



Modernising Procurement – Shaping the Future

Reviews, Considerations and Recommendations

23 June 2011

Contents

1. PURPOSE OF REPORT	4
2. INTRODUCTION AND SCOPE OF THE REVIEW	4
2.1 INTRODUCTION	4
2.2 SCOPE OF THE REVIEW	4
3. REVIEW CONSULTATION AND PROJECT TEAM.....	5
3.1 CONSULTATION.....	5
3.2 PROJECT TEAM.....	6
4. PROCUREMENT APPROACH ARRANGEMENTS AND STRUCTURE	7
4.1 ALTERNATIVE TO CURRENT PROCUREMENT DELIVERY MECHANISM.....	7
4.2 PROCUREMENT SERVICES UNIT.....	7
4.3 PROCUREMENT ADMINISTRATION SUPPORT ARRANGEMENTS.....	9
5. CORPORATE PROCUREMENT STRATEGY.....	10
6. SUSTAINABLE PROCUREMENT	11
7. INTEGRATION OF THE CORPORATE PROCUREMENT STRATEGY WITH THE COUNCIL'S FINANCIAL STRATEGY	12
8. MCCLELLAND REVIEW OF PUBLIC PROCUREMENT.....	13
9. PROCUREMENT CAPABILITY ASSESSMENT.....	14
10. IDENTIFY CORE PROCUREMENT ACTIVITIES THAT MUST BE DELIVERED IN ACCORDANCE WITH EU PROCUREMENT RULES.....	15
11. ROLES AND RESPONSIBILITIES OF OFFICERS WHO CURRENTLY UNDERTAKE PROCUREMENT ACTIVITY THROUGHOUT THE COUNCIL.....	17
12. CONFIRMATION OF KEY COMPETENCIES AND SKILLS NEEDED FOR PROCUREMENT PERSONNEL.....	18
13. PROCUREMENT SERVICE STANDARDS AND PERFORMANCE TARGETS.....	19
14. COUNCIL'S TERMS AND CONDITIONS AND CONTRACT EXTENSION / VARIATION PROCESS.....	20
14.1. TERMS & CONDITIONS.....	20
14.2. VARIATION PROCESS	21
15. COUNCIL'S STANDING ORDERS AND COMPLIANCE	22
16. CONTRACT COMPLIANCE.....	23
17. PECOS NON-CONTRACT SPEND AND MAVERICK BUYING	24
18. CONTRACT MANAGEMENT.....	24
19. PROCUREMENT CARD SPEND AND NON-COMPLIANCE	25
20. PAYMENT PROCEDURES ANALYSIS	25
21. MEASURES TO PREVENT THE RISK OF FRAUD WITH REGARD TO PROCUREMENT AND PAYMENT.....	25
22. REGISTER OF KEY PROCUREMENT RISKS	26
22.1. RISK IDENTIFICATION.....	26
22.2 RISK ASSESSMENT.....	26
22.3 CONTROL	26
22.4 RISK MONITORING	27
23. MANAGEMENT REPORTS AVAILABLE FROM PECOS TO ENHANCE REPORTING INFORMATION.....	28
24. REGIONAL PROCUREMENT	28

25. SERVICES AND SUPPORT CURRENTLY PROVIDED BY AND TO SCOTTISH PROCUREMENT AND SCOTLAND EXCEL	30
25.1 SCOTTISH PROCUREMENT	30
25.2 SCOTLAND EXCEL	30
26. REMIT AND CONSTITUTION OF INTER-SERVICE PROCUREMENT MEETING GROUPS	31
27. MARKETING OF PROCUREMENT THROUGHOUT THE COUNCIL	32
28. INFORMATION TECHNOLOGY AND DEVELOPMENTS TO IMPROVE PROCUREMENT ACTIVITY.....	33
29. IMPLEMENTATION OF PROCUREMENT JOURNEY: ROUTES 1, 2 AND 3.....	34
29.1 PROCUREMENT JOURNEY ROUTE 1.....	34
29.2 PROCUREMENT JOURNEY ROUTE 2.....	35
29.3 PROCUREMENT JOURNEY ROUTE 3.....	35
30. REQUIREMENTS TO ACHIEVE “BEST VALUE” THROUGH PROCUREMENT ACTIVITY.....	37
31. INTERNAL AND EXTERNAL AUDIT FINDINGS AND RECOMMENDATIONS WITH REGARD TO PROCUREMENT	37
32. CONTRACT EVALUATION CRITERIA POLICY AND FINANCIAL REPORTING	37
33. FLEXIBLE WORKING.....	39
34. SHARED SERVICES.....	40
35. PERFORMANCE MANAGEMENT.....	41
36. CONCLUSIONS	41
37. IMPLEMENTATION.....	42
APPENDIX A – MODERNISING PROCUREMENT SCOPE	43
APPENDIX B – MODERNISING PROCUREMENT REVIEW RECOMMENDATIONS 2011	46
APPENDIX C - EXTERNAL COUNCIL VISIT QUESTION SET	58
APPENDIX D – QUESTIONS EMAILED TO COUNCILS	60
APPENDIX E – PROPOSED WEST LOTHIAN COUNCIL PROCUREMENT STRUCTURE.....	61
APPENDIX F – CORPORATE PROCUREMENT STRATEGY 2011-2014	68
APPENDIX G - MCCLELLAND RECOMMENDATION AUDIT 2007	88
APPENDIX H – MCCLELLAND RECOMMENDATION REVIEW - WLC COMPLIANCE STATUS AS AT FEBRUARY 2011	102
APPENDIX I – PROCUREMENT CAPABILITY ASSESSMENT 2010 SUMMARY LETTER.....	115
APPENDIX J - PROCUREMENT CAPABILITY ASSESSMENT - ACTION PLAN 2010/2012	116
APPENDIX K – WLC HIGH LEVEL PROCUREMENT ROLES AND RESPONSIBILITIES	125
APPENDIX L – 2010-2011 BUDGET & CONTRACTS SPEND ANALYSIS	126
APPENDIX M – CONTRACT & SUPPLIER MANAGEMENT STRATEGY	127
APPENDIX N – WEST LOTHIAN COUNCIL PAYMENT PROCEDURES 2011/2012	143
APPENDIX O – NEW SUPPLIER FORM 2011	156
APPENDIX P – MARKETING WEST LOTHIAN COUNCIL PROCUREMENT	160

1. Purpose of Report

The purpose of this report is to provide a summary of the findings of a comprehensive review of procurement within West Lothian Council (the council) and to set out recommendations for consideration. The co-ordination of this report has been undertaken by Merle Stevenson, Project Manager within Finance & Estates Services, and the content has been endorsed by the Modernising Procurement Review project team.

2. Introduction and Scope of the Review

2.1 Introduction

It is estimated that the council procures approximately £230m worth of goods, services and works annually from third party providers. In recognition of the external pressures, including the current financial climate and the perception that the current procurement model does not deliver best value, the Executive Management Team agreed that a comprehensive review of all council procurement should be undertaken. A review of procurement was also agreed at the November 2010 meeting of the Partnership and Resources Policy Development and Scrutiny Panel.

The Modernising Procurement Review (the review) has provided a good opportunity to ensure that our procurement processes, procedures and practices will meet the challenges in the years ahead. A full evaluation of the council's procurement activity and how it supports our strategies and agreed outcomes has been performed and this report is a culmination of five months of research, consultation and analysis into procurement activity council wide.

2.2 Scope of the Review

The scope of the Modernising Procurement programme set out the need to consider and review current procurement policies, strategies, procedures, systems and compliance.

The key requirements of the review were to reach conclusions on the current procurement arrangements within the council and to make recommendations to ensure future procurement activities are as efficient and effective as possible. A review of the following has been performed:

- All procurement activities to identify core work that must be delivered in accordance with EU Procurement Rules
- Roles and responsibilities of officers who currently undertake procurement activity throughout the council
- Key competencies and skills needed for procurement personnel
- Procurement Service Standards and performance targets to ensure they are relevant and measurable and fully supported by the council's Procurement Strategy and Procurement Policy
- Present administration support arrangements and possibilities for efficiencies and contingency arrangements
- Sustainable procurement policy and strategy and sustainable procurement processes
- Council terms and conditions and contract extension / variation process
- Council Standing Orders and compliance
- Contract compliance
- Non contract spend and maverick buying
- Procurement card spend
- Contract management
- Measures to prevent the risk of fraud with regard to procurement and payment
- Key procurement risks
- Management reports available from PECOS to enhance reporting information
- Procurement Capability Assessment results and recommendations

- Service and support currently provided by and to Scottish Procurement and Scotland Excel.
- Regional procurement
- Benchmarking information and best practice with regard to other Local Authorities and Public Bodies
- Remit and constitution of all existing inter-service procurement meeting groups

The following have also been considered:

- Alternative procurement delivery mechanisms
- Future service provision requirements
- Partnership arrangements and how these could be more effective
- Opportunities for shared services
- The recommendations of the McClelland report on the Review of Public Procurement
- Requirements for the implementation of Procurement Journey Routes 1, 2 & 3
- Information technology and what developments can be made to improve procurement activity
- Requirements to achieve “Best Value” through procurement activity
- How best to integrate Legal Services and Finance & Estates Services in providing professional procurement advice
- Minimisation of risk, taking account of business continuity
- Integration of the Procurement Strategy with the council's financial strategy
- Flexible working

The detailed scoping document for the review is attached in Appendix A.

Recommendations are provided throughout this report based upon the information provided within the review. If approved, the recommendations will significantly alter the procurement arrangements within the council with the clear intention of improving the way supplies, services and works are procured by West Lothian Council.

The recommendations are also grouped together in Appendix B.

3. Review Consultation and Project Team

3.1 Consultation

The Modernising Procurement Review has involved extensive consultation with the council's procurement staff and customers to assess current practices and obtain ideas and suggestions as to how council procurement can be improved. The consultation process consisted of detailed surveys and follow-up meetings with members of the Procurement Services Unit, and meetings with other key individuals responsible for significant procurement activity within the council. The Trade Union has also been informed and updated with developments.

All Scottish Local Authorities were contacted to establish the arrangements they have in place regarding procurement structure, reporting mechanisms, IT system implementations and Social Care commissioning and contract monitoring. Meetings were held with a number of council's demonstrating successful procurement performance and those who had / were going through a similar procurement review.

Responses were received from 16 out of the 31 councils contacted.

3.1.1. Surveys

As procurement activity is the core responsibility of the Procurement Services Unit staff, they provided major insight into how to improve council procurement. The completed surveys supplied feedback and suggestions for change which have been invaluable for shaping the future of council procurement.

The themes encompassed within the survey included:

- General performance and working environment within Procurement Services
- Customer satisfaction
- Advice and support provided by Procurement Services
- Training and development
- Systems, processes and procedures
- Procurement Services structure and team working
- Workload and partnership working
- Comments and suggestions to improve procurement within West Lothian Council

3.1.2. External Council Visits

External consultation was undertaken with a number of Scottish Local Authorities. West Dunbartonshire, the Tayside Procurement Consortium, Argyll & Bute, Highland, Moray and South Lanarkshire Councils have submitted information regarding their Procurement Review / Transformation projects which has helped contribute to the findings of this report.

Meetings were also held with the Heads of Procurement at Aberdeen City / Aberdeenshire, The Scottish Borders, North Lanarkshire and Renfrewshire Councils. These meetings proved immensely informative, due to lessons learned from their experience of procurement review and transformation programmes and the assistance of these authorities is gratefully acknowledged. A standard set of questions were asked at the meetings and these can be accessed in Appendix C.

3.1.3. External Council Questionnaire

A questionnaire was issued to all remaining Scottish Local Authorities to obtain a high level overview of their procurement function. A standard set of questions were asked and these can be accessed in Appendix D.

3.2 Project Team

An appropriately qualified and experienced team of nine staff have worked on the review, including representatives from Services with key procurement roles, which ensured that all areas of West Lothian Council procurement were covered.

<u>Name</u>	<u>Role</u>
Donald Forrest	Head of Finance & Estates Services (Project Sponsor)
Tom Henderson	Interim Procurement Manager (Project Lead)
Merle Stevenson	Project Manager - Finance & Estates Services
Alan Bell	Senior Manager Communities & Information - Social Policy
Ross MacDonald	Operations Manager - Housing, Construction and Building Services
Joe Drew	Fleet Co-ordinator - Operational Services
Carol Johnston	Senior Solicitor - Corporate Services
Ailsa MacKerrow	Team Leader - Financial Management Unit
Sharon Leitch	Senior Auditor - Internal Audit

4. Procurement Approach Arrangements and Structure

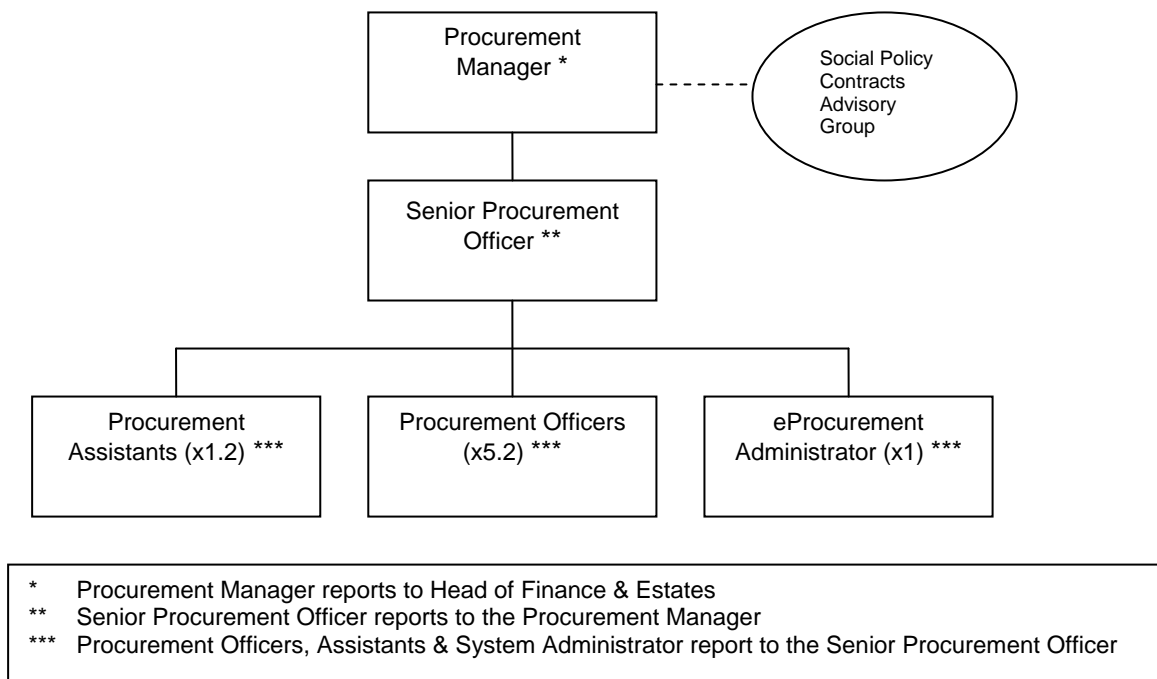
4.1 Alternative to Current Procurement Delivery Mechanism

Category or commodity management is the preferred method of delivering procurement for the majority of councils consulted, including many of those independently assessed as performing well and achieving excellent outcomes. The classification of expenditure into categories has helped them to identify where contracts were in place and the opportunities available for future contract provision. Changes to the council's existing staffing structure will be required to support the ongoing procurement requirements of West Lothian Council.

4.2 Procurement Services Unit

Within the council, procurement activity is currently carried out by the Procurement Services Unit and various other teams and staff within the Services. Some of have an understanding of procurement Rules and techniques and some do not. The current staffing arrangements are regarded as being indicative of a traditionally fragmented, low profile approach to procurement. There is a broad consensus across Local Authorities that such arrangements will not deliver the type of corporate approach best placed to secure superior procurement performance.

West Lothian Council Procurement Services Structure



Effective procurement involves often complex procedures to determine:

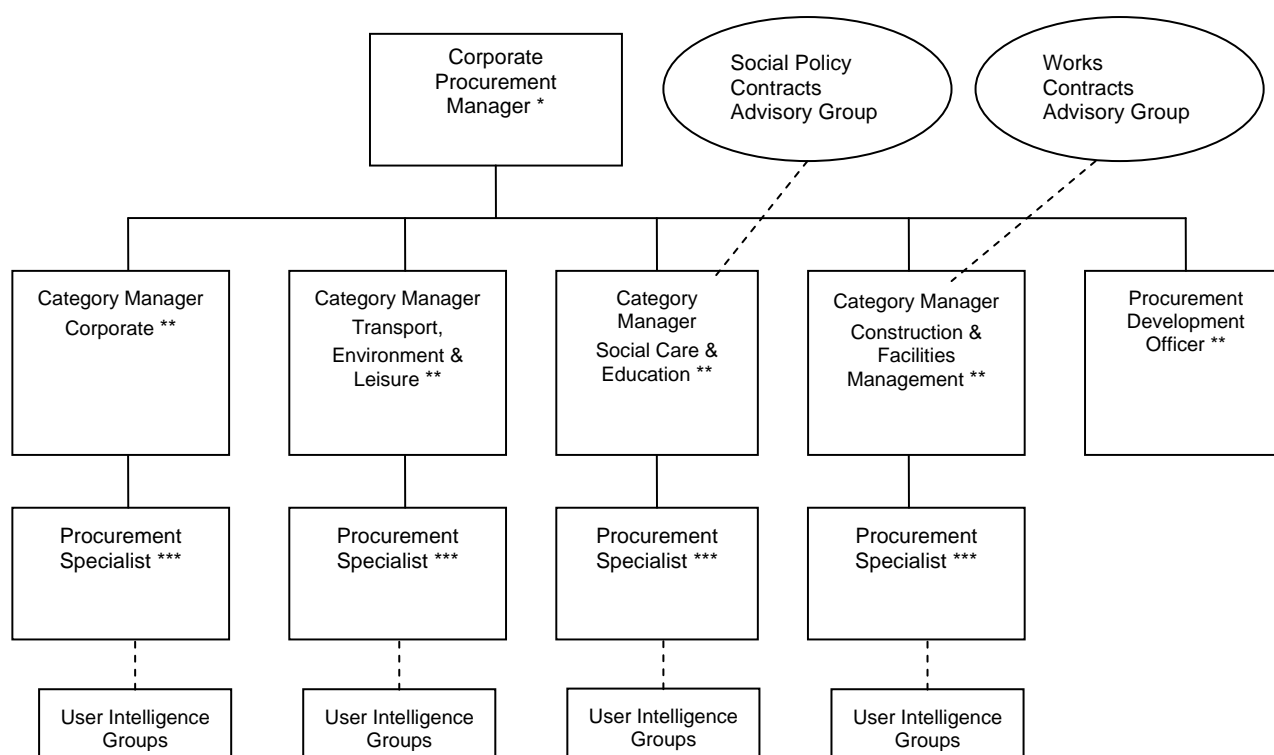
- What supplies, services and works are required and when?
- Who can supply them and under what terms?
- What are the best options to obtain value for money?
- How procurement should take into account wider policies, such as improving the environment and supporting economic development?
- Legislative considerations

The Scottish Government introduced the Public Procurement Reform Programme in 2006, and one of its key aims was to introduce substantial changes to Public Sector procurement. The Programme set ambitious targets as it recognised that to be successful in improving procurement practices, it was imperative that Public Bodies needed people with the correct skills to manage the necessary changes, to act and think in new ways whilst introducing new systems and approaches to procurement.

Alternative options for the future procurement service delivery within West Lothian Council have been assessed as part of this Review and can be accessed within Appendix E. Any future arrangements will facilitate the necessary radical change that is required to transform the procurement function so that enhanced performance is continually achieved.

The proposed structure for West Lothian Council is one where Category Management is employed as this embraces the required strategic activity necessary to deliver necessary benefits. Under the new category management model, there will be an improved corporate framework providing effective planning, co-ordination and control over the way goods, services and works contracts are procured and managed.

