustainable efficiency, accessibility and flexibility are key priorities.

The strategy will be underpinned by a comprehensive action plan and a sourcing methodology, and all appropriate Council strategies including the sustainable development and equality strategies. Standardised documentation and appropriate procurement indicators will be used by procurement professionals and/or employees involved in procurement activities to implement the objectives of this strategy. This will provide a consistent approach to the adoption and application of procurement best practice.

The actions will be monitored through IMPROVe. The action plan will also encompass actions that are already monitored within IMPROVe.

This strategy requires corporate leadership, increased professionalism and the will to develop a culture of continuous improvement in all procurement activities. The support of all Resources will be crucial to the success of this strategy. Effective, efficient and innovative procurement will allow the Council to enhance goods, services and works provision, whilst providing best value and capturing savings opportunities.

## Procurement Strategy

The overall strategic aim is the continuous improvement of the Council's procurement activities.

### 3. Procurement Leadership and Governance

#### Corporate Improvement Themes:

- . Performance management and improvement
- . Vision and strategic direction
- . Governance and accountability
- . Efficient and effective use of resources

The Council has recognised the need to improve procurement across all areas of activity. The central procurement service exists to provide strategic leadership for this improvement. A clear definition of the roles and responsibilities of the procurement service and stakeholders is required to achieve this goal.

To add value, the procurement service requires involvement in the creation of strategy and an involvement within the planning and budgeting processes.

Having access to improved management information, financial data and Resources' proposed procurement requirements will improve the identification and subsequent planned actions for all influenceable spend within the Council.

Effective communication with all stakeholders is essential to meet the Council's aspirations for improved procurement performance including creating sustainable growth of the local economy, ethical business relationships and recognition of environmental concerns. The success of these aims will be validated by stakeholder feedback.

The above aims require to be supported by comprehensive e-business systems which, where appropriate, are easily accessible to customers, service users, partners, suppliers and the general public.

Finally, all improvement actions should be open to both internal and external audit to measure and evidence improvement and validate the use of day to day good practice and ethical procurement activities.

#### OBJECTIVES

- Establish a clear strategic leadership that covers all procurement activity across the Council ensuring alignment with the council plan and governance framework
- Establish active working routes for communication and dialogue between Procurement, and client Resources in order to improve communication and provide a regular forum for sharing best practise, collating and disseminating information and maximising collaborative opportunities
- Ensure that legally compliant procurement documentation appropriate and relative to the contract type are in place and utilised, reviewed and agreed by appropriate stakeholders involved in procurement activity

# Procurement Strategy

## 4. Strategy and Objectives

### Corporate improvement themes:

- . Performance management and improvement
- . Vision and strategic direction
- . Governance and accountability
- . Efficient and effective use of resources

The strategy is linked through service plans and resource plans back to the objectives detailed in the Council plan Connect. It also aligns itself to the Scottish Government's agenda for efficient government and the McClelland report on public procurement.

Procurement is an activity which extends across all Council Resources, impacting on many aspects of what the Council does. Where appropriate, Council strategies should reflect and take account of the objectives set out in the procurement strategy.

### OBJECTIVES

- Ensure that all key council strategies are aligned to support and take account of the aims and obligations of procurement as reflected in the procurement strategy

## 5. Defining the Supply Need

### Corporate improvement themes:

- . Efficient and effective use of resources

The Council must continue to develop its approach to procurement in new ways, to deliver ongoing benefits. To support this, processes must allow for innovation, not only from Council staff but from the supply base. In addition, all opportunities should be investigated to deliver benefits. Where appropriate, we should ensure that procurement professionals are involved throughout the life of a contract or service requirements: from inception; to mobilisation; to ongoing supplier management. By adopting this approach the Council can ensure procurement has an active input to introducing flexible, output based requirements that maximise competition, introduce innovation and considering risk management.

Accurate and timely management information supports this objective. This information should assist in improvements in areas including compliant use of existing Council contracts as well future contract requirements.

