

East Lothian Council

Corporate Procurement Strategy

2017-2022

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Introduction

This strategy supports the Council's overarching ambitions for East Lothian which are encapsulated within the Council Plan 2017-2022 vision to create *an even more prosperous, safe and sustainable East Lothian with a dynamic and thriving economy, that enables our people and communities to flourish*

The strategy recognises that procurement of goods, works and services has a major impact on many aspects of life in East Lothian and shall contribute to the achievement of our Council priorities by procuring legally compliant contracts using economic, environmental and social considerations, and assisting service departments to achieve budget efficiencies.

It is important to recognise that this strategy is only part of the journey in achieving efficient procurement. The commitment of elected members, senior management and lead officers throughout the Council is also important to the strategy's success.

This strategy will be reviewed on a regular basis ensuring action plans are up to date and that any changes arising from legislation and external/internal developments that may affect the procurement activities of the Council are put in place.

Through implementation of this strategy, East Lothian Council shall seek to deliver Best Value together with other considerable benefits for residents and businesses within East Lothian.

East Lothian Council's Vision for Procurement

“to achieve the highest possible standards in procurement practice ensuring that the Council always achieves Best Value in procurement and commissioning related activities”

Procurement Strategy

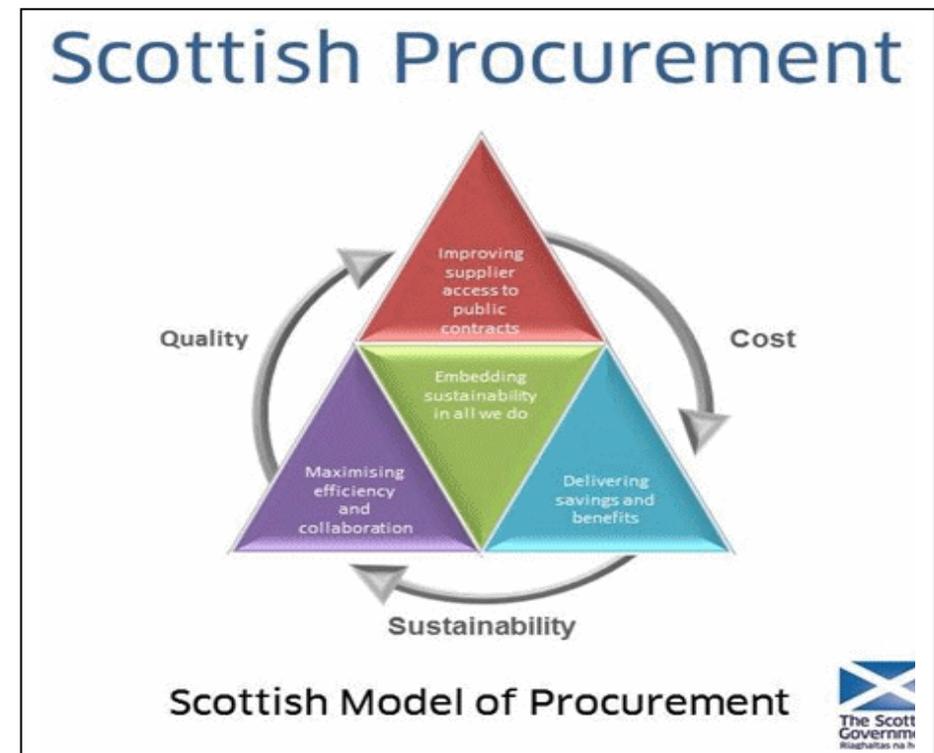
In seeking to support delivery of Council Plan objectives, it is clear that procurement will play a major role for the Council. The Council shall continue to develop policies and practices in a way that makes best use of the power of public spending and continues to deliver Best Value.

East Lothian Council has set four key objectives within the Council Plan 2017-2022, which align with the Policies and Procedures referenced in Appendix 3 and support the Scottish Government's procurement aspirations:

- **Growing our economy** – to increase sustainable economic growth as the basis for a more prosperous East Lothian.
- **Growing our communities** – to give people a real say in the decisions that matter most and to provide communities with the housing, transport links, community facilities and environment that will allow them to flourish
- **Growing our people** – to give our children the best start in life and protect vulnerable and older people
- **Growing the capacity of our Council** – to deliver excellent services as effectively and efficiently as possible within our limited resources.

This Procurement Strategy seeks to support delivery of these objectives.

The current environment in which we are operating remains challenging and dynamic. It is therefore vital to the achievement of these objectives that this strategy helps inform the foundations of all projects and that all stakeholders are committed to delivering successful procurements in line with the Council Plan 2017-2022.