West Lothian Council Corporate Procurement Unit - Proposed Structure



* Corporate Procurement Manager reports to Head of Finance and Estates

** Category Managers and Procurement Development Officer report to Corporate Procurement Manager

*** Procurement Specialists report to allocated Category Manager, but all operate flexibly

The Category Management structure will be flexible and although categories have been designated above, they may be subject to change dependent upon the dynamic procurement requirements.

Recommendations

To enable significant procurement transformation, allowing for increased specialisation and skills development and facilitating advanced council procurement development within the council, the proposed procurement structure documented is to be approved. The proposed structure will encompass 10 FTE. It will enable outcome based progress and reinforce the required change of procurement culture. Any structural changes will be implemented in accordance with the council's agreed organisational change processes and in consultation with the Trade Union.

Procurement professionals who have responsibility for Social Care and Works contracts will remain within their respective service areas. However a formal review will be performed at the end of 2012/13 to consider if this arrangement continues to meet the business requirements of the council.

4.3 Procurement Administration Support Arrangements

Finance & Estates Services currently has a number of administration support and system support groups, with each having responsibility for specific elements of the Finance and Estates service provision.

The Procurement Assistants (1.2 FTEs) and the eProcurement Systems Administrators (1 FTE) perform a number of specialist tasks and support to Procurement Services and the council, which are essential to council service delivery. The current arrangements cause issues during periods of leave and absence, as robust cover and contingency arrangements are not provided and the existing structure does not follow the council's consolidation, streamlining or efficiency plans.

Recommendations

To ensure operational contingency arrangements are put in place which will allow for sharing of knowledge and skills and permit improved staff development, it is proposed that the procurement administration and the eprocurement support functions transfer to the Financial Management Unit's Corporate Strategy Accounting Support Team. This will facilitate the creation of a purchase to pay support team for the council, with sufficient numbers of staff to permit the necessary segregation of duties.

As part of the organisational changes it is proposed that a new role (1 FTE) is created covering administration of a number of financial systems within Finance and Estates.

It is also recommended that opportunities are evaluated across the council to integrate activities relating to purchase to pay within the consolidated corporate team.

5. Corporate Procurement Strategy

The council's current Procurement Strategy 2008 - 2011 has now expired and a new Corporate Procurement Strategy 2011 – 2014 (see Appendix F) has been developed in response to the dynamic procurement agenda, the current financial climate and the need for the council to comply with the Climate Change (Scotland) Act. The 2011-2014 Strategy sets out a corporate focus, direction and vision for all procurement activities, while establishing a robust governance structure. The introduction and contents of the Corporate Procurement Strategy 2011-2014 supersedes the requirement for a corporate procurement policy.

A Procurement Improvement Plan is contained within the Corporate Procurement Strategy and has been developed to stipulate the activities required to meet the council's strategic procurement objectives:

- Strategic Objective 1** - Provide procurement leadership and governance for achieving Best Value
- Strategic Objective 2** - Ensure availability of a corporate framework to guide council procurement
- Strategic Objective 3** - Demonstrate a well planned approach to defining supply need
- Strategic Objective 4** - Demonstrate a clear understanding of how to best satisfy supply needs
- Strategic Objective 5** - Manage contracts and suppliers effectively
- Strategic Objective 6** - Demonstrate efficient and robust processes and systems to support advanced procurement activity
- Strategic Objective 7** - Ensure availability of sufficiently capable people to demonstrate effective procurement performance
- Strategic Objective 8** - Assess procurement performance and demonstrate improvements
- Strategic Objective 9** - Deliver value for money from sustainable procurement activity
- Strategic Objective 10** - Minimise the environmental impact of our contracts
- Strategic Objective 11** - Encourage a strong sustainable local economy and sustainable supply chains
- Strategic Objective 12** - Implement sustainable procurement practices

The Corporate Procurement Strategy ensures that procurement contributes to the delivery of the council's Corporate Plan, implementing sustainable procurement and sustainable development principles whilst achieving Best Value and delivering procurement cashable savings.

Advocating collaborative procurement activity, the Strategy promotes the highest standards of professionalism and sharing of experience and best practice. Promoting access to small and medium enterprises, local businesses, social enterprises and the third and voluntary sectors, the Strategy endorses fair, ethical and effective relationships with suppliers.

Use of the Strategy will be mandated throughout the council and will be reflected and interpreted in conjunction with the council's Standing Orders.

Recommendations

The Corporate Procurement Strategy 2011-2014 should be approved to successfully deliver the financial savings and other council procurement objectives.

Services will need to embrace the new strategy and change (where appropriate) their existing ways of working with Procurement Services. The proposed Corporate Procurement Unit will adopt the new strategy and develop a closer working relationship with their customers.

Although the Corporate Procurement Strategy has been created to cover 2011 – 2014, it is dynamic and will be reviewed on an annual basis. The new strategy will be used to regularly review performance of council procurement and progress against objectives will be discussed at the quarterly Procurement Steering Board (see [Section 26](#)), as well as at the Corporate Procurement Unit team meetings.

6. Sustainable Procurement

Sustainable Procurement can be described “as a process whereby organisations meet their needs for goods, services and works 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, while minimising damage to the environment”. Sustainable procurement is not only about how we source, but what we source.

Sustainable Development meets the needs of the present without compromising the ability of future generations to meet their own needs and attempts to minimize greenhouse gases, reduce global warming, preserve environmental resources, and provide communities that allow people to reach their fullest potentials.

Sustainable Procurement is to be embedded throughout council procurement processes. The council will actively seek to procure supplies, services and works that are not detrimental to the environment and where it is appropriate to do so will incorporate sustainable development considerations within specifications and tender award evaluation criteria. Whole life costing methods will be employed where it is pragmatic to employ such techniques, and the council must always strive to procure cost effective sustainable solutions.

As set out in Section 5, the review is recommending that the council's sustainability procurement parameters and objectives should be an integral element of the Corporate Procurement Strategy 2011-2014 and therefore promote the consideration of environmental, economic and social factors in all procurement activities:

- **Environmental** - includes the use of recycled and recyclable products, “Fair Trade” products, natural resource consumption, ‘greener’ sources of energy, energy efficiency, management of waste, and the impact of transportation to reduce environmental impact and ecological footprint.

- **Economic** - focuses on retaining expenditure within the local economy by providing help and support to local businesses, especially small to medium enterprises and improving access to opportunities.
- **Social** - includes enabling of employment / training opportunities and community benefits through the inclusion of social and community clauses within contracts, adopting ethical sourcing practices, encouraging and promoting good health and ensuring that suppliers and contractors do not contravene equality and diversity policies.

To help organisations understand and take necessary steps to improve procurement practice, the UK Government's Sustainable Procurement Task Force developed a 'Flexible Framework' of key behavioural and operational change programmes that would facilitate the delivery of more sustainable procurement. The Scottish Procurement Directorate has developed the 'Scottish Sustainable Procurement Action Plan' to reflect the Flexible Framework and identify actions and timescales for improving Scotland's sustainable procurement practices. The council has already undertaken an initial benchmark assessment against the Flexible Framework and will continue to measure progress on an ongoing basis.

West Lothian Council is obligated to comply with all relevant environmental and procurement legislation and will always strive to act as an ethical and responsible procurer. As a major procurer, the council is in a position to encourage suppliers and contractors to consider the impact of their products and services, and to offer more sustainable alternatives.

The council has much to gain by implementing Sustainable Procurement by improving quality of life locally, making best use of resources and by playing its part in global efforts on sustainable development. It is especially important in the current financial climate for the council to get the maximum possible benefit from public spending for the community of West Lothian.

Recommendations

The Corporate Procurement Strategy 2011-2014 should be approved to enable sustainable procurement to be implemented within West Lothian Council.

Recognising the council's commitment to sustainable procurement it is proposed that a Category Manager will have specific responsibility for sustainable procurement and will assist the Head of Planning and Economic Development as the council's sustainable procurement champion. The relevant Category Manager will embed and promote sustainable procurement processes throughout the council.

7. Integration of the Corporate Procurement Strategy with the Council's Financial Strategy

The Corporate Procurement Strategy 2011-2014 has been aligned with and supports the council's Corporate Plan; however the current economic situation, the Council's tough choices consultation and the Council Executive approval of the financial strategy necessitates the achievement of procurable cashable savings as a priority.

As all procurement cashable savings from new contracts are retained centrally, they need to be verified and agreed by the Financial Management Unit before being removed from budgets. The council plans to realise £3m of cashable procurement savings over the period 2011 – 2014.

Procurement cashable savings will be included from contracts set up for use by Scottish Procurement (formally Procurement Scotland), Scotland Excel, Regional Contracts and Local contracts, as well as the use of other permitted frameworks e.g. OGC Buying Solutions.

Recommendations

The new Corporate Procurement Strategy 2011 - 2014 should be approved to enable progress towards achieving the cashable savings targets identified within the council's Financial Strategy.

An agreed Benefits Tracking methodology should be introduced to ensure that all contracts within the respective categories have cashable savings targets and that actual figures are consistently measured and recorded.

Quarterly meetings should be held between the Corporate Procurement Manager and the Corporate Finance Manager to discuss cashable savings targets and progress towards their achievement.

The Corporate Procurement Unit should continue to analyse the spend data from the National Hub through Spikes Cavell and liaise with Services to identify potential contract opportunities to realise targeted procurement cashable savings.

8. McClelland Review of Public Procurement

The Review of Public Procurement in Scotland: Report and Recommendations, undertaken by John F McClelland CBE was published in March 2006. This report, referred to as the McClelland Report, identified weaknesses in resources, structures, skills and practices which impacted on the achievement of Best Value and found a potential for significant cost savings through better performance.

Although there had been a growing awareness of the importance of good procurement, the McClelland Report highlighted that there was an insufficient level of priority given to it in the public sector. The weaknesses were considered to be inconsistent with good procurement governance and performance and required an urgent response, both locally and nationally.

To assist in measuring progress on McClelland's recommendations, the Chief Internal Auditors' Group developed a common questionnaire which each Local Authority could use to assess its position. Appendix G provides the results of the assessment performed by West Lothian Council's Internal Audit Unit in April 2007. The council scored 84 points out of a possible maximum of 186, which equates to 45%.

As part of the Modernising Procurement Review, the recommendations of the McClelland report have again been reviewed to ascertain West Lothian Council compliance. The findings of the compliance review can be found in Appendix H.

Recommendations

To enable full compliance with the appropriate recommendations from the McClelland Report, the areas of non-conformance highlighted within the 2007 Internal Audit assessment and the 2011 compliance status review should be addressed. The Procurement Development Officer should lead the delivery of the necessary actions and ensure that a follow-up assessment is performed by the end of 2012/13.

9. Procurement Capability Assessment

In response to the McClelland Report, the Procurement Reform Delivery Group agreed in January 2009 that a single Procurement Capability Assessment should be developed. The assessment scores are not a league table and are intended to promote the sharing of best practice and continuous improvement across the Scottish Public Sector.

The objective of the Procurement Capability Assessment is to set out a mechanism for identifying areas where organisations can strengthen their approach to procurement through a detailed evaluation of their procurement capability to improve their structure, processes and ultimately performance. The Procurement Capability Assessment assesses capability in key areas against common criteria and standards, which allows Public Bodies to identify existing best practice, where there are gaps and where continuous improvement and efficiencies can be implemented.

The Procurement Capability Assessment is now in its third year and although West Lothian Council increased its score from 22% in 2009 to 27% in 2010, this is insufficient to realise the efficiencies required from an organisation striving to achieve superior procurement performance. A summary of the 2010 scores for Scottish Local Authorities can be seen below. Details of PCA performance for individual councils can also be found through a number of Scottish Local Authority and Audit Scotland reports published on the internet.

Scottish Local Authority Procurement Capability Assessment 2010 Scores

Ranking	Local Authority	2010 Procurement Capability Assessment Score
1	Glasgow	64%
2	Renfrewshire	55%
3	Aberdeenshire & City	51%
4	East Renfrewshire	42%
4	North Lanarkshire	42%
5	Highland	40%
6	Edinburgh	37%
6	Fife	37%
7	Argyll & Bute	36%
7	Perth and Kinross	36%
8	East Ayrshire	34%
9	Angus	33%
9	Dundee	33%
10	Stirling	32%
11	Falkirk	30%
12	South Ayrshire	29%
13	Scottish Borders	28%
14	Moray	27%
14	North Ayrshire	27%
14	West Lothian	27%
15	East Lothian	26%
16	Clackmannanshire	25%
17	East Dunbartonshire	24%
18	Midlothian	23%
18	South Lanarkshire	23%
19	CNES	21%
20	West Dunbartonshire	17%
21	Shetland	16%
22	Inverclyde	15%
23	Orkney	12%
24	Dumfries & Galloway	N/A

A summary letter from Scotland Excel to the council's Chief Executive is available within Appendix I.

The introduction of the Procurement Capability Assessment has conceivably overtaken the Best Practice Indicators for Public Procurement in Scotland as a measurement of national performance and the Public Procurement Reform Board is now focussing on the Procurement Capability Assessment. As a member of the Procurement Capability Assessment Working Group, Audit Scotland has been able to incorporate Procurement Capability Assessment criteria within their Procurement Best Value evaluation framework. Therefore, Public Bodies are not being unnecessarily burdened with programmes of work in achieving advance procurement practice and superior performance.

An analysis of the results for each question that make up the eight Procurement Capability Assessment sections has highlighted a considerable number of areas requiring improvement. A Procurement Capability Assessment Action Plan has been developed to address the gaps and demonstrate to the assessors, the council's commitment to procurement improvement. It must be stressed strongly that full implementation of this action plan is essential to securing better procurement performance by the council.

Recommendation

To enable significant progress to be made in advance of the 2011 Procurement Capability Assessment in October and future Procurement Capability Assessments, the activities from the Procurement Capability Assessment Action Plan 2010 → 2012 detailed in Appendix J should be progressed to completion by the council.

10. Identify Core Procurement Activities that must be delivered in Accordance with EU Procurement Rules

Public Procurement law regulates the procurement by Public Sector Bodies (Contracting Authorities) of contracts for supplies, services and works. The Rules are contained in two separate EC Directives (The Directives), which have been implemented in Scotland by The Public Contracts (Scotland) Regulations Statutory Instrument No. 1 (Regulations). Where the Regulations apply, detailed Rules that must be followed are enforced through the courts, including the European Court of Justice. The Rules are intended to remove barriers to markets and open up new non discriminatory and competitive markets.

The Rules define and aim to simplify and modernise procurement procedures which must be followed by Contracting Authority's when:

- awarding contracts for supplies, services and works, and
- where the estimated value of the contract exceeds the relevant Official Journal of the European Union (OJEU) financial thresholds: presently £3,927,260 for works and £156,442 for supplies and Part A services*.

* The application of the Services Directive is split between Part A services which are subject to the full European regime and must be advertised in the OJEU and Part B services which have minimal legislative requirements, the main requirements being in relation to technical specification and award notice. Part A Services can be summarised as Transport by land and air, IT, Telecoms, Financial, consultancy, architectural, advertising, publishing, building, cleaning, property and waste management

In accordance with general principles of EU law, Contracting Authorities have to comply with their obligations under the Rules and to award contracts in accordance with procedures provided within the Rules.

Under the council's Standing Orders for Procurement, there is a requirement to seek a requisite number of quotations or tenders which is essentially dependant upon the financial value and type of supply, services or works sought.

To assist Public Sector Bodies, the Scottish Government's Procurement Directorate has developed a set of generic procurement procedures called the Procurement Journey: Routes 1, 2 and 3, which provide best procurement practice guidance primarily aimed at developing and implementing procurement strategies for supplies and services. The Construction Procurement Manual has been developed for detailed guidance on works and construction related projects and guidance is also available which is specific to Social Care procurement. All of the guidance provided is subject to further enhancements upon changes in legislation, policy and promotion of best practice.

Recommendations

Whilst recognising that there are differences in the procurement of supplies, services, social care and construction, it is absolutely essential that the council should adhere to the EU treaty principles and Rules. It is therefore recommended that a standard methodology is adopted to ensure consistency of approach and that best practice is followed.

The Procurement Journey Routes 2 & 3 should be analysed and tailored to meet the needs of West Lothian Council to ensure that strategies, guidance and templates are provided which ensure necessary adherence to EU Procurement Rules and Treaty Principles.

The Construction Procurement Manual, which is mandatory throughout the Scottish Government, should be reviewed and where appropriate, tailored to meet the needs of West Lothian Council's Work contracts.

There is also a need to develop the working relationship between the new Corporate Procurement Unit, the Financial Management Unit, Legal Services and council service areas responsible for Social Care and Works contract commissioning and procurement activities. Regular meetings should be held and rigorous and robust procurement processes need to be developed and implemented for use with all contract types, covering the whole contract lifecycle.

An external and independent Procurement Advisory Service, e.g. CIPFA Procurement & Commissioning Network or Achilles (Themis), etc. should be secured as a priority, to keep the council's procurement professionals up to date with new legislative changes and best practice.

Where expert advice is required in relation to complex contracts, partnership arrangements should be sought from external procurement / legal specialist advisors. A written record justifying the reasons for this course of action together with the approval from the Head of Finance and Estates Services for Supplies and Part A Service contracts, the Head of Social Policy for Part B Service contracts and the appropriate Deputy Chief Executive's approval for Works contracts must be obtained before proceeding.

11. Roles and Responsibilities of Officers who currently Undertake Procurement Activity throughout the Council

To ensure stakeholder requirements are met and maximum compliance is achieved, it is important to ascertain key stakeholders throughout the full contract lifecycle. User Intelligence Groups can be established to assist contract strategy development, tender evaluation contract monitoring and supplier management, project implementation, and compliance and benefits tracking.

Members of the Procurement Services Unit and other council services frequently attend Scotland Excel User Intelligence Groups and Scottish Procurement Category Forums. Social Policy also attend a number of provider forums, e.g. Senior People's Forum, Housing Support Providers Forum, etc. which help to improve the provision of services. However these opportunities for improvement are not established for all council contracts.

User Intelligence Groups should have representation from key stakeholders within the organisation(s) and must contain procurement and technical / customer representatives. The benefits of establishing User Intelligence Groups are that:

- Cross-functional expertise can be drawn on within the group
- Stakeholder views are considered within the decision making process
- Clear communication channels can be established
- 'One face' presented to suppliers
- The governance arrangements are formalised, decision makers identified and information recorded
- Clarifies roles and responsibilities
- Facilitates the generation of ideas, as well as buy-in and compliance.

A high level guide can be found in Appendix K which clearly illustrates the procurement roles and responsibilities for Elected Members, Chief Officers, Heads of Service, Line Managers, Operational Staff and the Corporate Procurement Unit.

Recommendations

To ensure a more flexible approach to procurement activities and the promotion of joint working arrangements between the Corporate Procurement Unit and their service customers, it is essential that User Intelligence Groups are established at the outset for each contract.

A detailed roles and responsibilities document should be produced to provide an indication of the level of involvement required from all parties during the whole contract lifecycle. Services and the Corporate Procurement Unit will have to acknowledge their responsibilities from the outset to ensure an effective procurement process. The use of the contract lifecycle roles and responsibilities guide will streamline activities and help to develop an efficient procurement process.

The council's scheme of delegation should be updated to reflect the roles and responsibilities of officers undertaking procurement activity within the council.

12. Confirmation of Key Competencies and Skills Needed for Procurement Personnel

There is a need for the council to build procurement capability to ensure that procurement activities meet the objectives of the Corporate Procurement Strategy. The procurement skills within the Corporate Procurement Unit and supported services must be assessed to ensure that officers are well equipped to manage contracts, to add value to the process and to steer, guide and monitor the council's approach to procurement.

The Procurement Competency framework developed by the Scottish Government provides the basis for a procurement skills assessment. It identifies the skills and competency levels required by all staff involved in the procurement process and assists individuals in taking ownership of their personal development through skills assessment, identification of training and development needs and career planning.