### **OBJECTIVES**

Procurement involvement in high value and/or high risk procurement exercises in order to provide the opportunity to explore innovative solutions, share skills and knowledge and to maximise the potential for the council to achieve efficiencies

# Procurement Strategy

## 6. Collaboration

### Corporate improvement themes:

- . Performance management and improvement
- . Efficient and effective use of resources

The need for a collaborative approach to all areas of procurement remains at the top of the agenda in public sector procurement. This need for collaboration applies not only nationally and locally but also internally, between Resources and even teams. It is therefore important to have mechanisms in place which guide the correct approach for all the Council tendering requirements.

To support the continual development of procurement throughout the Council, there needs to be ongoing involvement in the appropriate national and local collaborative forums. This will allow us to input into future models, influence these to best suit the council's needs and ensure we remain aligned to these developments. In addition we can continue to share and benefit from best practice.

The Council's commitment to collaboration extends to a financial contribution to Scotland Excel and membership of the Scotland Excel Board.

### **OBJECTIVES**

- Collaboration to be considered for all procurement activities and actively promoted where appropriate in order to share best practise and increase leverage including improved opportunities for supplier involvement.

## 7. Sourcing

### Corporate improvement themes:

- . Vision and strategic direction
- . Efficient and effective use of resources

A corporate approach to sourcing requires to be in place that supports consultation and collaboration whilst ensuring that all the required internal knowledge and resource is identified and involved.

This will take the form of a sourcing methodology document, advised by procurement professionals, to facilitate an outcome that meets the needs of the Council through consideration of the key corporate objectives such as financial control and alignment to national procurement improvement agendas such as sustainability, SME access and standardisation.

This is effectively a procurement project initiation document which outlines all of the steps to be undertaken and key areas to be considered in high value/high risk procurement exercises. It is intended to be used as a practical tool for officers undertaking procurement across the Council.

# Procurement Strategy

## **OBJECTIVES**

- Adopt a clear, standardised approach to procurement across the Council, including low value exercises in order to reduce risk, improve access for SME's, maximise competition, increase efficiency and promote transparency and understanding for suppliers

## **8. Contract and Supplier Management**

### **Corporate improvement themes:**

- . **Vision and strategic direction**
- . **Efficient and effective use of resources**

The relationship between the Council and its suppliers is fundamental in ensuring that the products and services purchased by the Council are fit for purpose, represent best value and meet the needs of our customers. The Procurement Service will provide guidance and support to the Resources in obtaining best value by seeking the best possible terms available to the Council. In doing this we will ensure that goods, materials and services purchased comply with all relevant and appropriate quality standards including health and safety, legal, environmental and financial regulations.

The Procurement Service will facilitate a standardised approach to supplier management across the Council to develop and improve relationships with suppliers. In addition to this standardised approach, in order to promote internal compliance and increase visibility of contracts, the Procurement Service will provide further advice and guidance on contract management and assist Resources with the provision of management information.

We also have a duty to ensure we embrace local economic development – to actively encourage fair and open competition across a varied supply base by making it easier for all organisations, regardless of size to bid for/participate in Council contracts. Procurement activities should, where possible, seek out opportunities that can support local regeneration and redevelopment in line with EU Regulations and national guidelines.

## **OBJECTIVES**

- Establish a clear, understandable, standardised, adopted approach to supplier management throughout the Council in order to promote transparency and improve relationships with suppliers
- Provision of advice and guidance in relation to areas including contract management, management information and supplier management in order to promote compliance and increase visibility of contracts available
- Ensure ethical, honest & fair procurement in order to improve access for SME's and reduce the risk of challenge from suppliers



# Procurement Strategy

## 9. Purchasing Processes and Systems

### Corporate improvement themes:

- . Performance management and improvement
- . Efficient and effective use of resources

The Council is committed to ensuring that the procurement activity it carries out maximises its contribution towards the delivery of efficient and effective public services. To achieve this all procurement processes and procedures must be open, robust and continuously improved and developed to reflect recognised best practice. The function must also position itself to take account of national developments in procurement whilst ensuring that key Council priorities and objectives are fully reflected in procurement decisions. This element of the strategy is critical to deliver efficiencies by way of the current procurement processes and deliver sustained cost savings identified by strategic procurement activities

e-Procurement is a critical element and an essential tool in delivering collaborative procurement across the public sector in Scotland. It has the potential to reduce costs and provide better management information on which to base strategic procurement decisions. It is crucial that the Council maximises the benefits and information available via the current e-procurement system, i-Proc.