In order for this strategy to successfully support the delivery of the objectives set out in the Council Plan 2017-2022, it is important that the following key procurement objectives are established:

- **Contract and Supplier Management** – In order to maximise the value of contracts awarded, following a procurement process it is important that a strong contract management process is put in place for all contracts
- **Tracking Percentage of on/off Contract Spend** – the Council aims to increase the proportion of expenditure that is on contract and will require to develop processes and systems that allow for better understanding of both on and off contract spend. In doing this, the Council will be able to focus on the off contract spend with a view to securing greater compliance.
- **Sustainable Procurement** – in conducting the procurement process, and in accordance with the sustainable procurement duty, the Council shall consider how it can improve the economic, social and environmental wellbeing of East Lothian
- **Maximise percentage of spend with local businesses** – in conjunction with the Economic Development service, the Procurement Team will continue working with local businesses to assist them in building capacity to access East Lothian’s tender opportunities.
- **Community Benefits** – the Council has already carried out a great deal of work in setting up channels to promote Community Benefits within local communities and will actively build upon this with suppliers to increase and enhance the range of opportunities available.
- **Refine Contract Register** – it is vital that a comprehensive Contract Register is in place and further development work will be undertaken to improve the information held within this register and to utilise that information to assist in planning future procurements

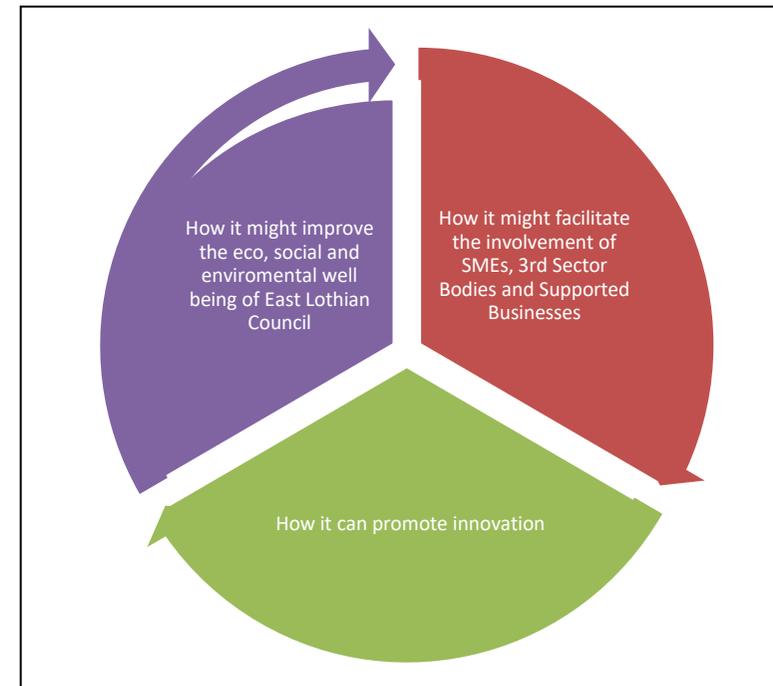
Legislative Requirements

The mandatory requirements of the Procurement Reform (Scotland) Act 2014 oblige the Council to detail how Regulated Procurements (those with a spend greater than £50k for Goods and Services, and £2m for Works) will:

- Contribute to the carrying out of the Council's functions and the achievement of its purpose
- Deliver value for money (a balance of cost, quality, efficiency and sustainability)
- Satisfy the duty to act in a transparent and proportionate manner
- Comply with the Sustainable Procurement Duty, which obliges procuring authorities to give due consideration to the procurement cycle illustrated below before starting any procurement competition:

In relation to Regulated Procurements, the Council will detail in [each commodity strategy](#) document, the approach to be taken with regard to:

- Community Benefit requirements
- Consulting and Engaging with those affected by its procurements
- Fair Working Practices which includes the payment of a Living Wage to persons involved in producing, providing or constructing the subject matter of regulated procurements
- Promoting compliance by contractors and subcontractors with the Health & Safety at Work Act 1974 and any provision under that Act
- The procurement of fairly and ethically traded goods and services
- For procurements involving the provision of food, how we can improve the health, wellbeing and education of communities in our area, and promote the highest standards of animal welfare where applicable.
- Climate Change impact assessment
- Sustainability



Procurement Limits

The current limits set by East Lothian Council determine the route to procurement and the relevant procurement journey for any requirement/project. These limits, determined by the Council's Standing Orders, are:

Contracts for Goods and Services	Contracts for Works
<p>Under £5,000 – best price</p> <p>between £5,001 and £50,000 – Quick Quote</p> <p>Greater than £50,000 – PCS Tender*</p>	<p>Under £5,000 – best price</p> <p>between £5,001 and £250,000 – Quick Quote</p> <p>Greater than £250,000 – PCS Tender*</p>
<p>*These limits are set in accordance with the Scottish Government Regulations which set that the Threshold for Regulated Procurements are £50,000 and over and EU legislation which is set at £164,176 (OJEU Threshold applied to contract for Goods and Services)</p>	<p>*Note that for works contracts the Scottish Government Regulations set the threshold for Regulated Procurements at £2,000,000 and over and EU legislation which is set at £4,104,394 (OJEU Threshold applied to contracts for works)</p>

All officers must comply with procuring in accordance with the above limits. Only in exceptional circumstances detailed within the Corporate Procurement Procedures Manual (as maintained by the Head of Council Resources) shall any exemption to the above be considered.