Effective workforce planning is also an important tool to support the Corporate Procurement Unit in dealing with changing priorities in a structured and planned manner. Staff are key to continuous improvement and future success of the Unit and it is therefore vital that appropriate plans are in place to train, develop and retain staff. The availability of a training strategy will also assist in monitoring procurement staff performance and morale.

The current economic climate means that spending on training must deliver better outcomes. Within the procurement arena, the potential for increased legal and commercial risk and procurement inefficiencies as a result of inadequate capability cannot be ignored.

External procurement training provision will be enabled where necessary, but there is also an ideal opportunity for members of the Corporate Procurement Unit to pass their significant procurement knowledge and expertise on to services. This will potentially enable the Corporate Procurement Unit to save the council money, while increasing customer competency and awareness, as well as improving customer working relationships.

The proposed new Corporate Procurement Unit structure also promotes business continuity planning. Services will have consistent points of contact for procurement related matters and Category Managers will work closely with Procurement Specialists to enable personal development and continuity of service.

Recommendations

A Procurement Training Strategy should be introduced to enable different levels of training to be provided to officers involved in procurement activities. Specific budgets should be allocated for procurement training requirements and the Corporate Procurement Unit staff should be encouraged and supported to achieve Membership of the Chartered Institute of Purchasing and Supply qualifications.

Procurement training needs should be determined throughout the council and formal training sessions, tailored to suit the nature of the tasks undertaken, arranged for procurement professionals from all appropriate service areas.

The procurement competency framework (Scotland Excel technical competency framework or equivalent) should be rolled out as a means of assessing the training requirements for council procurement professionals.

Procurement training guides should be developed and published to address fundamental procurement knowledge gaps across the council.

All Corporate Procurement Unit staff should be prepared to provide a training service to their customers such as formally arranged presentations or 'Bite Size' sessions.

13. Procurement Service Standards and Performance Targets

Based on feedback from Procurement Services, procurement professionals from other services and customers, procurement activity within the council offers a lot of opportunity for improvement.

It is perceived that the Service Standards currently in place do not meet customer needs and a number of the standards cannot be quantified. Changes to the procurement landscape and priorities for the council must also be addressed through a revised set of service standards.

If superior procurement performance is to be achieved, the performance targets set historically must be changed to reflect the future council priorities whilst fully supporting the corporate procurement policies and strategies.

The council's performance management system, Covalent is used to report procurement performance based on targets set by the Scottish Government in their Best Practice Indicators for procurement, procurement targets published within the Finance and Estates Management Plan and actions published within the Corporate Procurement Strategy.

The Finance and Estates Services Management Team use Covalent reports to monitor procurement performance on a quarterly basis for the Procurement Services Unit. Procurement performance has been limited to the Procurement Services Unit and it is not clear how well the council as a whole has performed.

Procurement Services attained Customer Service Excellence in June 2010, however moving forward, there is a lot of opportunity for improvement and the implementation of the recommendations from this Review will provide the necessary customer service evidence for future Customer Service Excellence assessments of the Corporate Procurement Unit.

Recommendations

The Service Standards appropriate to the Corporate Procurement Unit should be reviewed and updated in accordance with the Corporate Procurement Strategy 2011-2014.

Performance against the Corporate Procurement Strategy objectives, and targets should be reviewed at the Procurement Steering Board (see [Section 26](#)), and at performance meetings in relevant services.

Covalent should continue to be used to record procurement performance, however data should be included which relates to council wide procurement activity.

14. Council's Terms and Conditions and Contract Extension / Variation Process

14.1. Terms & Conditions

Successful contract implementation, subsequent contract management and risk minimisation are assisted by having robust terms and conditions which assist when there is conflict throughout the contract lifecycle. However, during any procurement exercise it is rarely advisable or practical to have to construct every clause from scratch to cover every potential eventuality and therefore, the council like most other organisations make use of standard forms of contract which ordinarily will include core clauses to incorporate e.g. payment, specifications, termination, title, force majeure, etc.

Advantages to be gained by using a standard form of contract include:

- Any standard form of contract is usually a result of negotiations between various parties and considers the spread of risk between both buyer and supplier
- Using a standard form avoids the cost and time taken in creating Tender documents and terms and conditions of contract from inception on every occasion.
- Tender comparisons are made easier since the risk allocation is the same for each tenderer and as parties are assumed to understand that risk allocation, their pricing models, and mechanisms can be accurately compared.
- Model contracts provide flexibility and simplicity and save significant amounts of time and procurement cost.

The council makes use of standard letter forms to conclude the contract through an exchange of contract award and acceptance letters.

Procurement Officers have professional accountability for ensuring that any applicable clauses are added or deleted prior to tender issue. Should any prospective supplier object to any particular clause, they can object during the tender process by including as a proposed variation to contract. However, any deviation to the council's terms and conditions should be passed to Legal Services for consideration.

There are presently different terms and conditions for the supply of goods, services, social care, construction and civil engineering works and passenger transport services. There is also a set of terms and conditions for IT equipment, however, these are dated and require amendment.

Construction and civil engineering works contracts use the Joint Contracts Tribunal (JCT) and Institution of Civil Engineers (ICE) conditions of contract. Both JCT and ICE are responsible for reviewing and updating the standard forms of contracts, guidance notes and other standard documentation used by West Lothian Council.

Procurement Services staff have previously had the opportunity to review model terms and conditions for both goods and services and have recently submitted further amendments to Legal Services for consideration. Legal Services have also recently reviewed the passenger transport and social care terms and conditions. However, there is no scheduled review period for assessing whether terms and conditions are appropriate and no evidence of any document or version control.

Recommendations

To ensure commercial risk is minimised, it is essential that a standard contract suite of robust terms and conditions be initiated to cover all tendering opportunities. Officers with responsibility for tendering shall be expected to incorporate the appropriate model form of contract from the available suite.

However, always dependant upon the context, it should be possible to add or delete other clauses, although council officers should always consult with the Corporate Procurement Unit and Legal Services.

A formal review of council model terms and conditions should take place on an annual basis.

14.2. Variation Process

Subject always to compliance with the EU Procurement Rules and the council's Standing Orders and Procurement Procedures, the council can alter, extend or renegotiate any part of a contract to achieve Best Value. A written record justifying the reasons for this course of action together with the approval from the Head of Finance and Estates Services for Supplies and Part A Service contracts, the Head of Social Policy for Part B Service contracts and the appropriate Deputy Chief Executive's approval for Works contracts must be obtained before proceeding. A detailed written record of all negotiations and discussions with the contractors / consultants must be maintained and retained on file.

The use of unofficial extensions contravenes EU Treaty principles; however, historically there have been occasions where contracts within West Lothian have incorporated unofficial extensions. Steps have been taken to eliminate this practice and unofficial extensions must never be used in the future.

The council's terms and conditions for goods and services presently do not allow for any price variations during the first calendar year of the contract. However, there have been occasions where suppliers have successfully obtained price increases where there have been for example significant price fluctuations in commodity markets. However, there is little evidence to suggest that the council proactively seeks price decreases.

There is presently not a requirement to notify Financial Management Unit of price variations, significant or otherwise.

Generally, unless prices are agreed to be fixed for the duration of the contract, suppliers are requested to provide written documentary evidence to support any price increase application. The Procurement Officer is professionally accountable for all actions and must ensure that commercial judgement is used and to ensure that any price variation is justifiable before informing suppliers and customers. Procurement Officers are required to file all evidence within Meridio.

Although Procurement Services have previously published a Step by Step Guide offering comprehensive variation guidance it is outdated. A new update is in the process of being developed.

The development and use of the new corporate contract register (see [Section 28](#)) will enable efficiencies during the variation process through the use of a mail merge facility for the issue of standard variation documentation.

Recommendations

A new Step by Step Guide and templates should be produced to simplify the variation process and to enable a consistent approach and make sure that unofficial extensions are not permitted in any circumstances.

The Head of Finance and Estates Services must sign all Supplies and Part A Service contract extensions, the Head of Social Policy must sign all Part B Service contract extensions and the appropriate Deputy Chief Executive must sign all Works contract extensions.

The Financial Management Unit should be notified of significant price variations to allow them to make amendments to budgets.

15. Council's Standing Orders and Compliance

To ensure that the procurement of supplies, services and works is carried out to the highest standard and that efficiencies set out in the Corporate Procurement Strategy are achieved, all procurement must be undertaken in accordance with the Council's Standing Orders and associated procedures.

The Working Group on Contracts Standing Orders has responsibility for reviewing and making changes to Standing Orders, and there are a number of recommendations within this report which impact upon the structure of Standing Orders.

To promote greater ownership of responsibility for procurement compliance and indeed to achieve greater compliance from council staff involved in procurement activity, the existing Standing Orders in relation to procurement will accordingly be revised.

Recommendations

It is proposed that the Working Group for Contracts Standing Orders update the existing Standing Orders to ensure that they provide accurate, robust, clear and understandable procedures which underpin the management arrangements set out within this report, including support of the proposed new Corporate Procurement Unit model and the mandatory use of the corporate contract register (see [Section 28](#)) to record details of all contracts.

The Standing Orders for procurement will ensure that users understand the content and their own responsibility for compliance and consideration will be given to including a diagrammatical representation of procurement procedures with financial values, in the Standing Orders to give the reader a clear illustration of the route they should take to ensure compliance.

The Corporate Procurement Unit's Procurement Development Officer should be responsible for assisting with the enforcement of Standing Orders in relation to contracts and will address non-compliant buying behaviour with Heads of Service.

To ensure clarity of responsibility for complying with Standing Orders, it is recommended that training guides be developed and promoted by the Corporate Procurement Unit, based on advice from the Chief Legal officer and the Working Group on Contracts Standing Orders.

A business case template for the exemption from Standing Orders should be contained within Standing Orders.

It is recommended that revised Standing Orders for procurement are reported to Elected Members for approval as soon as possible.

16. Contract Compliance

Standing Orders Financial Regulations state that “Orders for items subject to contract should be placed with the contracted supplier”. Unfortunately, devolved buying by services is firmly established within the council and it is possible to place off-contract orders without challenge. Services have not taken ownership of the need to ensure compliance and systems to monitor contract compliance have not been established. Procurement Services are presently unable to fulfil a contract compliance monitoring role.

The council’s use of its eProcurement system (PECOS) was expected to drive the ordering of supplies and services through established contracts. This is not yet the case, as non-compliant procurement behaviour remains a persistent issue. The introduction of ‘Catalogue Only’ ordering for contract suppliers could reduce the rate of non-compliance ordering, but this is not always practical for the supplies and services ordered throughout the council.

Additionally, the volume of non-contracted suppliers available for use on PECOS and other ordering systems throughout the council greatly outnumber the volume of contracted suppliers, and non-contracted supplies and services are rarely published on catalogues. Therefore, the possibility exists for a non-contracted supplier to receive a non-catalogue order, which should have been transmitted to a contracted supplier. This practice could be stopped immediately if access was removed to the non-contracted suppliers. The council does not currently have sufficient contracts in place to take such a bold step.

As an interim measure, a flag highlighting contracted suppliers has been implemented within the Supplier Contact Facility on the intranet. It is hoped that the preferential rates offered by contracted suppliers for non-contracted supplies and services will encourage their use over non-contracted suppliers. Additionally, the use of a ‘Preferred’ supplier flag on PECOS is being explored to promote the use of contracted catalogue items over non-contracted items.

Recommendations

It is imperative that the revised Standing Orders are appropriately communicated to all council employees. It is vital that all officers with responsibility for operational procurement activity have a total clarity of expectation and understand their responsibility and the consequences of non-compliance.

The Corporate Procurement Unit’s Procurement Development Officer should be responsible for contract compliance monitoring, will assist with the enforcement of Standing Orders and will address non-compliant buying behaviour with Heads of Service.

A review should be performed of all contracted suppliers on PECOS and the introduction of a ‘Catalogue Only’ ordering facility investigated.

To enable the withdrawal of unnecessary non-contract suppliers and to provide additional opportunity to make cash savings, the Corporate Procurement Unit and Services should work to increase the percentage of contracted spend.

17. PECOS Non-Contract Spend and Maverick Buying

To progress with the development of contract opportunities, it is first necessary to establish the contracts that exist for budgeted expenditure. A high level analysis has been performed of the council's 2010/11 General Fund and Housing Revenue Account revenue budgets contained within the financial ledger and a comparison made to the contracts recorded within the current contract register. To date £90m has been matched to contracts. Details of the contracted spend analysis can be found in Appendix L. However, it has to be recognised that this figure may be inflated as it is likely to contain expenditure for non-contracted items or services procured from contracted suppliers.

Recommendations

Further analysis needs to be performed to validate the high level findings with the services, to identify all contracted expenditure. This will be assisted by the establishment of the Corporate Contract Register.

The remaining spend not captured through contracts should be categorised and allocated to the appropriate Category Manager within the new Corporate Procurement Unit to analyse. The Category Managers and Procurement Specialists will need to ascertain what contracts are proposed in the future by Scottish Procurement, Scotland Excel and indeed services within the council. This information will be cascaded by the Corporate Procurement Manager who will also have input into Scotland Excel's delivery plan through attending Scotland Excel Commercial UIGs.

18. Contract Management

Although contract management is performed for a number of specific contract types throughout the council, it is clear that effective contract management is not consistently practiced. There is a lack of operational contract management for a number of contracts, which contradicts the aims of the Scottish Procurement Directorate's Suppliers' Charter, the McClelland Report recommendations and the Procurement Capability Assessment requirements.

To drive value from existing and any future contracts and to improve supplier management and supplier relationships, a Contract and Supplier Management Strategy has been developed, a copy of which can be found in Appendix M.

Recommendations

The Contract and Supplier Management Strategy should be agreed and enforced throughout the council for Supplies, Part A Services and where applicable for Works contracts, to implement consistent and cross-service processes. The strategy should be reviewed annually as part of the overall Corporate Procurement Strategy review.

Social Policy should continue to develop a contracting plan with a risk assessment framework for prioritising social care contract monitoring. The Social Policy contract management system should continue to be developed to compliment the corporate contract management approach.

Category Managers and Procurement Specialists within the Corporate Procurement Unit should have responsibility for ensuring that contract and supplier management is performed within their allocated categories.

19. Procurement Card Spend and Non-Compliance

The council's procurement card system provided by PCCL has been in operation since 2009. Procurement cards are available to a limited number of individuals within the council and strict guidelines within the Purchase Card Procedure advise of their use.

Recommendation

To ensure that users are complying with the Procurement Card procedure it is critical that an assessment of their use be performed. Internal Audit will perform a review of the procurement card system in 2011/12. A sample of the expenditure through the system will be conducted as part of their review.

To ensure ongoing compliance, it is essential that an annual review of procurement card expenditure be carried out by the council's Financial Management Unit.

20. Payment Procedures Analysis

There are four procedures relating to payment used by the council: Payments Procedure, Purchase Card Procedure, Corporate Cash Procedures and Daily Cheque Procedures.

These procedures have been reviewed and updated as part of this review and are available within Appendix N.

Recommendations

The availability of all four payment procedures should be reiterated to Services and compliance with these monitored ongoing by the Financial Management Unit.

Further reviews of the payment procedures should be performed on an annual basis.

21. Measures to Prevent the Risk of Fraud with Regard to Procurement and Payment

Supplier details cannot currently be added to or changed within the council's Accounts Payable system Smartstream, without completing one of the appropriate supplier forms. However, due to the increase in fraudulent activity being experienced by public sector organisations, a new procedure has been developed which tightens the control over the system administration of the supplier details and increases the compliance monitoring of the supplier use. A copy of the new form can be found in Appendix O.

Recommendation

The use of the new form to add or amend supplier details within Smartstream should be adopted. This will ensure a more stringent process and provide a clear message to customers regarding the impact that the addition of a supplier has and their need to comply with Standing Orders.

In addition, the council's Financial Management Unit is proposing to implement a new Accounts Payable system. Segregation of duties will be enforced within the operation of the new system.

22. Register of Key Procurement Risks

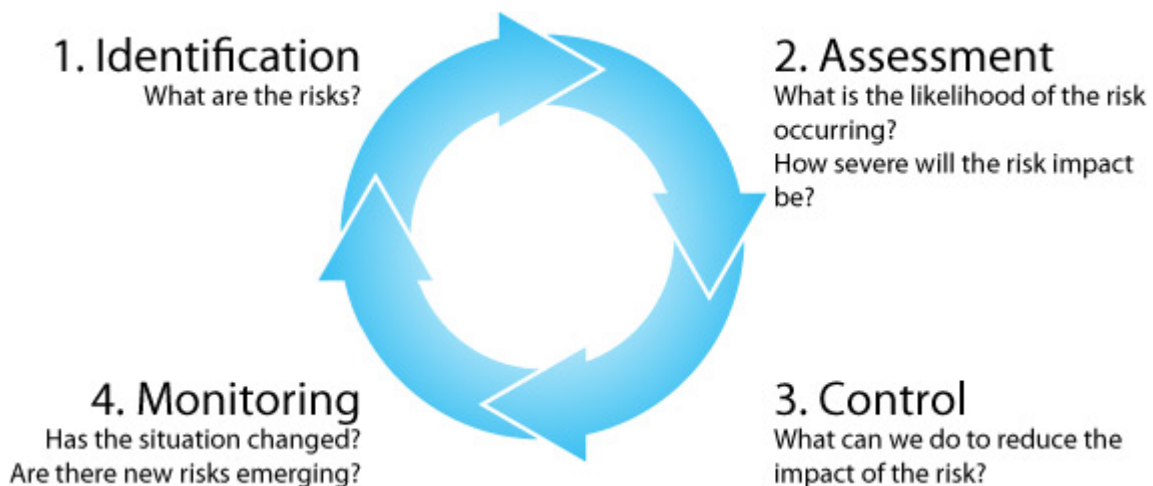
Risk is the uncertainty of outcome and can either be viewed as an opportunity or a threat. As all procurement projects potentially contain risks that may impact on budgeted costs, quality and time, it is important that there is a planned and systematic risk management process throughout the procurement process.

Issues are those factors which affect the development or the implementation of the project procurement strategy and urgent action is needed for immediate resolution.

All procurement projects potentially contain risks that may impact on future progress, therefore it is important to identify and assess present risks so that the risk can be managed to prevent it from becoming an issue. Effective risk management can improve service delivery and performance by contributing to:

- Increased certainty;
- Fewer surprises;
- More effective change management, contingency management and decision making;
- More efficient use of resources and reductions in waste

The Risk management process consists of 4 defined stages:



22.1. Risk Identification

The initial identification of risks and issues is essential to gain a better understanding of any procurement project. Although many risks will be generic there will also be project specific risks that must be considered.

22.2 Risk Assessment

The purpose of any risk assessment is to assess the likelihood and frequency of risks occurring and potential impact of an outcome actually happening in terms of cost, time and quality. Risk assessment can be assisted by using a risk probability framework such as that contained within the Procurement Journey.

22.3 Control

Once risks have been identified and assessed, they require appropriate control. However, any response must be proportionate to the level of the risk determined within the risk assessment. To ensure that risks are appropriately controlled, they should be logged on a risk register.

22.4 Risk Monitoring

A risk register should be established at the start of any procurement project to record all identified risks and results of analysis and evaluation. As risk monitoring is an ongoing dynamic process, regular periodic reviews should take place.

Recommendations

As risk management is an important, continuous process, it is vital that appropriate risk assessments are undertaken, reviewed and managed throughout the procurement process. A Procurement Risk Management Strategy should therefore be developed to help procurement professionals manage risk.

Emphasis needs to be placed on effective risk registering within the context of the Procurement Risk Management Strategy, particularly for high value, complex procurements. The new corporate contract register will contain a procurement risk register which should be updated to record all risks associated with both existing and new contracts. As a minimum, the risk register should be populated with:

- risk ID number
- risk owner
- description of risk
- results of assessment (probability/impact) and date of assessment
- risk mitigation measures and
- review date(s)

Issues associated with a contract should also be recorded and updated within the corporate contract register.

