

ARGYLL AND BUTE COUNCIL



PROCUREMENT STRATEGY

2015-18

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# 1. Foreword

- 1.1. The launch of the Council's new Procurement and Commissioning Strategy is a good opportunity to look back at the progress made so far in the Council's procurement journey and also to look ahead to the challenging times which we face. These challenges include demographic changes, increasing service user expectations, environmental and social challenges and the need to deliver significant efficiency savings of between £21.7 and £26 million over the next 5 years.
- 1.2. These challenges can only be met through partnership working – by services working closer together, in particular by Procurement and Commissioning supporting services with their Service Choices programme to deliver their required savings, through better engagement with communities and the supplier market, as well as working with our strategic partners, such as our Community Planning Partners.
- 1.3. In particular the new Health and Social Care Partnership will require our ongoing support to provide procurement and commissioning services to it.
- 1.4. This strategy sets out a framework, which is designed to enable the Council to continue on its journey of change and innovation through:
  - ☐ Building capacity and skills within the Council to continue to improve commissioning and procurement activity;
  - ☐ Increasing the level of collaboration both internally, between service areas, and externally with other partner organisations;
  - ☐ Engaging proactively with key suppliers through contract and supplier relationship management to ensure that we extract maximum value and innovation from our supply base;
  - ☐ Focusing our commissioning and procurement activity on delivering improvements for the people and communities in Argyll and Bute;
  - ☐ Working cooperatively in everything we do to support SMEs and the third sector.
- 1.5. This procurement strategy has been prepared in response to the changing procurement agenda and the current financial climate. The strategy sets out the procurement aims and goals of the Council for 2015-2018. These aims and goals reflect both national and local policies and priorities.
- 1.6. The strategy is aimed at ensuring the Council procures the goods, services and works it needs in the most economically advantageous manner. This recognises the importance of a procurement strategy towards meeting the Council's statutory duty of best value.
- 1.7. Argyll and Bute Council recognises the value of existing relationships with suppliers and contractors and seeks to build and strengthen those relationships. Local businesses and the third sector play a valuable role in supporting the work of the local authority. The strategy aims to help remove the barriers often faced by smaller organisations with limited resources in bidding for work tendered by the Council. The Procurement and Commissioning Team has provided and will continue to provide support to local organisations, building their capacity to respond to formal procurements through local Meet the Buyer and other training events, and through promotion of the Supplier Development Programme.

## 2 Purpose of the strategy

- 2.1 The purpose of this Strategy is to set out how the Council will direct its external expenditure on goods, services and works over the next three years.

## 3 Procurement Principles

- 3.1. These are the basic tenets of how the Council intends to conduct its procurement

- 3.2. Nine procurement principles have been identified as follows:

1. Procurement should be a viable tool in the promotion of the Council's Goals and Values and in delivering the aims and objectives contained within the Corporate Plan and Single Outcome Agreement.
2. Procurement will be carried out under the terms of the Council's Standing Orders and will be guided by the detailed procedures for purchasing developed by the Council via the Procurement Manual.
3. Procurement should be carried out in line with current legislation to deliver competition, sustainability, equal opportunities and ultimately best value for the Council. The process will be transparent and allow accountability.
4. Best Value will be achieved by obtaining Most Economically Advantageous Tender, taking into account full life costs and non – financial aspects of the purchase. Purchasing will be driven by desired outputs and results.
5. Suppliers should be able to meet the needs of the current and future needs of the Council and in arranging procurement; the needs of the local economy should be taken into account, as permitted by existing legislation and always in pursuit of best value.
6. Officers managing major contracts should be capable through qualification and experience, or have access to professional guidance, to be able to ensure the sound management and monitoring of contracts. The Council will put in place a training programme for all staff required to undertake procurement duties. Staff completing this programme will become "authorised to procure."
7. The procurement function should be carried out in an effective but streamlined manner, which delivers added value without duplication of effort.
8. Where a local or national contract is in place for a commodity this will be used in all but exceptional circumstances
9. Suppliers and contractors to the Council are part of the resources of the Council and are not adversaries but partners in the delivery of services for the citizens of Argyll and Bute. The Council will work to encourage continued participation in contracts by high quality suppliers.

## 4 Where we are now – review of previous activity

- 4.1 Argyll and Bute Council seeks to embed a culture of Commercial Excellence throughout the organisation.
- 4.2 To date, the Council has made good progress in procurement activity in support of key targets set out in the previous 2012 - 2015 strategy including:
- Between 2012-15, procurement activity resulted in significant procurement savings in excess of £8.5m being delivered;
  - The independent Procurement Capability Assessment carried out by Scotland Excel on behalf of the Scottish Government recognises the incremental improvements made by the Council with regard to procurement and commercial capabilities and standards, the Council achieved “Improved Performance” status in the national Procurement Capability Assessment, achieving 63% score in 2013/14 and 72% score in 2014/15. The Scottish average in 2013 was 56%;
  - The development of the capability and capacity of the Council’s Procurement and Commissioning Team to enable a greater focus on strategic procurement and being a trusted commercial partner to service areas. Commodity Strategies are now in place for all Services. Services engage with Procurement and Commissioning and have designated Purchasing Officers to support their procurement activity. This good practice which is evidenced in our PCA score, was highlighted in the Audit Scotland report on “Procurement in Councils” of April 2014. The Report made recommendations for all councils and this strategy seeks to address the recommendations raised by this report;
  - The Council has developed an updated Procurement Manual which is in line with the Scottish Government’s Procurement Journey and Best Practice to ensure that there is a consistently high standard achieved in every procurement process;
  - Successfully supported the delivery of projects that meet the Council’s corporate aims and objectives as identified in our Strategic Plan such as the CHORD and TIF projects, regeneration projects and delivery of Care at home services;
  - Made good progress in responding to the complex national and regional public sector procurement reform agenda. This includes introducing community benefits in all appropriate contracts over £350k which is well below the threshold of £4m set out in The Procurement Reform (Scotland) Act 2014. We have also brought in the vendor rating system for closed works tenders and increased our existing threshold for closed tenders from £350k to £500k to ensure local suppliers are able to bid for these contracts. This is in line with the Construction Review which proposes the use of Quick Quote (closed tenders) should become the norm for works contracts worth less than £500,000;
  - Embedded the Category Management approach to procurement across all Services and facilitated good procurement practice across the Council;

- Provided relevant training and development in line with national competency levels, with 5 staff within the Procurement and Commissioning Team now having gained their MCIPS qualification;
- Upheld the Council's commitment to the Supplier Charter. The Team directs suppliers to the Single Point of Enquiry if they are concerned about the procurement process they were involved in. Between 2012-15 the Single Point of Enquiry dealt with 8 enquiries relating to council procurements;
- Embedded Community Benefits and Sustainability into the tendering process.

## 5 Our vision, Strategic aims and objectives

### 5.1 Our vision

To provide best value to the Council from all procurement and commissioning activities;

To embed commercial excellence, by improving commercial decision making throughout the organisation, ensuring that our services always deliver Best Value;

To be recognised as having leading commercial, procurement and commissioning practices and skills delivering outstanding outcomes;

To have the citizens of Argyll and Bute and service users at the heart of what we do.

### 5.2 Our strategic aims and objectives

We aim to:

1. Provide a value for money procurement service that delivers financial savings
2. Provide a quality service which delivers quality outcomes to the citizens of Argyll and Bute
3. Procure goods, services and works in a lawful and ethical manner which encourages participation, collaboration & sustainable economic growth
4. Continue to improve the Council's procurement performance which will be assessed by Scotland Excel through the Procurement and Commercial Improvement Programme assessment.
5. Secure the ongoing commitment of internal stakeholders to implement the strategy.
6. Ensure the procurement strategy is aligned with the Council's corporate priorities

### 5.3 Our strategy is to:

#### a. Deliver savings and Best Value

We will do this by:

- Working together with our Partners to identify opportunities and continuing to challenge the status quo;
- Ensuring that all opportunities are thoroughly considered and all implications of change in service areas are fully appraised;

- Increasing our collaboration with other organisations;
- Developing contract plans of future procurement projects to improve our services.