Procurement Journey for East Lothian Council

The strategy recognises that effective capture of spend and identification of possible savings will be successful where all parts of the council work together.

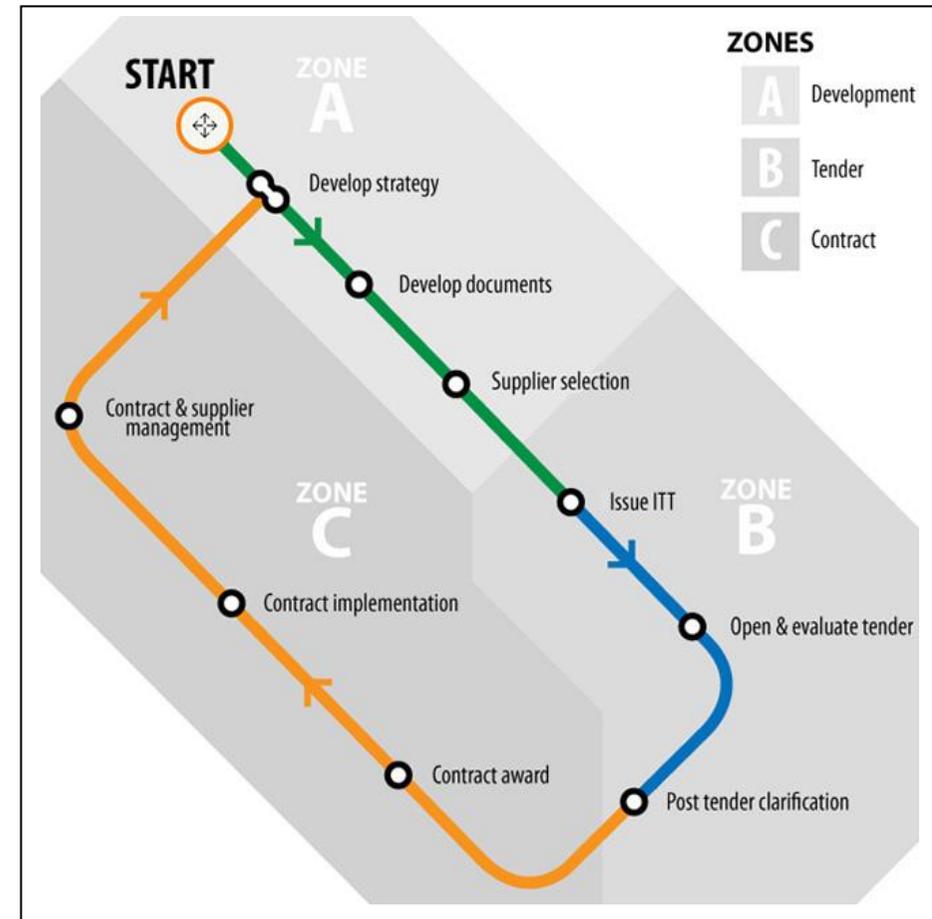
The Procurement Journey includes a number of critical component stages including:

- Pre-contract activities such as options appraisals, and market research;
- The acquisition itself
- Post contract activities such as contract management

Through improving procurement practices, the council seeks to build year on year on its successes. The Procurement Team will also explore potential opportunities to pool public purchasing power, where appropriate, through collaboration with other Local Authorities and Public Bodies, and through the utilisation of existing Frameworks from Government and various Procurement Alliances.

The Procurement Team will continue to develop its work with local businesses and SMEs to assist them in understanding the procurement process and how to access East Lothian Council contracts.

To maximise procurement effectiveness, the Procurement Team should be engaged at the earliest possible stage in development of the service requirement and should then continue to support services throughout the procurement journey. In addition to financial efficiencies, this will generate other social and economic benefits for local communities and businesses by delivering outcomes that are business friendly and socially responsible.



Governance and Accountability for Procurement

Councillors provide critical leadership and direction by setting clear objectives within the Council Plan and agreeing the Procurement Strategy. The Council also monitors high value contracts. These objectives will then be actively promoted by all Council services, ensuring delivery of best value and high quality services to communities throughout East Lothian.