The new procurement arrangements should incorporate a risk assessment to manage procurement risk; this should hopefully increase the council's performance within the Procurement Capability Assessment.

Where the risks relating to a contract involve significant risks to the delivery of the council's objectives, the risks to the council should be included within the council's corporate risk register.

Issues and risks will be discussed during contract and supplier performance review meetings, as per the new Contract and Supplier Management Strategy.

The council's Standing Orders should be updated to reflect best procurement risk management procedures.

The proposed suite of terms and conditions for the council (see [Section 14](#)) should be reviewed to ensure that sufficient protection is in place against risks, for example property, patents, information and copyright, indemnity and insurance and intellectual property.

23. Management Reports Available from PECOS to Enhance Reporting Information

An abundance of procurement information is held in various forms and across numerous databases and files throughout the council including information from the National Hub through Spikes Cavell. Although beneficial to individual service managers in its current format, this diversity of information sources is wasteful to the council as a whole. For the council to gain benefits from procurement, it should be able to see the bigger picture, as detailed analysis of all information is beneficial to making informed decisions.

A review of management information is ongoing to ensure that a sophisticated profile of spend is developed and so that the information can be used to formulate robust contract deliverables.

Recommendation

It is proposed that PECOS provides a single source of management information with regard to council spend. As such, it is imperative that the outstanding interfaces to PECOS from Operational Services Axim system and Housing, Construction and Building Services Open Contractor system be completed as a matter of urgency in the current financial year. This will ensure that data from legacy systems is reportable through the council's PECOS datamart.

Following all PECOS interfaces, datamart reports should be further developed to ensure that relevant information is identified, collated and reported to deliver the most benefits to the council.

24. Regional Procurement

McClelland's vision for public sector procurement was to establish a platform for collaboration across the public sector with the procurement of A & B categories being sourced by the national and sectoral Centres of Procurement Expertise.

The various procurement categories are explained as follows:

Category A

These are commodities and services most logically procured by ONE centre for the country's public sector: the National Procurement Centre of Excellence – Scottish Procurement.

Category B

These are generally high-value commodities that tend to be unique to a specific sector yet common within that sector. Scotland Excel (the Local Authority Centre of Procurement Expertise) for example undertakes strategic procurement on behalf of its members.

Category C/C1

These are commodities which are neither categorised as A (National Contracts) nor B (Sector Specific Contracts) or have a bespoke requirement that wouldn't be covered by typical approach to categories A and B then they may automatically be classified as either C where the establishment of contracts will be conducted as the remit of a local organisation or C1 a regional organisation.

One of the council's previous procurement strategic objectives was to participate in all Scottish Procurement and Scotland Excel contracts and initiatives to ensure that all benefits, particularly financial, were fully realised. A business case signed by the council's Chief Executive is currently required for any exemption where the collaborative contract does not meet council needs or does not represent value for money.

As at April 2011, West Lothian Council utilise nine Scottish Procurement contracts although there are others which are about to become live and this number is expected to increase. Of the 42 Scotland Excel contracts available, West Lothian use 37, as there are existing arrangements in place for the other five.

Collaboration is high on the council's agenda over the next few years and to take advantage of potential collaborative benefits the council should participate in all collaborative activities.

West Lothian Council are leading on its first Regional C1 contract, Groundcare Equipment framework. As Lead Authority, the council is responsible for the whole procurement process including tendering, contract award, contract mobilisation, contract management and authorising variations and subsequent communication to suppliers and clients.

Procurement Officers and technical representatives have an opportunity to input to the technical specification and tender award criteria, however, as consensus is required to ensure the requirements of all participating councils are considered, this means that a weighting of 50% for price for supplies and services contracts is not always possible and this needs to be highlighted within the procurement report to the Council Executive.

Regional Procurement is included within the Procurement Capability Assessment and Scotland Excel has stated that "West Lothian's support to Scotland Excel is extremely valuable and West Lothian Council play a very important part of the overall collaborative procurement process".

Recommendation

The council should ensure that collaborative procurement opportunities are exploited, not only with Scotland Excel and Scottish Procurement, but with other councils and Public Sector Bodies. The use of the Contract Strategy will encourage officers responsible for procurement to engage with the marketplace, identifying, assessing and delivering the most effective and efficient procurement solution and as part of the contract development, investigate possibilities for collaborative procurement.

The Corporate Procurement Unit's Category Managers and Procurement Specialists should take responsibility for ensuring that regional collaboration opportunities are explored for their commodities.

Quarterly reports should be presented to the Council Executive to advise of all new collaborative framework contracts awarded and utilised.

Annual approval of the Corporate Procurement Strategy by Elected Members will provide the council with the endorsement to use Category A and B framework contracts provided by Scottish Procurement, Scotland Excel and OGC Buying Solutions.

Where the collaborative contract provided by Scottish Procurement, Scotland Excel or OGC Buying Solutions does not meet council needs or does not represent value for money, a business case for exemption should be presented to the Council Executive prior to the commencement of the tender process.

Elected Members delegate authority for Category A and B contracts to the Head of Finance and Estates for Supplies and Part A Service contracts, the Head of Social Policy for Part B Service contracts and the Deputy Chief Executive for Works contracts.

25. Services and Support Currently Provided by and to Scottish Procurement and Scotland Excel

25.1 Scottish Procurement

Procurement Officers and appropriate technical representatives from the Scottish Public Sector are invited to attend and have input to Scottish Procurement Category Forums.

Participation is encouraged in the development of contract strategies and tender completion.

During the consultation for this Review, the services and support provided by Scottish Procurement have been acknowledged as suitable to the needs of West Lothian Council. However, the relationship will need to be monitored on an ongoing basis as more and more collaborative contracts are agreed between the two bodies.

Recommendation

The council should continue to monitor the relationship with Scottish Procurement with any issues raised by the Corporate Procurement Manager with the appropriate Scottish Procurement Manager. The Corporate Procurement Manager needs to ensure that any proposed procurement cashable savings are expedited and are verified by the Financial Management Unit.

25.2 Scotland Excel

25.2.1 Commercial User Intelligence Group

The Scotland Excel Commercial User Intelligence Group (CUIG) meets biannually. It is chaired by Scotland Excel's Head of Strategic Procurement and is attended by Procurement Managers / Heads of Procurement from member Local Authorities, along with other Scotland Excel representatives.

The CUIG meets in October to agree the contract delivery plan and in April to review progress and reset priorities as required. The contract delivery plan agreed by the CUIG is presented to the Chief Executive Officers Management Group for approval.

Fundamental to the ongoing development of Scotland Excel is the requirement to develop collaborative contracts with alignment to corporate service plans. The CUIG has responsibility for ensuring that the strategy adopted in contract delivery plan is consistent with the operational priorities of council service plans.

25.2.2 Scotland Excel South East Forum

Meetings take place quarterly and are attended by Scotland Excel regional teams and representatives from member Local Authority Procurement Services teams. The group share information and collaborate in the making and utilising of Scotland Excel contracts to maximise the benefits to councils. The meetings are held to update and discuss contract participation, mobilisation, management, spend / save figures, and variations.

25.2.3 Scotland Excel Account Management Meetings

Business review meetings are held on a six weekly basis and were introduced at the end of 2010 at the request of the council's Procurement Service. The intention of the meetings is to build a closer working relationship between the council and Scotland Excel's regional team, highlighting the benefits of existing Scotland Excel contracts and marketing new contracts. The meeting is also intended to clarify the issues surrounding roles and responsibilities for Scotland Excel contracts.

In contrast to the perceived good relationship with Scottish Procurement, the services and support provided by Scotland Excel have not been considered appropriate to the needs of the council by the majority of people consulted during this review. It is perceived that a number of contracts awarded are not those which are a priority for the council. Complex contracts have previously been ignored (although Social Care and Construction are now on the delivery plan) and it is generally felt that the council are not provided with sufficient time to collate the necessary information for Scotland Excel contracts.

Recommendations

Scotland Excel contract management roles and responsibilities should be clarified and agreed to enable contract monitoring and management for effective supply and service deliver to the council.

Appropriate timescales for future contracts and variations should be obtained from Scotland Excel and made available to the Corporate Procurement Unit. The Category Managers should then liaise with their customers to obtain necessary spend and specification data for the appropriate commodities.

Although Scotland Excel cannot always guarantee to meet every council requirement, the availability of contracts should allow the council to concentrate efforts on local contracts. Any issues with regard to contract delivery plan content should be raised with the Corporate Procurement Manager who will raise with Scotland Excel management and at the Commercial UIGs. If this does not prove productive, issues can be escalated to the Chief Executive Officers Management Group.

26. Remit and Constitution of Inter-service Procurement Meeting Groups

Although a number of Procurement inter-service meeting groups exist, they are not all perceived as being productive. The Procurement Forum for example, has been established for a number of years, the purpose of which was to be an opportunity for strategic procurement decision making, yet attendance has dwindled, indicating a failure to appreciate the importance of procurement within the council. The requirement for a high level strategic group is essential to enable procurement success within the council.

There area also issues in pro-active longer term scheduling and planning of procurement activity. Integration of the council's Financial Strategy and the Corporate Procurement Strategy should be secured, with ongoing monitoring and review of expenditure to ensure delivery of procurement cashable savings throughout the council.

The Social Policy Contracts Advisory Group meets on a six weekly basis and includes representation from Procurement Services, Legal Services and the Financial Management Unit, as well as attendance by the Head of Social Policy, Social Policy Senior Managers and Social Policy staff responsible for contracting arrangements. This meeting allows full consideration and decision making about all Part B Services sufficiently in advance of the establishment, renewal or termination of contracts.

Consultation with the Social Policy Contracts Advisory Group enables existing contracted services and service costs to be maintained and ensures compliance with use of contracted suppliers.

Current Works contract arrangements are similar to that of Social Policy, in that procurement activities are devolved from Procurement Services responsibility. Currently, Procurement Services often do not have sight of contract details or the procedures followed prior to and in some cases until after contract award. This current procurement practice for Works contracts must change if the council is to ensure compliance and improvements moving forward. Roles and responsibilities for Works contracts must be tightened to ensure compliance and protection for the council.

Recommendations

A Procurement Steering Board should be established. It is recommended that this board be chaired by the Chief Executive and attended by senior representatives from each service, the Corporate Procurement Manager, the council's Sustainable Procurement Champion and a representative from Legal Services. The group will meet quarterly to discuss procurement performance and service developments. The creation of this Board will demonstrate senior management leadership and commitment and accelerate procurement development throughout the council. The remit of the Procurement Steering Board and the role of its members shall be established as a priority.

Quarterly performance meetings should also be established, attended by the Head of Finance and Estates, the Corporate Procurement Manager, the Category Managers, Procurement Development Officer and appropriate staff within the Financial Management Unit. The meeting group will discuss the benefits tracking for each category, review progress of contracts, procurement cashable and non-cashable savings generated and contract compliance. Improved joint working between the Corporate Procurement Unit and the Financial Management Unit is essential for enabling improved performance.

Following the successful contracts advisory group model operated for Social Care, a Works Contracts Advisory Group should be established. The remit and constitution will be similar to that of the Social Policy Contracts Advisory Group but apply to Operational Services and Housing, Construction and Building Services staff engaged in arranging and managing Works contracts.

Proposed reporting arrangements for Social Care and Works contracts are described in [Section 32](#).

27. Marketing of Procurement throughout the Council

There is a lack of understanding surrounding Procurement within West Lothian Council and this has impacted on the ability to achieve superior performance. A number of proposals have been identified to deliver effective marketing of procurement. These can be found in the Marketing West Lothian Council Procurement document in Appendix P.

The emphasis on procurement provided by this review will also help to improve its marketing within the council.

Recommendation

The Marketing West Lothian Council Procurement proposals should be agreed and taken forward to effectively promote and therefore improve procurement efficiency and effectiveness.

28. Information Technology and Developments to Improve Procurement Activity

West Lothian Council procurement and IT Services have implemented many IT developments over the past number of years and this is an area that has received considerable recognition from external public bodies, audits and assessments.

The extent of the PECOS integrations with the council's other legacy systems has been noted by a number of public sector organisations. The development of the PECOS bulk order import utility has also demonstrated significant time savings for requisitioners and is a facility that can be shared with other PECOS organisations.

Additionally, a number of change requests have been developed by IT Services to enable a more efficient way of working for Procurement Services customers. For example, the introduction of eForms has provided a more consistent data collection service from customers and helped to enable a faster service response from Procurement Services. The Supplier Contact Facility has also provided customers with an effective means of communicating with suppliers with regard to orders, deliveries and invoices.

As the council is keen to improve and indeed achieve superior performance, there is merit in extending the previous good practice demonstrated by considering additional IT enhancements. The new corporate contract register is a great example of initiative from Procurement Services to improve the performance of procurement. The register was built to replace the limited system provided by the Scottish Government, using tools available to the eProcurement System Administrator. It has since been passed over the IT Services to further develop for council wide roll out.

Another area of potential IT development is the Procurement intranet. The format of the current site is not consistent with the other units within Finance and Estates Services. Also, due to the extent of the project to rollout eProcurement within the council, a separate intranet site for that element of procurement was created. This segregation communicates mixed messages to customers and does not promote the delivery of joined up working for a future Corporate Procurement Unit.

The Scottish Government's eSourcing solution is currently used by Procurement Services to perform tendering activities. The facility has proved beneficial but has been restricted in the most part to supplies and services contracts. A new solution is however due for release in 2012 and will include greater scope for works contract tendering.

Although the council receives approximately 13,000 electronic invoices per year from suppliers via a predefined PECOS format, supplier IT constraints means that further roll out of this method is limited. As an alternative to receiving electronic invoice files from suppliers, the council has promoted the use of Evaluated Receipt Settlement (ERS). The ERS facility enables the automatic generation of an invoice in PECOS following the creation of a receipt. The invoices generated are exempt from VAT and equate to the value of the supplies / services received. ERS invoicing currently accounts for approximately 14,000 payments per year.

Recommendations

The development of the new bespoke corporate contract register should be completed as a priority. This will replace the online version currently promoted by the Scottish Government, by providing enhanced contract details required by the council. The development of the new contract register should progress to enable improved contract management and reporting, as well as the ability to calculate BPI and KPI's more efficiently.

To facilitate the delivery of a new corporate procurement model within the council and to enable access to all the necessary procedures, guidelines and templates required to perform procurement activity, the existing Procurement Services intranet site should be re-designed. A modern, easy to use site should be created for all customers.

The functionality of the Scottish Government's new eSourcing facility should be investigated by the council's Corporate Procurement Unit and once available, promoted for all contract use, including Works.

Alternative electronic invoicing solutions are being investigated by the Scottish Government and should be considered by the council upon their future availability. In the meantime, Finance and Estates Services should continue to promote the use of ERS and procurement card use within PECOS to achieve further administration efficiencies.

Options for the continued development of e-forms should also be considered by the Corporate Procurement Unit to obtain additional opportunity for time savings.

29. Implementation of Procurement Journey: Routes 1, 2 and 3

As part of the Public Procurement Reform Programme, a cross sectoral working group led by the Scottish Government's Procurement Directorate reviewed, developed and refined the Public Procurement Toolkit to meet the needs of Contracting Authorities across the Scottish Public Sector. The **Procurement Journey** has been developed to provide organisations with a means of managing the expectations of their stakeholders, customers and suppliers with regard to procurement activity.

Processes, templates and guides have been created to allow procurement professionals to concentrate on the higher value, higher risk areas in which they can add value and deliver value for money. Simplified processes, templates and guidance also exist to support individuals with authority for lower value, lower risk procurements.

By following the Procurement Journey, organisations can better manage the procurement process and reduce the risk of challenge. The primary aim of the Procurement Journey is developing and implementing procurement strategies for goods and services, however guidance has also been published for construction works and social care contracts.

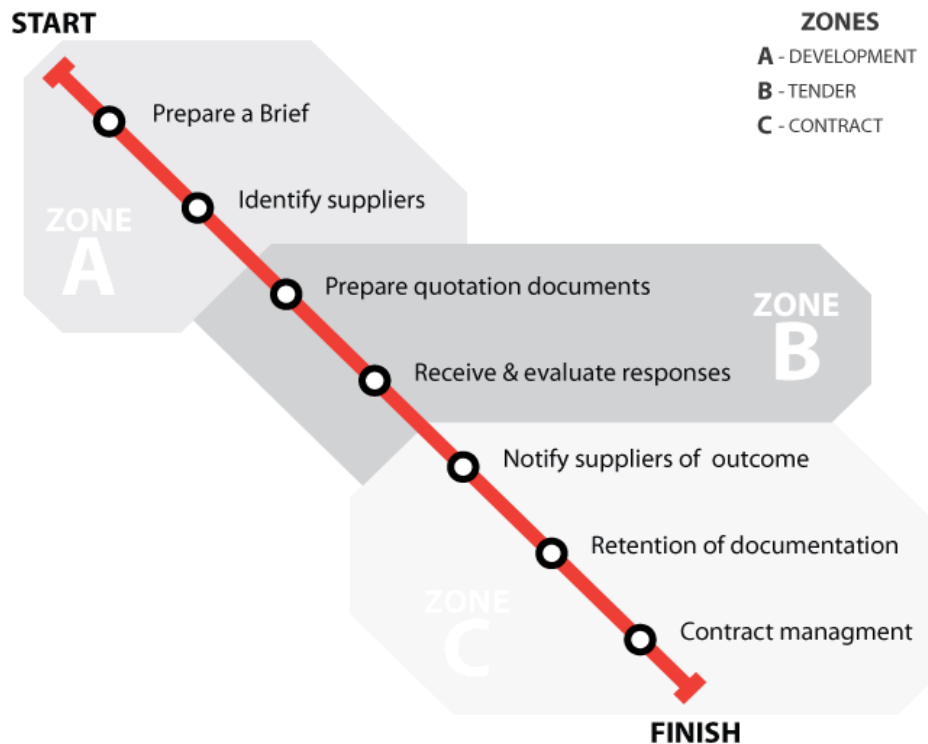
The Procurement Journey is designed for use by procurement professionals or by staff who have authorisation to perform procurement activities. It is not a substitute for legal and professional procurement advice and relevant procurement, legal and technical staff must continue to be consulted when appropriate.

The Procurement Journey consists of three Routes, each of which is dependent upon the value of the requirement, the potential risk and the requirement to advertise to the potential supplier base.

29.1 Procurement Journey Route 1

Route 1 has been designed to be used by staff within the council who have a requirement and are authorised to conduct **low** value, **low** risk, and non-repetitive procurement of goods or services. It is not necessary for staff using these processes to have extensive procurement training, but to be able to procure they must have an awareness of EU regulations, as well as West Lothian Council Standing Orders and Procurement Procedures.