**b. Improve procurement processes and policies**

**We will do this by:**

- Introducing regular reporting of procurement performance and compliance;
- Improving contract and supplier relationship management across the Council to ensure that we are getting the most value and innovation from our contractual relationships;
- Reviewing and improving our Purchase to Pay (P2P) processes with due consideration for local and national ICT Strategy requirements, existing budget constraints and the need to ensure best value, whilst reducing purchase to pay costs. The aim is to strengthen controls, increase efficiency and provide useful and up-to-date management information;
- Ensuring that there are standard templates in place for all procurement and contracting documentation and ensure that these are regularly reviewed in line with new legislation and best practice;
- Embedding sustainable procurement as business as usual and incorporating community benefits in all appropriate contracts.
- Supporting local businesses and SMEs through closer working with Economic Development and by making our processes more streamlined and accessible;
- Categorise areas of spend to ensure we get the best balance of quality and price for our purchases;
- Ensure compliance with complex European Union Procurement Legislation, and with Public Contracts (Scotland) Regulations 2012 and the Procurement Reform (Scotland) Act 2014 and associated mandatory guidance;
- Ensure that the Council acts properly and purchases in a sustainable way, so observing its corporate social responsibility;
- Protecting public spending – ensuring tax payers money is spent properly, ensuring integrity and accountability;
- Reducing bureaucracy – making the tender process standard, simple, transparent and ensuring consistency in procurement decision making;
- Ensuring the Council has continuity of supply through supporting a mixed economy of provision and developing markets, particularly local/rural markets, Small and Medium Sized Enterprises (SMEs) and Third Sector organisations;
- Working collaboratively with other public sector organisations;

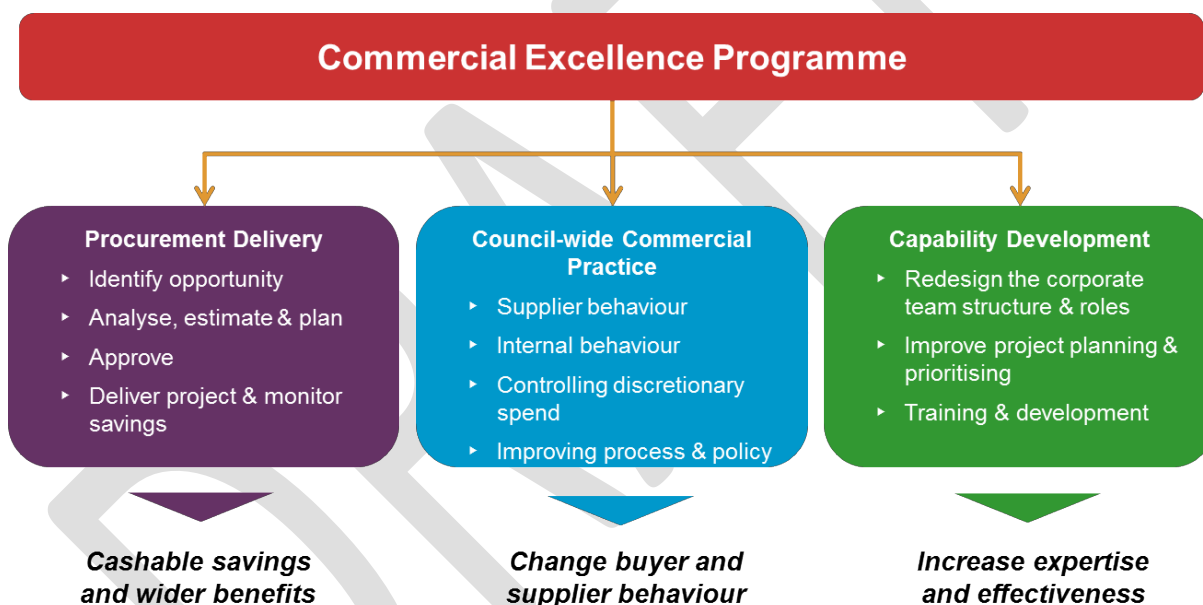
- We will access national contracts and framework agreements where appropriate and arrange local contracts and frameworks where required; and
- We will report on Argyll and Bute Council's progress using the Scottish Government's Best Practice Indicators for procurement.

**c. Increase expertise, capacity and effectiveness**

**We will do this by:**

- Developing staff in Procurement and Commissioning through training, secondments and mentoring;
- Developing and professionalising contract and supplier management practices and improving commercial awareness across the Council.

5.4 This can be represented graphically as follows:



5.5 The procurement aims above contribute towards the achievement of the following local outcomes from the Single Outcome Agreement and Argyll and Bute Council corporate objectives:

**Argyll and Bute's Approach to Procurement and Commissioning**

The Council's approach to procurement and commissioning must be considered in the context of the wide range of joint plans and strategies developed and to be developed internally and externally, with other local authorities and partners in the independent sector.

As such the Procurement and Commissioning Strategy and associated plans link with the objectives outlined in Argyll & Bute Council's Corporate plan and in turn to relevant Scottish Government National Outcomes. The Strategy is also aligned to the Scottish Procurement and Commercial Directorate's Policy Manual to ensure consistency when procuring via the Scottish Procurement Directorate's national contracts.



The Council's Corporate plan establishes 4 main outcomes and underpinning values which are critical to achieving the shared vision of "realising our potential together".

The 4 main objectives are

- Working together to improve the potential of our people
- Working together to improve the potential of our communities
- Working together to improve the potential of our area
- Working together to improve the potential of our organisation

Argyll and Bute Council will continue working with our partners to achieve our shared aim of the Single Outcome Agreement – Planning for our future

Building our economy through a growing population .

Investing for economic growth – identifying where investment will lead to growth and attract investment from elsewhere

Strategic investment – focusing on infrastructure needed to support economic growth

Investing for income – looking at how to increase income for the council as well as how to reduce costs

Service choices – making choices about funding services in the future

Communication and involvement – delivering on SOA

As such the Procurement and Commissioning Strategy will cover the above areas.

- 5.6 Appendix 1 sets out key performance indicators by which we will measure the success of the procurement strategy. An action plan to deliver the strategy is attached at Appendix 2.

## 6. Key Facts and figures

- 6.1. The Council's total spend in 2014/15 was £133 million (Core trade spend extracted from Spikes Cavell). Of this, £126million was deemed to be influenceable spend of which 88% was contracted.
- 6.2. The following table shows the spend broken down by Proclass Level 1, sorted by category with highest total spend:

**Table 1: Spend by Proclass Level 1 for 2014/15**

Category	Total Spend	Contracted Spend	% Contracted Spend
Social Community Care	£34.40m	£30.45m	97%
Construction	£26.10m	£23.68m	91%
Facilities & Management Services	£16.00m	£15.33m	96%
Environmental Services	£8.59m	£8.17m	95%
Public Transport	£8.08m	£7.02m	87%
Vehicle Management	£5.66m	£4.70m	83%
(blank)	£5.44m	£3.43m	63%
Information Communication Technology	£4.81m	£3.91m	81%
Construction Materials	£4.34m	£3.72m	86%