Organisationally, lead officer responsibility for the procurement function rests with the council's Chief Finance Officer (Head of Council Resources) with additional oversight and support from the Depute Chief Executive - Resources and People Services. In addition, the Council has established the Procurement Improvement Panel to provide further challenge and support. The PIP is chaired by the Depute Chief Executive – Partnership and Community Services and comprises a membership of Senior Council Officers representing all services areas within the council.

The centralised Procurement Team will provide specialist support and advice services with a view to ensuring that service area purchasing and commissioning requirements are procured in compliance with legislative and internal governance requirements.

Reliance shall also be placed on any findings and recommendations made by both External and Internal Audit.

The Corporate Procurement Procedure Manual shall be regularly reviewed to take into account local, national and regulatory changes.

The centralised Procurement Team ensures that all East Lothian procurements remain fair and transparent, and achieve best value. In support of this, the following key stages have been identified:

- Service Managers will develop their own service procurement plan for the forthcoming year and in conjunction with their Head of Service, identify priorities. These plans will be used by the Procurement Team to produce a council wide Procurement Priority Plan for approval by the Council's Procurement Improvement Panel (PIP). This will inform the Annual Report required by the Procurement Reform (Scotland) Act 2014.
- Prior to any procurement, an evidenced business case shall be provided to the Procurement Team demonstrating the operational need for procurement. Any business case will also ensure that there is sufficient budget and appropriate authorisation to spend in place before the procurement can proceed.
- The subsequent procurement of any service requirement must be supported by a member of the centralised Procurement Team who will seek to ensure an efficient and compliant procurement process.

Procurement Spend and Contract Register Values

The following table uses the latest set of data (2016/17) to provide context for this strategy and provides an indication of how much East Lothian Council spends and what it is spent on.

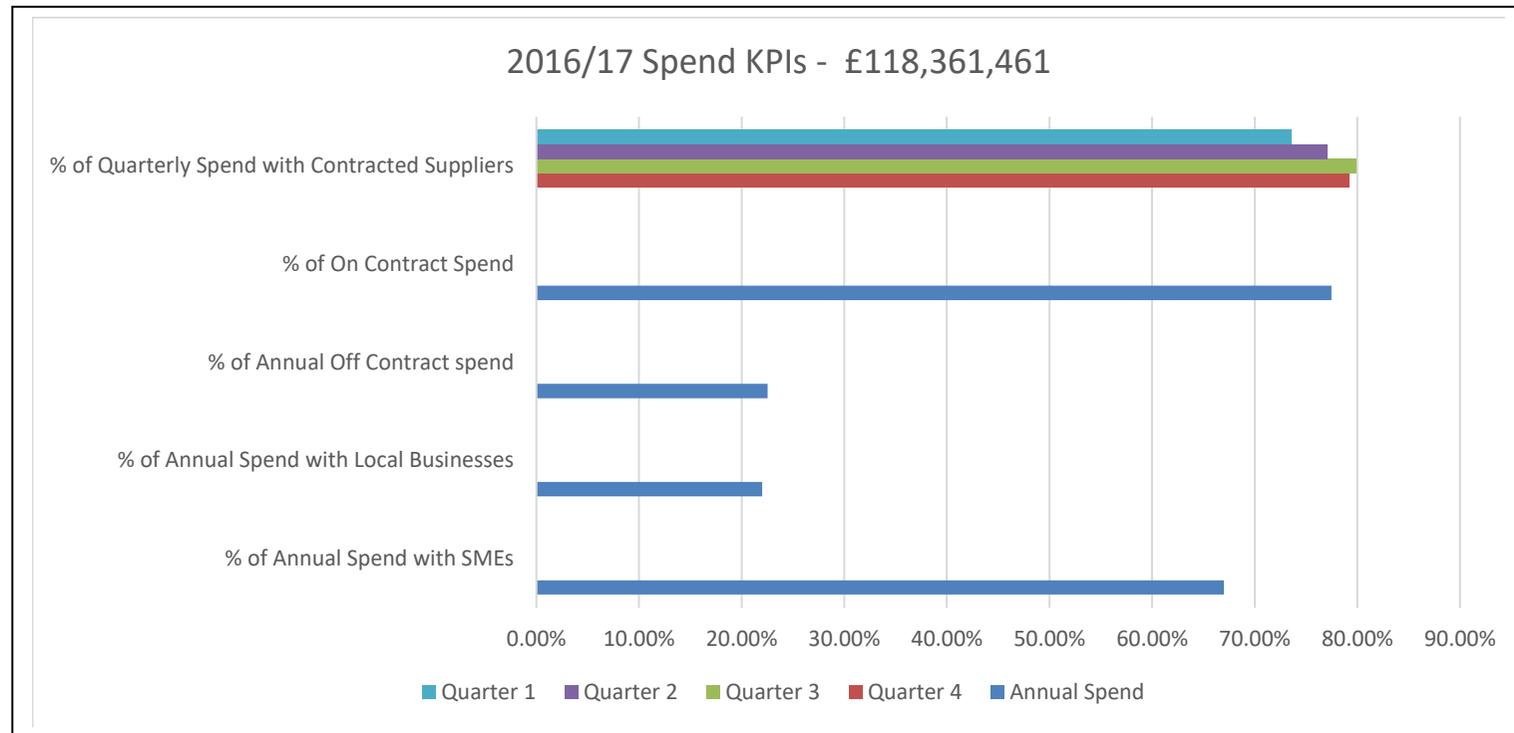
The total spend across the Council in 2016/17 was £118,361,461 with over 4000 suppliers.

