

The Improvement Service

ELECTED MEMBER BRIEFING NOTE

Procurement



SCOTLAND
EXCEL 


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What is the purpose of the briefing note series?

The Improvement Service (IS) has developed an Elected Members Briefing Series to help elected members keep pace with key issues affecting local government.

Some briefing notes will be directly produced by IS staff but we will also make available material from as wide a range of public bodies, commentators and observers of public services as possible.

We will use the IS website and elected member e-bulletin to publicise and provide access to the briefing notes. All briefing notes in the series can be accessed at www.improvementservice.org.uk/elected-member-guidance-and-briefings.html

About this briefing note

Councils in Scotland spend more than £5.4 billion each year on goods and services which support the delivery of essential public services.

Effective procurement ensures that this money is spent wisely. It supports the statutory obligation for councils to achieve Best Value and considers how the money spent by councils can deliver additional social, economic and environmental benefits for Scotland's communities.

This briefing note will help elected members understand why good procurement practice matters to local authorities and examine the ways in which it can help to address challenges faced by the public sector.

It was produced by Scotland Excel as part of the Improvement Service's Elected Member Briefing Series which helps elected members keep pace with key issues affecting local government.

What is Scotland Excel?

Scotland Excel is the centre of procurement expertise for the local government sector. Since 2008, it has worked with local authorities to realise the potential of procurement in supporting the sustainable delivery of services that every community needs.

Scotland Excel develops and manages a portfolio of 50 collaborative contracts which councils use in the delivery of social care, construction, roads, transport, environment, corporate, education and ICT services. The annual value of these contracts is estimated at almost £1 billion.

Scotland Excel also provides assessment, change management and education services to help councils improve their procurement performance. It represents the sector at a national level on all matters relating to public procurement and leads the development of good procurement practice.

Scotland Excel is a non-profit shared service funded by all 32 local authorities in Scotland and governed by a joint committee of 40 elected members. Savings made through its contract portfolio return around £5 for every £1 invested by councils.

Why does procurement matter?

Between 2006 and 2016, the Scottish Government led a national initiative – the Public Procurement Reform Programme – to improve procurement across the public sector. Over ten years this programme is estimated to have delivered around £2 billion of savings and efficiencies through collaborative contracts and enhanced procurement practices.

In the current economic climate, procurement can help to ensure that the money spent by the public sector delivers better and more effective public services. The programme has championed the role of public procurement as a key part of Scotland's economic strategy and sustainable growth.

The Scottish Model of Procurement – an internationally recognised approach developed by the programme – sees procurement as an integral part of policy development and service delivery. It is business friendly and socially responsible, harnessing the power of public expenditure to deliver genuine value beyond simply cost and/or quality in purchasing.

The model was enshrined in legislation through the Procurement Reform (Scotland) Act 2014, and enacted within the Procurement (Scotland) Regulations 2016.

Public sector organisations now have a duty to consider how their procurement activities can support economic, social and environmental wellbeing, and facilitate the involvement of the small businesses and the voluntary sector.

What does this mean for elected members?

Procurement is an essential tool for ensuring best value is achieved when a council purchases goods, services and works – a statutory requirement under the Local Government in Scotland Act 2003.

Best Value in procurement is defined as the optimum combination of whole-life cost and quality (or fitness for purpose) to meet requirements. The Procurement Reform (Scotland) Act 2014 requires public sector organisations to consider the social, economic and environmental impact of procurement.

Elected members should be aware of the council's obligations to consider the workforce practices of bidders, the ability of SMEs and the third sector to bid for contracts, and the opportunity to secure additional value through community benefits. As a significant procurer of goods and services in the local area, councils can have a positive impact on the economy.

Procurement strategies should be closely linked to the priorities of the council and Local Outcome Improvement Plan. Procurement teams should work closely with economic development services to develop a greater knowledge and understanding of the local business base.

Within the context of the inclusive growth agenda, local authorities can use their role as procurers to maximise their positive impact on the local economy through more and better paying jobs, thriving local businesses and providing an attractive environment for inward investment.

A well-developed understanding of the local business community and strong business engagement channels can support this. The Supplier Development Programme (SDP), a partnership of all local authorities, Scottish Government and other public bodies, assists businesses with becoming tender ready for public procurement.

Elected members have a key role in ensuring the proper conduct of their council's business including compliance with standards of good governance and accountability for procurement.

To ensure procurement objectives are delivered effectively, an appropriate governance framework must be in place. This framework will be structured around a number of key documents:

- Standing Orders Relating to Contracts
- Financial Regulations
- Scheme of Delegation
- Procurement strategy, guidance, process and procedures

Elected members should familiarise themselves with these documents, particularly if they have a direct role in approving contract recommendations on behalf of their council.