Procurement Journey Route 1



29.2 Procurement Journey Route 2

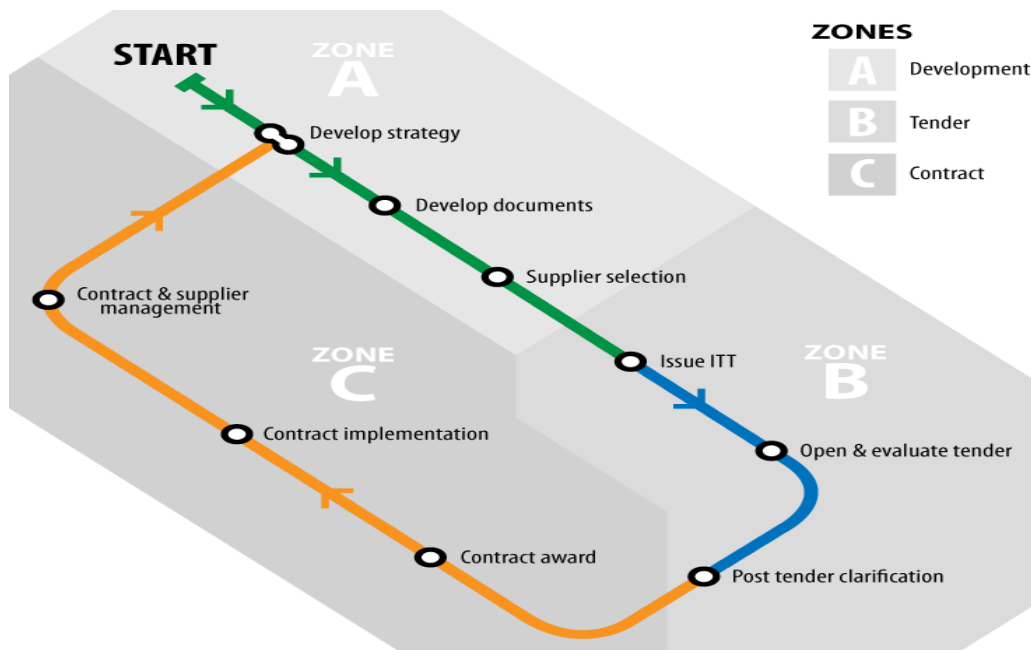
Route 2 has been designed for use by procurement professionals to conduct **moderate** value and risk procurement activity. Individuals following Route 2 must have been trained in EU regulations, the procurement cycle and have an extensive knowledge of West Lothian Council Standing Orders and Procurement Procedures.

29.3 Procurement Journey Route 3

Route 3 has been designed for use by procurement professionals to conduct **high** value and risk strategic procurement activity. Again, individuals following Route 3 must have been trained in EU regulations, the procurement cycle and have an extensive knowledge of West Lothian Council Standing Orders and Procurement Procedures.

The journey through Routes 2 and 3 is more detailed compared to Route 1 due to the increase in value and complexity.

Procurement Journey Routes 2 and 3



The main objectives of the Procurement Journey Routes 1, 2 and 3 toolkits are:

- To provide step-by-step guides to conduct a low, medium and high value procurement exercises
- To provide sets of guides and templates that can be used to collate and analyse the data required when conducting the procurement exercise
- To standardise the procurement process across the council
- To highlight the legal and policy obligations involved at each stage of the process

There are natural break points within the Procurement Journey that can be used as 'Gateway' review points for sign off and approval to proceed to the next stage of the procurement process. These Gateways can be used to provide assurance and support to the procurement professional responsible for the contract and assist in the delivery of improved benefits and outcomes.

The adoption of a national good practice, consistent set of processes and templates will facilitate in addressing the major challenge of promoting a corporate approach to procurement across the council.

Recommendations

The Procurement Journey Routes 1, 2 and 3 should be examined and tailored to meet the needs of West Lothian Council as this is critical to the achievement of Best Value and the delivery of improved procurement performance, enabling increased cash savings and risk reduction.

The Procurement Journey processes, templates and guidance should be appropriately rolled out throughout the council and support provided by the Corporate Procurement Unit to Services for the implementation of Route 1.

Appropriate reference to the Procurement Journey processes and procedures should be incorporated within Standing Orders.

Routes 2 and 3 should be adopted by the Corporate Procurement Unit and where possible elements rolled out within the Services responsible for Construction Works and Social Care contracts.

30. Requirements to achieve “Best Value” through Procurement activity

Best Value procurement is a process that considers and returns more than just best price. It is a process that takes account of the whole life cost of buying products, service or building works. Best value includes both financial and non-financial elements such as time, administration, sourcing and benchmarking.

Through the use of the appropriate strategies and procedures developed in line with the Scottish Government’s Procurement Journeys, Procurement Capability Assessment improvement actions and McClelland Report recommendations, West Lothian Council shall endeavour to achieve Best Value through its procurement activity.

31. Internal and External Audit Findings and Recommendations with Regard to Procurement

An analysis of recent audit reviews / reports into procurement activities has highlighted that there are significant opportunities for the improved development of existing procurement practices.

Recommendation

The areas highlighted as effective, good, requires improvement, poor and unsound should be analysed to ensure that appropriate procurement training and procedural guidance is developed to eliminate any future “requires improvement”, “poor” and “unsound” findings. The move to the new Corporate Procurement Unit with a Category Management structure should also help to eliminate potentially flawed procurement practices by enabling a closer working relationship between Legal Services and service customers.

32. Contract Evaluation Criteria Policy and Financial Reporting

The council currently receives offers for contracts for supplies and services from either a competitive quotation or tendering process. Having invited tenders (or initiated dialogue within the competitive dialogue procedure), the council is required to evaluate tenders (or solutions during competitive dialogue) on the basis of contract award criteria defined in the OJEU Notice and / or the tender documentation.

The council must use criteria directly linked to the subject matter of the contract to determine that an offer is the most economically advantageous. Criteria can include but is not limited to quality, price, technical merit, aesthetic and functional characteristics, environmental characteristics, running costs, cost effectiveness, after sales service, technical assistance, delivery date and delivery period or period of completion.

The council having decided to opt, in the majority of cases, for most economically advantageous tender (MEAT) for awarding a public contract will state the weighting which it gives to each of the criteria chosen in the contract notice or in the descriptive document. To comply with the EU treaty principle of transparency, any sub criteria and appropriate weightings must also be disclosed. It is also good practice to state the criteria in descending order of importance.

Elected Members receive a procurement report near the end of the procurement contract award process which specifies the contract award criteria, the numbers of tenders issued and received, details of top three scores, addresses of all suppliers tendering and a recommendation of contract award. After the Council Executive have approved a procurement report, the Procurement professional will communicate the procurement decision as soon as possible to those economic operators who submitted an offer (or applied to be included amongst the economic operators who applied to be party to a framework agreement) in writing.

For those procurement processes which started on or after 20 December 2009, in accordance with changes to the standstill and associated rules, the council's Procurement Officers will notify candidates concerned and tenderers in writing of their elimination from a competition prior to the final contract award decision being made.

Historically, reports to Council Executive have not provided extensive information on why the contract award criteria was selected. Under the current approval and reporting process, unless there are known grounds for excluding an economic operator, there is very limited scope to change the procurement decision. Indeed, if the Council Executive were to change a procurement report, there is the potential for challenge from an unsuccessful supplier.

The current threshold for supply and service tenders is £30,000 (having been raised from £10,000 on 30 December 2008) and council standing orders dictate that up to three quotations are sought for contracts up to this level. The quotation process is less formalised and resource intensive than the competitive tender process with more simplified documentation (which is particularly beneficial to SME's), whilst ensuring that adherence to the EU treaty principles of non discrimination, equal treatment, and transparency.

The council has successfully trialled and is in the process of rolling out the Scottish Government's online request for quotation facility "Quick Quote" provided through Public Contracts Scotland. Quick Quote obtains competitive quotes for low value (up to £50,000) low risk opportunities.

Increasing West Lothian Council's tender threshold to £50,000 for supplies and services and works, in line with the Scottish Government's Public Contracts Scotland quotation threshold and the Scottish Local Authority average threshold is not anticipated to have a material adverse affect on Best Value, risk and / or governance. The increase of the tender threshold would indeed bring the following benefits:

- An increase in the opportunities for local suppliers, SME's, the voluntary sector, the third sector and supported businesses to win council contracts
- Ability for procurement professionals to concentrate on more value added activities, including identifying opportunities for local suppliers, SME's, the voluntary sector, the third sector and supported businesses

Recommendations

It is proposed that the tender threshold for Supplies, Services and Works contracts is raised to £50,000, to increase the number and value of tender opportunities for local suppliers, SMEs, the voluntary sector, the third sector and supported businesses.

It is also proposed for all West Lothian Council procurement exercises in excess of the EU threshold (£156,442 for supplies and services and £3,927,260 for works contracts), that the tender award criteria and other considerations e.g. community benefits are reported to Elected Members and agreed at the beginning of the process, i.e. approval is sought for the tender approach and evaluation criteria and not at the point where the contract is about to be awarded to the winning supplier(s).

Procurement training for Elected Members should be provided to allow them to discharge their duties effectively.

With the increased use of frameworks e.g. Scottish Procurement, Scotland Excel and OGC Buying Solutions, and with individual “call offs” and aggregated purchases exceeding the OJEU threshold, it is proposed that the reporting for information to the Council Executive of those frameworks utilised by the council is performed at months 4, 6, 9 and out-turn.

It is also proposed that the procurement reporting to the Council Executive provided to at months 4, 6, 9 and out-turn include summary information on all contracts let by West Lothian Council during the previous reporting period.

The proposed arrangements for contract reporting to the Council Executive will be kept under review to ensure a best practice methodology.

33. Flexible Working

West Lothian Council supports flexible and mobile working as part of its commitment to the provision of excellent services, sustainability, equality and Best Value. Worksmart is primarily about the delivery of services through increased mobile and flexible working which enables a better service provision for customers. The Council recognises there are many potential benefits of Worksmart, including:

- Improved customer service
- Improved productivity
- Focus on outputs (performance) rather than inputs (hours)
- Reduced travel time and costs as well as reduced environmental impact
- Enhanced recruitment and retention through improved access to work for diverse range of employees
- Improved work-life balance, leading to reduced stress and less sickness absence
- Reduced workplace property costs
- Increased employee satisfaction, motivation, commitment and morale

Worksmart will allow colleagues who already work in a mobile or flexible way to utilise technology and desks in multiple locations across the County to undertake their job. Providing the technical and physical environment closer to where the service is required, will allow colleagues to maximise the time spent with customers.

The proposed Corporate Procurement Unit will be based at the Civic Centre; however the ongoing need for its members to liaise directly and more frequently with customers means that there will be a potential need for the use of the council's WorkSmart areas at a variety of locations.

34. Shared Services

Sharing services can maximise the potential economies of scale, deliver service improvements and enable further savings through contract alignment. As such, it is an option that West Lothian Council, like other Local Authorities, should explore. It also addresses a number of recommendations stipulated within the McClelland Review of Procurement.

Shared service procurement success has been experienced by other Scottish Local Authorities, Aberdeen City and Aberdeenshire council's being two, whose joint efforts achieved 51% during the 2010 Procurement Capability Assessment and has saved considerable sums in the three years since their amalgamation.

The Tayside Procurement Consortium is another example of a shared procurement service initiative. Angus, Dundee, Perth & Kinross and Tayside Contracts established the consortium in 2007 and now work to the same procurement regime with a central procurement team undertaking joint procurement projects. Such joint working has also delivered significant savings for the respective councils.

West Lothian Council's Social Policy are actively involved in shared service opportunities with colleagues in Edinburgh City Council, East and Mid Lothian and the Scottish Borders. These collaborations have proven beneficial to the council and further opportunities continue to be explored.

Several discussions have been held between West Lothian and Falkirk Councils to determine if there is an opportunity for collaborative working. Falkirk Council is comparable in size to West Lothian and is at a similar state of maturity with regard to procurement progression, receiving a Procurement Capability Assessment score of 30% in 2010. Falkirk is however conforming with regard to Procurement Capability Assessment criteria in areas that West Lothian is developing and vice versa. This offers an opportunity for each council to learn from each other, share good practice and develop networking opportunities.

Falkirk Council is also embarking upon a review of Procurement and this presents an excellent opportunity to collaborate with regard to improvement plan actions. There are numerous other options for shared service involvement between the two councils, the extent of which can be developed over time.

Recommendation

The sharing of responsibility of delivery of improvement plan actions and opportunities for sharing improvement tasks should be explored with Falkirk Council.

The council should in future, as a standard of procedure contact Falkirk Council and other public sector bodies to establish if collaboration is possible during procurement exercises.

The Procurement Development Officer must liaise with Falkirk Council's Procurement Improvement Co-ordinator and other public sector bodies to identify opportunities for sharing best practice and making efficiencies.

35. Performance Management

The council has an effective performance management framework and the Covalent system offers a valuable facility for recording and monitoring performance. Unfortunately, procurement performance management has been hindered by the absence of council wide data and corporate procedures and technology to facilitate compilation.

The Review has focused on improving the performance management of procurement. As well as increasing the ability to record and manage performance internally, the review has also highlighted the need to perform benchmarking with external organisations, as a basis for best practise monitoring.

Recommendations

Approval of the Corporate Procurement Strategy will enforce future procurement requirements moving forward and emphasize the performance improvement requirements to those procurement responsibilities.

The implementation of an agreed Benefits Tracking process and methodology within the Finance and Estates Services will help to establish the progress and success of all contracts within the council.

The compulsory population of the new bespoke contracts register will be critical to the measurement and therefore management of contracted expenditure within the council.

To address the lack of supply market analysis and benchmarking, the Scottish Government's 'Hub' supplied by Spike's Cavell should be used to compare the council expenditure with that of other Scottish councils and Public Sector Bodies. In addition, the benefits of joining the CIPFA benchmarking club for procurement should be investigated and pursued.

36. Conclusions

Valuable work has been performed as part of the review, identifying the current position and establishing where the council aspires to be in the future. There is considerable improvement required moving forward and a number of conclusions have been formulated to enable the recommendations to be outlined.

Implementation of the recommendations will result in improvements to governance, leadership, processes and skills. Furthermore, they will place greater emphasis on both procurement efficiency savings and procurement cashable savings, leading to a consistent approach to the procurement of supplies, services and works, improving service delivery and achieving Best Value from all council procurement activity.

However, a significant cultural change throughout the council is required to embrace the proposed recommendations and to enable efficient procurement to become a reality.

37. Implementation

The objectives of the Modernising Procurement Review will be achieved through the implementation of the outstanding actions from this report. Following incorporation of feedback from staff and customers, it is intended to implement the recommendations as part of an ongoing modernisation programme, from July 2011 onwards.

An implementation plan will be developed once the final report has been agreed. The plan will document the actions, responsible owner and timescales required to deliver the recommendations in the report, prioritising those with greatest value and importance.

Given the benefits to be accrued it is envisaged that most changes and improvements will be implemented within 12 months of report authorisation and full implementation completed by March 2013. To assist in the process, some additional temporary staffing resources will be required. Changes will be implemented with appropriate consultation with staff, customers and trade unions.

Appendix A – Modernising Procurement Scope

MODERNISING PROCUREMENT — SHAPING THE FUTURE

The procurement modernisation project will be undertaken in full compliance with all relevant council policies and procedures.

Scope and Work to be undertaken

The following will be reviewed:

- All procurement activities to identify core work that must be delivered in accordance with EU Procurement Rules
- Roles and responsibilities of officers who currently undertake procurement activity throughout the council
- Key competencies and skills needed for procurement personnel
- Procurement service standards and performance targets to ensure they are relevant and measurable and fully supported by the council's Procurement Strategy and Procurement Policy
- Present administration support arrangements and investigate possibilities for efficiencies and contingency arrangements
- Draft sustainable procurement policy and strategy and sustainable procurement processes
- Council terms and conditions and contract extension / variation process
- Council Standing Orders and compliance (along with a review of the dispensation from standing order compliance given to social care contracts)
- Contract compliance
- Non contract spend and maverick buying
- Procurement card spend
- Contract management
- Measures to prevent the risk of fraud with regard to procurement and payment
- Key procurement risks
- Management reports available from PECOS to enhance reporting information
- Procurement Capability Assessment results and recommendations
- Service and support currently provided by and to the National Procurement Centre of Expertise (Scottish Procurement) and the Sectoral Procurement Centre of Expertise (Scotland Excel).
- Regional procurement
- Benchmarking information and identification of best practice with regard to other Local Authorities and Public Bodies
- Remit and constitution of all existing inter-service procurement meeting groups, e.g. Contracts Advisory Group and Procurement Forum, and the potential for others

The following will be considered:

- Alternative delivery mechanisms, such as a commodity management structure; allowing opportunities for specialisation
- Future service provision requirements
- Partnership arrangements and how these could be more effective
- Opportunities for shared services
- The recommendations of the McClelland report on the Review of Public Procurement and how this can be embraced to facilitate improved purchasing performance
- Requirements for the implementation of Procurement Journey Routes 1, 2 & 3
- IT technology and what developments can be made to improve procurement activity
- Requirements to achieve "Best Value" through procurement activity

- How best to integrate Legal Services and Finance & Estates Services in providing professional procurement advice e.g. Procurement Rules and procedures
- Consideration and minimisation of risk taking account of business continuity
- Internal and External Audit's findings and recommendations reported with regard to best practices and deficiencies within procurement
- Integration of the Procurement Strategy with the council's financial strategy
- Flexible working

Surveys and Meetings

- Survey and meeting with staff involved in the provision of a procurement service
- Survey and/or meeting with Procurement customers
- Survey and/or meeting with suppliers and partners
- Meeting with and guidance sought from Scotland Excel/Scottish Procurement and any other relevant experts

Key Issues to be taken into account

- Statutory and legal framework governing the procurement process
- Council wide modernisation including the need to achieve the proposed budget reductions of £3 million contained within the contingency strategy, through collaborative procurement and increased contract provision
- Collaborative working arrangements with Procurement Scotland, Scotland Excel and the Regional Hub
- Ideas and suggestions from staff involved in the procurement process
- Feedback from customers on their satisfaction and, analysing customer experiences to inform future strategy, changes to processes and areas for improvement
- Requirement to provide professional advice and support to services
- Working in partnership with services and how we engage and involve services
- External pressures, including difficult financial climate
- The need to deliver procurement more efficiently and within a reduced budget in the future (i.e. with fewer staff in the medium term)
- Future service requirements for procurement and workforce planning and scheduling arrangements
- The requirement of procurement to meet performance targets
- Need to make the procurement service accessible to customers clarifying their responsibilities
- Standardising, streamlining and simplifying of activities and processes
- Staff training (including focus on customers), career development and succession planning
- Delivery of procurement training to customers
- Feedback from elected members
- Raising the profile and marketing of Procurement

Outcomes

Outcomes required from the review will be based on the following recommendations:

- The arrangement and delivery of procurement in the future
- A clear statement of future priorities for procurement, including areas of increasing priority that add value and those of lesser importance
- Activities and processes which could be streamlined and how this could be achieved
- How procurement could operate more efficiently
- How to improve working relationships with Scotland Excel and Scottish Procurement
- Shared services and alternative delivery mechanisms

- How the council can progress on the journey towards superior purchasing performance and make continual improvements in Procurement Capability Assessments
- Changes to Service Standards and performance targets
- Changes to the Procurement Strategy and Policy
- Implementation of the Procurement Journey Routes 1, 2 & 3
- How to enhance flexibility and promote team working
- Delivery of staff development, training and succession planning
- Compliance with standing orders, EU Procurement Rules and legislation and achievement of Best Value

Timescale

The target is to complete a draft of the report in Spring 2011, which will then be discussed and agreed with the Executive Management Team and Corporate Management Team. This will be followed by a briefing to staff, trade unions and customers on the report, formally consulting on the content and following comments, feedback and queries agreeing a final version of the report by May 2011. The report will then be reported to the Partnership and Resources Policy Development and Scrutiny Panel in June 2011. Merle Stevenson will be Project Manager and will co-ordinate the review.

Implementation of the Recommendations

The actions from the report will be implemented as an ongoing modernisation process, rather than a single event. Following agreement, it is intended to implement the recommendations on a rolling basis, from the summer 2011 onwards.