Category	Total Spend	Contracted Spend	% Contracted Spend
Utilities	£2.91m	£2.86m	98%
Financial Services	£1.94m	£1.45m	75%
Catering	£1.43m	£0.85m	60%
Human Resources	£1.28m	£0.53m	42%
Consultancy	£1.10m	£0.83m	75%
Education	£0.97m	£0.65m	67%
Highway Equipment & Materials	£0.75m	£0.61m	81%
Mail Services	£0.74m	£0.44m	59%
Furniture & Soft Furnishings	£0.60m	£0.42m	71%
Healthcare	£0.60m	£0.32m	54%
No Summary Category	£0.57m	£0.28m	49%
Street & Traffic Management	£0.52m	£0.29m	56%
Housing Management	£0.38m	£0.18m	47%
Arts & Leisure Services	£0.34m	£0.13m	40%
Sports & Playground Equipment & Maintenance	£0.29m	£0.16m	55%
Stationery	£0.24m	£0.21m	56%
Cleaning & Janitorial	£0.24m	£0.15m	62%
Horticultural	£0.23m	£0.01m	4%
Clothing	£2.22m	£0.18m	78%
Legal Services	£0.17m	£0.06m	37%
Health & Safety	£0.16m	£0.09m	54%
Cemetery & Crematorium	£0.09m	£0.05m	63%
Domestic Goods	£0.01m	£0.00m	0%
<b>Total</b>	<b>£126.21m</b>	<b>£111.17m</b>	<b>88%</b>

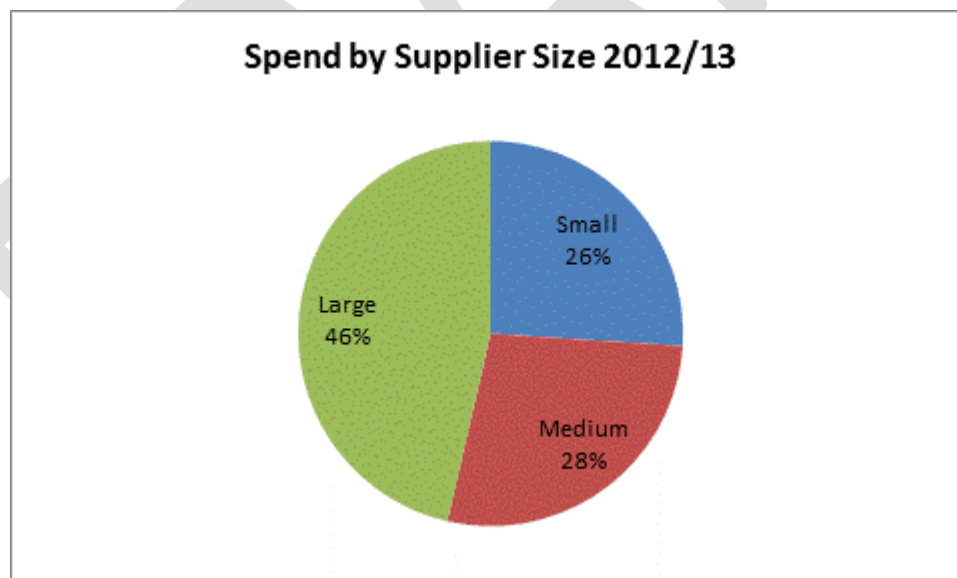
- 6.3. The top 20 suppliers to the Council account for 47% of the Council's total spend. The following table shows the top suppliers and spend for the year 2014/15.

**Table 2: Spend with top 20 suppliers:**

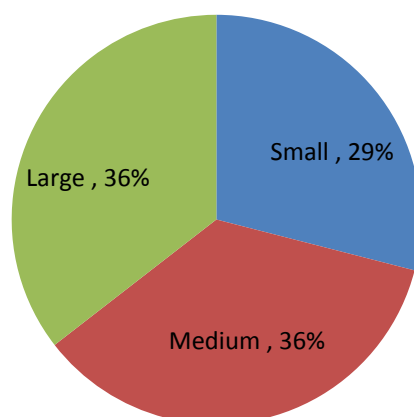
Supplier Name	Total Spend 14/15
ABC SCHOOLS LTD	£14.40m
SHANKS ARGYLL & BUTE LIMITED TILO	£6.37m
SCOTTISH WATER	£6.12m
GRAHAM CONSTRUCTION	£5.24m
WEST COAST MOTOR SERVICES CO WESBECA	£4.43m
ENABLE SCOTLAND	£3.59m
BAM NUTTALL LTD	£2.55m
MACLAY CIVIL ENGINEERING LTD	£2.48m
CARR-GOMM SCOTLAND	£2.29m
KIELY BROS LTD	£1.76m

Supplier Name	Total Spend 14/15
BREEDON AGGREGATES SCOTLAND LIMITED	£1.75m
MCKENZIE CARE HOMES LTD	£1.73m
HILLHOUSE QUARRY COMPANY LTD HILHITR	£1.61m
OBAN ELECTRICAL SERVICES LTD OBASTOB	£1.57m
MCFADYENS CONTRACTORS (CAMPBELTOWN) LTD	£1.38m
ALLIED HEALTHCARE GROUP LTD	£1.26m
MACLEOD CONSTRUCTION	£1.19m
CROSSREACH	£1.15m
BARR ENVIRONMENTAL BARHEAY	£1.11m
HC-ONE LTD	£1.11m
<b>Total Spend with top 20 suppliers</b>	<b>£63.10m</b>
<b>Total Spend</b>	<b>£132.98m</b>
<b>% spend with top 20 suppliers</b>	<b>47%</b>

- 6.4. In 2013/14, the Council's spending with SMEs accounted for approximately 64% of total spend – this was an increase of 10% on the previous year. The charts below show the breakdown of spend with Small, Medium and Large companies for 2012/13 and 2013/14.



## Spend by Supplier Size 2013/14



- 6.5. The Council has standardised its procurement documentation this will assist SME's when tendering for Council business. In partnership with our legal colleagues in Customer Services, the Contract Standing Orders ("CSOs") have been reviewed to reflect the development of the Procurement Manual, changes to the law and best practice. The templates will be subject to ongoing review as the procurement landscape changes.
- 6.6. Over the next few years it is the intention to work more closely with SME's, particularly those in Argyll and Bute. The Procurement and Commissioning Team regularly takes part in supplier development events to encourage local suppliers to register on Public Contracts Scotland Portal where the Council advertises its contract opportunities above £50,000.00, and will continue to utilise Public Contracts Tender for all appropriate contracts.
- 6.7. The Procurement and Commissioning Team has introduced a contracts register showing all contracts to be delivered on a yearly basis. The contracts register is published on the Council's website that allows SME's to have the ability to gear up for our forthcoming requirements. The Team will also publish contract plans in order to let SMEs be aware of potential upcoming tender opportunities.
- 6.8. Working with departments the Procurement and Commissioning Team achieved procurement savings of over £4.6m in 13/14 and just over £2.6m in 2014/15.

Achieving savings will be an ongoing requirement, and seeking savings from contracts an absolute priority in a difficult financial environment.

## 7. Future Delivery of Procurement and Commissioning Services

- 7.1 Our strategy for 2015/18 is to continue with the key work streams from the last strategy and add in new elements of work for important and emerging procurement activities. The following section provides a summary of the work streams and Appendix 2 details the proposed Action Plan to achieve these.

## 8. Continued and extended Work Streams

8.1 Continued efforts will be made to improve performance and develop in the following areas:

8.1.1. **Continue to increase the profile of procurement and senior sponsorship in the organisation.**

☐ Why?

The Council spends around £133m per annum on goods, services and works – this is more than is spend on staff related costs. The potential impact on service quality, cost and reputation if procurement is not conducted effectively is significant.

☐ How?

We will provide a “Procurement Update” to the Heads of Service quarterly. This report will highlight progress with implementation of this strategy and any areas where additional senior management support is required. Procurement targets will be included in all the Procurement Updates to show the respective Heads of Service the progress that is being made within their department.

The Procurement Board will ensure Senior Management fully engage with their role in Procurement matters and will allow the Strategy to be actioned in relation to their particular Service as per Appendix 2.

Integration of Health and Social Care is underway. The Procurement and Commissioning Team (PCT) has an important role to play in delivering local procurement expertise, advice and guidance where required. PCT and health colleagues must share processes, guidance notes etc. Funding has been secured for two additional Performance Improvement Officer posts for a two year period to lead on locality commissioning for the new body. These posts will sit within the PCT and should therefore play a key role in the smooth integration of commissioning services between health and social care.

