

The SSN Annual Conference 2008
Accounting for Sustainable Development
Your Council, Finance and Procurement

**‘Understanding the Procurement Landscape
in Scotland’**

Presenters – Sam McLean, CIPFA in Scotland
and Irene McCulloch, Scotland Excel

Support – Andy Llanwarne, SSN support

Workshop Aims

To consider –

- The Procurement ‘big picture’
- The Relationship between Procurement, Finance and Sustainability

In order to -

- Encourage understanding of the Procurement Context
- Increase the potential for -
 - collaboration within Local Authorities and
 - improved relationships between colleagues working in complementary fields

Introductions

- Name :
- Experience of Procurement :
- My aim for this workshop :



Part 1

Introduction to the Policy Background and the Role of Scotland Excel

What is Procurement?

- “Process of acquiring the necessary services, construction works and / or supplies and delivering these to customers.
- It includes all activities from identification of need, through to the end of useful life of the asset or service contract.”

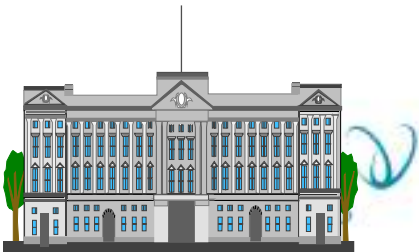
Public Sector Spend – Scotland

- Total Estimated Spend in Scotland = £8bn
- Local Authorities = £2.3bn – NOW OVER £4.2bn!!
- Health Service = £2bn
- Universities & Colleges = 0.8bn
- Scottish Government Roads Dept., Scottish Water, Communities Scotland = £1bn +

Source: McClelland Report

Broader Political Context 1

- Modernising Government (1999)
 - focus on users outcomes not providers inputs
- Review of Civil Procurement in Central Govt. (Gershon 1999)
 - ' strategic procurement, a standard procurement process, skills of staff, effective supplier base
- Releasing Resources to the Frontline (Gershon 2004)
 - Independent Review of Public Sector Efficiency
 - sustained leadership, and procurement



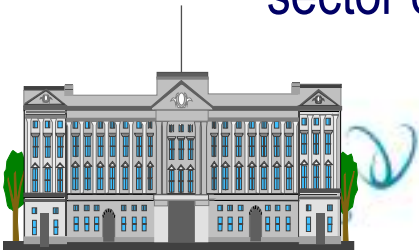
Broader Political Context 2

- **‘Best Value’** (*since 1999*)
 - sound management of resources, use of review and options appraisal

- **‘Transforming Public Services’** (2006)
 - effective, innovative performance, user focus, expanding choice

- **‘Efficient Government’** (2006)
 - procurement first of five priorities – including electronic procurement and collaborative purchasing

- **‘Single Outcome Agreement’** (2008 - 2011)
 - partnership between the Council, its key partners, public, private and third sector organisations and the Scottish Government



Political Context 3

Review of Public Procurement in Scotland*

- Services purchased - a critical part of operations
- Inadequate or poor performance
 - internally-managed resources and costs and negative impact on services
- Because of the “arms-length” nature of procurement - more difficult
- Balancing fundamental criteria is challenging
 - quality, price, timeliness, corporate and social responsibilities
- Give procurement its relevant importance
 - qualified, professional staff with appropriate seniority and influence
- Collaborate across the public sector
 - aggregate procurement and optimise scarce skills
 - Introduce Centres of Procurement expertise

Political Context 4

Public Procurement Reform Programme

- Initiated in response to a review of public procurement in Scotland
- Improve public sector procurement capabilities
- Increase the cost-effectiveness of procurement - release cash for priorities
- Establish and embed appropriate procurement policy and best practice
- Facilitate cross sector collaboration - avoid duplication / maximise gains / share experience & information / ensure effective management of suppliers and markets
- Encourage suppliers to build effective and mutually beneficial relationships with the Scottish Public Sector

SUMMARY

Procurement Reform - Current Challenges

- Changing Public Sector Landscape
 - eg. Leisure Trusts, PPP's, Housing Stock Transfer, Scottish Enterprise Changes etc
- Stepping up the pace of reform
- Delivering Efficiency Targets & Demonstrating Success
- Links with Sustainability, Equalities and Local Economic Development

