

# Procurement Strategy



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## Section 1 – Introduction

This Procurement Strategy sets out the Procurement Vision and objectives of South Ayrshire Council for financial year 2019-2020.

The Council's Key Procurement Objectives reflect both national and local policies and our aim is to build on the centralised procurement model, already in place within the Council, through our dedication to continuous improvement and a focus on:

- procurement capability development;
- maximising efficiencies through procurement;
- development of collaborative opportunities; and
- fulfilment of sustainable procurement duties.

This focus will directly impact on our ambition to transform South Ayrshire and improve the community we serve, by ensuring that sustainability in our procurement remains a priority and that all procurement activities contribute to the carrying out of the Council's functions and realisation of its purposes, while achieving Best Value and complying with statutory and regulatory duties.

The achievement of Best Value is reliant on a clear Procurement Strategy, aligned to the delivery of services which promotes an integrated approach across the organisation.

In order to deliver the required outcomes of this Strategy there remains a need to implement changes and improvements to our ways of working and ensure that close partnerships exist within the Council and beyond.

Commitment and communication of this Strategy are key steps on the road to embracing best practice, achieving procurement effectiveness and delivering improved outcomes for the residents and wider community of South Ayrshire.

## Section 2 – Procurement Vision

This Procurement Strategy has been prepared in alignment with the Council Plan 2018-2022 'Our People, Our Place' and in particular the objective to **'promote Council procurement to support the local economy, maximising the potential of community benefits.'**

To support the Council's ambitions and to highlight the commitment to continuous improvement in procurement, the following Procurement Vision has been established:

### **Procurement Vision**

'To continue to grow Corporate Procurement's influence across the Council, realising our ambitions for a centralised procurement model, while maintaining an excellent procurement service, as set out in our Strategy, which contributes to the transformation of South Ayrshire within available resources.'

## Section 3 - Strategy Rationale and Context

The purpose of the Procurement Strategy is to set out the procurement vision for the Council, and with this, provide an understanding of Corporate Procurement's aims and objectives and how these will be achieved.

The Strategy enables the Council to understand how procurement contributes towards the Council's vision and provides focus and direction for procurement activities, ensuring a long-term perspective is in place within a framework of policies, procedures, standards, collaboration and improvement planning.

The Council's previous Procurement Strategy, 2018, was closely aligned with the overarching objectives of the Council and the requirements of the Scottish Government, delivering many improvements over the period it covered (April 2018 – March 2019). These benefits include a realisation of all 4 'Future Development's' detailed within Section 6 of the 2018 Procurement Strategy:

- Scottish Government, Procurement and Commercial Improvement Programme (PCIP) participation. In October 2018 Corporate Procurement undertook a 'Focussed Assessment' concentrating on improvement areas identified in the Council's 2016-17 assessment, achieving an improved score of 86%;
- Increased Local SME Engagement, including hosting of our successful 'Ayrshire Meet the Buyer' event at Ayr Racecourse in May 2018. This included displays from over 21 organisations and was well attended with over 200 registered delegates. Corporate Procurement also introduced an embedded Officer approach with Economic Development to further assist local businesses in taking advantage of the Council's procurement opportunities. 66 of these local companies registered on the Supplier Development Programme (SDP) in 2018 which is a 113% increase over the previous year, with 5 of those engaging in one-to-one additional procurement support;
- Further establishing Corporate Procurement's Contract and Supplier Management (CSM) and Community Benefit processes, across Council Services, including, in particular, Health and Social Care Contracts from July 2018.
- The introduction of an electronic RPA, or Request for Procurement Action database, In line with the electronic streamlining of other business operations within the Council, This has led to a reduction in the administration required in completing the task, allowing for easier reporting and greater transparency;

As well as realising the Future Developments of the previous Procurement Strategy, since January 2019, Corporate Procurement's responsibilities now include the successful integration of the Central Accounts payable (CAP) Team. This integration ensures that the delivery of efficient procurement process from identification of a need to payment of invoices, creating shared performance measures and a cross functional team who are able to communicate together on the importance of following defined policies and procedures for ordering and processing invoices.

Although improvements have been delivered, the Council still faces significant challenges over the coming years and achievement of the Council's Strategic Objectives will be difficult, as increasing demands for services are balanced against reducing budgets and resources.

The Council's most recent General Services Review Budget 2019/20 and Capital Investment Programme 2019/20 to 2028/29, approved by Elected Members on 28 February

2019, outlined that there was a significant real terms reduction in funding in the Public Sector. . Managing this position to minimise the impact on services and respond to new and changing demands requires the Council to raise its ambitions and strive to continually improve on the delivery of services.

## Section 4 - Strategic Aims and Objectives

In order to support delivery of the Council's Plan, the Procurement Strategy includes 4 Key Objectives:

1. Procurement Capability Development;
2. Maximising Efficiencies Through Procurement;
3. Development of Collaborative Opportunities; and
4. Fulfilment of Sustainable Procurement Duties.

These Key Objectives are expanded on below with an explanation of how these will be met and the outcomes expected from achievement of these ambitions.

### Key Objective 1 - Procurement Capability Development

#### ***Ambitions***

To use the knowledge and skills of our staff, in order to embed a more strategic and commercial approach into all of the Council's functions and purposes.

To ensure that all procurement activities are undertaken in a consistent, robust, transparent and accountable manner, in accordance with all relevant governance.

To keep the Council up to date with the latest developments in the wider procurement environment and maintain an awareness of current cross-functional procurement practices.

To strive for continuous improvement in procurement, as measured by the Scottish Government's Procurement and Commercial Improvement Programme (PCIP).

#### ***How ambitions will be met***

By delivering appropriate training to staff where required, while nurturing and developing opportunities for integration and partnership between Corporate Procurement other Services.

Through continued adherence to the EU principles of equal treatment, non-discrimination, proportionality, transparency and mutual recognition while promoting equality by tackling discrimination and disadvantage.

By working together with the Council's Legal Services in adapting our internal procedures, processes and documentation to reflect any changes in procurement legislation brought about from Britain's potential exit from the European Union and to ensure compliance with the new General Data Protection Regulations (GDPR) which came into force in May 2018.

By working collaboratively with Scottish Procurement, Scotland Excel, the Crown Commercial Service and other local authorities or Public Sector organisations, to share knowledge and benchmark our performance.

Through continued participation in a national procurement assessment scheme the Council will identify, develop and implement best practice in procurement on an ongoing basis and

gain a clear understanding of what is required to allow the Council to continue on an upward curve of procurement development within available resources.

***Outcomes expected***

Added value in all new procurement exercises and additional benefits through better management of existing contracts.

Compliance with statutory and regulatory requirements and mitigation of the risk of legal challenge.

Corporate Procurement are able to offer innovative procurement solutions and South Ayrshire Council is recognised as a leading authority in Public Sector Procurement.

To improve on our previous Procurement and Commercial Improvement Programme score by focusing on areas for further improvement as identified in the Council's 2018 PCIP assessment.

To remain in the top 'F1' Scottish Government PCIP assessment performance banding, enhancing our status as one of the top performing Councils in Scotland for procurement activity.

<b>Key Objective 2 - Maximising Efficiencies Through Procurement</b>
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***Ambitions***

To ensure that appropriate contracts are in place for all of the Council's requirements and that these deliver Best Value.

To facilitate the modernisation of business processes across the Council through the implementation and development of electronic procurement solutions.

To utilise Management Information (MI) effectively ensuring that procurement operates according to our core set of indicators and measures for best practice.

To support Services in the identification and delivery of cost savings.

To realise financial and efficiency savings in the successful procurement of contracts, through proactive Contract and Supplier Management.