8.1.2. **Invest in developing the skills and knowledge of the Authorised Procurement Officers (APOs)**

☐ Why?

We need to achieve consistent high standards throughout the Council to maximise the benefits available from “superior performance” and to reduce the risks associated with poorer practices. Investing in training is key to achieving this.

☐ How?

APO’s will self-assess against the Procurement Competency Framework and identify gaps and construct an action plan to address these gaps. This will be included in their Performance Review and Development Plans. It will be compulsory for anyone conducting procurement activities to attend a legal refresher course once a year.

The Council has restructured its Procurement and Commissioning Team to streamline all procurement activity. There are four main category areas:

- Corporate
- Construction
- Care
- Facilities

All team members are permanent members of staff, which recognises the investment made in their training. The team is recognised as being an essential part of the council's support mechanisms to achieve the delivery of best value. This can be evidenced by the fact that the team is not required to make any savings within its own budget as part of the Service Choices programme. Instead its focus is on assisting Services in achieving their savings targets.

The team are qualified, skilled procurement officers, with the manager and senior procurement staff having both legal and MCIPS qualifications. There is a graduate training programme in place which allows all the trainee purchasing officers to gain their MCIPS qualifications. The Performance Improvement Officers in Commissioning have recently gained their Professional Development award in Commissioning, Procuring and Contracting Care Services.

The team will concentrate on contract renewals, capital investments, new requirements and improved contract management. Staff members are developed on an ongoing basis. The team is required to carry out regular training and this is provided in areas such as EU Legislation, sustainable procurement and contract management.

#### **8.1.3. Increase percentage spend with contracted suppliers**

☐ Why?

Having contracts in place improves value for the council. Prices are lower as there is a firm commitment for predicted values, and transactional costs are lower as sourcing does not have to be done for each individual purchase. A longer term contract allows strategic relationships to be developed and creates opportunities to improve quality or reduce costs in line with the business objectives of the Service.

☐ How?

Through regular analysis of the information provided in the Spikes Cavell observatory, areas where there is non-contract expenditure are being identified. These are being prioritised and contracts put in place. In some cases, there may be resistance to this due to the possible outcome being a change in supplier and senior support may be required to overcome this resistance to change.

#### **8.1.4 Migrate to use of the Scottish Government's "Procurement Journey" as the default process for all procurements.**

☐ Why?

The Scottish Procurement Directorate has developed 3 "routes" for procurement activities in all public sector bodies. Using these routes will raise the standard of practice across the organisation. In particular, it gives increased attention to two underdeveloped parts of the procurement process – pre-tender: strategic sourcing and post tender: contract management where a lot of value can be added. The Procurement Journey is the basis for the Council's updated Procurement Manual.

## APPENDIX 1: KEY PERFORMANCE INDICATORS

Measure	2011/12	2012/13	2013/14	2014/15	Target for 2015/16
Procurement Capability Assessment Score	40	53	63	72	N/A
Procurement spend with contracted suppliers (%)	80	85	89	88	80
Contracts awarded to local businesses (%)	31	41	37	34	N/A
Contracts awarded to SMEs (%)	-	-	87	85	90
Invoices paid within 30 days (%)	85	90	92	92	90
Local suppliers bidding for business with the Council (% of bids received)	-	-	-	23	38

### Procurement Capability Assessment Score

This is a national measure applied to all local authorities in Scotland and refers to an annual Procurement Capability Assessment carried out by Scotland Excel on behalf of the Scottish Government. The assessment covers a range of key areas (for example, procurement strategy, processes, resources, operations and performance) and measures them against a set of common criteria, thus determining where best practice exists, where there are gaps sector wide and where improvements and efficiencies can be made. Argyll and Bute Council's score of 72 in 2014/15 was above target which was 65 and a significant increase on the previous year's score of 63. Each year following the PCA, the team produces an improvement plan which seeks to implement best practice and increase the effectiveness of the Procurement Function.

### Procurement Spend with Contracted Suppliers (%)

This measure indicates the level of Council spend covered by a contract. Best practice requires that this figure is as high as possible. Argyll and Bute Council seek to maintain a figure of 80% or greater in order to ensure that the Council is achieving best value and that relationships with suppliers are clearly documented for legal and monitoring purposes. The figure fell slightly in 2014-15 because a number of term contracts came to end, and replacement contracts were not yet in place. In addition, the Council recognises that it is important for you to know where your money goes and in this interest has published its annual spend data via Spotlight on Spend. This information is usually published for the last financial year by October.

### **Contracts Awarded to SMEs (Small and Medium Enterprises) (%)**

This is an Argyll and Bute Council measure showing the percentage of suppliers awarded contracts classed as SMEs. In 2013, 79% of all suppliers awarded public sector contracts through Public Contracts Scotland were SMEs. The council performed well against this benchmark in awarding 85% of its contracts to SMEs. This fell slightly in 2014-15 because of a number of works contracts awarded in 2014-15 to large construction firms.

**\*Definition of SME:** In the UK, sections 247 and 249 of the Companies Act 1985 define a SME for the purpose of accounting requirements. According to this a small company is one that has a turnover of not more than £5.6 million, a balance sheet total of not more than £2.8 million and not more than 50 employees. A medium-sized company has a turnover of not more than £22.8 million, a balance sheet total of not more than £11.4 million and not more than 250 employees.

### **Contracts Awarded to Local Businesses (%) and Local Suppliers Bidding for Business with the Council (% of bids received)**

The Council monitors the number of contracts awarded to local suppliers and the number of bids received from local suppliers. These figures will vary year to year depending on the types of services that the Council purchases and whether these requirements are able to be delivered by the local supply base. Whilst the percentage of local bids received in 2014/15 was low, local suppliers submitted bids for 74 contracts and were successful in winning 49 of these. This represents a 66% success rate.

The Council is a member of the Supplier Development Programme which provides free advice and training to local SMEs and alongside this, the Procurement Team is continually reviewing its processes to ensure that local SMEs are not at a disadvantage when bidding for contracts, lotting contracts where appropriate into geographical localities and utilising our closed tender process for works contracts up to the value of £350,000.

It has not been possible to reliably benchmark these measures using the figures of other local authorities because the figures are not widely reported and in addition, the uniqueness of the geography in Argyll and Bute would make comparisons difficult.

### **Invoices Paid within 30 days (%)**

This is a national measure for which there is a sector wide target of 90%. The Council currently exceeds the national target and is working to improve this further in 2015-16.



## APPENDIX 2: Procurement and Commissioning Strategy Action Plan

The 3 areas covered under this procurement and commissioning action plan are:

1. Develop procurement leadership and governance across the Council
2. Strategy, policy and advice
3. Processes and Systems

The required actions listed below will be completed within a three year term and underpin the procurement and commissioning strategy.

### Action 1

<b>Develop Procurement Leadership and Governance across the Council</b>		
Sub Action	Due Date	Assigned to
Update Category Strategies with each department in order to comply with Procurement Reform Act. Report these being updated to Procurement Board by due date	March 2016	Procurement and Commissioning Manager
Agree commodity pipeline with departments ensuring appropriate activity reflected in management adjustments and publish agreed commodity pipeline (contract plans) by due date.	March 2016	Procurement and Commissioning Manager
Further develop relationship with Internal Audit to ensure audit plan has adequate coverage of strategic procurement and key risks/gaps are routinely advised to procurement. Agree audit plan with Internal Audit team by due date	March 2016	Procurement and Commissioning Manager

