

Procurement Strategy

2018/19



Contents

Introduction	3
Procurement for Moray	5
Vision Statement	6
Strategy Rationale	7
Procurement Spend and Savings	8
Strategic Objectives	12
Moray Process	20
Performance Measurement	32
Glossary	34

Introduction

This strategy outlines our priorities for 2018/19. It supports the Council's aims to deliver a high quality professional procurement service that achieves value for money across all services and contributes to the achievement of our corporate priorities. Whilst taking account of our local ambitions, it also outlines our duties as required in the Procurement Reform (Scotland) Act 2014 (the Act).

This recognises that the procurement of goods, works and services has a major impact on many aspects of life in Moray, including the environment, social factors and local economic development.

The strategy gives a clear direction and approach to deliver improvement to our procurement process over the next year and will be supported by an annual review of strategic targets and actions designed to ensure that the procurement process meets the needs of the business, now and in the future.

It is important to recognise however that this strategy does not, in itself, lead to effective procurement. The commitment of senior management, elected members and lead officers throughout the council are all important to its success.

As the Corporate Director with responsibility for procurement I recognise that this strategic approach to the subject can achieve significant benefits for the Council, the local people, local services and local businesses.

Denise Whitworth

Acting Corporate Director (Corporate Services)

Procurement for Moray

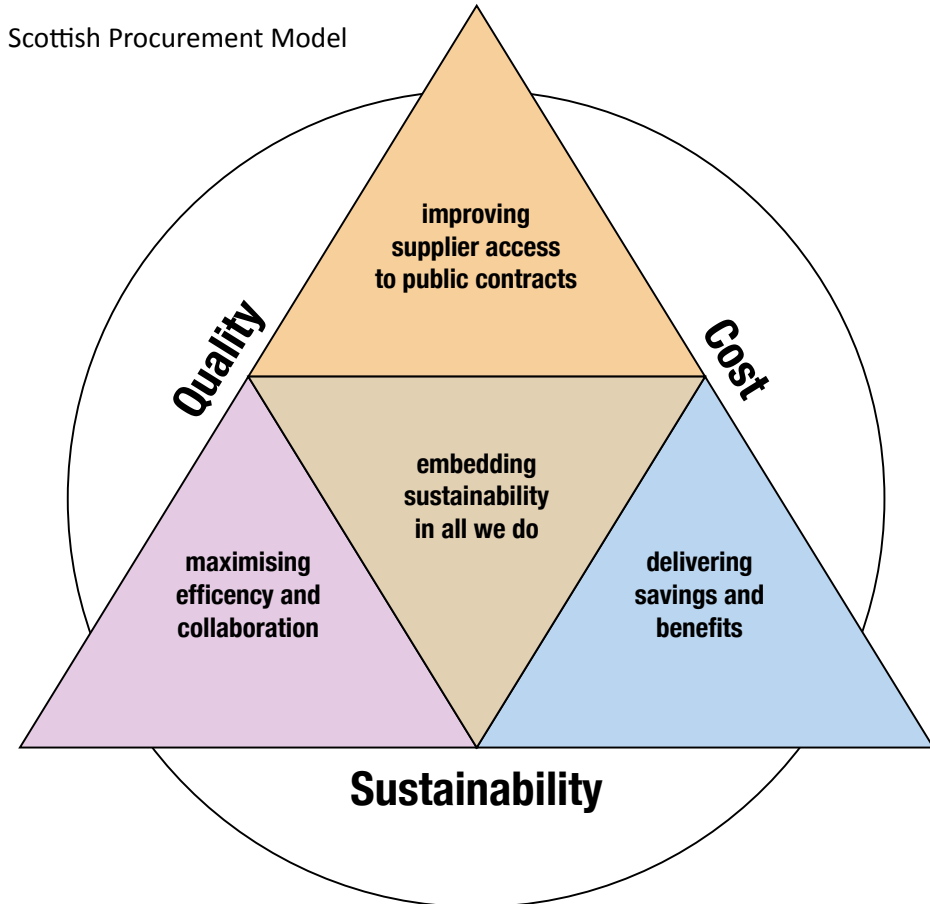
Procurement is the total process of acquisition and disposal, starting from the identification of a requirement. It therefore includes pre-contract activities (options appraisal and sourcing) and post contract activities (contract management and supplier relationship management).

The Council is mindful that the impact of procurement is far greater than this definition of a 'process' and our vision, objectives and principles as set out in this strategy illustrate the contribution that effective procurement arrangements can make to wide ranging socio-economic agendas. These include equality and diversity, a successful local economy, a thriving voluntary and third sector, environmental issues and value for money and Moray.

The new Procurement Strategy is built on the successes delivered under the previous strategies by continuing the development of an effective Centralised Procurement Operation.