***How ambitions will be met***

Through the continued proactive integration and influence of Corporate Procurement, throughout all Directorates and Services, allowing for a strategic analysis of all relevant considerations to be made, when client requirements are met and contracts are put in place or renewed.

Through the use of new and existing electronic procurement systems in both the advertisement of opportunities and throughout the purchase process in the delivery of services.

Through the maintenance and publication of information, from various performance management systems, to monitor progress against targets on efficiency, capability, collaboration, compliance and savings.

Through the ongoing development of contract strategies in advance of procurement activities, to identify where savings can be made through;

- the early engagement of all stakeholders to aid in the re-design of services and the investigation into more innovative sourcing solutions and effective commercial evaluation models with a focus on process efficiency and cost reduction,
- consulting with Services on defining the criteria required to be able to determine the most economically advantageous tender, using an appropriate combination of cost and quality elements,
- the identification and benchmarking of relevant collaborative agreements to determine the Best Value procurement route;

Through continual engagement with contracted suppliers and a formalised system of monitoring performance against contractual requirements, to ensure the successful delivery of services and allow for a focus on the development of initiatives and innovations to help improve the procurement of these services in the future.

### ***Outcomes expected***

Compliance with the Council's Standing Orders Relating to Contracts and Procurement Journey resulting in a reduction in non-contracted or 'maverick' spend.

Achievement of targeted procurement cost savings.

Measurable and demonstrable improvements in the correct use of the electronic procurement systems available to the Council.

Continuous improvements evidenced against Service Improvement Plan key actions and towards the Scottish Government's annual Procurement and Commercial Improvement Programme.

Delivery of Contract and Supplier Management driven value added services.

## **Key Objective 3 - Development of Collaborative Opportunities**

### ***Ambitions***

To actively participate in all appropriate collaborations and proactively support other local authorities, procurement organisations and wider Public Sector partners.

To actively support local businesses to take advantage of procurement, and to support the local economy.

To expand on established customer feedback mechanisms and increase customer satisfaction in procurement activities.

To improve on the level and methods of communication with all internal and external stakeholders.

To continue to contribute to the development of national Contract and Supplier Management processes.

***How ambitions will be met***

Through early identification of opportunities to aggregate spend and requirements, an increase in cooperation with neighbouring authorities and a proactive involvement with national procurement groups and forums.

Through an increase in engagement with Services, local suppliers, residents and community groups during the development stage of projects, ensuring that all opinion and feedback is recorded and considered during contract execution.

By continually reviewing what, how and when we report on our procurement activities to Services, corporate management, elected members, suppliers and the wider public, while ensuring that all necessary information is published to help support Procurement Strategy objectives.

Through continued engagement with the Scottish Government and Scotland Excel, the Centre of Procurement Expertise for Scotland's local government sector, to develop tools and processes for national collaboration on Contract and Supplier Management.

***Outcomes expected***

Achievement of mutually beneficial results with our collaborative partners including economies of scale, a reduction in administration and the sharing of procurement best practices and innovations.

Continuous improvement in the Council's procurement processes and practices, influenced by the impartial, independent advice and feedback received.

A procurement strategy that is fully aligned with the Council's overall ambition and vision that can be implemented as intended.

Increased opportunities for collaborative Contract and Supplier Management.

<b>Key Objective 4 – Fulfilment of Sustainable Procurement Duties</b>
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***Ambitions***

To achieve improved standards of sustainable procurement throughout the Council, in accordance with the duties set out within the Procurement Reform (Scotland Act) 2014.

To embed established methods of evaluation and recording of community benefits in the execution of individual contracts.

An increased focus, with support from colleagues in Economic Development, on the support provided to improve access to procurement opportunities for SMEs, including local businesses, Third Sector Bodies and Supported Businesses.

To work in partnership with all Services, in line with the Council Plan, to ensure that we improve the way that we work as a Council in delivering services which benefit the area and communities we operate in, with a focus on reducing inequality.

### ***How ambitions will be met***

Through use of the Scottish Government's Sustainability Test tool, during the development of individual contract strategies. This will help identify where relevant and proportionate sustainability requirements can be embedded, including support for the Living Wage, during the development of contract specifications and identify how they can be tracked during delivery of services through MI and Contract and Supplier Management.

Continuing to follow the Scottish Government's Sustainable Procurement Action Plan, in conjunction with statutory guidance, while updating our progress against sustainability targets using the Flexible Framework self-assessment tool (FFSAT).

Through Procurement's influence over Services to suggest how bespoke and relevant Community Benefits can be achieved in all procurement exercises over £50,000 for goods and services contracts and over £2,000,000 for works contracts, while ensuring that any regulated procurement with a value equal to or greater than £4,000,000 includes Community Benefit requirements.

An increased focus, with the support of colleagues in Community Engagement, on the recording and management of Community Benefits delivered using our Community Benefits register to promote and publicise benefits received as a result of procurement activity. The use of voluntary Community Benefits will also form part of ongoing Contract and Supplier Management processes.

Through early consideration, either at contract strategy stage or through our knowledge of forthcoming collaborative opportunities (local or national), on how SMEs, local businesses, Third Sector Bodies and Supported Businesses can be made aware of public procurement activity, while promoting established business support initiatives such as the Supplier Development Programme.

### ***Outcomes expected***

Compliance with the Sustainable Procurement Duty of the Procurement Reform (Scotland) Act 2014, which requires that the Council, before it buys anything, must think about how it can improve the social, environmental and economic wellbeing of the area in which it operates, with a particular focus on reducing inequality.

Measurable and demonstrable social, economic and environmental benefits to South Ayrshire communities from the effect of sustainable procurement activity.

Increased awareness and ability for SMEs, Third Sector Bodies and Supported Businesses to take advantage of business opportunities within South Ayrshire or the wider Public Sector.

## Section 5 –Procedures, Policies and Procurement Tools

The delivery of this Procurement Strategy will ensure that the Council's regulated procurements adhere to the mandatory requirements as set out in Section 15(5) of the Procurement Reform (Scotland) Act 2014.

In adhering to these mandatory requirements the Council relies on the following Procedures, Policies and Procurement Tools being in place to support its procurement activities:

### Procedures

As a contracting authority, South Ayrshire Council is responsible for establishing arrangements for ensuring the proper conduct of organisational business, including conformance to standards of good governance and accountability with regard to procurement.

To ensure Procurement Strategy Key Objectives are delivered effectively, there will remain a continuing need to recognise the requirement for and execution of an appropriate Council governance framework.

The presence of this framework will enable Key Objectives to be achieved through a decision making process which ensures required authorisation and appropriate delegations and approvals are in place.

In adhering to this governance framework, the Council ensures that, in line with this Procurement Strategy, **Key Objective 1 - Procurement Capability Development**, its regulated procurements are carried out in compliance with its duty to treat relevant economic operators equally and without discrimination and that these procurements will be undertaken in compliance with its duty to act in a transparent and proportionate manner.

In maintaining this governance framework, the Council will ensure that a continuing focus remains in relation to updating, and appropriately applying the following procedural governance documents;

### Standing Orders Relating to Contracts

The Standing Orders Relating to Contracts are subject to the over-riding provisions of European Union, United Kingdom, or Scottish legislation. They are also subject to any EU Commission, UK Government or Scottish Government guidance on public procurement that may be issued from time to time.

*South Ayrshire Council Standing Orders Relating to Contracts:*

<https://www.south-ayrshire.gov.uk/documents/standingorderscontracts.pdf>

The Council's Standing Orders Relating to Contracts set out how contracts for all goods, services and works will be made by the Council.

The purpose of these Standing Orders is to ensure that contracts are appropriate for their purpose, provide the right balance between price and quality, and are procured in an open way that demonstrates probity and compliance with the Council's policies.