“Procurement Reform – The Chief Executive’s Imperative”

***Gavin Whitefield, Chief Government, North Lanarkshire Council and Vice-Chair
SOLACE (Scotland) - Scottish Public Procurement Conference 31st October 2007***

SUMMARY

Procurement Reform

Current Opportunities

- Less ringfenced resources – more flexible funding
- Greater certainty of funding – 3 year financial planning
- Early opportunity to demonstrate commitment to deliver on Shared Services and Public Sector Reform
- More Efficiency Savings – Better Services

“Procurement Reform – The Chief Executive’s Imperative”

*Gavin Whitefield, Chief Government, North Lanarkshire Council and Vice-Chair
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Scottish Government Initiatives

eProcurement Scotland



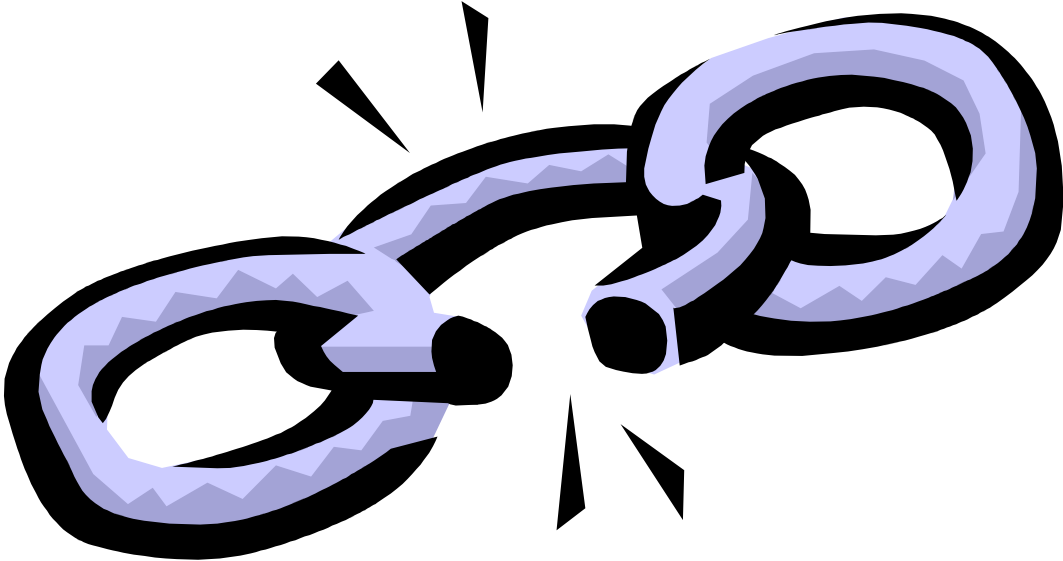
- This service across all of the public sector in Scotland
 - provides support and technology & minimises transaction costs
 - provided by Capgemini UK
- eProcurement
 - e.g. Government Procurement Card Visa, electronic invoicing and payment on receipt
- eTendering
 - reducing the burden on buying organisations & suppliers
- eAuctions
 - suppliers bid against each other on the internet, in real time