It is also important that the Procurement Service investigates and champions the use of the most appropriate systems and tools including e-Sourcing tools and electronic invoicing – to ensure process efficiency and compliance

### **OBJECTIVES**

- Continue to develop the council's purchasing and i-proc systems to maximise management information, contract compliance and supplier management

## 10. People

### Corporate improvement themes:

- . Efficient and effective use of resources

The Council needs to ensure that employees have the appropriate knowledge and skillbase, and are supported by an adequately resourced and structured service, in order to deliver an effective procurement service to all internal stakeholders and external partners.

With significant investment in time and resource, the Council can expect in return highly skilled and motivated procurement professionals who are committed to delivering excellent customer service, advice and guidance to all levels of stakeholders both internal and external.

The Council is committed to ensuring that all employees within the Procurement Service as well as those out with the service, who have procurement responsibilities, are equipped with the necessary training, tools and support to enable them to perform their duties. Greater awareness also needs to be raised of the requirement for procurement involvement in appropriate Council initiatives.

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## **OBJECTIVES**

- Ensure all employees with procurement responsibilities gain the appropriate and relevant skills, qualifications and levels of competence in order to improve compliance and to reduce the risk of challenge to the Council
- Adopt the Scottish procurement competency framework as the mechanism by which the procurement skills, qualifications and development requirements are identified for the Council's procurement professionals to ensure a standard approach and to support cross-sector benchmarking
- The Council's established people and workforce strategies continue to provide the arrangements by which procurement identifies demand and plans future resources effectively

## **11. Performance Management**

### **Corporate improvement themes:**

#### **. Performance management and improvement**

**Performance management** is essential as it puts in place the measurement tools, targets, planning and monitoring systems required to track on going progress of the procurement service and the Council as a whole, in regards to the effectiveness of our procurement activities.

Regular corporate analysis of performance at Corporate Management Team level will assist in identifying opportunities for continuous improvement and act as a catalyst for innovative ways in which to deliver a process of continuous improvement.

Not all benefits from procurement can be measured financially: Qualitative or less tangible benefits, which are often more difficult to measure will also be identified and reported. Similarly, costs, risks and benefits will change over time. For these reasons the Council and the Procurement Service's performance indicators will change over time to reflect the diverse needs and aspirations of the Council's Resources and our performance reporting obligations at a national level.

### **Objectives:**

- The effective implementation and rollout of a set of procurement performance management indicators that will enable the council to plan and measure performance, validate efficiencies / savings, promote compliance and identify areas for improvement
- Achieve the national target of improved performance in the PCA by December 2012

## Procurement Strategy

### 12. Action Plan

Objective	Action	Responsibility	Timescale
<b>Section 3 - Procurement Leadership and Governance</b>			
3.1 Establish a clear strategic leadership that covers all procurement activity across the Council ensuring alignment with the council plan and governance framework	3.1.1 Complete the review of the procurement service clearly defining strategic roles, procurement structure and roles of Resource. Communicate the agreed outcomes to all stakeholders	Head of Finance	September 2011
	3.1.2 Develop and implement a procurement strategy and action plan	Head of Finance	September 2011
3.2 Establish active working routes for communication and dialogue between procurement, central finance and client Resources in order to improve communication and provide a regular forum for sharing best practise, collating and disseminating information and maximising collaborative opportunities.	3.2.1 Procurement lead officers to be identified for each Resource	Heads of Support Services	June 2011
	3.2.2 Establish a procurement network group that meets on a monthly basis attended by procurement, legal and the Resource procurement lead officers	Head of Finance	June 2011
	3.2.3 Develop the intranet to provide a platform for sharing information electronically across the council that will include - <ul style="list-style-type: none"> <li>• Contracts register</li> <li>• Notice board function</li> <li>• Links to strategic documents</li> <li>• Advice and guidance on contract management and supplier management</li> </ul>	Procurement Managers	Dec 2011
3.3 Ensure that legally compliant contract documentation appropriate and relative to the contract type are in place and utilised by employees	3.3.1 Review existing contract documentation with a view to standardising and update where appropriate in consultation with procurement professionals and resources.	Head of Legal Services	October 2011