The Procurement team provide early engagement in service development and continue with support throughout the life of a contract. This can add a strategic element to the process and as a consequence lead to more wide ranging commercial excellence and 'Value for Money' rather than just procurement success – see diagram below.

Scottish Procurement Model



Moray Procurement Model



Vision Statement

To embed commercial excellence throughout the organisation, ensuring that our services always deliver Best Value through the consistent application of this strategy.

Strategy Rationale

To support the Council in achieving its overall aims details of which can be found in the Corporate Plan, which outlines Moray Council's contribution to the priorities in Local Outcomes Improvement Plan (LOIP). This strategy has been developed to focus on how procurement will deliver our externally provided services.

It is clear from the challenges highlighted in our long term plans that delivering first class, innovative services for Moray will not be easy. Every contract opportunity will have to be explored to ensure that all aspects of the requirement are considered before tendering, the request clearly sets our requirement; the resultant submissions are evaluated according to our priorities, adopted in the most efficient manner and monitored throughout the delivery of the contract.

It is therefore essential that the content of this strategy forms the basis of every procurement, with all stakeholders committed to delivering its direction.

Current Moray limits determine the direction of any procurement:

Under £5,000 – best price

£5,001 to £50,000 – Quick Quote (QQ)

£50,001 + tender

£50,001 to £2,000,000 – following supplier selection process, a quotation process for certain construction projects

Procurement Spend and Savings

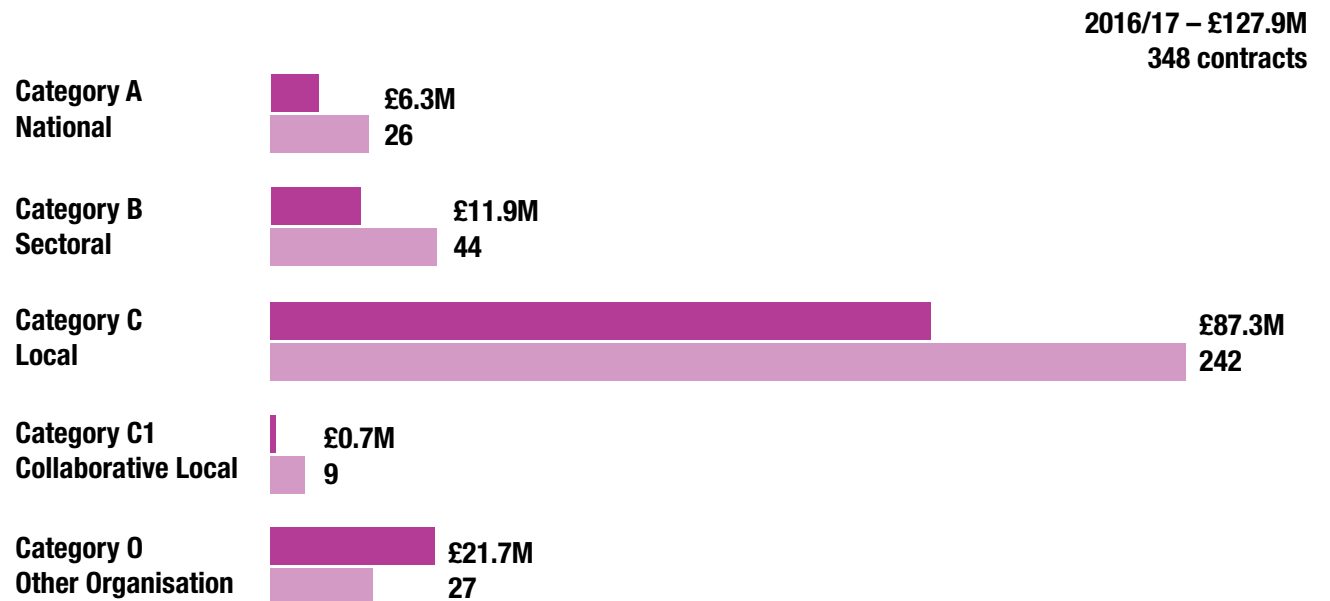
The Moray Council procurement spend is measured in a number of ways, using the systems and data to best present an accurate picture.

The following uses the latest set of complete data (2016/17) to provide context for this Strategy and shows how much we spend by contract category and by department along with data on both cash and non cash savings.