The Changing Face of Procurement Scotland Excel

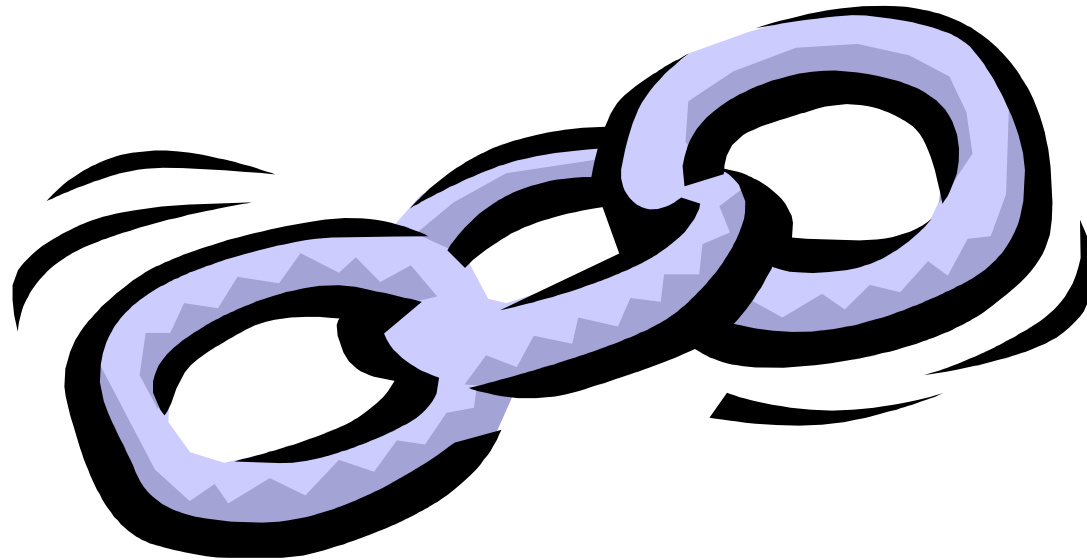


- **Overview of Scotland Excel**
- **Purpose and vision**
- **Governance structure**
- **Main aims and objectives**
- **Our ways of working**
- **Benefits**
- **Key ingredients for success**

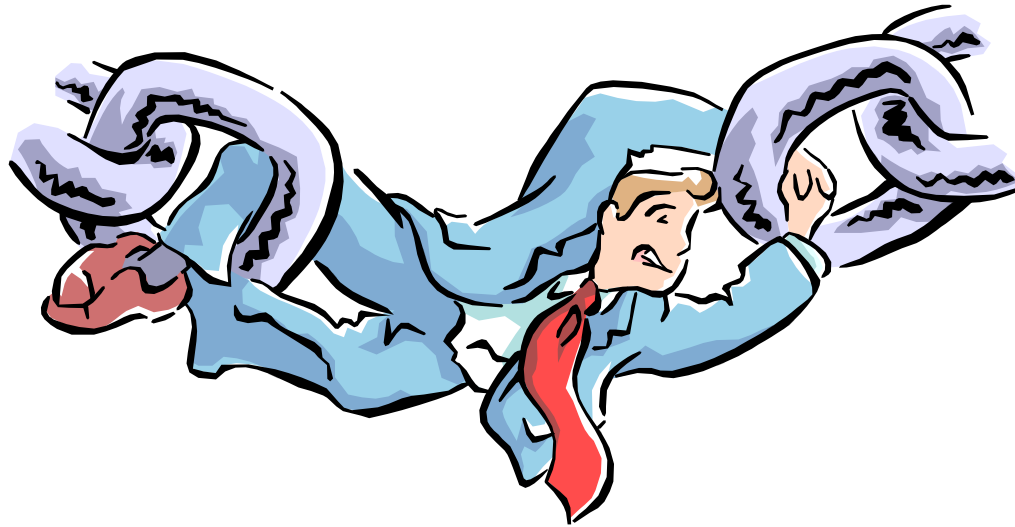
How it often looks!



How it should look!