The Standing Orders are applied having regard always to the EU Treaty Principles of equal treatment, non-discrimination, proportionality and transparency. All Council employees are

instructed to treat tenderers equally and without discrimination and act in a transparent and proportionate manner at all times.

The Standing Orders also set out the Council's obligations in ensuring that the suppliers and service providers it contracts with comply with all statutory requirements in respect of ensuring equal opportunity in employment, under the provisions of the Equality Act 2010 and with all current Health and Safety legislation and approved Codes of Practice, as may be applicable to the contract. Promotion of this compliance is in line with the requirements of the Procurement Reform (Scotland Act) 2014.

### **Financial Regulations**

The Council's Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs.

They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting procedures and professional good practice.

The Council's Financial Regulations apply to every member and employee of the Council or anyone acting on its behalf. All members and employees have a general responsibility for taking reasonable action to provide for the security of assets under their control, and for ensuring that the use of these resources is legal, properly authorised, and provides Best Value.

*South Ayrshire Council Financial Regulations:*

<https://ww20.south-ayrshire.gov.uk/corporateservices/LegalAdmin/CommitteeInformation/Financial%20Regulations.pdf>

### **Scheme of Delegation**

The Scheme of Delegation is intended to facilitate the effective undertaking of Council business by clearly setting out the nature and extent of the powers delegated to officers by the Council, in order to ensure an efficient running of day to day operations and to allow the Council to carry out its functions and achieve its Strategic Objectives.

The Council's approach to delegation has been influenced by its commitment to facilitate community participation in the decision making process and to delegate to Chief Officers. The result is that the Council has reserved very few powers to itself and has agreed extensive delegations to officers.

*South Ayrshire Council Scheme of Delegation:*

<https://www.south-ayrshire.gov.uk/documents/schemeofdelegation.pdf>

<b>Policies</b>
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The Council has clear Strategic Objectives set out within the Council Plan and a strong focus on monitoring and reporting performance through the revised, 2018, performance management framework, 'South Ayrshire Performs.'

Strategic Objectives are supported by Directorate Plans for each of the relevant directorates and contain the commitments by all Services to deliver on the ambitions set out within the Council Plan 2018-2022. .

To further ensure that the Council's regulated procurements contribute to the carrying out of its functions and the achievement of its purposes, this Procurement Strategy, in line with its Key Objectives, will be delivered in accordance with the Council Plan, the Place Directorate Plan and a set of national and local policies and strategies. These are embedded within existing procurement processes with outcomes measured against the Council's core set of indicators and measures for best practice:

### **South Ayrshire Council Plan**

The Council Plan, alongside dedicated Directorate Plans, maintain the integrity and coordination of the Council's objectives within the agreed performance management framework, monitored through the Service and Performance Panel.

*South Ayrshire Council Plan 2018-2022:*

<https://www.south-ayrshire.gov.uk/ext/committee/committeepapers2018/South%20Ayrshire%20Council/1%20March%202018/SAC01031814%20Council%20Plan%202018-22-App1.pdf>

Progress against the actions and performance measures contained within Directorate Plans is managed and reviewed using the Council's Pentana Performance Management System. This helps to ensure that what we have set out to do is delivered in line within the standards and timescales anticipated.

### **Statutory Guidance**

**Sustainable Procurement Duty** - The Council's approach to sustainable procurement, coupled with the sustainability tools at the Council's disposal, outlined below, are rooted within the procurement process to promote a commitment to sustainability and achievement of Best Value for the Council.

In an ongoing effort to embed sustainability issues in procurement exercises, three strands of sustainability are explored at the contract strategy stage; environmental, social and economic factors along with a consideration on how the Council can facilitate the involvement of SMEs, third sector bodies and supported businesses in procurement exercises, as well as a promotion of innovation in the design and delivery of services.

This approach is in line with the Council's Procurement Strategy **Key Objective 4; Development of Collaborative Opportunities and Fulfilment of Sustainable Procurement Duties** and ensures that the Council complies with its Sustainable Procurement Duties, which is a mandatory requirement under the Procurement Reform (Scotland Act) 2014.

**Community Benefit Requirements** – The Council will adhere to all statutory guidance and legislation on the use of Community Benefits, ensuring that all regulated procurements with a value greater than or equal to £4,000,000 include Community Benefits clauses. The Council's Procurement Strategy **Key Objective 4; Fulfilment of Sustainable Procurement Duties**, outlines when Community Benefits should be considered, the aim of including these in procurement exercises and how they will be implemented and monitored.

**Consulting and Engaging with Stakeholders** – The Council continues to consult and engage with those affected by our procurement activities through the development of contract strategies, in advance of the procurement exercise and through our focus on identifying opportunities for collaborative Contract and Supplier Management. In line with the Council's Procurement Strategy **Key Objective 3; Development of Collaborative Opportunities** - Engagement with Services, suppliers, local businesses, tenants and

community groups during the development stage of projects, while ensuring that all opinion and feedback is recorded and considered when resulting agreements are implemented and executed, ensures continuous improvement in the delivery of services and allows the Council to understand the needs of the area we serve and understand the impact of our procurement activity.

**Fair Work Practices & Payment of a Living Wage** – The Council will comply with the Statutory Guidance on the Selection of Tenderers and Award of Contracts – Addressing Fair Work Practices, including the Living Wage, in Procurement, in line with the our Procurement Strategy’s **Key Objective 1; Procurement Capability Development**. The Council follows the lead of the Scottish Government by promoting the payment of the Living Wage to persons involved in fulfilling procurement requirements by considering, where relevant and proportionate, when Fair Working Practices should be addressed in contracting opportunities.

Our consideration of Fair Work will allow us to explore practices in respect of recruitment, retention and the types of employment contracts in use. This also aligns to the aspiration to run our construction contracts in a manner that is consistent with the Construction Charter, and we will work with the relevant services, Professional Design Services, Asset Management and Special Property projects, to advance this agenda. We also acknowledge existing national agreements in place in the construction sector, for example HUB South West Scotland and will strive to work only with contractors exhibiting high standards in respect of workforce practices.

**Procurement of Fairly and Ethically Traded Goods and Services** – In line with the Council’s Procurement Strategy **Key Objective 4; Fulfilment of Sustainable Procurement Duties** and where ethically traded goods and services are available, the Council will work with all relevant stakeholders and take a Best Value approach when applying fair and ethically trading principles in procurement activities. South Ayrshire Council also works closely with Fairtrade partnerships to promote Fairtrade products and explore the differences that choices on the procurement of these ethically traded goods can make to the lives of others.

**Community Health and Wellbeing and Animal Welfare in the Procurement of Food** – The Council recognises the requirement to find practical ways to supply healthy, fresh, seasonal, and sustainably grown food which represents Best Value whilst improving the health, wellbeing and education of communities in our area. Through Corporate Procurement’s collaboration with our internal stakeholders and with Scotland Excel, the Centre of Procurement Expertise for Scotland’s local government sector, we will work to put in place affordable contracts which meet the nutritional requirements for food, for all users of our catering services, whilst promoting the highest standards of animal welfare, in accordance with all statutory guidance and legislation.

## Procurement Tools

Key tools that the Council has embedded into the procurement process, which help contribute to compliance with the mandatory requirements under the Procurement Reform (Scotland) Act 2014, are detailed below.

These tools are considered at the contract strategy stage of any contract, influencing the procurement where relevant and proportionate and, along with the procedures and policies outlined above, ensures that the Council’s regulated procurements deliver value for money.

## **Procurement Guidance Tools**

The Scottish Government's Procurement Journey - supports all levels of procurement activity and helps to manage the expectations of stakeholders and facilitate best practice and consistency across the Scottish Public Sector.

South Ayrshire Council Procurement Journey – The Council's version of the Scottish Government Procurement Journey with additional guidance on lower value procurements.