Procurement Key Performance Indicators (KPIs) that are reported to Audit Scotland are as follows:

% of annual spend with SMEs

% of quarterly spend with contracted suppliers

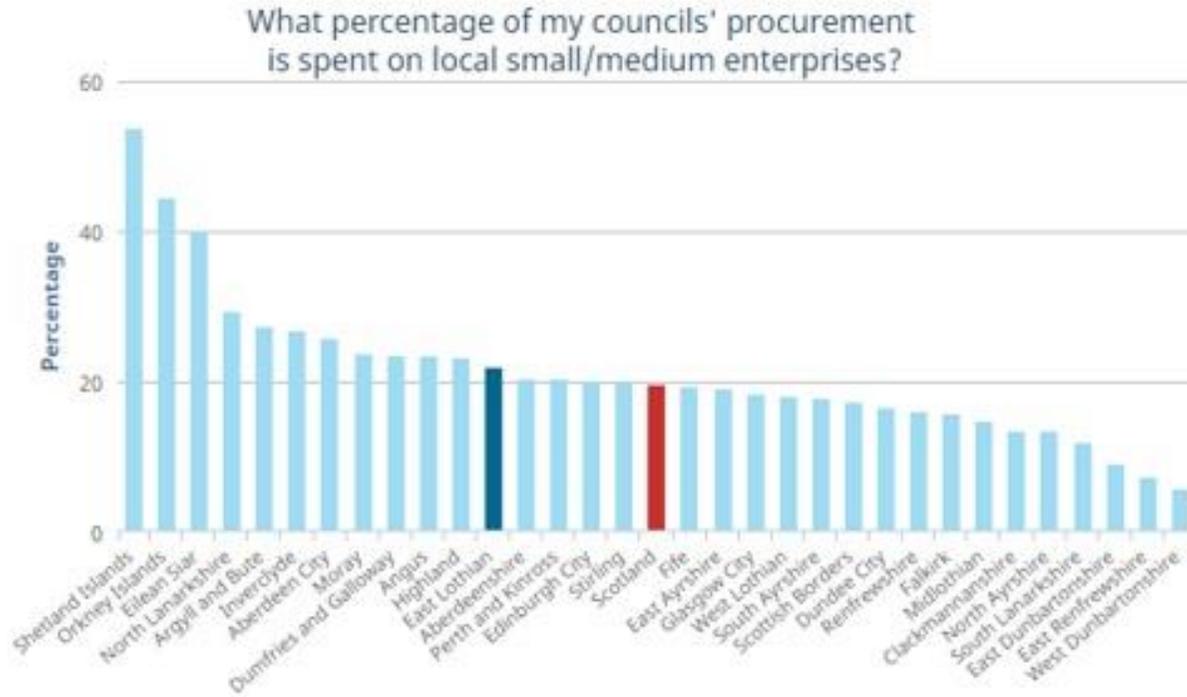
% of annual spend with local businesses



Statistics collated by the Improvement Service – the national organisation tasked with improving local government – show that the average Scottish council spent only 19.7 per cent of their procurement budget with smaller firms in their area in 2015/16.

In 2015 /16 East Lothian Council demonstrated, an above average spend of 22.2% of its procurement budget on local small/medium enterprises as reflected in the graph below.

The graph below shows the success East Lothian Council has had in comparison to other Local Authorities but also shows some scope for improvement.



Procurement Savings

Through application of focussed procurement practices, it is possible to drive significant financial savings. To help identify potential savings opportunities, the council must have a solid understanding of its cost base and this in turn requires investment in necessary systems that will support full analysis of spend. The Council intends to move towards a system that will analyse and track the costs of a procurement throughout all stages of the journey from original estimated cost to the anticipated costs ascertained at the point of the contract award and through to the final cost at the end of the contract.

Community Benefits

The Council strongly promotes Community Benefits in Procurement (CBIP) and monitors these through our Contract Register. Appendix 1 demonstrates the success the Council has had in securing and supporting Community Benefits from August 2016 to June 2017.