Tom Henderson
Interim Procurement Manager
16 November 2010

Appendix B – Modernising Procurement Review Recommendations 2011

Report Section	Recommendation
4.2 Procurement Services Unit	To enable significant procurement transformation, allowing for increased specialisation and skills development and facilitating advanced council procurement development within the council, the proposed procurement structure documented is to be approved. The proposed structure will enable outcome based progress and will reinforce the required change of procurement culture. Any structural changes will be implemented in accordance with the council's agreed organisational change processes and in consultation with the Trade Union.
	Procurement professionals who have responsibility for Social Care and Works contracts will remain within their respective service areas. However a formal review will be performed at the end of 2012/13 to ascertain if this arrangement is beneficial to the council or whether action should be taken to incorporate appropriate staff into the Corporate Procurement Unit.
4.3 Procurement Administration Support Arrangements	To ensure operational contingency arrangements are put in place which will allow for sharing of knowledge and skills and permit improved staff development, it is proposed that the procurement administration and eprocurement support function transfers to the Financial Management Unit's Corporate Strategy Accounting Support Team. This will facilitate the creation of a purchase to pay support team for the council, with sufficient numbers of staff to permit the necessary segregation of duties.
	As part of the development it is proposed that a new role is created covering administration of a number of financial systems within Finance and Estates.
	It is also recommended that opportunities are evaluated across the council to integrate activities relating to purchase to pay within the consolidated corporate team.
5.2 Procurement Strategy	The Corporate Procurement Strategy 2011-2014 should be approved to successfully deliver the financial savings and other council procurement objectives.
	Services will need to embrace the new strategy and change (where appropriate) their existing ways of working with Procurement Services. The proposed Corporate Procurement Unit will adopt the new strategy and develop a closer working relationship with their customers.
	Although the Corporate Procurement Strategy has been created to cover 2011 – 2014, it is dynamic and will be reviewed on an annual basis. The new strategy will be used to regularly review performance of council procurement and progress against objectives will be discussed at the quarterly Procurement Steering Board (see Section 26), as well as at the Corporate Procurement Unit team meetings.

Report Section	Recommendation
6. Sustainable Procurement Policy and Strategy	<p>The Corporate Procurement Strategy 2011-2014 should be approved to enable sustainable procurement to be implemented within West Lothian Council.</p> <p>Recognising the council's commitment to sustainable procurement it is proposed that a Category Manager will have specific responsibility for sustainable procurement and will assist the Head of Planning and Economic Development as the council's sustainable procurement champion. The relevant Category Manager will embed and promote sustainable procurement processes throughout the council.</p>
7. Integration of the Corporate Procurement Strategy with the Council's Financial Strategy	<p>The new Corporate Procurement Strategy 2011 - 2014 should be approved to enable progress towards achieving the cashable savings targets identified within the council's Financial Strategy.</p> <p>An agreed Benefits Tracking methodology should be introduced to ensure that all contracts within the respective categories have cashable savings targets and that actual figures are consistently measured and recorded.</p> <p>Quarterly meetings should be held between the Corporate Procurement Manager and the Corporate Finance Manager to discuss cashable savings targets and progress towards their achievement.</p> <p>The Corporate Procurement Unit should continue to analyse the spend data from the National Hub through Spikes Cavell and liaise with Services to identify potential contract opportunities to realise targeted procurement cashable savings.</p>
8. McClelland Review of Public Procurement	<p>To enable full compliance with the appropriate recommendations from the McClelland Report, the areas of non-conformance highlighted within the 2007 Internal Audit assessment and the 2011 compliance status review should be addressed. The Procurement Development Officer should lead the delivery of the necessary actions and ensure that a follow-up assessment is performed by the end of 2012/13.</p>
9. Procurement Capability Assessment	<p>To enable significant progress to be made in advance of the 2011 Procurement Capability Assessment in October and future Procurement Capability Assessments, the activities from the Procurement Capability Assessment Action Plan 2010 → 2012 detailed in Appendix K should be progressed to completion by the council.</p>

Report Section	Recommendation
10. Identify Core Procurement Activities that must be delivered in Accordance with EU Procurement Rules	Whilst recognising that there are differences in the procurement of supplies, services, social care and construction, it is absolutely essential that the council should adhere to the EU treaty principles and Rules. It is therefore recommended that a standard methodology is adopted to ensure consistency of approach and that best practice is followed.
	The Procurement Journey Routes 2 & 3 should be analysed and tailored to meet the needs of West Lothian Council to ensure that strategies, guidance and templates are provided which ensure necessary adherence to EU Procurement Rules and Treaty Principles.
	The Construction Procurement Manual, which is mandatory throughout the Scottish Government, should be reviewed and where appropriate, tailored to meet the needs of West Lothian Council's Work contracts.
	There is also a need to develop the working relationship between the new Corporate Procurement Unit, the Financial Management Unit, Legal Services and council service areas responsible for Social Care and Works contract commissioning and procurement activities. Regular meetings should be held and rigorous and robust procurement processes need to be developed and implemented for use with all contract types, covering the whole contract lifecycle.
	An external and independent Procurement Advisory Service, e.g. CIPFA Procurement & Commissioning Network or Achilles (Themis), etc. should also be secured as a priority to keep the council's procurement professionals up to date with new legislative changes and best practice.
11. Roles and Responsibilities of Officers who currently Undertake Procurement Activity throughout the Council	To ensure a more flexible approach to procurement activities and the promotion of joint working arrangements between the Corporate Procurement Unit and their service customers, it is essential that User Intelligence Groups are established at the outset for each contract.
	A detailed roles and responsibilities document should be produced to provide an indication of the level of involvement required from all parties during the whole contract lifecycle. Services and the Corporate Procurement Unit will have to acknowledge their responsibilities from the outset to ensure an effective procurement process. The use of the contract lifecycle roles and responsibilities guide will streamline activities and help to develop an efficient procurement process.
	The council's scheme of delegation should be updated to reflect the roles and responsibilities of officers undertaking procurement activity within the council.

Report Section	Recommendation
12. Confirmation of Key Competencies and Skills Needed for Procurement Personnel	A Procurement Training Strategy should be introduced to enable different levels of training to be provided to officers involved in procurement activities. Specific budgets should be allocated for procurement training requirements and the Corporate Procurement Unit staff should be encouraged and supported to achieve Membership of the Chartered Institute of Purchasing and Supply qualifications.
	Procurement training needs should be determined throughout the council and formal training sessions, tailored to suit the nature of the tasks undertaken, arranged for procurement professionals from all appropriate service areas.
	The procurement competency framework (Scotland Excel technical competency framework or equivalent) should be rolled out as a means of assessing the training requirements for council procurement professionals.
	Procurement training guides should be developed and published to address fundamental procurement knowledge gaps across the council.
	All Corporate Procurement Unit staff should be prepared to provide a training service to their customers such as formally arranged presentations or 'Bite Size' sessions.
13. Procurement Service Standards and Performance Targets	The Service Standards appropriate to the Corporate Procurement Unit should be reviewed and updated in accordance with the Corporate Procurement Strategy 2011-2014.
	Performance against the Corporate Procurement Strategy objectives and targets published within the Finance and Estates Management Plan 2011/12 should be reviewed at the Procurement Steering Board (see Section 26), and at quarterly meetings between the Head of Finance and Estates and Corporate Procurement Unit Managers.
	Covalent should continue to be used to record procurement performance, however data should be included which relates to council wide procurement activity.
14.1 Council's Terms and Conditions	To ensure commercial risk is minimised, it is essential that a standard contract suite of robust terms and conditions be initiated to cover all tendering opportunities. Officers with responsibility for tendering shall be expected to incorporate the appropriate model form of contract from the available suite.
	However, always dependant upon the context, it should be possible to add or delete other clauses, although council officers should always consult with the Corporate Procurement Unit and Legal Services.
	A formal review of council model terms and conditions should take place on an annual basis.

Report Section	Recommendation
14.2 Variation Process	A new Step by Step Guide and templates should be produced to simplify the variation process and to enable a consistent approach and make sure that unofficial extensions are not permitted in any circumstances.
	The Head of Finance and Estates Services should sign all Supplies and Part A Service contract extensions, the Head of Social Policy should sign all Part B Service contract extensions and the appropriate Deputy Chief Executive should sign the Works contract extensions.
	Financial Management Unit should be notified of significant price variations to make amendments to budgets.
15. Council's Standing Orders and Compliance	It is proposed that the Working Group for Contracts Standing Orders update the existing Standing Orders to ensure that they provide accurate, robust, clear and understandable procedures which underpin the management arrangements set out within this report, including support of the proposed new Corporate Procurement Unit model and the mandatory use of the corporate contract register (see Section 28) to record details of all contracts.
	The Standing Orders for procurement will ensure that users understand the content and their own responsibility for compliance and consideration will be given to including a diagrammatical representation of procurement procedures with financial values, in the Standing Orders to give the reader a clear illustration of the route they should take to ensure compliance.
	The Corporate Procurement Unit's Procurement Development Officer should be responsible for assisting with the enforcement of Standing Orders in relation to contracts and will address non-compliant buying behaviour with Heads of Service.
	To ensure clarity of responsibility for complying with Standing Orders, it is recommended that training guides be developed and promoted by the Corporate Procurement Unit, based on advice from the Chief Legal officer and the Working Group on Contracts Standing Orders.
	A business case template for the exemption from Standing Orders should be contained within Standing Orders.
	It is recommended that revised Standing Orders for procurement are reported to Elected Members for approval as soon as possible.

Report Section	Recommendation
16. Contract Compliance	It is imperative that the revised Standing Orders are appropriately communicated to all council employees. It is vital that all officers with responsibility for operational procurement activity have a total clarity of expectation and understand their responsibility and the consequences of non-compliance.
	The Corporate Procurement Unit's Procurement Development Officer should be responsible for contract compliance monitoring, will assist with the enforcement of Standing Orders and will address non-compliant buying behaviour with Heads of Service.
	A review should be performed of all contracted suppliers on PECOS and the introduction of a 'Catalogue Only' ordering facility investigated.
	To enable the withdrawal of unnecessary non-contract suppliers and to provide additional opportunity to make cash savings, the Corporate Procurement Unit and Services should work to increase the percentage of contracted spend.
17. PECOS Non-Contract Spend and Maverick Buying	Further analysis needs to be performed to validate the high level findings with the services, to identify all contracted expenditure. This will be assisted by the establishment of the Corporate Contract Register.
	The remaining spend not captured through contracts should be categorised and allocated to the appropriate Category Manager within the new Corporate Procurement Unit to analyse. The Category Managers and Procurement Specialists will need to ascertain what contracts are proposed in the future by Scottish Procurement, Scotland Excel and indeed services within the council. This information will be cascaded by the Corporate Procurement Manager who will also have input into Scotland Excel's delivery plan through attending Scotland Excel Commercial UIGs.
18. Contract Management	The Contract and Supplier Management Strategy should be agreed and enforced throughout the council to implement consistent, cross-service processes. The strategy should be reviewed annually as part of the overall Corporate Procurement Strategy review.
	Category Managers and Procurement Specialists within the Corporate Procurement Unit should have responsibility for ensuring that contract and supplier management is performed within their allocated categories.
19. Procurement Card Spend and Non-Compliance	To ensure that users are complying with the Procurement Card procedure it is critical that an assessment of their use be performed. Internal Audit will perform a review of the procurement card system in 2011/12. A sample of the expenditure through the system will be conducted as part of their review.
	To ensure ongoing compliance, it is essential that an annual review of procurement card expenditure be carried out.
20. Payment Procedures Analysis	The availability of all four payment procedures should be reiterated to Services and compliance with these monitored ongoing by the Financial Management Unit.
	Further reviews of the payment procedures should be performed on an annual basis.

Report Section	Recommendation
21. Measures to Prevent the Risk of Fraud with Regard to Procurement and Payment	The use of the new form to add or amend supplier details within Smartstream should be adopted. This will ensure a more stringent process and provide a clear message to customers regarding the impact that the addition of a supplier has and their need to comply with Standing Orders.
22. Register of Key Procurement Risks	As risk management is an important, continuous process, it is vital that appropriate risk assessments are undertaken, reviewed and managed throughout the procurement process. A Procurement Risk Management Strategy should therefore be developed to help procurement professionals manage risk.
	Emphasis needs to be placed on effective risk registering within the context of the Procurement Risk Management Strategy, particularly for high value, complex procurements. The new corporate contract register will contain a procurement risk register which should be updated to record all risks associated with the contract.
	Issues associated with a contract should also be recorded and updated within the corporate contract register.
	The new procurement arrangements should incorporate a risk assessment to manage procurement risk; this should hopefully increase the council's performance within the Procurement Capability Assessment.
	Where the risks relating to a contract involve significant risks to the delivery of the council's objectives, the risks to the council should be included within the council's corporate risk register.
	Issues and risks should be discussed during contract and supplier performance review meetings, as per the new Contract and Supplier Management Strategy.
	The council's Standing Orders should be updated to reflect best procurement risk management procedures.
	The proposed suite of terms and conditions for the council should be reviewed to ensure that sufficient protection is in place against risks, for example property, patents, information and copyright, indemnity and insurance and intellectual property.
23. Management Reports Available from PECOS to Enhance Reporting Information	It is proposed that PECOS provides a single source of management information with regard to council spend. As such, it is imperative that the outstanding interfaces to PECOS from Operational Services Axim system and Housing, Construction and Building Services Open Contractor system be completed as a matter of urgency in the current financial year. This will ensure that data from legacy systems is reportable through the council's PECOS datamart.
	Following all PECOS interfaces, datamart reports should be further developed to ensure that relevant information is identified, collated and reported to deliver the most benefits to the council.

Report Section	Recommendation
24. Regional Procurement	<p>The council should ensure that collaborative procurement opportunities are exploited, not only with Scotland Excel and Scottish Procurement, but with other councils and Public Sector Bodies. The use of the Contract Strategy will encourage officers responsible for procurement to engage with the marketplace, identifying, assessing and delivering the most effective and efficient procurement solution and as part of the contract development, investigate possibilities for collaborative procurement.</p> <p>The Corporate Procurement Unit's Category Managers and Procurement Specialists should take responsibility for ensuring that regional collaboration opportunities are explored for their commodities.</p> <p>Quarterly reports should be presented to the Council Executive to advise of all new collaborative framework contracts awarded and utilised.</p> <p>Annual approval of the Corporate Procurement Strategy by Elected Members will provide the council with the endorsement to use Category A and B framework contracts provided by Scottish Procurement, Scotland Excel and OGC Buying Solutions.</p> <p>Where the collaborative contract provided by Scottish Procurement, Scotland Excel or OGC Buying Solutions does not meet council needs or does not represent value for money, a business case for exemption should be presented to the Council Executive prior to the commencement of the tender process.</p> <p>Elected Members delegate authority for Category A and B contracts to the Head of Finance and Estates for Supplies and Part A Service contracts, the Head of Social Policy for Part B Service contracts and the Deputy Chief Executive for Works contracts.</p>
25.1 Scottish Procurement	<p>The council should continue to monitor the relationship with Scottish Procurement with any issues raised by the Corporate Procurement Manager with the appropriate Scottish Procurement Manager. The Corporate Procurement Manager needs to ensure that any proposed procurement cashable savings are expedited and are verified by the Financial Management Unit.</p>
25.2 Scotland Excel	<p>Scotland Excel contract management roles and responsibilities should be clarified and agreed to enable contract monitoring and management for effective supply and service deliver to the council.</p> <p>Appropriate timescales for future contracts and variations should be obtained from Scotland Excel and made available to the Corporate Procurement Unit. The Category Managers should then liaise with their customers to obtain necessary spend and specification data for the appropriate commodities.</p> <p>Although Scotland Excel cannot always guarantee to meet every council requirement, the availability of contracts should allow the council to concentrate efforts on local contracts. Any issues with regard to contract delivery plan content should be raised with the Corporate Procurement Manager who will raise with Scotland Excel management and at the Commercial UIGs. If this does not prove productive, issues can be escalated to the Chief Executive Officers Management Group.</p>

Report Section	Recommendation
26. Remit and Constitution of Inter-service Procurement Meeting Groups	A Procurement Steering Board should be established. It is recommended that this board be chaired by the Chief Executive and attended by senior representatives from each service, in addition to the Corporate Procurement Manager and a representative from Legal Services. The group will meet quarterly to discuss procurement performance and service developments. The creation of this Board will demonstrate senior management leadership and commitment and accelerate procurement development throughout the council.
	Quarterly performance meetings should also be established, attended by the Head of Finance and Estates, the Corporate Procurement Manager, the Category Managers, Procurement Development Officer and appropriate staff within the Financial Management Unit. The meeting group will discuss the benefits tracking for each category, review progress of contracts, procurement cashable and non-cashable savings generated and contract compliance. Improved joint working between the Corporate Procurement Unit and the Financial Management Unit is essential for enabling improved performance.
	Following the successful contracts advisory group model operated for Social Care, a Works Contracts Advisory Group should be established. The remit and constitution will be similar to that of the Social Policy Contracts Advisory Group but apply to Operational Services and Housing, Construction and Building Services staff engaged in arranging and managing Works contracts.
	Proposed reporting arrangements for Social Care and Works contracts are described in Section 32 .
27. Marketing of Procurement throughout the Council	The Marketing West Lothian Council Procurement proposals should be agreed and taken forward to effectively promote and therefore improve procurement efficiency and effectiveness.

Report Section	Recommendation
28. IT technology and what developments can be made to improve procurement activity	The development of the new bespoke corporate contract register should be completed as a priority. This will replace the online version currently promoted by the Scottish Government, by providing enhanced contract details required by the council. The development of the new contract register should progress to enable improved contract management and reporting, as well as the ability to calculate BPI and KPI's more efficiently.
	To facilitate the delivery of a new corporate procurement model within the council and to enable access to all the necessary procedures, guidelines and templates required to perform procurement activity, the existing Procurement Services intranet site should be re-designed. A modern, easy to use site should be created for all customers.
	The functionality of the Scottish Government's new eSourcing facility should be investigated by the council's Corporate Procurement Unit and once available, promoted for all contract use, including Works.
	Alternative electronic invoicing solutions are being investigated by the Scottish Government and should be considered by the council upon their future availability. In the meantime, Finance and Estates Services should continue to promote the use of ERS and procurement card use within PECOS to achieve further administration efficiencies.
	Options for the continued development of e-forms should also be considered by the Corporate Procurement Unit to obtain additional opportunity for time savings.
29. Implementation of Procurement Journey: Routes 1, 2 and 3	The Procurement Journey Routes 1, 2 and 3 should be examined and tailored to meet the needs of West Lothian Council as this is critical to the achievement of Best Value and the delivery of improved procurement performance, enabling increased cash savings and risk reduction.
	The Procurement Journey processes, templates and guidance should be appropriately rolled out throughout the council and support provided by the Corporate Procurement Unit to Services for the implementation of Route 1.
	Appropriate reference to the Procurement Journey processes and procedures should be incorporated within Standing Orders.
	Routes 2 and 3 should be adopted by the Corporate Procurement Unit and where possible elements rolled out within the Services responsible for Construction Works and Social Care contracts.
31. Internal and External Audit Findings and Recommendations with Regard to Procurement	The areas highlighted as effective, good, requires improvement, poor and unsound should be analysed to ensure that appropriate procurement training and procedural guidance is developed to eliminate any future "requires improvement", "poor" and "unsound" findings. The move to the new Corporate Procurement Unit with a Category Management structure should also help to eliminate potentially flawed procurement practices by enabling a closer working relationship between Legal Services and service customers.

Report Section	Recommendation
32. Contract Evaluation Criteria Policy	It is proposed that the tender threshold for supplies and services is raised to £50,000, to increase the number and value of tender opportunities for local suppliers, SMEs, the voluntary sector, the third sector and supported businesses.
	To ensure that Elected Members views are considered within the procurement decision making process, it is proposed that for all West Lothian Council procurement exercises in excess of £50,000, the tender award criteria and other considerations e.g. community benefits are reported to Elected Members and agreed at the beginning of the process, i.e. approval is sought for the tender approach and evaluation criteria and not at the point where the contract is about to be awarded to the winning supplier(s).
	Procurement training for Elected Members should be provided to allow them to discharge their duties effectively.
	With the increased use of frameworks e.g. Scottish Procurement, Scotland Excel and OGC Buying Solutions, and with individual "call offs" and aggregated purchases exceeding the OJEU threshold, it is proposed that the reporting to the Council Executive of those frameworks utilised by the council is performed at months 4, 6, 9 and out-turn and follows the Treasury reporting schedule provided by the Financial Management Unit.
	It is also proposed that the procurement reporting to the Council Executive provided to at months 4, 6, 9 and out-turn include details of all contracts let by West Lothian Council during the previous reporting period.
34. Shared Services	The sharing of responsibility of delivery of improvement plan actions should be explored with Falkirk Council. Opportunities for sharing improvement tasks should be explored to enable efficiencies for both councils.
	The council should in future, as a standard of procedure contact Falkirk Council and other public sector bodies to establish if collaboration is possible during procurement exercises.
	The Procurement Development Officer should liaise with Falkirk Council's Procurement Improvement Co-ordinator and other public sector bodies to identify opportunities for sharing best practice and making efficiencies.