Contract Register Values

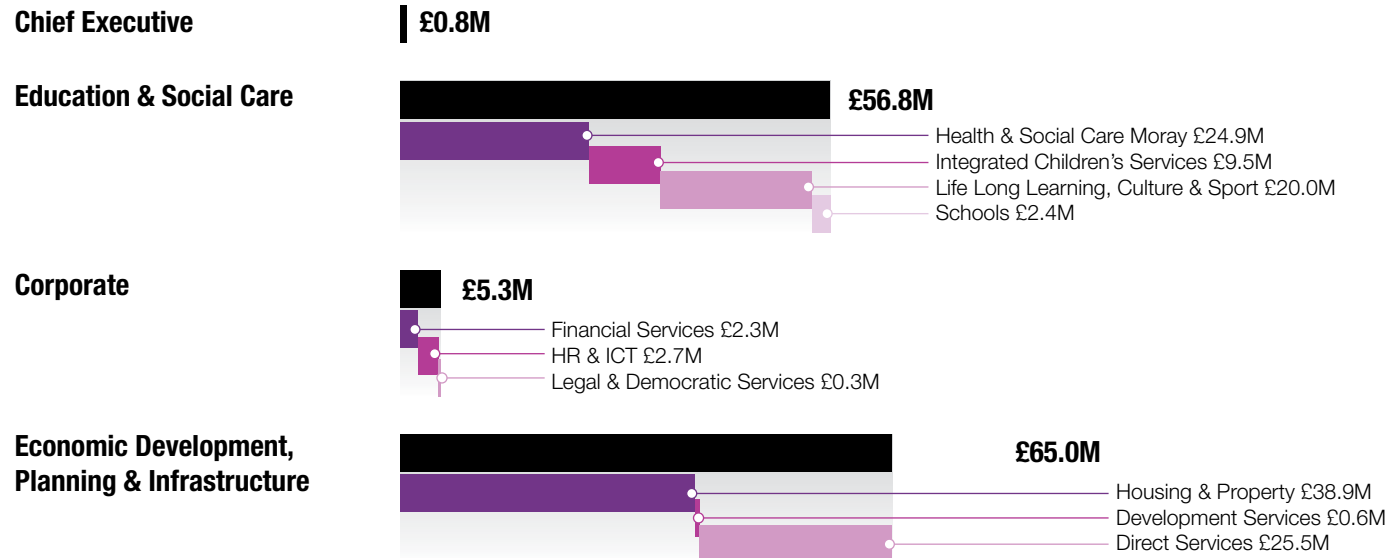
At the point of contract award an impact statement is prepared for each project highlighting the values associated with that contract. This data is used to populate the contract register and calculate the following:

Estimated Contract Annual Value by contract category:



By service/department:

2016/17 – £127.9M



The figures above are based on the estimated annual value for the Council's live contracts during 2016/17. However, in order to determine the true overall picture we have to analyse the spend information available from the Council's financial management systems. This shows us the actual relevant spend was £121M for the year with £4.5M non-commercial (ie. refunds, grants, etc.) £110M spend was with contracted suppliers leaving a total of £6.5M with non-contracted suppliers.

Given the seasonal nature of and varying annual spend on some of our commodities it is hard to be totally accurate when estimating contract spend. Estimated values versus actual spend is reviewed on a regular basis to improve on the accuracy of our register.

This data is also used to carry out a process of supplier segmentation – where we analyse spend and transaction volume by supplier to identify our key suppliers. The result supports the contract management of these suppliers, identifies any potential risk areas (reliance on singular supplier for example) and allows for a comparison between our estimated Impact statement contract value and the actual spend.

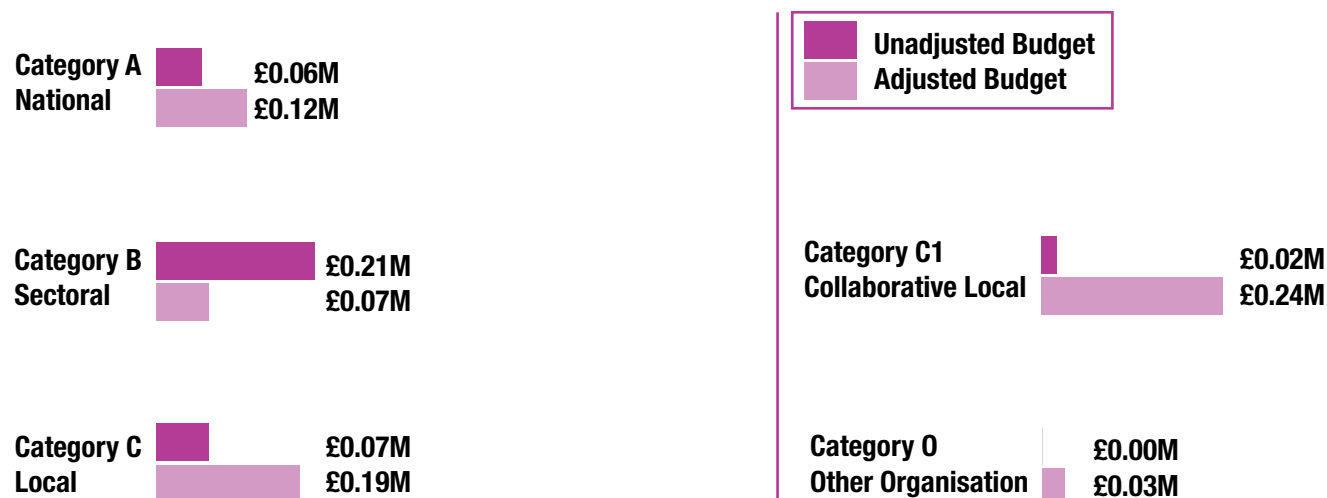
Savings

As well as recording the contract values the impact statement for each contract also identifies the anticipated savings categorised as follows:

Category	Description	Issues
1	Anticipated cash saving Budget not adjusted	Savings insignificant Budget too diverse Budget not identified
2	Anticipated cash saving Budget Adjusted	Budget adjusted in line with Impact statement
3	No baseline – savings cannot be established	Data not available at commodity level Baseline is historic (infrequent purchase) Contract will be reviewed (annual anniversary) with contracted supplier to establish savings
4	No Savings anticipated	Contract has resulted in no savings or indeed an increase
Non Cash	Non cash benefits	

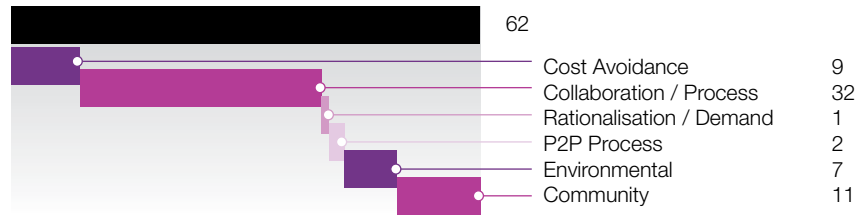
The Council had set a procurement savings target of £1.1M for 2016/17 and reported the following savings for that year:

2016/17 Savings – £1.01M



Non-cash benefit data is categorised into 7 main headings (listed below) with 28 more detailed sub headings.

2016/17 Contract Benefits



Strategic Objectives

The following key objectives have been developed to ensure that Moray achieves “Best Value” whilst also delivering on our procurement duties and responsibilities under the Act

- a. **Savings** – consider the potential savings a contract may deliver. Moray has developed a Procurement Savings Strategy to be applied to each project
- b. **Contracts** – managing the forthcoming procurement activity is key to ensuring early engagement and influence by the procurement team
- c. **Compliance** – ensuring that all procurement activity complies with statutory and regulatory requirements both national and local
- d. **Accessibility** – ensuring that contracts can be structured in such a way as to allow access to Council business, wherever practical, to local suppliers, micro, small and medium enterprises and the third sector.
- e. **Community Benefits** – ensuring that all relevant contracts have considered the inclusion of community benefits
- f. **Sustainability** – ensuring that all relevant contracts are arranged to include sustainable procurement requirements

Measurements have been developed to collect outcomes for the following objectives and are incorporated into the Moray Council Strategic Action Plan 2018/19.

a. Savings

Purpose

To achieve the targeted savings.

Activities

Various methods will be employed to maximise both cash and non-cash benefits from our contracts

- Applying the Procurement Savings Strategy to all projects leading to early identification of potential savings.
- Ensuring effective contract management to manage these contracts, ensuring delivery of identified benefits and any other potential added value opportunities that may arise during the lifetime of the contract.
- Increasing use of collaborative contracts with other public sector organisations, thereby effectively sharing and where possible leading on, national and regional benefits
- Developing and implementing more efficient ordering and invoice processing methods

b. Contracts

Purpose

To ensure that all contract activity for the coming year is allocated, project managed and effectively delivered within expected timeframe by the Procurement team. All key contracts and suppliers are effectively managed by Departmental Lead officers and supported by the Procurement team throughout the lifetime of each contract.

Activities

Collaborative and forward planning between the Procurement team and Moray Departments is key to the getting the right resource at the right time:

- Annual Departmental Action Plan process - The Procurement team engage with Service Heads and Lead Officers to produce their service procurement annual plan, including local, sectoral and national contract activity
- Service procurement plans are merged to produce the Moray plan
- Resources are allocated on a quarterly basis to meet the planned activity
- Weekly monitoring of Procurement team activity ensures that all projects are progressing, escalating those that are not
- Quarterly updates provide Service Heads with progress
- All contracts are supported by the development of a Gateway Procurement Strategy document, a complete record of the decisions and direction taken during the lifetime of the requirement

c. Compliance

Purpose

For Moray to make the most of our procurements and to avoid challenge and unfair practices, we must ensure compliance with national and local regulation.