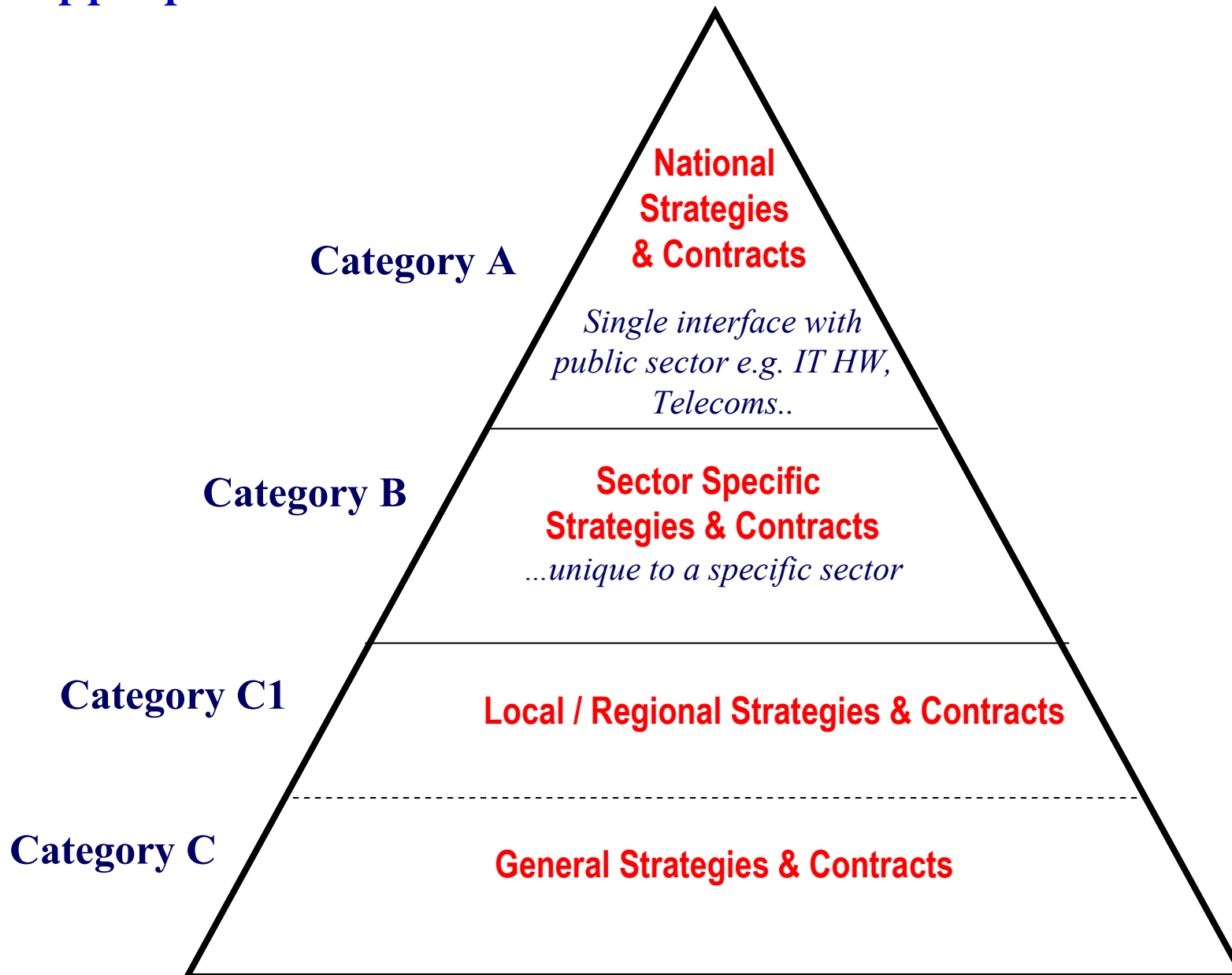


How it sometimes feels!