## Action 2

<b>Develop key purchasing systems and processes</b>		
Sub Action	Due Date	Assigned to
Review category blocking on purchasing cards to ensure they are used only on appropriate commodities.	March 2016	Creditors Supervisor / Category Manager Officers
Review processes to further reduce payment times and increase volume of invoices paid within 30 days. Produce report and implement recommendations.	March 2017	Procurement and Commissioning Manager
Consider processes to embed standard coding mechanisms into purchasing systems.	March 2017	Procurement and Commissioning Manager
Amend systems so that line item detail is available thereby increasing the level of management information available.	March 2017	Category Management Officer
Develop a plan for implementation of automated invoice matching.	March 2016	Category Management Officer
Complete the purchase to pay business transformation project across the Council, improving efficiency and standardisation of processes, and maximising use of core systems	March 2017	Procurement and Commissioning Manager / Category Management Officer
Increase the use of electronic ordering and payment systems, with a target of 80% of transactions through such systems.	March 2017	Procurement and Commissioning Manager
Increase the use of e-invoicing by 50%	March 2017	Supplier Liaison Officer
Rationalise suppliers on Pecos system	March 2017	Supplier Liaison Officer

### Action 3

<b>Delivery of Local Procurement Action Plan</b>		
Sub Action	Due Date	Assigned to
Hold supplier surgeries to offer advice and guidance on tendering in the public sector to interested suppliers.	March 2016	Procurement and Commissioning Manager
Provide information to suppliers on the Council's approach to e-Tendering.	December 2015	Procurement and Commissioning Manager
Publish contract plans to identify potential contract opportunities, that may be of interest to suppliers	October 2015	Procurement and Commissioning Manager
Publish a contracts register to identify existing contracts, showing contract end dates, that may be of interest to suppliers	March 2016	Procurement and Commissioning Manager
Promote the use of the quick quotes facility in Public Contracts Scotland to give visibility of informal tenders below £50k or £500k if works contracts	December 2015	Procurement and Commissioning Manager

### Action 4

<b>Develop Procurement capability across the Council</b>		
Sub Action	Due Date	Assigned to
Develop process to ensure all new Pecos users and new starts complete e- learning modules by due date.	May 2016	Procurement and Commissioning Manager
Provide procurement training sessions for staff members who place orders with suppliers. Report progress to procurement board by due date.	December 2016	Procurement and Commissioning Manager
Communicate Procurement Reform (Scotland) Act 2014 and EU regulation changes to relevant staff across the Council via Procurement Board before the changes come into effect.	March 2016	Procurement and Commissioning Manager
Further develop and deliver corporate training plan in line with national procurement competency framework. Report progress by due date to PB.	March 2016	Procurement and Commissioning Manager / Training Administrator
Conduct a customer and supplier feedback survey and develop an action plan as required. Report to Procurement Board by due date.	March 2016	Procurement Analyst

## Action 5

Develop supplier relationship management across the Council		
Sub Action	Due Date	Assigned To
Roll out supplier management across departments, embedding this process as mainstream for contract managers. Update Procurement Board on progress by due date	December 2015	Procurement and Commissioning Manager / Category Managers and Purchasing Officers
Facilitate performance review meetings with established strategic suppliers and report outcomes to Procurement Board by due date	December 2015	Procurement and Commissioning Manager / Category Managers and Purchasing Officers

## APPENDIX 3: Procurement Strategy by Function

### COMMUNITY SERVICES AND HEALTH AND SOCIAL CARE INTEGRATION PARTNERSHIP

#### Scope/Key Spend Areas

The analysis of the existing spend profile within Community Services for externally purchased services and review of contracts in place has identified a number of areas of focus.

Key Spends	Spend Value (approx.) 2014/15
Housing Management - Other	£0.1m
Social Care - Adult - Domiciliary Care	£8.65m
Social Care - Adult - Nursing Homes	£4.05m
Social Care - Adult - Residential Care	£4.51m
Social Care - Children with Disabilities	£10.60m
Social Care - Children - Childcare Services	£1.31m
Social Care - Children - Nurseries & Crèches	£0.07m
Social Care - Other	£2.42m

There is a requirement for standard goods and services, including educational equipment to be procured through collaborative contract arrangements arranged by the Scottish Government, Scotland Excel or the Procurement and Commissioning Team.

#### High Level Strategy

Within Social Work, services are often procured on an ad-hoc basis, where the complex needs of an individual can appear unexpectedly. This can result in disaggregation of spend and the loss of savings opportunities which occur as a consequence, as well as failure to reap the benefits of longer term partnerships with Providers who deliver the services. However, there has been a concentrated effort in the recent past to rectify this, with several good examples of best practice being demonstrated in delivering contracts. For example, significant aggregated spend is captured as part of the nationally negotiated care home contract. The Council's continued participation in national care home contract is expected and recommended, discussions are ongoing for SXL to take over the running of the contract from COSLA and this is viewed positively by the Council due to their vast expertise in sector wide market research and negotiation. SXL now have contracts in place for Fostering, Care Homes for Adults with Learning Disabilities and Children's Residential Services – continued use of these is expected. A number of reviews are underway of current locally commissioned services and early procurement involvement in these will be key to ensure that resulting action is compliant with EU Procurement Regulations and the Council's Standing Orders. Integration of Health and Social Care is progressing and will have implications for the strategic direction of social care commissioning.

The Procurement and Commissioning Team will work with the Service to:

- Develop Markets - the current Social Care market conditions present barriers to entry, therefore at sourcing strategy stage further research is required to develop and open the market if possible.
- Commissioning Strategy – a Commissioning Strategy has been developed, work is now required to begin implementation. PCT will work with the service where possible to assist in this.
- Collaboration – opportunities are considered at sourcing strategy stage. Departments explore if it is possible and viable to work with Councils and other public bodies (e.g. Health) to satisfy the contract requirement. Further development is required to increase buying power and achieve best value, whilst also developing capacity within the market.
- Community Benefits – where community benefits are a condition of contract, delivery will be linked to Key Performance Indicators (KPI's) where possible.
- Framework Agreements – continue to be used, ongoing training and promotion to ensure that all call off services are bound by the general and special terms and conditions of the agreement.
- Terms and Conditions – development of special conditions of contract for the procurement of care services, these will follow on from Argyll and Bute Council general conditions of contract and be more specific to the care service being delivered.
- Analysis of Spend – further analysis of spend is required in partnership with service in advance of contract end dates, thereafter an appropriate contract plan can be developed and savings targets agreed.
- Forward Planning – completion of contract plans to identify upcoming requirements and highlight high value/high risk contracts for all departments. Following on, Procurement can allocate sufficient time and prioritise workload based on dictated timescales from EU legislation and the Councils Standing Orders.
- PECOS – promote the use of core product lists on electronic contracts from collaborative contracts lodged within PECOS to achieve maximum savings. Create a communication process to ensure that updates to information on PECOS, new contracts and performance are communicated to the users.
- Ensure all spend is compliant with contract Standing Orders and financial regulations.

#### Structural and cultural change

The Procurement and Commissioning Team will continue to work with the Service to prioritise their procurement requirements in line with budget and to ensure compliance with EU Procurement Directives.

The Procurement Journey will significantly influence and inform measures that should be adopted in order to reduce risk, deliver best value and maximise potential for procurement savings and efficiencies.

Such measures will include the delivery of training for all officers directly involved in procurement. Due to the number of changes in procurement in terms of legislation, case law and political interest thoughts on best practice procurement delivery have changed radically.

Procurement timescales are often driven by operational requirements rather than the time it takes to carry out an effective end to end procurement process. Central to the social work function is the need to be able to respond at short notice to unforeseeable changes in care needs of often very vulnerable people. Consideration therefore needs to be given on how consultation on procurement requirements can be initiated at the earliest possible point, as budgets are being discussed, to ensure appropriate recommendations are made.

Better client education is also required to ensure that wherever possible opportunities for more flexible timescales in terms of operational requirements are considered to ensure that effective end to end procurement processes can be instructed.

It is also important that more predictable procurement requirements can be flagged early to the Procurement and Commissioning Team and built into the work plan.

The team will continue to provide procurement support advice and assistance to the new Health and Social Care Integration Partnership in order to ensure that the Partnership is receiving Best value quality services from its suppliers.

#### Contract and supplier management

The Council operates a standard contract and supplier management procedure, this procedure outlines the process and activities to be used in determining the most appropriate level of management for each contract that the Council handles. This process takes steps to ensure that each contract is successfully executed and monitored in line with the contract terms and conditions, service specification and Key Performance Indicators.