Report Section	Recommendation
35. Performance Management	Approval of the Corporate Procurement Strategy will enforce future procurement requirements moving forward and emphasize the performance improvement requirements to those procurement responsibilities.
	The implementation of an agreed Benefits Tracking process and methodology within the Finance and Estates Services will help to establish the progress and success of all contracts within the council.
	The compulsory population of the new bespoke contracts register will be critical to the measurement and therefore management of contracted expenditure within the council.
	To address the lack of supply market analysis and benchmarking, the Scottish Government's 'Hub' supplied by Spike's Cavell should be used to compare the council expenditure with that of other Scottish councils and Public Sector Bodies. In addition, the benefits of joining the CIPFA benchmarking club for procurement should be investigated and pursued.

Appendix C - External Council Visit Question Set



Modernising Procurement Meeting

Procurement Transformation Programme

- What were the key drivers which determined the need for procurement change within your council?
- What were the arrangements prior to the change?
- Did you use an external consultant to conduct your review?
- How long did your procurement review take and have you or do you plan to perform a further review?
- Can you describe the consultation process with staff and stakeholders during the course of the review?
- Were all the review recommendations implemented and did you hold a recommendations launch event?
- Was there standardisation of processes throughout the council as a result of the review recommendations, i.e. contract variations?
- Did you have additional IT requirements post review?
- Can we be provided with a copy of the report and incorporated recommendations from your transformation programme?

Procurement Unit Structure and Responsibilities

- Did you have a preconceived idea of what structure the review would recommend?
- Were there options recommended for the Procurement Unit structure?
- Were there any HR / trade union implications and changes to staff? If so, how did you go about addressing issues?
- Who does the Procurement Manager report to?
- Did you identify the required procurement roles and responsibilities as part of the review and if so, did you develop a training strategy to address skills gaps?
- What are the Procurement Unit team roles, responsibilities, reporting responsibilities and physical locations?
- How do Social Care and Construction feed into your corporate procurement model? Were problems encountered and what lessons did you learn?
- What are your Procurement Administration arrangements? Do you have a corporate pool or administrators dedicated to Procurement? Do you also have dedicated Procurement “super users” throughout the council to assist with operational procurement issues?
- Do you have a procurement staff development career programme in place?

- Does the Procurement Unit perform procurement training to customers?

Performance Measurement & Continuous Improvement

- Do you have a continuous improvement plan for procurement? Or does this form part of the Procurement Strategy?
- What are your procurement performance targets and how are these monitored?
- What benchmarking of procurement performance is measured out with the PCA and BPI's?
- What are your targets for procurement cashable savings from contracts? How are these measured and are they achieved?

Procurement Reporting & Meetings

- What reports and MI do you provide to your senior management team?
- What procurement meetings / working groups do you hold within the council? What is their remit, regularity and who attends?

Compliance

- How do you measure compliance with standing orders and procurement legislation?
- What support does Internal Audit provide to monitoring compliance?
- Do you have a scheme of delegation in place with financial limits? Can you describe how this operates?

Sustainability

- Local Business / SME Agenda
- Community Benefits

PECOS

- How advanced is your PECOS roll out within the council and to what extent do you use PECOS functionality?

'End of Document'

Appendix D – Questions emailed to Councils



Modernising Procurement - Council Questionnaire

Procurement Unit Structure and Responsibilities

1. What are the Procurement Unit team roles, work responsibilities, reporting responsibilities and physical locations?
2. How do Social Care and Works contracts feed into your procurement model?

Social Care

3. Do you have an overarching Commissioning Strategy and contract monitoring framework for social care services?
4. If yes to Q3, how do the plans feed into the Corporate Procurement Strategy?

Procurement Reporting and Meetings

5. What procurement meetings / working groups do you hold within the council? What is their remit, frequency and who attends?

IT Systems

6. What IT systems do you have in place to manage commissioning and contracts throughout the council?

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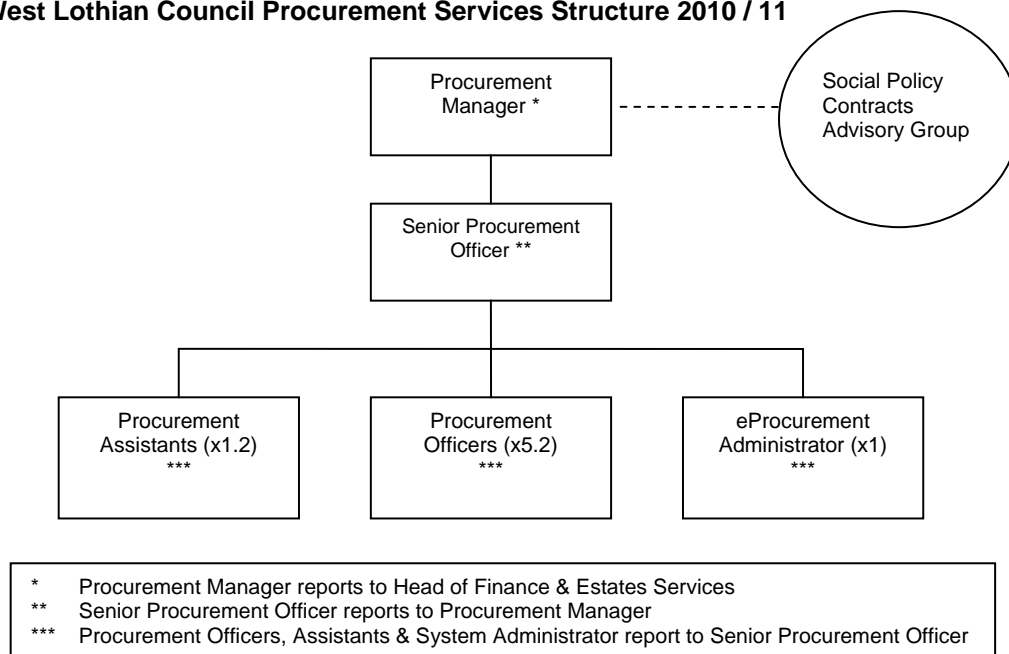
Appendix E – Proposed West Lothian Council Procurement Structure

In response to recommendations from the McClelland Report 2006, requirements of Scotland Excel's Procurement Capability Assessment 2010 and following a council decision to develop a corporate focus on procurement to maximise the benefits to the council of the implementation of a successful procurement function, a review of the existing procurement structure has been performed.

Current Procurement Structure

West Lothian Council has been operating a semi-centralised procurement model. The Procurement Services unit operates a support service to supplies and services customers and Services themselves are responsible for managing a range of bespoke commodities and procurement activity, specifically Social Care, Building and Construction contracts. Although, Social Policy operates a Contracts Advisory Group which meets on a six weekly basis and includes representation and advice from Procurement Services and Legal Services, this is not replicated for all service areas managing contracts.

West Lothian Council Procurement Services Structure 2010 / 11



The staffing cost for the current West Lothian Council Procurement Services Unit is £425,936.

Issues with the Current Procurement Structure

The one-to-one reporting relationship for the current procurement structure is not consistent with the model recommended within the council.

Although evidence of good procurement practice is available throughout the council, it is not consistent. Procurement roles for many officers are an 'add-on' to their substantive role. This means that the procurement training and knowledge of procurement law and practice are lacking and could lead to:

- Duplication of effort and resource, reducing economies of scale opportunities
- Increase and real risk of legal challenges as a result of inappropriate procurement practices and non-compliance,
- Lack of collaborative procurement opportunity,
- Reduction in value for money,
- Incurred costs to council as a result of poor procurement practice, stagnating contracts and poor performing suppliers not being actively managed,
- Lack of performance management and benefits tracking resulting in limited visibility of procurement cashable and non-cashable savings achieved,
- Non-realisation of potential benefits from Scotland Excel contract use, and a
- Detrimental impact on front-line services of non-procurement trained officers performing procurement activities.

Public Sector procurement is an increasingly complex arena and the National Procurement change agenda is ever more aggressive. Keeping abreast of the raft of regulations, legal challenges and best practice is challenging and can no longer be undertaken as an 'add-on' to existing responsibilities without creating a significant risk of challenge and non-compliance. It is therefore recommended that a revised procurement model is established within West Lothian Council.

Proposed Procurement Structure

A series of options of how procurement could be taken forward have been assessed along with the advantages and disadvantages of each. The options are based around the differing structures that could deliver procurement more effectively and efficiently. In essence there are four options:

- Option 1 - no change,
- Option 2 - procurement devolved entirely throughout the council,
- Option 3 - procurement fully centralised, and
- Option 4 - procurement predominantly centralised with clear visibility of Social Care and Works contracts

Descriptions of all options and their impact on customer, people, organisation, technology and outcomes are detailed below.

Option 1 – No Change

Customer – the customer would see little difference apart from the potential impact of a more consistent approach to procurement and greater contract management.

People – no change to current structure although work would be required to define the various roles and responsibilities within the procurement unit.

Organisation – increased number of procedures and processes, as a result of Modernising Procurement Review output, but no assurance that these would be followed and implemented within the services.

Technology – work would progress (albeit slowly) to implement and roll out new procurement systems (when available). However, there would be no assurance that these systems were being used on an ongoing basis.

Outcomes – inability to deliver Corporate Procurement Strategy 2011-2014 objectives, due to restricted influence across council services.

Option 2 – Devolved Procurement Responsibility

Establish separate procurement units within services for the complete commissioning / procurement function. The services would carry out the sourcing, tendering / contracting, monitoring (contract and performance) and administration.

Customer – this option would have a significant impact on the customer as it would take time for the individual services to get up to speed and be able to mirror the current service provision and the relationships with suppliers provided by Procurement Services.

People – a great deal of work would be required to identify the staff currently within services that could perform the necessary procurement activities for the required contracts. This would require the introduction of new tasks to a number of people and require training to support the procurement tasks. In addition, where the required procurement activity could not be encompassed within the existing Service user roles, additional staff would require to be recruited from either the existing Procurement Services Unit, other services or externally.

Organisation – major upheaval with a lengthy period of change.

Technology – the implementation of system changes would be slow, due to the volume of the staff and training requirements involved.

Outcomes – greater potential for non-compliance and a lack of consistency with regard to approach for both customers and suppliers.

Option 3 – Procurement Fully Centralised

Establish a single Corporate Procurement Unit for the complete commissioning / procurement function. The responsibilities of the Corporate Procurement Unit would include sourcing, tendering / contracting, monitoring (contract and performance) and administration of all contracts.

Customer – this option would have a significant impact upon a number of customers as it would take time for the fully centralised function to be able to mirror the current relationship with service users and suppliers. Although once in place would offer benefits from a more consistent approach to procurement processes and procedures.

People – a great deal of work would be required to identify the staff currently employed in the procurement process. It may not be possible to transfer some parts of jobs when the majority of staff time is spent on professional activities, and procurement involves professional input, not just procurement input, e.g. what style of contract should be used, not what should be bought.

Organisation – major upheaval with relocation of existing procurement staff in services to the Corporate Procurement Unit and a period of change for Social Policy, Operational Services and Housing, Construction and Building Services. However once in place, it would offer a more consistent level of support would be provided to services

Technology – it would be possible to implement system changes quicker as the staff involved would be centrally based and therefore able to change the mechanics of a process much quicker. However, that would only be able to commence once the centralised unit was in place and that would be a lengthy process.

Outcomes – Consistent approach to procurement activity and greater compliance to processes, procedures and legislative requirements.

Option 4 – Predominantly Centralised Procurement with Enhanced Social Care & Works Contract Management

Customer – minor difference as the enhanced monitoring would be limited to contract User Intelligence Group representatives, Operational Services and Housing, Construction & Building Services representatives and the existing dedicated team within Social Policy. The majority of customers would however start to see differences as they would benefit from a more consistent approach to procurement processes and procedures.

People – minimal change but the revised structure would require the continuation of the Contracts Advisory Group for Social Policy contracts and the introduction of a similar group for Works contracts.

Organisation – a more consistent level of support to all services and a closer monitoring of the contract process in place for Social Policy, Operational Services and Housing, Construction & Building Services Works contracts.

Technology – system changes would be implemented relatively quickly, as the numbers of staff involved would be known and manageable.

Outcomes – Consistent approach to procurement activity and greater compliance to processes, procedures and legislative requirements.

Options Assessment

Modernising West Lothian Council's procurement arrangements has the following targets:

- achieving savings through economies of scale in contract arrangements
- savings in staff time, by simplifying and standardising processes
- ensuring the right staff are doing the right jobs

Option 1 - this is not a realistic option, as the council cannot continue to operate with the existing structure and procurement management responsibilities if increased levels of efficiency and effectiveness are to be gained.

Option 2 - this option opposes the council's streamlining, consolidation and efficiency plans and does not make allowances for contingency arrangements. Procurement activities may be performed infrequently, which will require a re-learning of the processes and procedures, impacting on training time and costs, as well as an increase in the support provided by other services, e.g. Legal.

Option 3 - the option is unworkable at the present time, due to the delay it presents in implementing the Modernising Procurement implementation plan actions. Specialist staff within the services would require to move to the Corporate Procurement Unit and part of their service role would still require to be filled, resulting in an increase in costs. It would not be practical to simply centralise all officers currently involved in procurement as it is not their total function and responsibility. It would also disrupt services and have a negative impact upon the time-line for achieving efficiencies.

Option 4 – this option enables the creation of a new structure and dedicated contract management with a manageable number of people involved. This option ensures that people with high levels of procurement expertise are driving the procurement process with a depth of understanding of the tools, and techniques. Those people with the technical skills within the services will be encouraged to join User Intelligence Groups and feed into the process, as far as specialist input at tender specification, evaluation, as well as inputting to contract & supplier management. Work can be shared within the Corporate Procurement Unit and contingency arrangements implemented. Staff development opportunities will exist and training will be more effectively managed. The targeting of corporate contracts and enhanced supplier management will be possible.

Benefits of Implementing Option 4

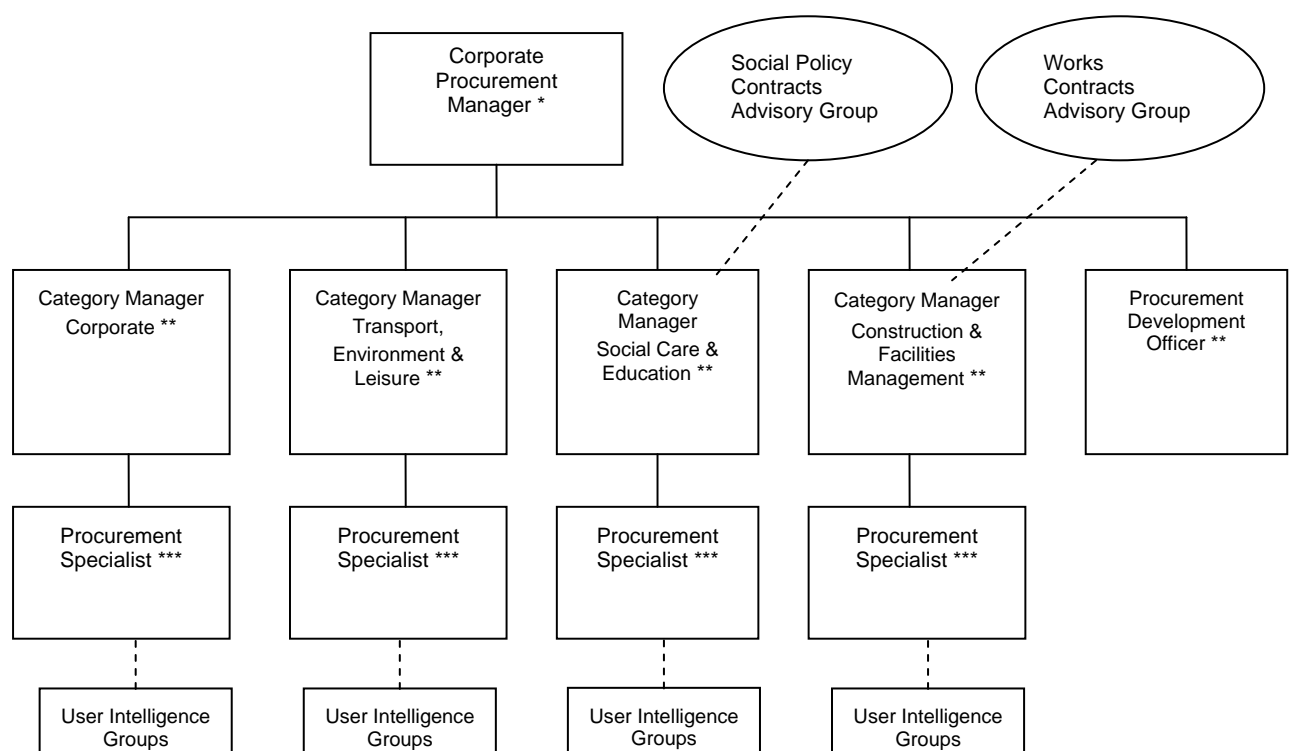
The implementation of a Corporate Procurement Unit with a strictly controlled link retained for all Social Care contracts and established for all Works contracts, in the form of Contracts Advisory Groups, will enable the following:

- Demonstrates councils determination to make procurement more corporate
- Creates a “Centre of Expertise”
- Allows for greater internal collaboration
- Allows for central monitoring of spend to control aggregation (EU limit)
- Improves the quality and control in the generation of procurement specifications
- Targets individual procurers to ensure the application of the councils procurement Strategy and Policy is consistent
- Targets individual procurers to ensure compliance with regulations
- Targets individual procurers to ensure all procurement activity is tied to financial management and service improvement
- Provides a direct relationship between supplier and contract manager
- Streamlines the line of communication between service recipient and supplier
- Releases non-procurement staff to concentrate on their ‘day job’ and provide specialist expertise when required

Category Management

It is proposed that the Corporate Procurement Unit will employ Category Management. This arrangement will enable the council to manage its buying activity by grouping together related products and services across the council and map them onto a supplier market. Under Category Management, decisions about what products and services are bought, which suppliers are used and what contracts the council enters into, will be made on a category-by-category basis with a view to optimising quality and maximising savings across the council as a whole.

West Lothian Council Corporate Procurement Unit - Proposed Structure



* Corporate Procurement Manager reports to Head of Finance and Estates

** Category Managers and Procurement Development Officer report to Corporate Procurement Manager

*** Procurement Specialists report to allocated Category Manager, but all operate flexibly

The Category Management structure will be flexible and although categories have been designated above, they may be subject to change dependent upon the dynamic procurement requirements.

The proposed Corporate Procurement Unit will encompass 10 FTE. The job descriptions for the unit are currently being produced and will shortly be passed to HR for grading. The staffing cost for the council's proposed Corporate Procurement Unit is expected to be greater than the current Procurement Unit, with additional funding obtained from an increased delivery of procurement cashable savings.

Any structural changes will be implemented in accordance with the council's agreed organisational change processes and in consultation with the Trade Union.