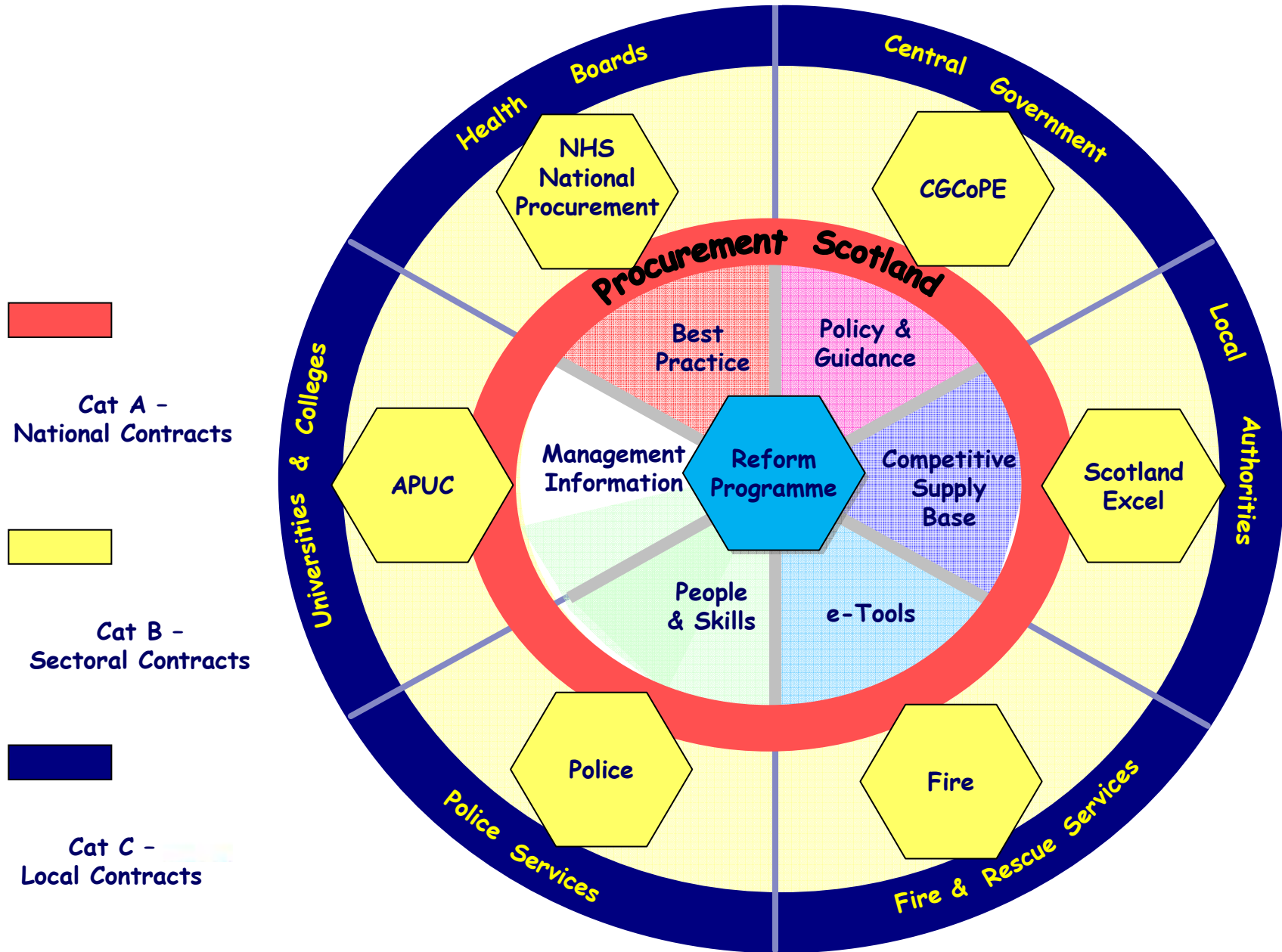


Public Sector Procurement Vision

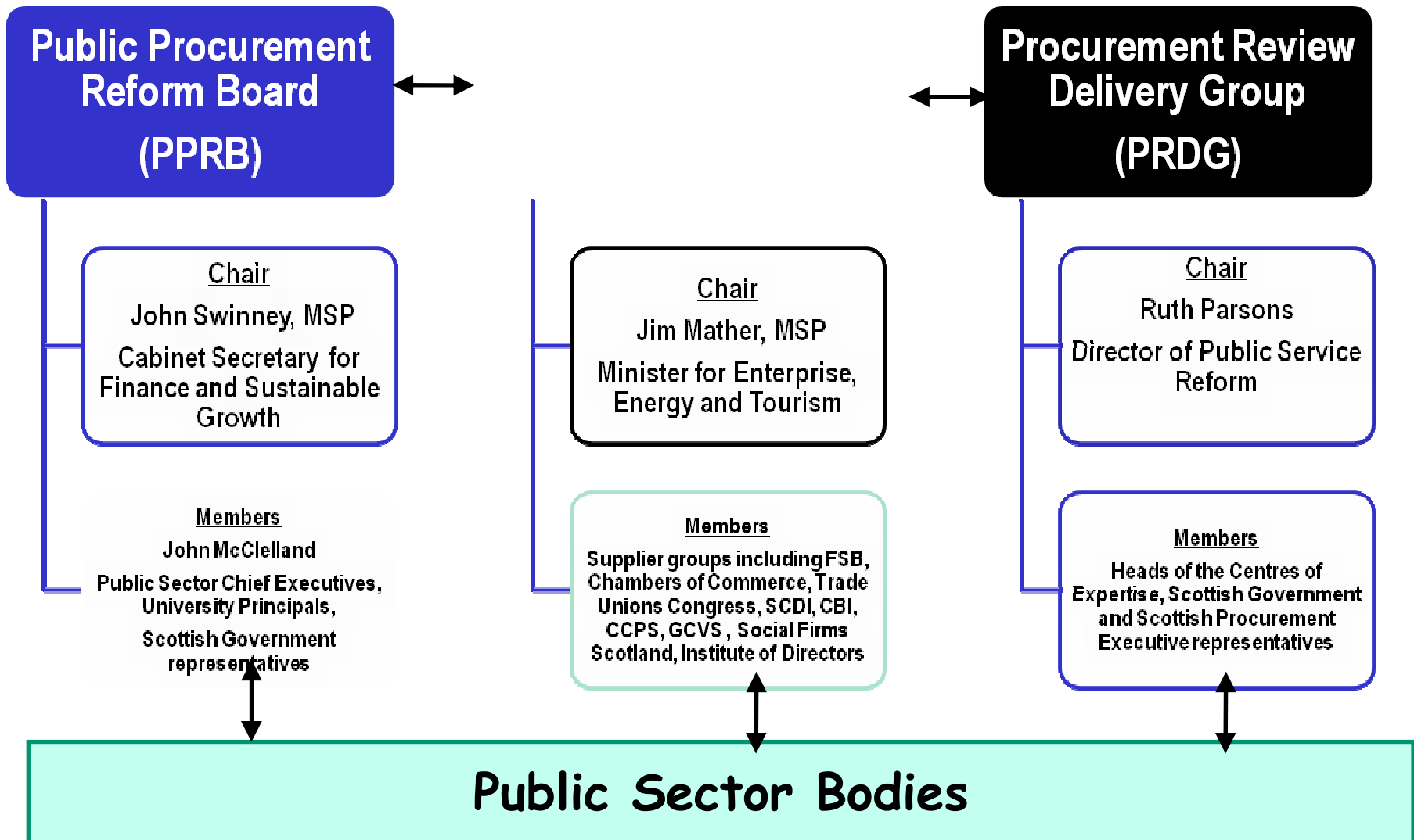
Appropriate Level of Collaborative Contracts