East Lothian Council is committed to maximise the use of community benefits. While the legislative requirement does not require that community benefits are sought for contracts under £4m, East Lothian Council has a well-established policy and process, that attempts to secure such benefits from all contractors with cumulative spends of £50k and above.

The Procurement Team works with East Lothian Works, who are the Council's employability and business advice centre, to assist with the identification of relevant and proportionate community benefits from proposed tender activities and support liaison with suppliers and communities.

Strategic Objectives

In order to deliver the key objectives within the Council Plan 2017-2022 and ensure that East Lothian Council achieves “Best Value” while complying with its regulatory requirements the following actions have been identified:

Growing Our **Economy** to increase sustainable economic growth as the basis for a more prosperous East Lothian

- Continue with Meet the Buyer events, at different locations and times, and with different themes as appropriate to forthcoming tender opportunities. Seek feedback and tailor accordingly.
- Publish our Contract Register on our intranet and the internet, so that companies are aware of future opportunities, and combine requirements from different areas to maximise opportunities to bidders.
- Encourage more lotting of contracts to facilitate participation by smaller companies where it is appropriate.
- Continue work with Economic Development with supported businesses and 3rd sector organisations to improve their ability to compete for contracts.
- Oblige services to list a new contractor on any Quick Quote procedure.
- Give constructive feedback to successful and unsuccessful contractors.
- Continue with monthly meetings with East Lothian Works to scope out appropriate Community Benefits for tenders/accumulated spend over £50k. A Community Benefits Report was approved by Cabinet in September 2015.
- Encourage contractors to advertise their subcontracting opportunities locally and to include prompt payment to their supply chain; these aspirations are reflected in the Balanced Score Card in Contract Management meetings.
- Be cognisant of the Sustainable Procurement Duty at the start of a procurement exercise and reflect this in Commodity Strategies.
- Incorporate the Flexible Framework into Council procurements.

Growing our **Communities** — to give people a real say in the decision that matter most and to provide communities with the housing, transport links, community facilities and environment that will allow them to flourish

- Harness the innovation obligation from the Sustainable Procurement Duty to increase the well being of our residents, such as the Community Bus from Humbie to Haddington which utilises the surplus timetable capacity of the School Bus transport.
- Canvas our communities and businesses on what they would like to see from community benefits with a view to providing focussed and relevant community benefits which will deliver social and economic benefits for communities and businesses within East Lothian.
- Consult with Area Partnerships on the ongoing Procurement Strategy to ensure that our communities can feed into and comment on the vision.

Growing our People – to give our children the best start in life and protect vulnerable and older people

- Build on the work done with Procurement and Education to date, recognising tendering opportunities and ensure Best Value for our children.
- Increase attendance at such meetings as Executive Head Teachers meeting to embed Procurement awareness.
- Work to ensure sustainable continuity of care within East Lothian by supporting any procurement activity required by the East Lothian Integrated Joint Board ("IJB"). When procurement activity is required, East Lothian Council's internal procurement regulations together with relevant national legislation will be applicable.
- Continue the representation at the ELHealth & Social Care Procurement Board to ensure arrangements are in place to affordable continuity of care.
- Utilise the Health and Social Care Academy in Musselburgh to offer Community Benefits options to companies.

Growing the **Capacity of our Council** – to deliver excellent services as effectively and efficiently as possible within our limited resources.

- Develop and apply all aspects of the procurement journey, including Market Intelligence and Contract Management
- Refine the information available on the Contracts Register enabling greater detail, transparency and awareness of what is on contract/to be tendered.
- Continue to maximise collaboration opportunities with other organisations when they are shown to add value and/or make commercial sense.
- Roll out increased usage of Public Contracts Scotland Tender functionality, such as Evaluation and Vendor Management.
- Continue to implement the Information Sharing Protocol in conjunction with Police Scotland to ensure that contracts are only awarded to companies without any known criminal activity.
- Introduce Benefits Tracking as per the Scottish Publicly Funded Sectors 'Procurement Benefits Reporting Guidance' (Jan 2015).
- Introduce Commodity Management within the Procurement Team and have regular meetings with Service Managers.
- Update training for all users, with regular training slots/updates for frequent users, and incorporate procurement into new employee induction.
- Utilise the staff e-zine to update employees regularly on procurement activities.
- Categorise contracts on a Risk Matrix, and consider performance bonds from companies as appropriate while being mindful of the cost of implementation and the value/risk associated with the contract.
- Build on the work done previously as part of the Scotland Excel Procurement Capability Assessment and its successor PCIP (the Procurement & Commercial Improvement Programme).
- Update and amend Procurement Forms as part of this new strategy.

Procurement and Commercial Improvement Programme Guidance (PCIP)

East Lothian Council is always striving to improve and develop its procurement procedures and practice.