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Objective	Action	Responsibility	Timescale
involved in procurement activity	3.3.2 Develop new standard contract documentation where appropriate and develop a core set of terms for inclusion in all contract documentation appropriate in consultation with procurement professionals and resources.	Head of Legal Services	April 2012
	3.3.3 Brief all employees involved in procurement activity to ensure they are aware of standard contract documentation and are aware that legal advice should be sought if deviating from standard contract documentation	All Heads of Service	April 2012
	3.3.4 Ensure appropriately designated employees approve tender documents prior to issue. (Link to 10.1.1)	All Heads of Service	July 2011
<b>Section 4 - Strategy and Objectives</b>			
4.1 Ensure that all key Council strategies are aligned to support and take account of the aims and obligations of Procurement	4.1.1 Review all key Council strategies to ensure a consistent approach to procurement, identify any gaps and liaise with strategy lead officers	Procurement Managers	January 2012
	4.1.2 Update key Council strategies where required to reflect the aims of the procurement strategy	Heads of Service /Procurement Managers	March 2012
<b>Section 5 - Defining the Supply Need</b>			
5.1 Procurement involvement in high value and/or high risk procurement exercises in order to	5.1.1 Define and review the Council's influenceable spend with a view to maximising opportunities to achieve efficiencies	Heads of Support/ Procurement Managers	March 2012

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Objective	Action	Responsibility	Timescale
provide the opportunity to explore innovative solutions, share skills and knowledge and to maximise the potential for the Council to achieve efficiencies	5.1.2 Develop and implement a “sourcing methodology” document for all contracts valued over £50k to define the supply need	Procurement Managers / Resource Procurement Lead Officers/Head of Legal	September 2011
	5.1.3 Regular scheduled meetings with the Resources with set agenda items to include change, new product introductions and new ideas.	Procurement Managers/ Resource Procurement Lead Officers	July 2011
	5.1.4 Ensure a market analysis and contract review is carried out where appropriate for contracts valued over £50k prior to a procurement exercise being carried out and reflected in the sourcing methodology document.	Procurement Managers/ Resource Procurement Lead Officers	March 2012
	5.1.5 Scheduled meetings as required with key high value/high risk suppliers to discuss new ideas and gather market information.	Procurement Managers/ Resource Procurement Lead Officers	March 2012
<b>Section 6 – Collaboration</b>			
6.1 Collaboration to be considered for all procurement activities and actively promoted where appropriate in order to share best practise and increase leverage through increased opportunity for suppliers	6.1.1 Both external and internal collaborative opportunities are considered, identified and detailed in the sourcing methodology document.	Procurement Managers/ Resource Procurement Lead Officers	March 2012
<b>Section 7 - Sourcing</b>			

## Procurement Strategy

Objective	Action	Responsibility	Timescale
7.1 Adopt a clear, standardised approach to procurement across the council, including low value exercises in order to reduce risk, improve access for SME's, maximise competition, increase efficiency and promote transparency and understanding for suppliers	7.1.1 Review the Scottish Governments procurement journey and update procurement documentation/toolkits as required (see also action on Sourcing Methodology at "5.1.2")	Procurement Managers	March 2012
	7.1.2 Undertake and evaluate a pilot for "Quick Quote" for <£50k process with a view to implementing across the council	Procurement Managers/ Resource Procurement Lead Officers	October 2011
	7.1.3 Standardise the appraisal process for financial and other risks for use across the Council	Head of Finance/Head of Legal/ Procurement Managers	Nov 2011
	7.1.4 Develop and agree a standard Pre-Qualification Questionnaire (PQQ) format as far as possible	Procurement Managers/ Head of Legal	Dec 2011
	7.1.5 Enhance our corporate sustainability in procurement by reviewing current practice against the Scottish Government's Sustainable Procurement Action Plan with a view to developing a set of sustainability actions which will be monitored via the Council's IMPROVe system.	Procurement Managers	Dec 2011