## **Sustainability Tools**

The Scottish Government's 'Sustainability Test' Tool – Designed to help embed relevant and proportionate sustainability requirements in the development of frameworks and contracts. This is considered at the individual contract strategy stage of the Council's procurement activity and offers guidance on complying with all of the sustainable procurement duties set out in the Procurement Reform (Scotland Act) 2014.

*The Scottish Government's Sustainability Test Tool;*

<http://www.gov.scot/Topics/Government/Procurement/policy/corporate-responsibility/Sustainability/ScottishProcess/SustainableProcurementTools/SustainabilityTest>

Flexible Framework – Use of the Flexible Framework self-assessment tool under the Scottish Government's Sustainable Procurement Action Plan to establish the performance level of sustainable procurement across the Council.

## **Community Benefit Tools**

The Scottish Government's Community Benefits in Public Procurement policy assists Procurement Officers in our on-going ambition to embed Community Benefits into the procurement process where relevant and proportionate.

In addition, the Council's Process and Guidance document on Community Benefits in Contracts provides an established method of evaluation and recording proof Community Benefits in contracts. This is available here - [link](#).

## **Contract and Supplier Management Tools**

Contract Risk Cards – The Council's method of determining the categorisation of contracts as either; Transactional, Operational or Strategic.

In addition the Council's Process and Guidance document on Contract and Supplier Management provides a consistent approach to CSM to further engage with suppliers to drive efficiencies and compliance in contracts. This is available here – [link](#).

## Section 6 – Considerations and Future Developments

### Considerations

#### Contracts Register

The main consideration affecting the delivery of this Procurement Strategy is the current Work Plan for Corporate Procurement during the next financial year (2019-2020) and the available resource allocated to this.

The online Contracts Register is a record of all regulated procurement activity undertaken by the Council. Along with consideration of any new ad-hoc or reactive projects in development, from the expiry dates recorded for each agreement on the Contracts Register, Corporate Procurement are able to understand the forthcoming requirement for contract renewal.

*South Ayrshire Council Contracts Register:*

<http://www.south-ayrshire.gov.uk/procurement/publications/south%20ayrshire%20contracts%20register.pdf>

#### Contract Delivery

Corporate Procurement's forthcoming Annual Report will provide more detailed information on anticipated regulated procurements required in 2019-2020, excluding reactive supplies, services or works. It will also provide more detailed information on each individual regulated procurement completed during the period that the previous Procurement Strategy covered, financial year 2018-19.

Of the 55 regulated procurement exercises expected in 2018-19, from Annex 2 of the Council's first Annual Procurement Report, 54 have been delivered. An increase of 14 regulated awards over the figure of 39 for 2017-18, detailed in the same report at section 5.

However, it should be noted that along with the 54 regulated procurement exercises completed in 2018-19, the Corporate Procurement Contracts Team also delivered an additional 74 contract awards for requirements below the relevant Scottish or OJEU thresholds for goods, services and works.

The 128 contract awards in 2018-19, delivered by five Procurement Officers represents an average of 26 Per Officer, or 2 per Officer, per month.

From the Council's Contracts Register it is expected that 72 regulated procurement exercises, excluding reactive supplies, services or works, will require to be undertaken in the next financial year.

Additionally, over the period covered by the Council's previous Procurement Strategy, April 2018 – March 2019, the Quick Quote requirements administered by Corporate Procurement, led to the award of 204 contracts between £0 £50,000.00. This represents a 340% increase over the previous financial period, 2017-18, during which 60 Quick Quote contracts were awarded.

Since July 2018, temporary procurement resource has been allocated to assist in the delivery of the Council's Health and Social Care Partnership (HSCP) requirements to overcome the considerable backlog of social care contracts that need to be renewed and re-tendered. A Level 9 Procurement Officer was appointed for a period of 23 months and in approving this appointment, Corporate Procurement will require to undertake a further

review and consider the likely permanent resource that should be allocated to support the procurement of social care contracts.

### **Contract and Supplier Management (CSM)**

Coupled to these requirements for contract development and renewal is the on-going need for the contract and supplier management of 261 current contracts categorised as either Strategic (42), Operational (71) or Transactional (148) I. Through the CSM process, Corporate Procurement have added management of an additional 44 contracts since the period covered by the last Procurement Strategy and met with 37 contracted identified as non-performing suppliers in financial year 2018-19.

The Council's Health and Social Care Partnership (HSCP) is an additional consideration affecting procurement resource for forthcoming CSM activities. Corporate Procurement and the HSCP are currently undertaking a project to better align the Council's established CSM process to social care requirements. The necessary levels of collaboration required in such a partnership approach to CSM will require procurement support beyond that which is currently provided. A merger of the HSCP Contracts and Commissioning Team (CCT) and the Council's Corporate Procurement Service is being explored through the HSCP Integration Joint Board (IJB). It is proposed that a Joint Review Group of HSCP and Council staff will be responsible for considering the benefits and risks of merging CCT and Corporate Procurement and it is expected that this review will be concluded in 2019.

In accordance with the Council's service review process, Corporate Procurement recommend that the following objectives are considered:

- Following implementation of the Council's new structure, as part of the move towards becoming a more flexible, adaptive and responsive organisation, the Council should take stock of the changes in working practices between the new Directorates and Services and Corporate Procurement and consider how the influence of Corporate Procurement can support further improvement in business processes, commissioning of services and Contract and Supplier Management.
- Recognising that Corporate Procurement and the Council's new management structure must work together on projects where there are procurement savings to be made from improved processes, to consider the ways in which these teams might best work together going forward.
- An analysis of the different types of work currently undertaken within Corporate Procurement to ensure that it is directing its resources to work that has the greatest impact in terms of procurement and commercial improvement.

In light of budget pressures and available resources and with a view to: (a) further embedding procurement processes throughout the Council's Directorates and Services; (b) aiding in the achievement of Best Value; and (c) maximising efficiency and effectiveness in the successful delivery and execution of contracts, it is recommended that the structure of Corporate Procurement is kept under review.

<b>Future Developments</b>
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**CAP Team Development**

Following the integration of the Central Accounts payable (CAP) Team with Corporate Procurement, work will be undertaken in financial year 2019-20 to enhance the Council's Purchase to Pay process with the following areas targeted for improvement:

- Improved maintenance of all Oracle active supplier records
- An increase in the amount of Purchase Orders raised in Oracle
- A reduction in the percentage of invoice mis-matches and non-catalogue ordering
- Supporting recent achievements in ensuring that the percentage of invoices paid on time remains in the high nineties (96% in 2018-19).

In improving maintenance of live supplier records Corporate Procurement can control levels of 'maverick' non-contracted spend by insisting that only suppliers with formal contracts in place can be used.

By limiting use of suppliers to those who have live records on Oracle, Corporate Procurement are helping to ensure that Council Services are able to raise Purchase Orders.

By establishing appropriate, electronic product and service catalogues in Oracle, Corporate Procurement can ensure that the correct products are bought from the correct suppliers at agreed prices.

This project is aligned to **Key Objectives 1** and **2** of the Procurement Strategy, **Procurement Capability Development** and **Maximising Efficiencies Through Procurement**.

**Expansion of Early Years Educational Services**

As the Scottish Government is committed to expanding the provision of funded early learning and childcare (ELC) from 600 hours to 1140 hours by 2020, the Council's Education Service must ensure that arrangements are put in place to cope with this doubling of capacity. Moreover, although these arrangements must be both compliant with the Council's Standing Orders and all relevant procurement legislation, the Council has a duty to provide opportunities for local providers and to assist the development of new entrants to the service, which is an inevitability with the requirement increasing by nearly 100%.