Activities

Managing expectations from a tender exercise will minimise the risk of poor outcomes and potential legal challenge:

- Procurement team peer review of each project to ensure compliance
- Procurement team review of quote submissions prior to publication
- Quarterly review of Accounts Payable transactions over £5,000 to ensure quote or tender route has been followed
- Quarterly updates to Service Heads reporting any areas of non-compliance
- Moray Council has for some time mandated the use of publiccontractscotland (PCS) portal for advertising our opportunities but also uses the linked electronic tendering system publiccontractscotland – tender (PCST) for all tenders.

d. Accessibility

Purpose

To make sure that Moray opportunities are accessible by all

Activities

A number of actions are undertaken at various stages of a procurement to ensure that we reach as wide an audience as possible:

- Early engagement between Department and Procurement team to allow time for market issues to be considered
- Good market research
- Stakeholder engagement
- Sub-contractor and supply chain considerations making use of PCS
- Maintaining links with local and national forums, Scotland Excel (SXL), Business Gateway, TSI Moray, Supplier Development Programme (SDP), Public Contracts Scotland (PCS)
- Participate wherever possible in procurement events, promoting access to Moray Council contracts

e. Community Benefits

Purpose

To maximise our use of community benefits for all contracts – although our legislative duties relating to Community Benefits, only applies to contracts over £4M, Moray will consider the development and inclusion of such clauses in all our contracts.

Activities

- Ensure that stage two of the procurement process considers what the Council wants from the procurement and how community benefits can support the objectives providing added value to the commercial process
- Maintain a local focus on the potential benefits arising from any such contract clauses
- Support SXL in the development of Local Authority (category B) contract, ensuring the same level of local consideration is included (where possible)
- Report annually on performance based on Moray categorisation of benefits

f. Sustainability

Purpose

To deliver sustainable outcomes from each contract that support the Council's overall sustainable targets in the Corporate Plan and to widen this approach to at least consider the impact a contract may have no matter how small.

The Act looks to formalise work that is already underway to develop the wider ranging benefits that can come from a structured procurement project and has introduced a set of sustainable procurement duties that public organisations have to incorporate into their process.

Activities

- Procurement team to challenge each project to consider sustainability issues at stage one of the development of the requirement
- Performance reported annually based on Moray categorisation of benefits
- The Council will use the Scottish Government Flexible Framework tool to measure our progress against organisational procurement strategies and help build an action plan for future developments in this area
- Make use of the Scottish Government prioritisation tool to establish the sustainable priorities for each Council service (annually)

Moray Process

Procurement Structure

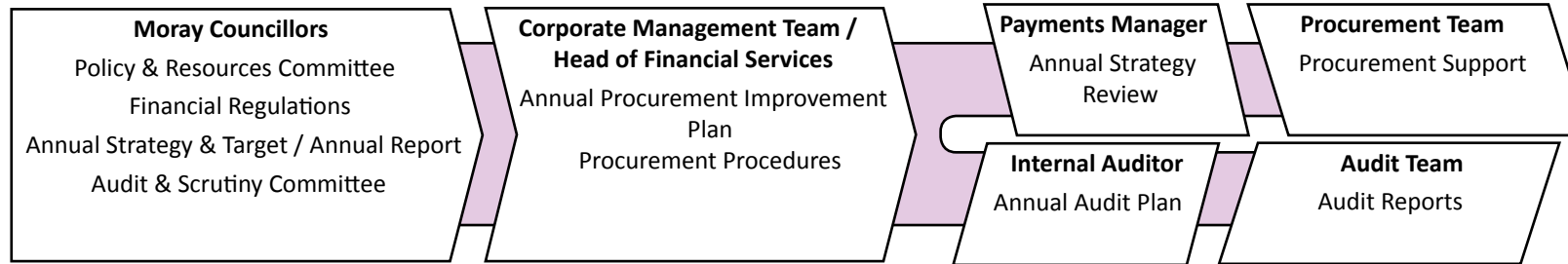
The council has adopted a centralised procurement operation. The key element to that operation is the Commodity Lead Officer, the business expert who leads on all procurement projects and who is supported by the procurement team.

In order to ensure a consistent approach to procurement across the Council, a standard procurement process has been developed which all officers are required to follow. This is incorporated into our Financial Regulations and Procurement Procedures which provide a step by step guide on the main components of the procurement process (www.moray.gov.uk/moray_standard/page_52186.html) and must be followed by all officers without exception.