The level of contract and supplier management required will be identified at sourcing strategy stage following an assessment of the nature of the procurement. Existing care service contracts have been reviewed retrospectively to determine the most appropriate level of management. Generally speaking care contracts are managed in line with the high level management – where the failure of delivery would affect the strategic outcomes or have a significant effect on the delivery which relates to the risk analysis in the sourcing strategy.

The Procurement and Commissioning Team have developed the Care Service Monitoring Tool to ingather information on ongoing contract compliance and performance. Procurement and Commissioning will continue to work with the service to embed this process into operational activities and ensure maximum benefits are realised from the contract.

#### Education Purchasing Team

Following a pilot, it has now been agreed to put in place an education purchasing team which will ensure that best value is obtained for all educational purchases. The intention is to amend the DMR scheme to clarify that schools will be expected to refer all their requirements through this team who will then source them in the most cost-effective way.

#### Short term strategy

- Comply fully with Guidance for Procurement of care and support services issued under Scottish Procurement Policy Note SPPN 8/2010
- Continue with contract and supplier management meetings with key suppliers.
- Improve communication of contract updates by developing and promoting user guides.
- Further explore possibilities to work collaboratively on contracts at sourcing strategy stage.
- Deliver procurement training.
- Improve P2P statistics and processes.
- Maximise P2P processes to deliver compliance and ensure a high level of

matched invoices.

- Put a contract plan in place for the service to inform contract priorities and publish this on PCS.

#### Longer term Strategy

- Expand the contract and supplier management process to all providers that Community Services contract with.
- Utilise the contract plan to ensure contract delivery timescales are achieved.
- Maximise the use of collaborative contracts to deliver efficiencies in revenue and processes.



## DEVELOPMENT AND INFRASTRUCTURE SERVICES

An analysis of the existing spend profile within Development and Infrastructure together with a review of confirmed budgets and contracts in place, has identified a number of priority areas of focus. These have been captured within FY11/12 benefits tracking sheets for each service but summary details have been provided in the table below:

### Scope/Key Spend Areas

Key Spends	Spend Value (approx.) 2014/15
Vehicle Mgmt - Commercial	£1.99m
Vehicle Mgmt - Heavy Construction Equipment	£2.02m
Environmental - Waste Mgmt - Waste Disposal	£7.53m
Construction - Other	£13.06m
Construction Materials - General Materials	£3.70m
Highways - Rock Salt	£0.05m

### High Level Strategy

The Procurement and Commissioning Team will work with the service to maximise the benefits of better procurement practices to improve both performance and value. We will:

- Put in place a set of strategic framework agreements to cover core areas of spend
- Facilitate the development of strategic supplier partnerships
- Focus on collaborative and shared service opportunities with other public sector organisations
- Consider community benefits in all contract strategies where proportionate and relevant.

The Service has traditionally procured arrangements on a scheme by scheme basis with limited aggregation of spend. Focus will therefore be on ensuring that savings opportunities through aggregation of spend are maximised and the benefits of enhanced long term working relationships are fully exploited, an approach that the service fully supports.

The delivery of the first phase of strategic framework agreements will set the benchmark and lessons learned for relevant strategies to be developed which shall consider the opportunities that may be available through collaboration and delivering services jointly with other public sector bodies.

In progressing these strategies the Council will align itself with any related work-stream being progressed by both Scotland Excel and the West of Scotland Collaboration Group.

The consideration of whole life costs is conducted at strategy development stage and where possible, the commercial evaluation of bids will focus on whole life costs rather than lowest price.

There are some synergies in the contractual arrangements being put in place within

Development and Infrastructure and Facility Services such as civil engineering works, drainage, surfacing works, maintenance term contracts and professional technical services, meaning the efficiency savings and potential aggregation savings achievable from creation of a common supply chain in these areas.

### Structural and cultural change

There are a number of measures that should be adopted in order to reduce risk, deliver best value and maximise the potential for procurement savings and efficiencies. Such measures will be significantly informed by the Procurement Journey and will include:

- Embedding and familiarisation of new processes, procedures and working practices.
- It is proposed that Department officers would be receptive and benefit from additional training on the elements of the procurement process to which they retain a degree of responsibility such as specification writing and tender evaluation.
- Consideration of how a procurement requirement can be flagged at the earliest opportunity– e.g. as budgets are discussed / recommendations made.

### Contract and supplier management

Development and Infrastructure have begun looking to adopt a standard form of contract (NEC3) which promotes partnership working with contractors rather than traditional adversarial relations. Through this approach, the focus is on the client; issues are flagged and addressed as they arise; risks are identified, costed and allocated to the parties best equipped to manage that risk, from the outset. There are many positive lessons learned to be learned from the current Capital Works Partnership Contract and consideration needs to be given to rolling out this approach across other contracts where appropriate.

Under partnering, the opportunity to rationalise and deliver savings through the 2nd and 3rd tier supply chains will also be targeted and contractors will be measured on their approach to their 2nd and 3rd tier supply chains, e.g. ability to pay subcontractors quickly. The success of the overall partnering approach will be closely monitored and together with any lessons learned, will be applied to future contracts and framework agreements.

Development and Infrastructure have already implemented an informal supplier management process on key contracts however work is ongoing to formalise this process.

Consideration is given at strategy level on how to maximise opportunities for SMEs whilst exploiting opportunities that may arise from aggregation of spend. This approach will include consideration of proportionality in terms of minimum financial criteria, indemnity levels and the requirement for bonds etc. Consideration is also given to lotting contracts and framework agreements based on value band and the encouragement of consortium bids.

### Short term strategy

- Implementation of key strategic framework agreements
- Continue to work with service to prioritise work plan to enable effective resource planning
- Roll out supplier management process for all key suppliers
- Continue to create opportunities for SME"s while exploiting opportunities

available through aggregation of spend.

- Roll out training for those service staff actively involved in the tendering process.
- Ensure all spend is compliant
- Put work plan in place to ensure savings plans are being resourced to deliver target.
- Introduce supplier management meetings with identified key suppliers for each category
- Support the full move to the public contracts Scotland website and Public Contracts Scotland Tender website for appropriate contracts to support efficiency and transparency of process for SME's in particular.
- Maximise P2P processes to deliver compliance and ensure a high level of matched invoices.
- Put a contract plan in place for the service to inform contract priorities and publish this on PCS.

#### Longer term Strategy

- Expand the contract and supplier management process.
- Greater engagement with potential partnerships with consideration to more collaborative working; shared services and outsourcing opportunities.

It is planned to utilise Ayrshire Council's electronic Framework in 2017. This would cover a lot of the Council's D&I requirements and potentially significantly simplify procurement and purchasing processes. Such time/effort efficiencies would be achievable due to innovative software used to call off individual job packages.

Within the next two years prior to using the above framework Procurement is to create appropriate local frameworks or utilise collaborative frameworks in order to:

1. Reduce Non Competitive Awards (NCA's)
2. Collaborate spend and achieve greater savings
3. Enhance demand management by structuring supply

With regards to current level of NCA's, Procurement is currently looking into ways of reducing noncompetitive sourcing and a preliminary report was submitted to Head of Roads and Amenities.

With regards to Waste Management, change in legislation by 2020 will bring new requirements for the Council within the next two years (construction of new processing, sorting facilities on the islands, covering landfill sites etc) to be confirmed by the department.

Also it is planned to increase internal quotations and insourcing for D&I and Property (subject to competitiveness of quotes) in order to retain funds within the Council in the face of financial challenges. Such exercises will be done using "make or buy" comparisons with the going market rates.

## CUSTOMER SERVICES and CHIEF EXECUTIVE'S UNIT

The Chief Executive's Unit has few areas of spend, none of which are significant therefore no separate strategy has been provided for this unit and their spend processes will be dealt with along with Customer Services' spend.