Following a successful pilot in 2018-19, Corporate Procurement intend to use the full flexibility of Scottish Procurement's Light Touch Regime (LTR) to expand the Council's early years provision by using a bespoke combination of existing procurement mechanisms such as the Framework Agreement and Dynamic Purchasing System (DPS).

This project is aligned to **Key Objectives 1** and **4** of the Procurement Strategy, **Procurement Capability Development** and **Fulfilment of Sustainable Procurement Duties**. Use of the LTR, enables Officers to contributing to their own procurement knowledge and understanding and are also ensuring that issues experienced in the past, relating to the inflexibility of certain procurement mechanisms are not repeated and that, in the provision of educational services, local SMEs are not disadvantaged by procurement procedures.

## Procurement of Self Directed Support Services

Over the coming year Corporate Procurement will be involved in a project to implement a new approach in delivering Self Directed Support Services (SDS) option 2 services. SDS Option 2 provide Service Users with additional choices over the appointment of their care provider and how and when services should be provided. This gives Service Users a level of control beyond what would ordinarily be available under SDS Option 3, 'Council Arranged Services.'

This does, however, present unique challenges for the Council in ensuring that Service Users receive the most appropriate care services available while a balance is found between the provisions of The Social Care (Self-directed Support) (Scotland) Act 2013 and all relevant procurement legislation.

This project is also aligned to **Key Objectives 1 and 4** of the Procurement Strategy, **Procurement Capability Development** and **Fulfilment of Sustainable Procurement Duties**. Officers involved are again improving their skills base by exploring options available under the LTR while ensuring that services delivered benefit the communities we operate in, with a focus on reducing inequality.

## Introduction of Electronic Auctioning

Corporate Procurement have identified that, in certain circumstances, the ability to subject requirements to an open and transparent, auction competition can lead to the achievement of significant savings, particularly with the bulk supply of goods.

The challenge to the Council in running such auctions is that the documentation and processes needed to do so require some development and testing. It is the intention of Corporate Procurement to develop such a process in 2019-20 and identify suitable commodities for this process..

This activity is aligned to **Key Objective 2** of the Procurement Strategy, **Maximising Efficiencies Through Procurement** and contributes to the modernisation of business processes across the Council, through the implementation and development of electronic procurement solutions. The development of the Electronic Auction process is also aligned to **Key Objective 1** of the Procurement Strategy, **Procurement Capability Development** in ensuring that our Officers keep up to date with the latest tools at their disposal to achieve Best Value.

## Electronic 'Punch Out' Systems

With Electronic Punch Out ordering, there is reduced risk of invoice mismatching. This is because the ordering process takes place through Oracle i\_Proc which is then directly linked through to a supplier's website and online marketplace..

Implementation of this methodology, will allow Corporate Procurement to add or remove products to an Oracle i-Proc without the need for the revision and uploading of static, Excel e-Catalogues.

In financial year 2019-20 and with the assistance of colleagues in ICT, Corporate Procurement will be developing a test system, which we can work with our suppliers to implement Electronic Punch Out. A pilot exercise has been scheduled to create a Punch Out system for all of the books the council orders through the Scotland Excel Library and Education Books Framework Agreement.

This proposal is also aligned to **Key Objective 2** of the Procurement Strategy, **Maximising Efficiencies Through Procurement** and contributes to the modernisation of business processes across the Council, through the implementation and development of electronic procurement solutions.

### **HSCP CSM Process**

As detailed above, Corporate Procurement and the HSCP are currently undertaking an exercise to better align the Council's established CSM process to social care requirements. This project will be completed in financial year 2019-20 and is aligned to **Key Objectives 1, 2 and 3** of the Procurement Strategy, **Procurement Capability Development, Maximising Efficiencies Through Procurement** and **Development of Collaborative Opportunities**. This harmonised approach to contract management across the Council will contribute to the delivery of procurement driven value added services.

### **Ayrshire Growth Deal**

Corporate Procurement will also have an important role in contributing to the progress of the [Ayrshire Growth Deal](#). At the heart of the proposals put forward for the Ayrshire Growth Deal is Inclusive Growth - creating opportunities that benefit everyone across all of Ayrshire's communities. The Ayrshire Growth Deal will provide significant investment in the key sectors of aerospace and space, life sciences, manufacturing and tourism. Corporate Procurement will be supporting this, along with colleagues in Economic Development, by attending a Scottish Government 'Grow Local' launch event in May 2019 and by exhibiting at Scotland's national and annual 'Meet the Buyer' event in November 2019.

## Section 7 – Monitoring, Reviewing and Reporting on the Strategy

A variety of internal and external measures will be used to monitor, review and report on the targeted outcomes of each Key Objective outlined in this Procurement Strategy.

### Directorate Plans

The Council's Strategic Objectives are supported by each Service through plans at Directorate level. This Procurement Strategy has been developed to reflect improvement actions set out within the Place Directorate Plan 2018-2022, in particular the action to 'Make the most of the Local Economy.' This action describes that the Place Directorate will 'Actively promote Council procurement to support the local economy, and will look to maximise the potential and returns from community benefits.'

### Performance Management Framework

Each Directorate Plan is subject to approval by Elected Members and progress is updated through the Council's Performance Management Framework, South Ayrshire Performs. The Performance Management Framework outlines the cyclical approach that the Council will take to 'plan, deliver, review and improve.'

The Council's commitment to the maintenance and publication of the management information contained in the Performance Management Framework ensures that progress against targets on efficiency, capability, collaboration, compliance and savings will be measured and reported on appropriately, all audited internally, on a 6 monthly basis, through performance reports scrutinised by the Council's Service & Performance Panel.

### PCIP Dashboard Indicators

As well as the bi-annual scrutiny of the Service & Performance Panel, Corporate Procurement will record and analyse to the Service's own KPIs 'This Dashboard replicates some information previously required under the Scottish Government's guidance on [Best Practice Indicators for Public Procurement](#) and will provide yet more evidence on the Council's progress against procurement targets such as percentage of;

- Community Benefits Delivered;
- Spend with SMEs and local companies;
- Spend through collaborative contracts;
- Compliant spend with contracted suppliers;
- Procurement influenced spend;
- Savings achieved;
- Invoices issued and orders raised electronically;
- Contracts influenced by Contract and Supplier Management activity; and
- Contracts analysed for inherent risk.

These KPIs are clearly linked to the Key Objectives outlined in this Procurement Strategy and monitoring them continually ensures that they remain in alignment, with any shortfalls or negative trends reported and acted upon.

## **Annual Report**

Duties under The [Procurement Reform \(Scotland\) Act 2014](#) require the Council to develop and review this Procurement Strategy annually. In addition to this mandatory Procurement Strategy and to meet regulatory requirements, the Council must now also prepare and publish an [Annual Procurement Report](#) disclosing how its procurement activity has complied with its published procurement strategy.

The [Procurement Reform \(Scotland\) 2014 Act](#) lists the minimum requirements that an Annual Procurement Report should contain and advises that the report must include;

- A summary of the regulated procurements for the financial year and of the regulated procurements the authority expects to commence in the next two financial years;
- A review of whether procurements have complied with the contracting authority's procurement strategy;
- A summary of any community benefit requirements imposed as part of a regulated procurement and any steps taken to facilitate the involvement of supported businesses in regulated procurements.

Corporate Procurement will publish the Council's Annual Procurement Report for the financial year in October 2019.