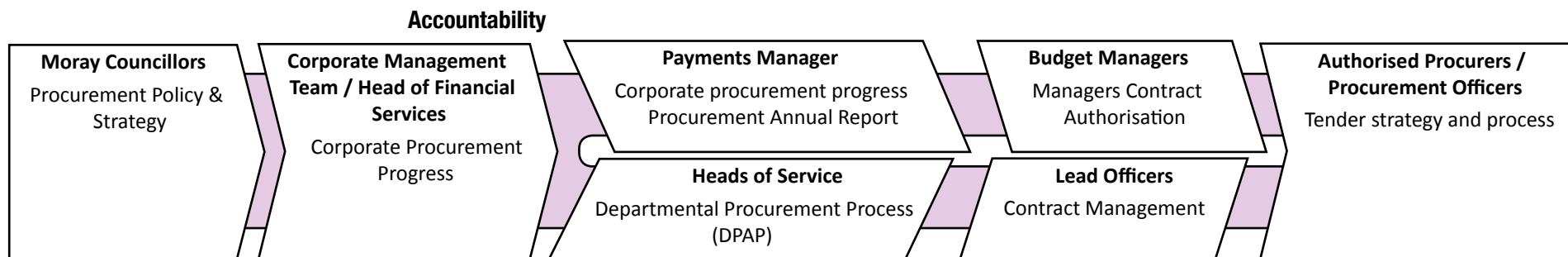
The Procedures are reviewed and updated annually to take account of national and local regulatory changes and initiatives.

Ultimately the Chief Executive is responsible for all procurement carried out within the Council. However governance and accountability for procurement has been delegated:

Governance



- Moray Councillors will provide the leadership to ensure that Officers execute their procurement duties effectively, efficiently and economically and that they also promote and establish constructive supplier and stakeholder relationships in order to deliver best value and quality services to the community.
- The Procurement Team will support departments in their preparation to meet the governance and accountability requirements.
- Internal and External Audit will be responsible for auditing departmental procedures to ensure compliance.



The Moray Council is committed to providing fairness and transparency in the way we procure and all those involved must be responsible for the discharge of their duties in all procurement activities. In the procurement process there are three key distinguishable roles, they are:

- The Head of Service, who will determine the service procurement strategy, prioritising the procurement activity and ensuring that there are sufficient authorised resources to meet their requirements. Given the strategic importance of the Department's role in the delivery of compliant procurement, an annual Departmental Procurement Action Plan is developed with each Head of Service. This plan is used by the Procurement team to produce a Procurement Priority Plan to be approved by Policy & Resources Committee and inform the Annual Report required by the Act.
- The Lead Officer/Budget Manager, who perceives the need and makes out the business case to obtain any necessary approval to spend, then commissions the appropriate procurement process. Lead officers may also be assigned to a defined list of commodities and they will represent and take responsibility for the Council in all procurement matters pertaining to the assigned commodity
- The purchaser, who fulfils the procurement role, is responsible for ensuring that the procurement process fully complies with Procurement Procedures. Six levels of procurement responsibility have been identified and only officers who have completed the mandatory training course can procure on behalf of the Council. All procurements undertaken by trained officers will be supported by the procurement team.

Contract Management

The purpose of contract management is to ensure that all parties to a contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and providing value for money. It also protects the rights of the parties and ensures required performance against key targets.

The main requirements of the Moray approach are:

- All contracts will include quality and performance standards to ensure that the Council achieves value for money from its suppliers
- All contracts will be subject to continual review to ensure suppliers are meeting the agreed performance standards. This will include holding review meetings at suitable intervals
- There will be a clear understanding and monitoring of contractual and supplier risk
- There will be effective handling of contract changes
- A good working relationship will be maintained with all suppliers which includes clear channels of communication

The management of a contract is the responsibility of the departmental Lead Officer. The procurement team regularly reviews the contract/supplier spend data to identify the key suppliers and contracts of high risk and provide additional support for these contracts.

Collaboration

The Council recognise that collaboration in procurement can achieve significant benefits such as:

- Reduced duplication of procurement effort
- Better utilisation of scarce resources and skills
- Aggregation of spend to create greater purchasing power which will in return result in greater cost savings
- The spread of best practice

Collaboration can take place at a number of levels :

National – through Scottish Procurement and Commercial Directorate (category A contracts)

Sectoral – the Council is a member of Scotland Excel, the Centre of Procurement Expertise for local authorities (category B contracts)

Local – direct collaboration with other neighbouring organisations i.e. Highland or Aberdeen City and Shire Councils (category C1 contracts)

Organisational – utilising existing collaborative arrangements put in place by other organisations e.g. Scottish Procurement alliance, Scottish Housing Assoc, etc (category O contracts)

We will actively collaborate wherever possible, subject to detailed contract assessment of the resultant offering to ensure that it meets our aims and objectives.

Contract Register

A corporate contract register has been established, giving internal management and external visibility of all contracts awarded by the Council thus promoting transparency and fulfilling our duty under the Act. The register is updated by the procurement team as procurements progress through to award. Lead Officers provide benefit information at award stage through an Impact Statement which outlines the benefits and added value the Council will take from the contract.

This data is used annually to report statistical information to Policy and Resources Committee on the Council's procurement activity carried out in the past year and the overall benefits achieved (both cash savings and non-cash benefits).