PCIP is a helpful tool used to promote best practice within public sector procurement. The PCIP was launched in 2015 and focuses on an organisation's policies and procedures driving procurement performance and importantly, the results they deliver. The assessment delivers a score which will provide a level of compliance with best practice ranging from 1 (compliance with best practice) through to 4 (exemplary practice).

East Lothian Council shall continue to work towards improving and embedding good procurement practice throughout the organisation and the Procurement Improvement Panel will be the conduit for this.

Roles and responsibilities for the success of the Procurement Strategy

All staff within the Council have a role in ensuring compliance with the Procurement Strategy's objectives.

Key internal stakeholders in East Lothian Council are:

Procurement Improvement Panel: a group comprising Chief Officers and Senior Managers which is led by Depute Chief Executive (Partnerships and Community Services)

Through the provision of both constructive challenge and support, the remit of the PIP is :

"To improve the quality and consistency of procurement practices across the Council to achieve measurable benefits" .

This group will oversee implementation and delivery of the Procurement Strategy.

Service Managers: The central Procurement Team cannot fulfil the critical roles of savings identification /contract management/CBIP opportunities without the support and co-operation of staff in service areas. Service Managers are essential to the successful implementation of the Procurement Strategy and providing relevant and timely information regarding their future procurement requirements is vital. After contract award, both Contract and Supplier Management are critical activities that rely heavily upon effective Service Manager engagement.

Operational Users: A well-informed and adequately skilled user base is another vital component for successful delivery of the Procurement Strategy. Significant efforts will be made to support such staff with a view to ensuring high levels of compliance and positive procurement practices.

Appendix 1: - Key Priorities and Timescales to deliver the Procurement Strategy

This is a dynamic process and is subject to annual review and update. The priorities identified below are the immediate areas of focus for the financial year 2018/19;

Growing Our Economy	How Achieved	When	Successful Outcome
Improve ability of local businesses to access East Lothain Council contracts.	<p>Engage with local businesses to increase participation in tendering opportunities.</p> <p>Lot contracts appropriately.</p> <p>Ensuring service departments expand their list of contractors to include local providers in Quick Quote opportunities.</p> <p>Utilising Senior Procurement Officer post to specifically address this need.</p>	On-going	<p>Increased engagement by local SMEs, and awareness of our tendering opportunities.</p> <p>Increased percentage of local companies on our contract register.</p>
Assisting the supply chain	<p>Publishing our Contracts Register with complete information so that companies can see where opportunities can be sought as Tier 2 suppliers.</p> <p>Measure prompt payment from main contractors by incorporating payment term information into Balanced Scorecards.</p>	September 2018	Mapping the supply chain to see which local companies are engaged with main contractors, or would consider acting as a subcontractor with these enhancements.

Council Theme: Growing our Communities	How Achieved	When	Successful Outcome
Consult with the communities concerning our procurement activity	<p>Surveys of community groups and stakeholders when relevant procurements are being tendered. Consultation at commencement of process and engagement throughout.</p> <p>Membership of Tender Evaluation Panels where it is appropriate.</p> <p>Engage in discussion regarding Community Benefits provision.</p>	On-going	<p>Communities are aware of procurement activities and can contribute where possible to where their money is being spent.</p> <p>Successful and targetted Community Benefits are delivered in line with the need of communities in East Lothian.</p>
Enhance Recording of Community Benefit opportunities	Utilising the new Contract Register to detail what has been agreed with contractors	September 2018	Ability to see what CBIP has taken place and where gaps in provision lie via recording in Contract Register.

Council Theme: Growing our People	How Achieved	When	Successful Outcome
Ensure Best Value in contracts let for our Adult and Children's Well Being directorate	<p>Joint meetings with Integrated Joint Board, Service Dept and Procurement Team.</p> <p>Awareness of forthcoming requirements from Contract Register.</p>	On-going	<p>Commodity Strategy signed off identifying spend and potential savings.</p> <p>Compliance with contracts awarded.</p>

Growing the Capacity of our Council	How Achieved	When	Successful Outcome
Ensure all contract requirements are known for the next 3 years	<p>Setting up and holding meetings with Service Managers on a monthly basis.</p> <p>Following these meetings ensure Contracts Register is regularly up dated and complete.</p>	September 2018	<p>80% of contract requirements known, enabling market intelligence to take place, and contract management can be documented.</p> <p>Ability to highlight Risk of Overdue Procurements and to resource appropriately.</p> <p>Recognition of collaborative opportunities and allowing identification of savings.</p> <p>External Contract Register is complete.</p>
Initiate improved Contract and Supplier Management	<p>Categorise frequency of meetings held with suppliers depending on the contract</p> <p>Utilise technology within E Tendering systems to capture and report on issues</p> <p>Review product catalogues in consultation with service to understand their requirements and simplify their ordering process.</p>	November 2018	<p>Early identification of risks to contract provision, and ability to react to those</p> <p>Achieve better value from Contracts by proper management</p> <p>Enhanced relationships with suppliers</p>
Introduce Benefits Tracking into Contracts	Utilise the Public Benefits Reporting Guidance methodology.	October 2018	Quantify the contribution from Procurement to Service Departments and their budgets which will be recorded in the Contract Register.