## **External Assessment**

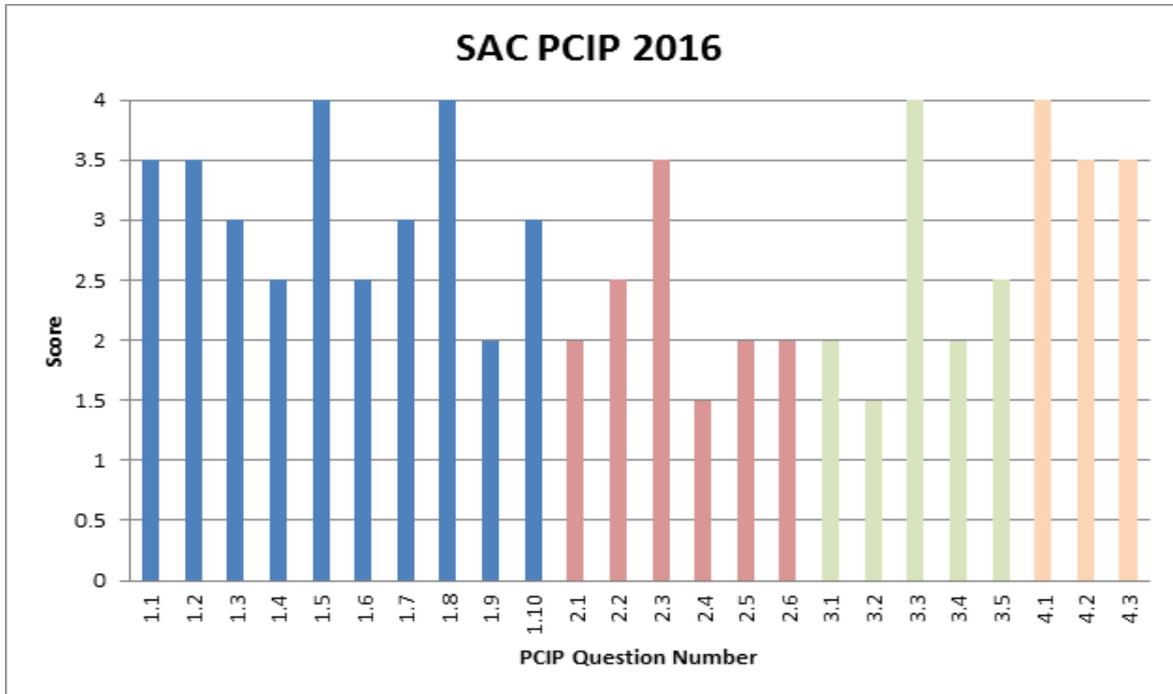
Coupled to these internal procedures for the monitoring, reviewing and reporting on the Key Objectives included in this Procurement Strategy, Corporate Procurement has benefitted greatly over recent years from a rigorous external assessment regime through the Procurement Capability Assessment, and subsequent Procurement and Commercial Improvement Programme.

The results from the recent PCIP assessment (an 86% score in October 2018) show that the Council is performing within the highest banding for procurement performance across Scotland. This improved score of 86% is 16% higher than the score of 70% achieved in May 2016 for the previous assessment in 2016.

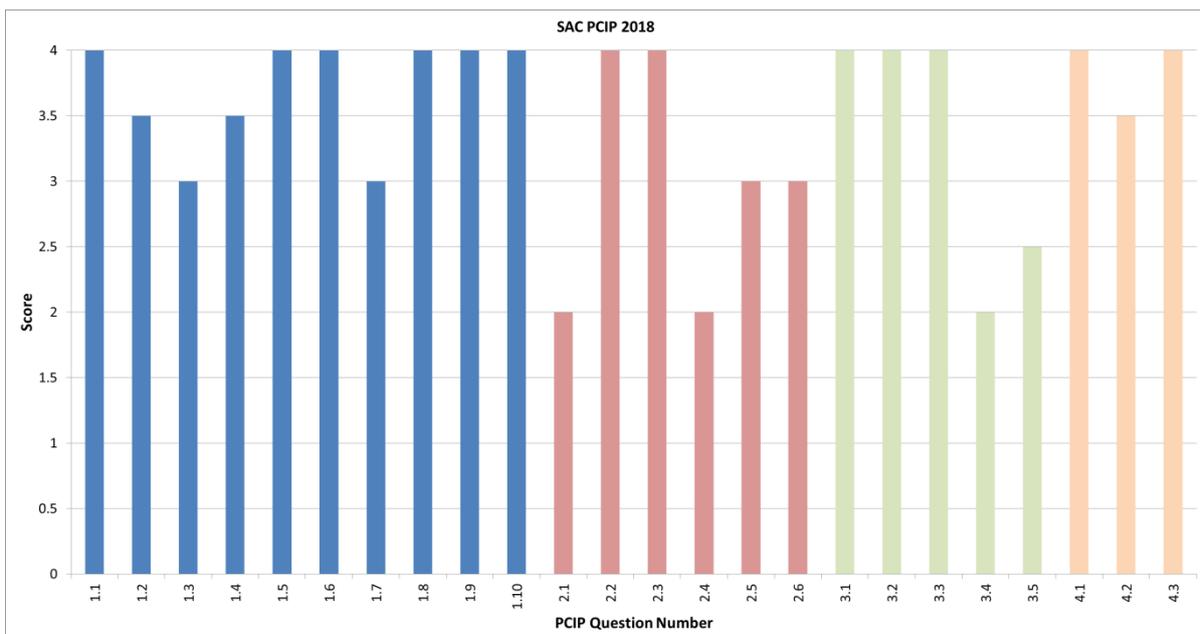
The individual scores awarded in the PCIP assessment in 2018 are detailed at Table 1 below, and allows the Corporate Procurement to target areas for improvement. This informs the Key Objectives that are set within the Council's Procurement Strategy and ultimately contributes to the continuous improvement of the Council's procurement performance. Evidence of this is the continued upward trend in scores for the external PCIP assessments as well as the favourable report from Audit Scotland (June 2016) on the Council's commitment to continuous improvement.

Recommendations from the Council's 2018 PCIP were that, although performing strongly in the areas of Procurement Structure and Influence, Best Practice in Contract and Supplier Management Leadership and Development of ICT Strategy and Delivery, the Council has room to improve in its performance in the establishment of implementation and exit strategies for all new contracts, as well as further development of Demand Management and spend analysis in a category management approach.

**Table 1a - SAC PCIP 2016 Scores by Question**



**Table 1b - SAC PCIP 2018 Scores by Question**



## Section 8 – Spend / Finance

### Financial Context

With the exception of the Council's social housing (which is funded through rental income), all Council services are funded through government grant, Council Tax and income from fees and charges, with the government grant by far providing the largest element. Government funding restrictions will mean that the Council faces real reductions in the budget over the next three years.

Achieving the Council's Strategic Objectives will be challenging, as increasing demands for services are balanced against reducing budgets and resources, and we work to mitigate the impacts of the current economic situation.

Therefore, in line with this Procurement Strategy **Key Objective 2 - Maximising Efficiencies Through Procurement**, Corporate Procurement's assistance in maximising the impact of the Council's funding is a priority, to ensure that every pound spent makes a difference to the people and communities of South Ayrshire.

### Procurement Savings

Contract savings targets for financial years 2017-2018 and 2018-2019 have been achieved, and it is expected that procuring services will agree and support further, increased, savings targets to be set for future financial years.

### Annual Spend

The Council's annual procurement spend is around £158million and comprises purchases of a wide variety of goods, services and works.

Tables 2, 3 and 4 below outline this expenditure, split by Council Directorate and by commodity.