Demand Management

The centralised Procurement operation in place for Moray, includes the provision of a central buying team. Well versed in corporate contract content, they receive all council requisitions (apart from any purchase made via a stock system), source the need and place the order. This centralised focus allows the council to manage immediate orders, specialist requirements and build on the management information produced to meet changing demands. Working with contracted suppliers we can look for added value within a contract, manage our rationalised lists and identify opportunities based on requested demand.

Strategic considerations for individual projects

In addition to the process employed by Moray to deliver the contracts, purchases and payments, during the development of any requirement, there is a wider consideration of economic, social and environmental factors that will also support the organisation's ultimate aims. This wide ranging consideration is documented within each procurement strategy gateway record and the achievements against the aims set monitored throughout the life of the contract via our contract management arrangements.

Economic

The Council is committed to using a mixed supply base to help stimulate innovation and value for money. An important element of this is support for small and medium sized enterprises (SMEs) and voluntary third sector suppliers to make it easier for them to compete for Council contracts. The Council have an on-going ambition to maximise local procurement opportunities whilst still meeting its legal obligations under EU procurement law and applicable Scottish law.

The Council aims to encourage local regeneration:

- Advertise all opportunities over £5,000 but under £50,000 on PCS (quick quote) – to include at least one local supplier and/or 1 SME
- Consider SME involvement in opportunity at procurement strategy stage
- Make best use of PCS ‘Supplier Finder’ functionality for supplier selection
- Attend and support relevant partner events (Business Gateway, TSI Moray, etc.)
- Hold supplier events – roadshows, surgeries and meet the buyer events as required
- Promote the national Supplier Development Programme
- Sit on a local forum made up of Council procurement, Economic & Development, Business Gateway and Highlands & Islands Enterprise – to discuss and support supplier development in Moray
- Provide supplier debriefs post contract award – to provide performance feedback
- Develop reports to show local and SME involvement in Council procurement activity
- Make the procurement process proportionate to the complexity, risk and value of contract
- Where appropriate make use of contract lotting to allow SMEs to compete for the opportunity

- Encourage the creation of reusable supplier e-tendering profiles (European Single Procurement Document – ESPD) within PCS-T
- Consider the potential use of reserved contracts where the opportunity allows for such a structure
- Consider the supply chain involvement in council procurements – particularly around our use of frameworks and subsequent contractors use of local sub-contractors.
- Develop contract clauses that look for investment in the skills development of the workforce and insist on prompt payments of sub-contractors in our contracts

Social

The issues that will be considered during a procurement project are wide ranging and include the social wellbeing of the citizens of Moray. Wherever possible the resultant contract should try to promote good quality and affordable housing, safer communities, supporting children and young people, access to art and leisure opportunities, education. Health related factors are also to be considered to ensure that should our contracts have an impact in this area, it is a positive one. Encouraging the voluntary sector and supporting the Communities Empowerment (Scotland) Act 2015 may also influence the content of specification and resultant contract.

The examples above highlight the areas that have been specifically listed in the guidance that supports the Procurement Reform (Scotland) Act but are not exhaustive. Promoting positive outcomes for Moray citizens should always be one of the key drivers when developing a procurement project.

Environmental

The Council commits to improve our management practices to reduce our impact on the environment. Our procurement objectives in this area link to the Councils ten year strategic plan and include:

- Increase the area's recycling rates
- Reduce the biodegradable waste to landfill
- Reduce greenhouse gases by considering delivery and transportation issues, utilising zero or low carbon technologies
- Support the development of sustainable construction
- Encourage our contractors to care for the environment by minimising environmental impacts
- Reduce energy use
- Promote the use of renewable energy sources

Other commitments

Equalities – The Council is committed to equality of opportunity in the procurement process. We aim to:

- Ensure that all tender opportunities are fair and transparent
- Require companies tendering for council contracts to practise equalities in employment and service delivery
- Carry out Equality Impact Assessments on services to be procured, where relevant and proportionate, to ensure that services meet the needs of our service users
- Carry out Equality Impact Assessments on the procurement process to ensure equal treatment and non-discrimination of contractors. The process will be reviewed every 3years
- Include equality issues in our contract management process
- Consider the use of award criteria that will assist the Moray Council in meeting its Public Sector Equality Duties. These criteria will be based on the Equality Impact Assessments of the services to be procured

Ethical Procurement – the council assigns great importance to the role of the local authority in encouraging ethical dealings. The Council therefore commits to support, and promote the use of fair trade products where feasible.

Provision of food/animal welfare – all regulated procurement involving the provision of food will consider the potential impact of the food source in the strategy. For any national or sectoral contracts, the Council will request similar considerations at the specification development stage.