Public Procurement Reform Programme



Procurement Reform Structures



The Role of the Procurement Centres

- To deliver collaborative procurement strategies & contracts that provide best value
- To secure cost and efficiency savings balanced with responsible procurement
- To enable and drive procurement capability & expertise
- To facilitate and drive best practice:
 - Adherence to Legal, EU & Policy
 - Benchmarked & Consistent Strategic Procurement Processes (Toolkit)
 - Responsible Procurement
 - Process Efficiency & e-Enablement
 - Performance Management
 - Supplier Relationship and Supply Chain Management

Overview of Scotland Excel



- Joint Committee formed on 4 April 2008
- 28 Local Authorities now signed up
- Renfrewshire Council “lead authority”
- Scottish Government funding used to set up
- Based in Paisley with 3 regional offices
- Initial objectives established for 08/09
- 3 year plan being developed
- Position statement issued by Audit Scotland
- Completed CIPS accreditation audit

Scotland Excel - Purpose & Vision

- Purpose
To raise procurement standards and work in collaboration with local authorities and suppliers to secure best value for our customers
- Vision
To be recognised, respected and trusted by local authorities and suppliers as the leading procurement organisation in Scotland

Scotland Excel - Operating Model

- Centre of Procurement Expertise
- 4 Scotland Excel Regional Offices
- Local Authority Corporate Procurement Teams
 - User Intelligence Groups (UIG's)

- ✓ Strong links to Procurement Scotland and other Centres of Expertise
- ✓ Focus on customer needs
- ✓ Robust and transparent processes
- ✓ Professional and innovative approach
- ✓ Good relationships are critical
- ✓ Demonstrable benefits and KPI's
- ✓ Good communications with all stakeholders

Scotland Excel - Wave 1 Contracts

Grouping	Wave 1 contracts
Property & Facilities	Office furniture, seating, dining room tables, security equipment
Education	Sports equipment, classroom materials, audio visual equipment, fitness equipment, musical instruments, text books, paper etc.
Trades	Building, plumbing, electrical, timber materials, tools etc
Roads	Road stone bitumen, rock salt, street lighting and associated materials etc.
Fleet	Purchase and hire of light vehicles, tyres etc.
Energy Utilities	Electricity, gas, unmetered electricity
Catering and Cleaning	Catering – commercial equipment, groceries and provisions, Hygiene units, Hygiene paper products, Water coolers etc.
Corporate	Advertising, vending machines, signage, courier services, personal protective equipment, franking machines, paper and board etc.
Home Care / Occupational Health	Aids for daily living
Waste Management	Wheeled refuse containers