Growing the Capacity of our Council	How Achieved	When	Successful Outcome
Review and improve on the current systems to allow better tracking of on/off contract spend throughout the Council	Review of current systems analysis of whether a new system would be required which would enable more rigorous scrutiny of spend across the Council.	December 2018	<p>Improved knowledge of on/off contract spend allowing the Contracts Register to be more up to date.</p> <p>More opportunities for local suppliers to compete for.</p> <p>Improved controls on spend allowing for more targeted savings objectives to be set.</p>
Training delivered across all service departments, Elected Members and New Employees	Mixture of E Learning and Workshops. Updates on Online Newsletter of Procurement developments.	Six monthly from April 2018	<p>Procurement Awareness and Compliance from all departments.</p> <p>Education of risks of non-compliance, and highlighting previously unknown procurement requirements from service users.</p>
Build a robust relationship with Education to ensure all contracts give Best Value for our school budgets	<p>Joint meetings with Head Teachers and Procurement Team.</p> <p>Awareness of forthcoming requirements from School Curriculum.</p>	Oct 2018	<p>Commodity Strategy signed off identifying spend and potential savings.</p> <p>Compliance with contracts awarded.</p>

Appendix 2 - Community Benefits in Procurement

Community Benefits in Procurement (CBiP) Opportunities available Pre and Post school (Youth/Adult)

Community Benefits in Procurement: August 2016 to June 2017 (Construction & Other)		
	No. of offers made*	No. delivered
Apprenticeships	6	5
Employment	9	9
Vacancies advertised through ELW	4	2
Work Experience	19	5
Educational Support	27	9
Enhanced Work Experience	3	8
Training	2	1
Mentoring	3	1
Participation in SME Roadshows	5	5
Local Sponsorship	16	15
Parent/Teacher CPD	2	1
Community Project	11	5
Employability Skills Sessions	6	9
Local Events	11	12
School Partnership	3	3

*No. of offers made relates to the number of offers per contract/contractor and not the number of opportunities offered.

Appendix 3 - Glossary

Balanced Score Card	A method used in Contract Management using pre advised criteria to assess a supplier's performance and to invite their response.
Best Value	Scottish local authorities also have a duty to adhere to statutory guidance on best value, which stresses the importance of good financial management and project management control and of linking expenditure plans to effective asset management
CBIP	Community Benefits in Procurement – this is East Lothian Councils method of maximising Community Benefits from its procurement activities. This is achieved by seeking community benefits in contracts and utilising these contractual requirements to build a range of economic, social and environmental benefits.
Flexible Framework	A self-assessment tool allowing organisations to measure and monitor their performance on sustainable procurement.
Frameworks	An compliant procurement route with a provider or providers which enables buyers to place orders without having to run separate tender exercises
KPIs	Key Performance Indicators – used to measure performance
PCST	Public Contracts Scotland Tenders - the national E Tendering system funded by Scottish Government
Quick Quote	A procurement route for spend under £50k for Goods and Services and £250k for Works which enables a contracting authority to name specific contractors to receive tender documents.
Scotland Excel	A centre of excellence representing the 32 Scottish Local Authorities
Tier 2 Supplier	A subcontractor to a main (Tier 1) supplier/contractor

Appendix 4 - Policies and procedures

The Procurement landscape is influenced by a number of laws, regulations and recommendations, the majority of which have been referred to in this document. Full details of the key documents are listed below:

- Scottish Model of Procurement - www.gov.scot/Topics/Government/Procurement/about/spd-aims
- Recent Changes to European Directives - <http://www.gov.scot/topics/government/procurement/policy/procurementreform/implementEUDirProcRef>
- Public Procurement Reform Programme - www.gov.scot/topics/government/procurement/about/review
- Supplier Charter (East Lothian has signed up to this Scottish Government initiative) - www.gov.scot/topics/government/procurement/selling/supplierscharter2
- EU Procurement Thresholds - www.gov.scot/topics/government/procurement/policy/10613
- Procurement Journey - <https://www.procurementjourney.scot/>
- PCIP - <https://www.procurementjourney.scot/procurement-and-commercial-improvement-programme/>
- Public Contracts Scotland - www.publiccontractsscotland.gov.uk
- Flexible Framework - <https://www.gov.uk/government/publications/sustainable-procurement-in-government-guidance-to-the-flexible-framework>