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<b>Section 8 - Contract and Supplier Management</b>			
8.1 Ensure ethical, honest & fair procurement in order to improve access for SMEs and reduce the risk of challenge from suppliers	8.1.1 Agree actions and timescales for active engagement for non contracted suppliers including communication and accessibility	Procurement Managers / Resource Procurement Lead Officers	August 2011
	8.1.2 Advertise and publish all Council contracts awarded >£50k on the Council website and other approved sites in order to maximise competition and information access	Procurement Managers/ Resource Procurement Lead Officers	August 2011
8.2 Establish a clear, understandable, standardised, adopted corporate approach to supplier management throughout the Council in order to promote transparency and improve relationships with suppliers	8.2.1 Agree a standardised approach to meetings with key contracted suppliers, with standard agenda items that may include performance and contract management, forecasting and scheduling information to allow planning and creation of strategies	Procurement Managers/ Resource Procurement Lead Officers	Sept 2011
	8.2.2 Continue to develop the supplier development forum/programme in conjunction with Regeneration Services	Procurement Managers/ Head of Regeneration Services	Ongoing
8.3 Provision of advice and guidance in relation to areas including contract management, management Information and Supplier Management in order to promote compliance and increase visibility of contracts available	8.3.1 Provide advice, guidance and information through agreed work plans with Resources	Procurement Managers	Ongoing
<b>Section 9 - Purchasing Processes and Systems</b>			
9.1 Continue to develop the Council's purchasing and i-Proc systems to maximise	9.1.1 Continue to report and monitor our PI targets on supplier payment terms	Head of Finance	Ongoing

## Procurement Strategy

	9.1.2 Prepare a business case for the implementation of e-invoicing across the council	Head of IT / Head of Finance	March 2012
	9.1.3 Carry out a post implementation review of i-Procurement system	Head of Finance	September 2011
	9.1.4 Conclude and implement the payment card strategy	Procurement Managers	September 2011

Section 10 – People			
10.1 Ensure all employees with procurement responsibilities gain the appropriate and relevant skills, qualifications and levels of competence to improve compliance and to reduce the risk of challenge to the Council	10.1.1 Through discussion, agreement and assessment as part of the PDR process, identify the employees with procurement responsibilities (as defined by Scottish Government)	All Heads of Service	May 2012
	10.1.2 Nominate appropriate employees to attend training to update their procurement knowledge including EU legislation	All Heads of Service	Ongoing
10.2 Adopt the Scottish procurement competency framework as the mechanism by which the procurement skills, qualifications and development requirements are identified for the Council's procurement professionals to ensure a standard approach and to support cross sector benchmarking	10.2.1 Through consultation and communication introduce this framework as part of PDR process in order to identify and action training needs and promote personal development	Procurement Managers	May 2012



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10.3 The Council's established people and workforce strategies continue to provide the arrangements by which Procurement identifies demand and plans future resources effectively	10.3.1 Implementation through current establishment control, vacancy vetting and recruitment processes	Head of Finance / Head of Personnel	March 2012
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<b>Section 11 – Performance Management</b>			
11.1 The effective implementation and rollout of a set of procurement performance management indicators that will enable the council to plan and measure performance, validate efficiencies / savings, promote compliance and identify areas for improvement	11.1.1 Create a standard suite of reports and Performance Indicators (PIs) that measure procurement capability and are relevant, accurate and meaningful to internal stakeholders/Resources	Procurement Managers	September 2011
	11.1.2 Review the benefit tracking tool and agree an approach to track all benefits realised as a result of efficient and effective procurement across the council	Heads of Support Services	October 2012
	11.1.3 Develop a post tender evaluation process for key projects and tenders that will provide the opportunity for improvement	Procurement Managers	March 2012
11.2 Achieve the national target of improved performance in the PCA by December 2012	11.2.1 Develop an action plan following the procurement capability assessment (PCA) due to be carried out in October 2011	Procurement Managers	January 2012