Wave 2 Contracts & Other Deliverables

- Social and Community Care
- Construction (to include consultancy)
- Vehicles and Fuel
- Financial Services

Other Deliverables

- Learning & development support
- Competency framework
- Skills assessment tools
- Knowledge management tools
- Supplier engagement/development initiatives
- Policy, advice and guidance
- Processes and systems



Questions / Discussion

- *About the Policy Drivers and Aims*
- *About Scotland Excel?*



Part 2

Regulation, and Corporate Arrangements

The Regulatory Framework

- Public Procurement is subject to European Union legislation
- Scottish Government and the UK Government work together
 - 'Concordat on Co-ordination'
- Implemented through The Scottish Parliament
 - Coordinated by Scottish Government's Procurement Directorate (SPD)
- SPD ensures relevance to Scottish policy and legislation
 - The Office of Government and Commerce (OGC) also issues guidance
- Governed by Local Authorities Standing Orders

Corporate Procurement Essentials (OGC)

- Strategic - corporate arrangements
 - Standing Orders, Procurement Policy
 - Creating the capacity and capability for successful procurement, contract management and supplier relationships
- Tactical - procurement process
 - A procurement cycle, a structured approach to project and risk management and legal requirements
 - Procurement Strategy, Procurement Manual
- Operational - contract management
 - Regular contract management, ensuring benefits are delivered, continuous improvement, sound relationships and controls

Corporate Arrangements

- Leadership
 - Government Priority
 - Scrutiny
- Procurement Strategy
 - Procurement Policies
 - Procurement Procedures
 - Procurement Plans
- Procurement Practice
 - Capacity and Capability
 - A Cyclical Approach to the Whole Procurement Process
- Management Information
 - ..from State of the Market to Performance of Suppliers

The State of Play in Scotland Best Value – Local Government

- 19 Best Value audit reports to date (2004 – 2007)
- 17 reported on procurement practice, of those -
 - 47% of Councils have a corporate procurement strategy and a corporate procurement framework
 - An equal proportion are either already involved in e-procurement or were in the process of implementing e-procurement approaches
 - However, 30% of councils have no corporate procurement strategy and inadequate systems for strategic procurement

Peter Tait, Assistant Director

Audit Scotland, National Procurement Conference 31st October 2007

Strategic Procurement – Risk Areas

- Insufficient strategic direction & leadership
- Lack of involvement from key partners
- Efficiency gains difficult to measure
- Lack of performance information
- Failure to achieve throughput targets
- Business continuity for critical systems

Some Key Questions to Ask:

- Is there a clear procurement strategy, does it minimise risk and delivering successful project outcomes?
- Is there a comprehensive process for risk management?
- Does the system of internal control provide indicators of things going wrong?

Peter Tait, Assistant Director

Audit Scotland, National Procurement Conference 31st October 2007

The Aalborg Commitments

A Template for Sustainability

1. Governance
2. Local Management towards sustainability
3. Natural Common Goods
4. Responsible Consumption and Lifestyle Choices
5. Planning and Design
6. Better Mobility, Less Traffic
7. Local Action for Health
8. Vibrant and Sustainable Local Economy
9. Social Equity and Justice
10. Local to Global

SSN Programme Priorities



Best Value & Sustainable Development

See SSN Toolkit (web site)



Climate Change – Scotland’s Climate Change Declaration

All 32 local authorities have signed up



Local Footprints (carbon and ecological footprinting)

Joint Development with WWF



Procurement for Sustainability

Sustainable Procurement Working Group

Kate Airlie, Development Officer, SSN, Procurement Forum September 2008

- ***Sustainable procurement aims to integrate -***
 - *environmental, social and economic considerations*
 - *into all stages of the purchasing process with the goals of reducing the impact on*
 - ✓ *human health*
 - ✓ *the environment*
 - ✓ *and improving social and economic conditions.*

ICLEI - an international association of local governments dedicated to a sustainable urban environment



Questions / Discussion

- *About Sustainable Procurement?*