Reserved contracts – we will consider the use of reserved contracts for supported businesses where the opportunity allows for such an approach. Where a business has as its main aim to socially and professionally integrate disabled or disadvantaged people we will consider reserving the contract opportunity to this sector.

Health & Safety – the council will promote health and safety within the workforce in particular adherence to Health & Safety at Work Act 1974

Workforce – the council internally promotes a positive workforce culture and would seek the same from its contractors, namely:

- A positive recruitment and retention policy
- A positive package of remuneration measures, including the supplier's approach to payment of the living wage
- Training and support
- Ensuring zero hours contracts are not used inappropriately
- Flexible working
- Career breaks

Performance Measurement

All public organisations in Scotland are subject to an external assessment of procurement performance in a format determined by the Scottish Government, which focuses on quality of outputs.

Procurement & Commercial Improvement Programme (PCIP)

The PCIP covers four main areas of the procurement process:

- Leadership and governance
- Development and tender
- Contract
- Key Purchasing Processes

The Procurement team uses the outcome from this review and previous assessments to focus the development work that is required for the coming year based on their ability to resource and deliver the required improvements.

This results in a number of actions which are then reported to Policy & Resources Committee for approval as strategic targets for the year. Progress against these targets is reported the following year.

In addition to the development actions identified above the Procurement team also prepare a plan of procurement activity based on the information collected through an annual referral process with Heads of Service. This process considers:

- expiring contracts for the department at all levels
- category A, B, C, and O new requirements
- changing responsibilities
- resources

This information is used to create a Departmental Procurement Action Plan for each service. The resultant plans are then collated into a Council wide contract plan.

Quarterly updates reporting progress on all procurement activity is provided to Corporate Management team and Senior Management team and (CMT/SMT).

In addition to the emphasis on continual improvement for the procurement service which will come from the PCIP, where possible performance against the objectives contained within this strategy (Section 6) has been incorporated into the Moray Council Strategic Action Plan. The outcomes from these measurements will be reported in the published Annual Report.

Glossary

Aggregation – Adding together the value of separate contracts for the same supply, works or service

Annual Report – Legislative requirement to publish performance against strategy objectives

Award Stage – this is the stage when the tender evaluation panel determine who the preferred bidder/s are that will be awarded the contract post standstill period

Best Practice – The most effective and desirable method of carrying out a function or process derived from experience rather than theory

Best Value – Considers price, quality and sustainability to determine the best outcome

Community Benefit Clause – Clauses incorporated into a specification that look for certain benefits from the resultant contract relating to the local community.

Contract – A contract is an obligation, such as an accepted offer, between competent parties upon a legal consideration, to do or abstain from doing some act. The essential elements of a contract are: an offer and an acceptance of that offer; the capacity of the parties to contract; consideration to support the contract; a mutual identity of consent; legality of purpose, and sufficient certainty of terms.

Contract Administration – The administration surrounding the award of a new contract:

- Supplier relationship (Account Manager)
- Contract adoption arrangements (launch)
- Communication arrangements
- Management Information
- Catalogue
- Order process
- Delivery arrangements
- Billing and Payment process
- Complaint

Contract Management – The management surrounding the contract delivery, carried out by the person responsible for the contract (Lead Officer).

Contract Value – The total monetary value of a contract over its full duration (not annual value) including any possible extension periods.

Contract Register – A record of contracts awarded by the organisation

Contractor – An organisation or individual who has entered into contract to undertake works, supply goods or provide services.

Departmental Procurement Action Plan – An annual process during which Service Heads and the procurement team determined the procurement priorities and resources for the coming financial year.

EU Directive – a European Union legal instruction or secondary European legislation which is binding on all Member States but which must be implemented through national legislation within a prescribed time-scale. The European single market is covered by a number of Directives, which must be implemented by each of the Member States into their own legislative framework, and give detailed instructions on tendering procedures.

Impact Statement – the record of the impact of any awarded or adopted contracts on Moray Council, both financial and non financial.

Procurement Officers/Team – officers who support the Departmental Lead officers during individual procurement projects

Quality – The level of fitness for purpose which is specified for or achieved by any service, work or product

Public Contracts Scotland Advert – www.publiccontractsscotland.gov.uk National advertising portal for public sector contracts add web address

Public Contracts Scotland Tender – www.publictendersscotland.publiccontractsscotland.gov.uk National electronic tendering portal for the management of the tendering process for both the supplier and public sector buyers

Specification – a detailed description of the supplies or services to be purchased.

Sub-contracting – The process where a contractor assigns part of the contract to another contractor(s)

Sustainability – The economic, environmental and social issues to be considered in a procurement exercise

Tender – a written offer to contract to provide goods or services or works precisely as specified in the tender documents at a stated price or rate. Successful tenders result in the award of a contract to deliver the goods, services or works specified.