### Scope/Key Spend Areas

Key Spends	Spend Value (approx) 2014/15
Catering - Food & Beverages - Other	£1.14m
Financial Services – Insurance	£1.38m
Construction - Buildings - Other	£4.86m
Facilities & Management Services – Other (ABC Schools)	£14.45m
ICT - Software - Commercial Off The Shelf	£1.77m
ICT - Telecoms - Fixed	£0.50m
Public Transport - Passenger Transport	£6.76m
Utilities - Electricity	£0.74m
Utilities – Heating Oil	£1.71m
Utilities - Water	£6.13m

### High Level Strategy

The service utilises several collaborative contract arrangements with Scotland Excel, Scottish Procurement and the Crown Commercial Service for a variety of commodities (e.g., groceries, frozen food, catering sundries, utilities, Educational Resources, IT hardware, software and services). The Procurement and Commissioning Team will work with the Department to ensure that opportunities through collaborative arrangements are maximised and will investigate collaborative opportunities with other neighbouring authorities. The Council is part of the Pathfinder North Partnership for telecoms wide area network services.

### Structural and cultural change

The Procurement and Commissioning Team has traditionally undertaken tender exercises for Customer Services requirements and the Department has been working with Procurement and Commissioning Team to identify significant areas of spend outwith contract and to ensure these areas are addressed with appropriate contractual arrangements. The Procurement and Commissioning Team will continue to work with the Department to ensure that the Department is fully aware of the Council's approved tender processes.

The Procurement and Commissioning Team will work with the Services to improve the use of the Council's PECOS system and identify further efficiencies in the payment process in terms of Corporate Purchasing Cards and statement billing.

The Procurement and Commissioning Team will continue to work with the Service to prioritise their procurement requirements in line with budget and to ensure compliance with EU regulations. Procurement timescales are often driven by operational requirements rather than the time it takes to carry out an effective end to end procurement process. Consideration therefore needs to be given on how consultation on procurement

requirements can be initiated at the earliest possible point to purchasing officers – e.g. as budgets are discussed / recommendations made. Better client education is also required to ensure that wherever possible opportunities for more flexible timescales in terms of operational requirements are considered to ensure that effective end to end procurement processes can be instructed.

### Contract and supplier management

The Service has already implemented an informal supplier management process on key contracts however work is ongoing to formalise this process. Contract and Supplier relationship management is a comprehensive approach to managing the Council's interactions with the organisations that supply the goods, works and services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes and contracts between the Council and its suppliers. With this being addressed via the Procurement Journey ownership and resource of the processes needs to be considered. Where appropriate industry standard procedures should be retained and followed.

The key actions required are:

- Agree ownership of the contract and supplier management process.
- Standardise contract and supplier management processes and introduce to key suppliers.
- Create a plan in conjunction with technical staff.

### Short term strategy

- Ensure all spend is Compliant
- Put work plan in place to ensure savings plans are being resourced to deliver target.
- Introduce supplier management meetings with identified key suppliers for each category
- Fully implement Vendor Rating System
- Standardise both contract and supplier management processes.
- Facilitate standardisation of process between Kilmory and Dunoon Property Teams in relation to procurement
- Support the full move to the public contracts Scotland website and Public Contracts Scotland Tender website for appropriate contracts to support efficiency and transparency of process for SME's in particular.
- Review new transport contracts.
- Maximise purchase to pay processes to deliver compliance and ensure a high level of matched invoices.
- Put a contract plan in place for the service to inform contract priorities and publish this on PCS

### Longer term Strategy

- Expand the contract and supplier management process.
- Utilisation of the work plan to ensure contract delivery timescales support best value.

### **General Maintenance Term Contracts:**

The Procurement Team recently worked with Property Services to introduce 9 new General Maintenance Term Contracts – each covering a separate geographical area, with a single contractor for each area. Separating Argyll into geographical areas has encouraged SMEs to submit tenders, whilst ensuring that the main contractor sub-contract any types of works not covered by their own expertise, has encouraged the main contractors to sub-contract to SMEs. These contracts have internal process benefits, through having a single point of contact for each geographical area.

### **Statutory Maintenance Term Contracts:**

The Procurement Team are currently working with Property Services to introduce new Term Contracts to cover the Council's statutory requirements in relation to property maintenance. This is an ongoing process with separate unique contracts and specialist suppliers involved. Collaborative frameworks will be utilised where possible.

### **Catering Contracts:**

Recent Catering Contracts which the Procurement Team has been working on with Catering Services have had an enhanced focus on encouraging participation by SMEs. This increased level of involvement has been encouraged through emails, letters and a supplier forum event. It is hoped that through this new direction, there will be an increased level of community benefits available through any future Catering Contracts carried out by the Council.

Currently there is a process in place to upgrade our Purchasing Cards system to enable more schools to use the cards. This would bring feasible benefits in terms of order processing efficiency and money rebates from the bank.

### **School and Local Transport Services**

Traditionally the market for school and local transport within Argyll and Bute is not competitive with a few exceptions such as Helensburgh. In practical terms this means that there is not much incentive to break bigger contracts into smaller lots to allow for competition. However we will try to extend competition to more business areas such as Lorne and Mid-Argyll.

## APPENDIX 4: SUSTAINABLE PROCUREMENT POLICY



***“Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.”***

- Procuring the Future, June 2006

***“Argyll and Bute Council is one of the area’s major purchasers and recognises that its purchasing decisions have social, economic and environmental implications, both locally and nationally, now and in generations to come. As a Council we are committed to sustainable procurement, and our procurement activities are not solely based on the economic factors, but aim to achieve the best value based on the whole life cost, the associated risks, measures of success and implications for society and the environment”***

**Chief Executive  
Sally Loudon**

### **1. Introduction**

- 1.1 In recent years, Sustainable Procurement has become an increasingly important item on the Scottish political agenda. Procuring sustainably involves understanding the potential environmental, social and economic impacts that are a result of our purchasing decisions.
- 1.2 Argyll and Bute Council is one of the region’s major purchasers and recognises that its purchasing decisions have social, economic and environmental implications, both locally and nationally, now and in generations to come.
- 1.3 The implications of our purchasing decisions range from the pollution and loss of biodiversity caused by the manufacture of purchased goods and services to the potential employment and economic benefits of purchasing locally.
- 1.4 From writing sourcing strategies to evaluating bids, the Council should seek to integrate relevant sustainability issues into its everyday procurement activity. This Policy is designed to address the full range of concerns relating to the socio-economic and environmental impacts of goods and services purchased and to support the Scottish Government’s Procurement Action Plan which can be found at: <http://www.scotland.gov.uk/Topics/Government/Procurement/policy/corporate-responsibility/sspap>. Sustainability is not simply a choice:
- 1.5 The Climate Change Act (Scotland) 2009 places a duty on public bodies such that, in exercising its functions it must act:
  - in the way best calculated to contribute to delivery of the Act’s emissions reduction targets (80% reduction in greenhouse gas emissions by 2020)

- in the way best calculated to deliver any statutory adaptation programme; and
  - in a way that it considers most sustainable.
- 1.6 The Zero Waste (Scotland) Regulations 2011 severely restrict input to Landfill, effectively banning materials which could be re-used or recycled or which could be used to produce energy.
- 1.7 The Scottish Executive has set a target to all public bodies to achieve a minimum standard of 10% recycled content in construction projects >£1 million.
- 1.8 The cost of sending waste to landfill increases year on year by £8/tonne on landfill tax alone, making the economic argument for considering lifecycle costs increasingly powerful.