### Prompt Payment

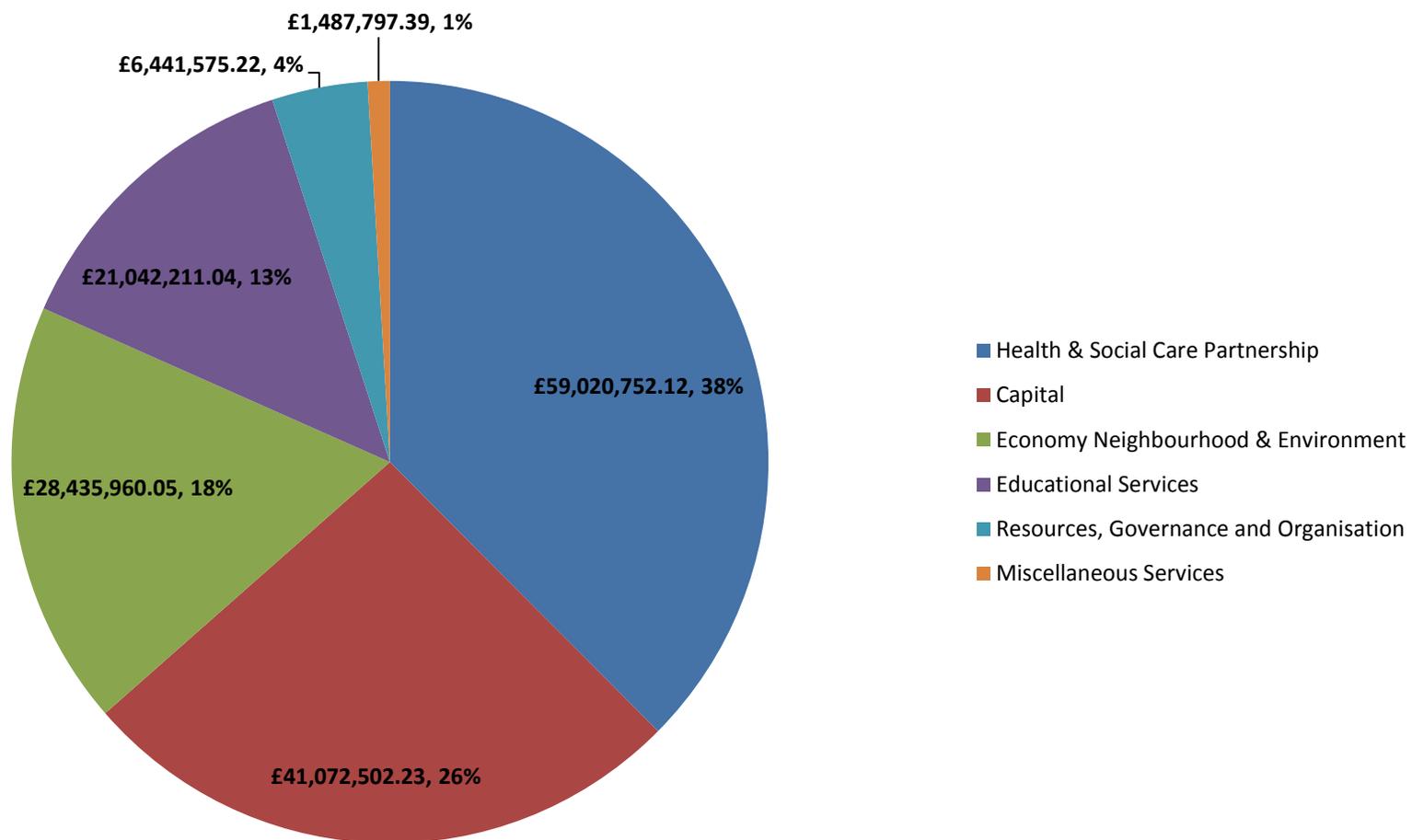
In line with this Procurement Strategy's **Key Objective 4 - Fulfilment of Sustainable Procurement Duties** and under the requirements of the Procurement Reform (Scotland Act) 2014, the Council has an obligation to employ fair trade and ethical sourcing practices including fair pricing policies and a commitment to prompt payment of suppliers.

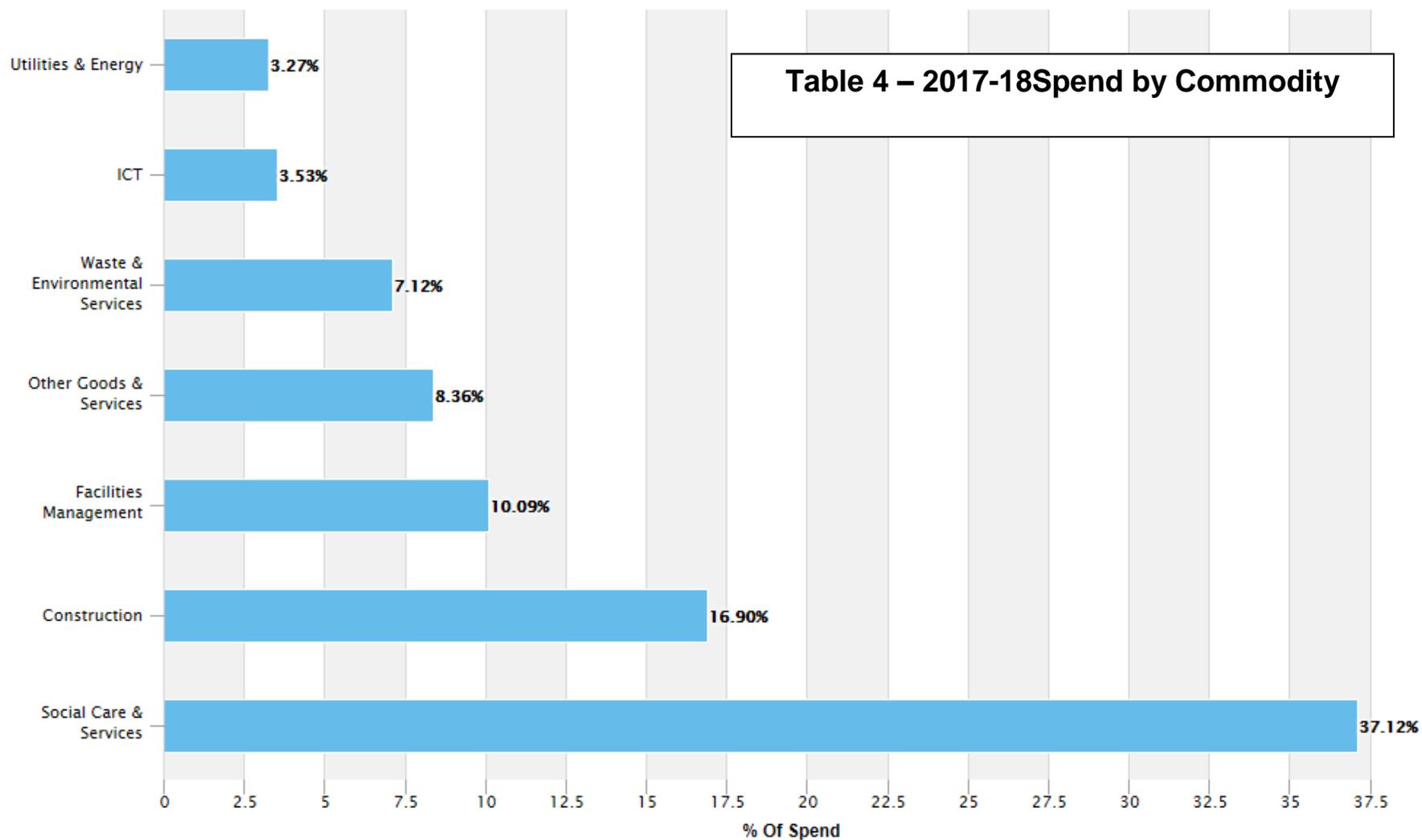
Prompt payment clauses requiring a 30 day payment term are included within the Council's standard terms and conditions for goods and services and the Council also publishes details of its annual prompt payment performance as shown at Table 5 below.