With legal challenges to public procurement increasing, elected members should be aware of their council's obligations to adhere to the principles of transparency, equality and non-discrimination. Legal challenges can be extremely disruptive as procurement exercises may have to be amended and the tender re-run. A successful challenger may also be awarded damages.

When approving contracts, elected members should be satisfied that all relevant factors have been considered and have an understanding of the appraisal and evaluation techniques used to assess which bid offers the best value for money.

Making use of the collaborative contracts available to councils can facilitate legislative compliance and mitigate the risk of challenges while supporting local economic growth. Scotland Excel contracts are developed using a robust governance mode, tenders are structured to encourage participation by local suppliers and community benefits are embedded within all contracts.

What does 'good practice' look like in this area?

Procurement can be seen as the method of obtaining the right goods, services or works:

- at the right time
- in the right quantity
- to the right place
- from the right supplier
- at the right price

A clear procurement strategy will minimise costs and maximise value throughout the procurement cycle. The strategy should be clearly aligned to corporate objectives and all areas of the organisation which require to purchase goods, services or works should be familiar with its aims, processes and procedures.

Investing in a dedicated, skilled and experienced team to develop and manage procurement activities will ensure that an organisation maximises the value of its procurement activities and complies with legislative obligations.

Public sector organisations can benchmark their procurement performance and practices through a national programme of assessments which take place across the public sector. The assessments form part of an ongoing improvement programme supported by each sector's centre of expertise.

Until 2014, this took the form of an annual Procurement Capability Assessment (PCA). Over five years, Scotland Excel helped the local government sector achieve a three-fold increase in its procurement capability through PCA assessment, change management and education initiatives.

In 2016, Scotland Excel began the roll out of a new national assessment programme, the Procurement and Commercial Improvement Programme (PCIP), which will continue to support councils in their drive towards continuous improvement and best practice in procurement.

What are the benefits of collaborative procurement?

By working together through Scotland Excel, councils have been able to address procurement issues that impact the sector at a national level while ensuring that procurement benefits can still be secured at a local level.

Policy

Scotland Excel contracts have supported the delivery of a number of policy priorities including payment of the Scottish Living Wage, implementation of the Scottish Welfare Fund and the reduction of fuel poverty.

Social care has been a key focus for Scotland Excel. A suite of national contracts for children and adult care have been developed which support key policy outcomes for service users while helping councils to manage their budgets by bringing transparency and consistency to service costs.

Legislation

Key legislative requirements are embedded in Scotland Excel contracts to facilitate council compliance with statutory obligations, for example:

- food contracts which comply with the Schools (Health Promotion and Nutrition) (Scotland) Act 2007 and support healthy eating in schools
- environment contracts which support the collection, handling and treatment of waste in line with the Waste Regulations (Scotland) 2012
- trades materials and furniture contracts which support the ethical and sustainable sourcing of timber products in line with EU Timber Regulations

Local impact

Scotland Excel's multi-supplier framework contracts are structured to encourage bids from local

suppliers. Over 60% of suppliers to its contracts are based in Scotland, and 77% of these are small to medium enterprises (SMEs). Third sector organisations and supported businesses also participate in contracts directly and through supply chain initiatives.

As of 31 March 2017, community benefits embedded in Scotland Excel contracts have delivered 371 jobs and apprenticeships across a range of industry sectors, as well as more than 58,000 hours of work experience opportunities for school pupils.

Summary

- Procurement can be used as a lever to drive innovation, support policy priorities and deliver a range of social, economic and environmental benefits for communities.
- Recent legislation requires councils to consider the social, economic and environmental impact of procurement including the ability of SMEs and the third sector to bid for contracts.
- Elected members should be aware of the council's role as a significant procurer of goods and services in the local area and seek to maximise the council's positive impact on the economy.
- Elected members should familiarise themselves with the governance framework for procurement within their councils and be satisfied that all relevant factors have been considered in the procurement process.
- A skilled and experienced procurement team, together with senior management support, enables councils to maximise the value of its procurement activities and comply with legislative obligations.
- Scotland Excel supports the sector through its collaborative contract portfolio and the delivery of assessment, change management and education initiatives which sustain best practice.

Further support and contacts

Scotland Excel can provide advice, support or training for elected members who wish to increase their knowledge and understanding of public procurement. Contact 0300 300 1200 or email communications@scotland-excel.org.uk for further information.

The Scottish Government has a dedicated section on public procurement on its website which includes an overview of procurement legislation: www.gov.scot/procurement.

Elected members can also contact the procurement team within their own council with any questions they may have about procurement strategy and practice at their local authority.

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The Improvement Service is devoted to improving the efficiency, quality and accountability of public services in Scotland through learning and sharing information and experiences.