## **2. Aim**

- 2.1 The aim of this Policy is to set out the principles to guide decisions and achieve rational outcomes to assist the Council in:
- minimising demand for resources by reducing purchases and using resource-efficient products;
  - minimising any negative impacts of goods, works or services across their life cycle and through the supply chain. These can include impacts on health, air quality, and the environment as examples;
  - ensuring that fair contract prices and terms are applied and respected and that minimum ethical, human rights and employment standards are met; and
  - providing opportunities for local businesses, small and medium businesses, voluntary sector organisations and also supporting jobs, diversity, training and skills development.
- 2.2 The aim of this policy is to ensure that the Council embeds the principles of sustainability within its procurement activities to ensure that only products and services which can be described as ‘best value’ are selected and that in all cases a balanced consideration of social, ethical, environmental and economic impacts are undertaken throughout the procurement process.
- 2.3 This Policy also aims to ensure that Argyll and Bute Council’s employees, contractors and suppliers are aware of the Council’s commitment to long-term social, ethical, environmental and economic sustainability.
- 2.4 The Council is committed to the responsible management of its procurement process in order to deliver value for money, whilst actively pursuing environmental and socially responsible products, services and buildings.
- 2.5 Adoption of this policy shall contribute to the Council’s Best Value obligations, towards the Procurement & Commercial Improvement Programme (PCIP), Best Practice Indicators (BPIs) and towards Climate Change targets [the national carbon reduction target is 42% by 2020].
- 2.6 Sustainable Procurement also contributes to the Scottish Government’s 7 Purpose Targets of Economic Growth, Productivity, Participation, Population, Solidarity, Cohesion and Sustainability.



### **3. Policy Principles**

**3.1** The Council's Sustainable Procurement Policy will give guidance and direction, whilst remaining flexible to change as the Council continues to embed sustainability into the procurement process. This will be achieved by a focus on the following priorities:

1. Considering sustainability issues when writing Sourcing Strategies and evaluating tender submissions, specifically the environmental, social and economic consequences of:
  - Design;
  - Non-renewable material use;
  - Manufacture and production methods;
  - Logistics;
  - Service delivery;
  - Use, operation, maintenance;
  - Re-use, recycling options, disposal.and the supplier's capabilities to address these consequences throughout the supply chain.

Any such considerations shall be relevant and proportionate.

2. Ensuring all relevant procurement contracts and tenders contain sustainability specifications as appropriate to the product or service being procured, using Government Buying Standards 'Quick Win' specifications where appropriate.
3. Considering a basic life cycle analysis of products to minimise the adverse effects on the environment resulting directly or indirectly from products; and supporting the move towards a circular economy within Scotland.
4. Complying with all UK and EU statutory regulations and legislation and ensuring our suppliers do the same.
5. Maximising the socio-economic and environmental benefits of locally sourcing goods and services, within the limits imposed by procurement legislation.
6. Making use of Community Benefits and Sub-Contracting Clauses where appropriate.
7. Training all procurement staff on sustainability considerations within the Policy.
8. Appointing a Council Representative within the National Community Benefit Champions Network.
9. Appointing a Council Representative for Argyll and Bute Fair trade, we will continue to promote fair trade options as a means of helping excluded and disadvantaged producers, including independent small farmers, to access international markets and receive a fair price for their products.
10. Appointing a Sustainable Procurement Champion within the Council.
11. Continuing to promote the Reserved Contract Framework and awarding a minimum of two contracts through this Framework.
12. Ensuring that all suppliers and contractors support the welfare and rights of their employees and subsidiary companies.

13. Continuing to consult and work jointly with Third Sector agencies.
14. Continuing to provide funding for Third Sector activities.
15. Continuing to publicise our commitment and successes in Sustainable Procurement.
16. Engaging with our suppliers and stakeholders to remove barriers to participation in procurement and maximise impact of sustainable opportunities.
17. Maximise the value from contracts via supplier relationship management and continuous improvement projects to measure and report both financial and non financial savings and benefits achieved. We will undertake to complete Equality Impact Assessments as part of the sourcing strategy to the proposed procurement if relevant to the scope of the contract.
18. We will continue to consider diversity issue i.e. accessibility needs, religious needs, differing diets etc.
19. We will continue lotting contracts to ensure that Small and Medium size companies are encouraged to bid for our contracts and ensure that tender documents are proportional to the requirement to remove unnecessary obstacles.
20. We will continue encouraging local suppliers to bid for our contracts by taking part in Supplier Development Programme and provide assistance with tender process through Business Gateway.
21. We will engage with our suppliers and stakeholders to maximise impact of sustainable opportunities.
22. We will continue minimising environmental damage and/or energy efficiency of procured goods/services/works.
23. We will continue detailing plan for minimising negative impact of procured goods/services/works on biodiversity.
24. We will ensure that what we intend to purchase is necessary and that there is a business case for doing so. Specifying our requirements so as to meet the needs of users and to avoid purchasing more than is needed.
25. We will increase use of recycled paper within our Council's offices

#### **4. Policy Implementation**

- 4.1. All Services of the Council will be expected to support the implementation of this Policy. The policy shall be applied to specific commodities purchased by the Council, thereby phasing in its implementation as opportunities arise. This Policy also supports a wide variety of previously established corporate policies and priorities, principally:
  - Objective 3 of the Argyll and Bute Council Procurement Strategy. This Policy underpins the requirements to meet the outcomes of this Objective;

- The Council's Procurement Manual and Community Benefits Guide;
- The Council's Carbon Management Plan (2011) sets out targets and objectives to address carbon emissions across the activities of; energy use in buildings, waste, fleet, street-lighting and business mileage.;
- The Argyll and Bute Council Corporate Plan for 2015-2017 in key strategic objective – Making Argyll and Bute a place people choose to live:
  - We contribute to our Sustainable Environment
  - We make the best use of built and natural environment
- The Single Outcome Agreement for Argyll and Bute which illustrates how partners will work towards objectives that cut across organisations in relation to employment, learning, health and care, community safety, economic development, transport and the environment;
- The Suppliers' Charter - a joint statement between public sector buying organisations and Scottish businesses to agree to work together to improve public sector procurement processes and dialogue.

**4.2.** Implementation of this Policy is supported by the Sustainable Procurement Action Plan (SSPAP) launched by the Scottish Government in 2009. The Council has already agreed and made headway with this action plan. This SSPAP provides generic guidance about sustainable procurement in a 10 step approach;

1. Commitment within the organisation;
2. Making the commitment public;
3. Organisational buy-in;
4. Benchmarking and progression;
5. Prioritising;
6. Specifying sustainably;
7. Sustainability in the procurement process;
8. Working with suppliers;
9. Measuring performance; and
10. Publicising your successes.

**4.3.** To support the national adoption and uptake of the SSPAP, the Flexible Framework was also developed by the Government's Sustainable Procurement Task Force in 2006 and is inherent to the delivery of each stage of the 10 step approach. The Framework enables public sector organizations to self-assess their sustainable procurement practices and develop a tailored delivery plan in line with the SSPAP. Argyll and Bute Council will use the 'Flexible Framework Self Assessment', with consideration of the size of Argyll and Bute Council, and will ensure that it improves on a year by year basis in the following areas:-

- People
- Policy
- Strategy & Communications
- Procurement Process
- Engaging Suppliers
- Measurements & Results

- 4.4.** Implementation of this policy is also supported by the legal framework of:
- The Public Contracts Scotland (Regulations) 2012 which state that a Contracting Authority may stipulate conditions relating to the performance of a Contract which may include social and environmental considerations.
  - The Local Government Scotland Act 2003 which gives 'Power of Wellbeing' i.e. a local authority has power to do anything which it considers is likely to promote or improve the well-being of its area and persons within that area.
  - The forthcoming Procurement Reform (Scotland) Act 2014 to be introduced by April 2016 includes a requirement to consider the inclusion of community benefits.
- 4.5.** To ensure the successful implementation of this policy, all procurement staff should receive training to include relevant resource and best practice guidance.
- 4.6.** Sustainable Procurement has been embedded within the Council's Procurement Manual V8.0.
- 4.7.** Delivery of the commitments made in this policy shall be supported through the implementation of the Council's Sustainable Procurement Action Plan and the Council's Sustainable Procurement – Delivery Plan for 2016-2018. Progress against the targets shall be reported on an annual basis.

**For Further information please contact:**

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