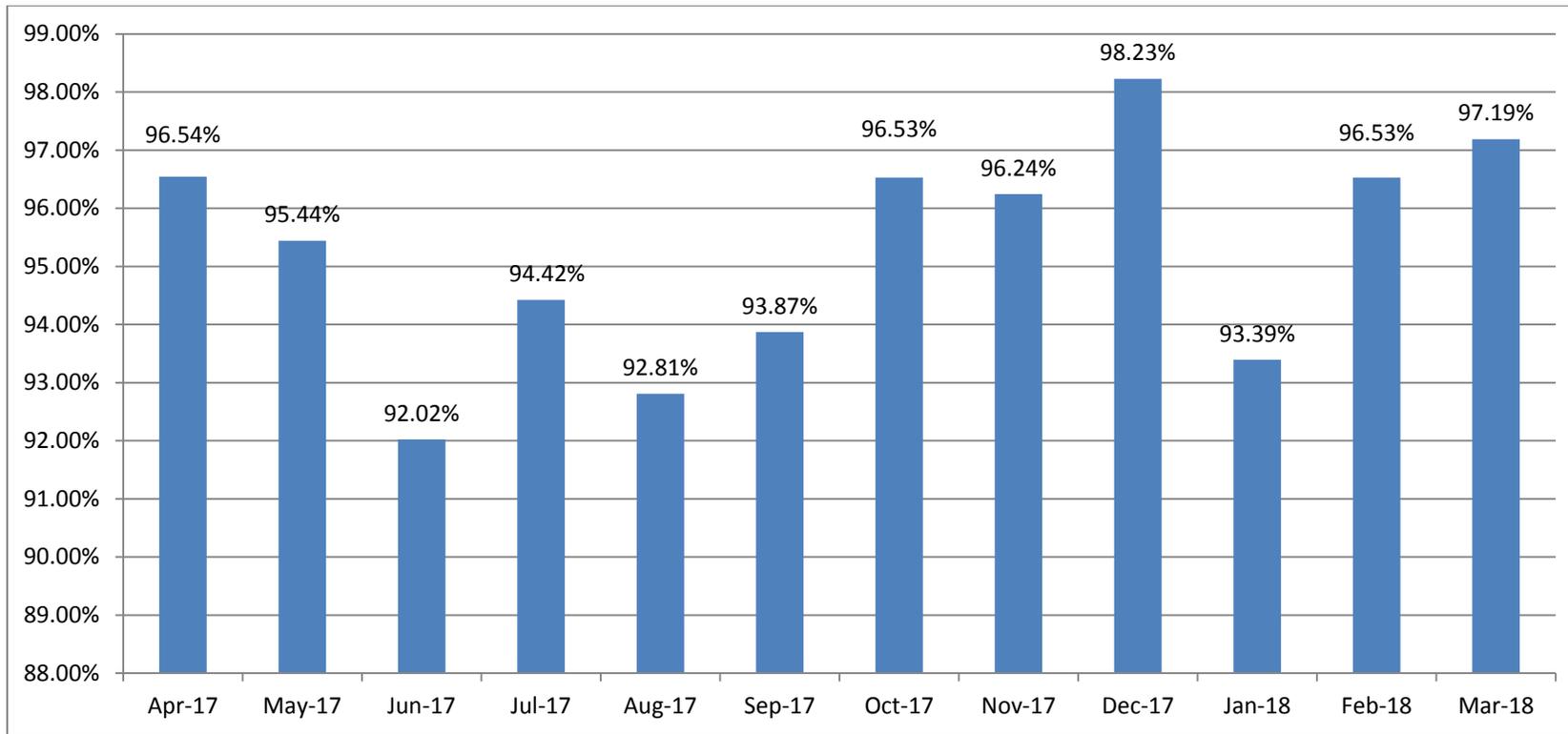
**Table 2 – 2017-18 Spend by Directorate**

Directorate Description	Net Aggregate Spend
Health and Social Care Partnership	£59,020,752.12
Capital	£41,072,502.23
Economy, Neighbourhood and Environment	£28,435,960.05
Educational Services	£21,042,211.04
Resources, Governance and Organisation	£6,441,575.22
Miscellaneous Services	£1,487,797.39
Chief Executive's Service	£96,522.94

**Table 3 - Spend by Directorate 2017/18**







**Total Invoices Paid 17-18: 97,375 / Total Invoices Paid <30 Days: 92,903 / 95.41% Average**

## Section 9 – Glossary

Term or abbreviation	Explanation
<b>Best Value</b>	The duty of Best Value in Public Services places a statutory duty on local authorities to: Make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
<b>Commodity</b>	Taxonomy (classification) for the entire Council, to give the Council the ability to accurately describe the primary business activities of their suppliers.
<b>Community Benefits</b>	Community Benefits are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social-economic and or environmental. Benefits.
<b>Contract and Supplier Management (CSM)</b>	Contract and Supplier Management is the management of post award activities and can be divided into three areas: service delivery management; relationship management; and contract administration.
<b>Flexible Framework Self-Assessment Tool (FFSAT)</b>	The tool will help organisations to assess where their current level of performance lies and the actions required improving their performance. The SSAP recommends that organisations carry out initial and periodic self-assessments against the FFAT. This enables measurement against various aspects of sustainable procurement.
<b>Light Touch Regime (LTR)</b>	A set of principles for the commissioning of Care and Support services which acknowledges a balance between human rights, outcomes for the individual, best value and procurement regulations
<b>Pentana</b>	An electronic Performance Management System which helps to ensure that objectives are delivered in line within the standards and timescales anticipated.
<b>Procurement and Commercial Improvement Programme</b>	Procurement and Commercial Improvement Programme (PCIP) is part of the Scottish Governments public procurement reform agenda and guides how local authorities undertake procurement of goods and services
<b>Punch Out</b>	A <b>Punch Out</b> system is a method for a buying organisation to order directly from a supplier's website from within the buyer's own procurement application or hosted e-procurement system (e.g Oracle iProc).

Term or abbreviation	Explanation
<b>Quick Quote</b>	Quick Quote is an online request for quotation facility used on Public Contracts Scotland (the single electronic portal where suppliers can bid for public service contracts). It is used to obtain competitive quotes for low value/low risk procurement exercises or procurement mini competitions within framework agreements from suppliers who are registered on the website.
<b>SAC</b>	South Ayrshire Council
<b>Scheme of Delegation</b>	South Ayrshire Councils Scheme of Delegation details the decision making structure and operational requirements of the Council.
<b>Scotland Excel</b>	The Centre of Procurement Expertise for Scotland's local government sector.
<b>Self Directed Support Services (SDS)</b>	Self-Directed Support empowers people to direct their own care and support and to make informed choices about how their support is provided. Regardless of the care setting, services can be tailored to become more suited to individuals' choices and preferences.
<b>SDP</b>	Supplier Development Programme. The SDP is a partnership of Local Authorities, the Scottish Government and other public bodies working together to offer business support in all aspects of tendering. SDP assists businesses to become tender ready for public procurement and all of their support is free of charge. <a href="http://www.sdpScotland.co.uk">www.sdpScotland.co.uk</a>
<b>SME's</b>	Small and medium-sized enterprises (SMEs) are businesses whose personnel numbers fall below certain limits
<b>Standing Orders</b>	Standing Orders are the written rules which regulate the proceedings of the Council.
<b>Sustainable Procurement</b>	A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits, not only for the organisation but also to society, the economy and the environment.
<b>RPA</b>	A Request for Procurement Action, sent to Corporate Procurement confirming that budget is available to undertake a procurement exercise, authorised by the relevant Principal Accountant and Head of Service.
<b>Work Plan</b>	A list of upcoming procurement activity including re-tenders, extensions, and new activity.

## Section 10 – Strategy Ownership and Contact Details

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