Benefits of Proposed Category Management Structure

- Clearly defined roles and responsibilities of procurement staff, with up to date job descriptions, ensuring they know what's expected of them,
- Clear message to customers regarding who they contact regarding various procurement matters,
- Awareness of procurement staff and their customers of the role they perform in arranging and managing contracts,
- Ownership of the council's Corporate Procurement Strategy enabling vision and direction council wide,
- Consistent use of procurement systems employed throughout the council, i.e. proposed use of Public Contracts Scotland to advertise contracts, all tenders over £50k issued through eSourcing, contracts less than £50k processed through Quick Quote facility,
- High profile reporting mechanism, with representation at service management teams to discuss procurement strategy, contracts, performance and reform

Corporate Procurement Manager

The responsibilities of the Corporate Procurement Manager will be to:

- Provide strategic procurement direction for the council
- Manage the transformation to a category management structure and lead the new Corporate Procurement Unit
- Develop and review Procurement Strategy
- Develop and enforce Procurement Policy
- Set objectives and targets for council procurement
- Manage relationships with key internal customers and strategic suppliers
- Manage change to council procurement policies and processes
- Participate in national / regional / local collaboration as an advisor
- Deliver ongoing cost savings to the council
- Ensure targets and KPI's are achieved
- Ensure a high level of compliance with the procurement policy
- Manage the Category Managers and the Procurement Development Officer
- Promote the Corporate Procurement Unit and its values
- Report to the Head of Finance & Estates and the Corporate Management Team

Category Managers

The responsibilities of the Category Managers will be to:

- Lead cross-organisational and cross-council teams (UIGs) for sourcing projects
- Lead market analysis, profiling and negotiations for allocated categories
- Pro-actively identify contract opportunities
- Ensure that best practice applies within allocated categories
- Participate in national / regional / local collaboration as an advisor
- Develop, implement and monitor commodity performance measures and ensure targets are met
- Ensure supplier development and management is performed within allocated categories
- Approve new PECOS catalogues (content management)
- Ensure timeliness and quality of deliverables
- Ensure that performance targets are met
- Manage Procurement Specialist(s) assigned to category
- Educate, inform and train user community regarding procurement
- Report to the Corporate Procurement Manager and appropriate Senior Management Teams

Procurement Specialists

The responsibilities of the Procurement Specialists will be to:

- Assist / represent the Category Managers during UIG meetings for sourcing projects
- Perform market analysis and profiling for allocated categories
- Pro-actively identify contract opportunities
- Participate in national / regional / local collaboration as an advisor
- Measure commodity performance and report to Category Manager
- Assist the Category Managers in the development and management of contracts and suppliers
- Develop new PECOS catalogues (content management)
- Develop and maintain an excellent working relationship with relevant service users across the council
- Educate, inform and train user community regarding procurement
- Report to the Corporate Procurement Manager and appropriate Category Manager(s)

Procurement Development Officer

The responsibilities of the Procurement Development Officer will be to:

- Enhance and develop the Purchase to Pay systems which enable procurement to function efficiently and effectively
- Develop and drive continuous improvement in procurement practices through review, improvement and implementation of new processes, procedures, templates and tools
- Support the Corporate Procurement Manager in corporate strategic activities and Category Managers in the delivery of ongoing savings
- Monitor and promote compliance with all approved strategies / procedures to ensure achievement of optimum procurement performance and savings
- Measuring compliance with Standing Orders, Procurement Rules and Best Value achievement
- Assist with the enforcement of Standing Orders and address non-compliant buying behaviour with Heads of Service
- Liaise with Falkirk Council's Procurement Improvement Co-ordinator and other Public Sector bodies to identify opportunities for sharing best practice and making efficiencies.
- Report to the Corporate Procurement Manager

The launch of and investment in the new Corporate Procurement Unit will help to emphasise the importance of procurement within West Lothian Council and help in establishing procurement a strategic high profile function.



Corporate Procurement Strategy

2011 – 2014

June 2011

Contents

1. INTRODUCTION.....	70
2. WHAT IS PROCUREMENT?	70
3. WHAT IS SUSTAINABLE PROCUREMENT?	70
4. CORPORATE PROCUREMENT STRATEGY	71
5. STRATEGIC OBJECTIVES	72
6. PROCUREMENT VISION AND MISSION STATEMENT	73
7. ALIGNMENT TO THE CORPORATE PLAN AND FINANCIAL STRATEGY	74
8. PROCUREMENT STRUCTURE.....	74
9. STRATEGIC PROCUREMENT	74
9.1 COLLABORATIVE PROCUREMENT	75
9.2 MANAGING AND DEVELOPING SUPPLIERS.....	76
9.3 EFFICIENCY IN PROCUREMENT	76
10. CORPORATE PROCUREMENT STRATEGY DELIVERY	77
11. IMPLEMENTING THE CORPORATE PROCUREMENT STRATEGY	77
11.1 PROCUREMENT PERFORMANCE IMPROVEMENTS AND EFFICIENCIES	77
11.2 REVIEW OF STRATEGY	77
11.2.1 <i>Reporting at Officer Level.....</i>	<i>78</i>
11.2.2 <i>Reporting to Elected Members</i>	<i>78</i>
11.2.3 <i>External Reporting.....</i>	<i>78</i>
APPENDIX A – WEST LoTHIAN COUNCIL PROCUREMENT IMPROVEMENT PLAN 2011-2014	

1. Introduction

The Corporate Procurement Strategy establishes council procurement objectives and provides a Procurement Improvement Plan for 2011/12 to 2013/14. The Strategy reflects both local and national policies and priorities and promotes effective procurement across the whole organisation.

Emphasising the increasing importance of Sustainable Procurement, the Strategy supports wider social, economic and environmental objectives, in ways that offer real long term benefits.

Budgetary pressures and the requirement for efficiencies mean that council procurement activity is paramount in successful service provision. Strategic Procurement will be of significant importance as the council needs to deliver the financial strategy.

The authority to award Contracts or Agreements, issue Purchase Orders or other commitment is defined within the council's Standing Orders.

2. What is Procurement?

Procurement is the process by which the council acquire goods, services and works from third parties to meet customer and service user needs.

The procurement process spans the whole life cycle from the identification of a requirement through sourcing, evaluation, selection, award, mobilisation and ongoing performance monitoring, to the end of the useful life of an asset or service / works contract. Procurement is a significant proportion of the council's expenditure, with currently over £230m worth of goods, services and works procured annually from external suppliers.

It is imperative that all council procurement activities are based upon the following principles: accountability, non-discrimination, equal treatment, transparency, mutual recognition, proportionality, continuous improvement and fair competition.

The council is required to comply with EU Procurement Directives, International Trade Treaties, UK and Scottish legislation governing Public Sector procurement. The existing UK Government Public Sector Equality Duties on disability, gender and race equality also place a statutory requirement on the council to support equality of opportunity through procurement.

3. What is Sustainable Procurement?

Sustainable Procurement can be defined as '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 procuring organisation, but also to society and the economy, whilst minimising damage to the environment.'

Sustainable Procurement obtains value for money by improving public procurement efficiency and using public market leverage to facilitate local and global benefits by, considering and blending environmental, social and economic impacts for both present and future generations:

- **Environmental** - includes the use of recycled and recyclable products, natural resource consumption, 'greener' sources of energy, energy efficiency, management of waste, and the impact of transportation to reduce environmental impact and ecological footprint.

Under Single Outcome Agreement (SOA) 14, the council is committed to reducing the local and global environmental impact of its consumption and production.

- **Social** - includes enabling of employment / training opportunities and community benefits through the inclusion of social and community clauses within contracts, adopting ethical sourcing practices, encouraging and promoting good health and ensuring that suppliers and contractors do not contravene equality and diversity policies.
- **Economic** - focuses on retaining expenditure within the local economy by providing help and support to local businesses, especially small to medium enterprises and improving access to opportunities.

Sustainable Procurement will be embedded throughout council procurement processes taking social, economic and environmental considerations into account when determining the specification of goods, services and works and procuring the most sustainable option where it offers best value

Sustainability will also be embedded throughout the council's supply chain. As a major purchaser, the council will encourage suppliers and contractors to consider the impact of their products and services, and to offer more sustainable alternatives.

The council recognise the benefits of having a diverse supplier base and will ensure that there are no barriers to small and medium enterprises, local businesses, social enterprises and the third and voluntary sectors

To help organisations understand and take necessary steps to improve procurement practice and bring about sustainable procurement, the Sustainable Procurement Task Force developed a 'Flexible Framework'¹. The Scottish Procurement Directorate has developed the Scottish Sustainable Procurement Action Plan² to reflect the 'Flexible Framework'. The Scottish Sustainable Procurement Action Plan identifies actions and timescales for improving Scotland's sustainable procurement practices. The council has already undertaken an initial benchmark assessment against the Flexible Framework and will continue to measure progress on an ongoing basis.

4. Corporate Procurement Strategy

This Corporate Procurement Strategy is a response to the dynamic procurement agenda, recognising that the effectiveness of procurement will have a considerable influence on the successful achievement of council objectives towards making a positive difference to the services provided by West Lothian Council.

The Strategy will provide a corporate focus, direction and vision for all procurement activities, while establishing a robust governance structure. It ensures procurement contributes to the delivery of the council's Corporate Plan, implementing sustainable procurement and sustainable development principles whilst achieving Best Value and delivering procurement cashable savings.

Maximising collaborative procurement activity, the Strategy promotes the highest standards of professionalism and sharing of experience and best practice.

5. Strategic Objectives

Twelve strategic objectives have been identified which will form the basis of West Lothian Council's Procurement Improvement Plan (Appendix A) over the next three years:

- Strategic Objective 1** - Provide procurement leadership and governance for achieving Best Value
- Strategic Objective 2** - Ensure availability of a corporate framework to guide council procurement
- Strategic Objective 3** - Demonstrate a well planned approach to defining supply need
- Strategic Objective 4** - Demonstrate a clear understanding of how to best satisfy supply needs
- Strategic Objective 5** - Manage contracts and suppliers effectively
- Strategic Objective 6** - Demonstrate efficient and robust processes and systems to support advanced procurement activity
- Strategic Objective 7** - Ensure availability of sufficiently capable people to demonstrate effective procurement performance
- Strategic Objective 8** - Assess procurement performance and demonstrate improvements
- Strategic Objective 9** - Deliver value for money from sustainable procurement activity
- Strategic Objective 10** - Minimise the environmental impacts of our contracts
- Strategic Objective 11** - Encourage a strong sustainable local economy and sustainable supply chains
- Strategic Objective 12** - Implement sustainable procurement practices

The Corporate Procurement Strategy objectives will be applied throughout the council and reflected in the council's Standing Orders.

6. Procurement Vision and Mission Statement

The council is committed to developing and improving its procurement practices to ensure that all future procurement activities are as efficient and effective as possible.

John F McClelland's review of Scottish Public Sector procurement was published in 2006 and highlighted a number of identified weaknesses and proposed recommendations to enable McClelland's vision for advanced procurement performance to be achieved.

The Public Procurement Reform Programme was set up in 2006, in response to the McClelland Report. The Procurement Reform Delivery Group agreed in January 2009 that a single Procurement Capability Assessment should be developed to promote the sharing of best practice and continuous improvement across the Scottish Public Sector.

The Procurement Capability Assessment assists organisations improve their structure, capability, processes and ultimately performance, by attaining the best standards that are appropriate to the scale and complexity of their business.

The Procurement Capability Assessment assesses capability in key areas against common criteria and standards which will allow public bodies, locally, at sector level and nationally, to identify where best practice already exists, where there are gaps and where continuous improvements and efficiencies can be implemented.

Organisations have the opportunity, where appropriate, to develop and implement improvement plans as a result of the Procurement Capability Assessment with assistance from the relevant Centre of Expertise. For the council, the Procurement Capability Assessment is facilitated by Scotland Excel.

Now in its third year for Local Authorities, the council increased its capability score from 22% in 2009 to 27% in 2010. Although some improvement is evident, and West Lothian Council has advanced its procurement performance from a "Developing" status to a "Conformance" status, the progress is insufficient to realise the efficiencies available to an organisation achieving a status of "Improved Performance" or "Superior Performance".

To ensure optimum procurement benefits are obtained for the council, a comprehensive council – wide review of procurement was conducted during 2011. The implementation of the recommendations from the review will address the limitations of the council's structure, processes, procedures, documents, roles and responsibilities relating to procurement activity. This commitment will help to ensure this Strategy succeeds by delivering new and improved ways of working and establishing stronger relationships between the new Corporate Procurement Unit, its customers and suppliers.

To complement the Corporate Procurement Strategy, the following mission statement summarises the council's procurement vision:

"To achieve superior procurement performance through advanced sustainable procurement practices for the benefit of the council and its stakeholders"

7. Alignment to the Corporate Plan and Financial Strategy

The council's vision and its core values act as the focus for all council activities. Strategic Procurement will assist the council to achieve its corporate goals and contribute to achieving the council's financial strategy proposed savings target of £3 million from 2011/12 to 2013/14.

8. Procurement Structure

Procurement within the council places the corporate and strategic activity centrally through the Corporate Procurement Unit, whilst at the same time enabling service specific strategy and operational activity to be managed within the service areas where the technical expertise resides.

In order for the council to meet its needs and deliver sustainable value, strong working relationships are required between the Corporate Procurement Unit and its customers. User Intelligence Groups will be used for all major contracts, comprising "technical experts" and Corporate Procurement Unit personnel.

To enable council contracts to be initiated in the most appropriate way to meet user requirements whilst realising financial and other benefits, a Category Management procurement approach will be adopted for key spend areas.

8.1 Category management

Category Management involves analysing the council's supplier expenditure into categories and breaking down spend into individual supplies and service groupings within the overarching category.

Category Management leads to better engagement and more effective planning of procurement activity, offering opportunities to develop people and processes to enable a holistic view of spend. Opportunities for enhanced collaboration to maximise Best Value through strategic procurement are also enhanced.

9. Strategic Procurement

Strategic procurement is long term planning to ensure timely supply of goods, services and works that are critical to the ability to meet core business objectives. Strategic procurement considers analysis of expenditure, looking across services and partnerships to identify synergies and opportunities for improving economy, efficiency and effectiveness. The drivers for successful Strategic Procurement are:

- Availability and quality of data
- Capacity and capability to analyse the data and package to achieve Best Value
- Segmentation and prioritisation of expenditure categories

Our approach to strategic procurement is demonstrated below:

9.1 Collaborative Procurement

The council is fully committed to participating in the national and regional procurement agenda, utilising collaborative initiatives implemented through Scottish Procurement, Scotland Excel, OGC Buying Solutions and other Scottish Local Authorities and Public Sector Bodies where appropriate.

Collaborative opportunities with other Public Bodies will offer scope to deliver Best Value in terms of:

- Aggregation of spend to produce economies of scale
- Minimising duplication of effort and optimising the use of resources
- Opportunity for experts to work in partnership

The council has realised financial savings through collaborative procurement over the past few years.

Scottish Procurement Contracts

Scottish Procurement arranges 'Category A' contracts for supplies and services that are standard or of a similar nature across the largely common requirements of users within the whole of the Public Sector in Scotland, e.g. Stationery, IT Hardware and Software, Utilities, etc. The council currently utilise 9 Scottish Procurement contracts although this number is expected to soon increase.

Scotland Excel Contracts

Scotland Excel arranges 'Category B' contracts for supplies and services that are high-value and of a standard or of a similar nature and common in requirements across Scottish Local Authorities, e.g. Food, Library Books, Wheelie Bins, etc. Of the 42 Scotland Excel contracts available, the council currently use 37. Existing council contract arrangements are in place for the other 5.

Office of Government Commerce Buying Solutions (OGC Buying Solutions)

Part of the Efficiency and Reform Group within the UK government's Cabinet Office, OGC Buying Solutions facilitates the buying process in providing access to more than 1,500 suppliers that provide supplies and services across the entire UK Public Sector, e.g. gas oil, telecommunications and automotive fuel. The council currently utilises 12 OGC Buying Solutions contracts.

Regional / Local Contracts

Where the contract is established by West Lothian Council or another Local Authority for use by the council and other regional partners this is classed as a Category C1 contract. Of the 16 C1 contracts currently in use, 10 have been arranged by the council.

Exemption from collaborative contracts use can only be granted in accordance with council Standing Orders.

9.2 Managing and Developing Suppliers

It is essential that the council obtains maximum value and optimum service delivery throughout the contract lifecycle. Supplier engagement is required to understand what drives, enables and encourages suppliers to bid for contracts. The council must strive to develop relationships with its suppliers that are mutually advantageous, based on continuous improvement of performance and mutual financial and non financial benefits.

West Lothian Council is committed to working with Small and Medium sized enterprises (SMEs), Social Enterprises (SEs) and local suppliers to sustain and develop the local economy and maximise employment opportunities.

9.3 Efficiency in Procurement

In order to achieve efficiencies and transform council services, it is essential that the council procures legally and professionally. Compliance with procurement procedures and contracts is important for achieving Best Value, and is also critical to managing risk within the council.

Electronic Procurement (eProcurement)

eProcurement is integral to the overall development of efficient procurement processes and involves the use of electronic systems to procure and pay for supplies, services and works. By utilising eprocurement the council can:

- Increase control and consistency of processes
- Reduce transaction costs
- Improve management information and visibility of spend
- Improve spend compliance

The council utilises a comprehensive set of eprocurement solutions that include:

- Public Contracts Scotland for online advertising of contract opportunities and requesting quotations,
- Electronic Sourcing Scotland for online tendering
- PECOS for supplier ordering and invoicing.

Advancement in technology enables a reduction in unnecessary costs and the use of eprocurement will be progressed to ensure its extensive use within the council.

10. Corporate Procurement Strategy Delivery

The Procurement Capability Assessment evaluates procurement competence across the council against eight characteristics and four levels of aptitude. The objective of the Procurement Capability Assessment is to set out a mechanism for identifying areas where organisations can strengthen their approach to procurement and ultimately improve performance. All Scottish Public Bodies are measured against the following criteria:

- 1 Procurement Leadership and Governance
- 2 Procurement Strategy and Objectives
- 3 Specifications
- 4 Sourcing Strategies and Collaborative Procurement
- 5 Contract and Supplier Management
- 6 Key Purchasing Processes and Systems
- 7 People
- 8 Performance Measurement

The Procurement Capability Assessment is an appraisal of how the council corporately performs with regard to procurement activity. The council as a whole will take ownership for the responsibility of delivering the required procurement performance and the Corporate Procurement Unit will provide the necessary direction with the continued support of the council's Corporate Management Team.

The objectives of the Procurement Capability Assessment and the objectives of Corporate Procurement Strategy have the overall goal of improving procurement within West Lothian Council. Therefore, the strategic objectives of this Strategy have been developed to provide a consistency of approach with the Procurement Capability Assessment.

11. Implementing the Corporate Procurement Strategy

This Strategy forms part of the council's corporate approach to delivering and supporting the council's objectives. Through the adoption of a strategic approach to procurement we aim to integrate procurement planning as part of the overall business planning process.

11.1 Procurement Performance Improvements and Efficiencies

Implementation of the strategic procurement objective activities detailed in Appendix A will be monitored through performance management arrangements within the Corporate Procurement Unit and overseen by the Head of Finance and Estates and a Procurement Steering Board chaired by the Chief Executive.

In addition, the council uses a range of national and local indicators to measure its performance in procurement activity. Actual performance is reported on a quarterly basis against procurement targets set by the Scottish Government and within the Finance and Estates Management Plan.

11.2 Review of Strategy

Although this Strategy covers the period 2011 to 2014, ongoing developments in Public Sector procurement will necessitate regular review to ensure the Strategy continues to be aligned with the initiatives that may arise. The strategy will be subject to annual review.

11.2.1 Reporting at Officer Level

The Head of Finance and Estates will report progress on a quarterly basis to the Procurement Steering Board. The report will provide an update of the progress made to date against the strategic procurement objective activities detailed in the Procurement Improvement Plan, see Appendix A.

11.2.2 Reporting to Elected Members

Progress against the Strategic objective activities within the Procurement Improvement Plan will be reported annually to the Partnership and resources Policy Development and Scrutiny Panel. Monitoring of Strategy progress will be reported to the Council Executive at months 4, 6, 9 and out-turn in line with financial monitoring arrangements.

11.2.3 External Reporting

The council reports progress to the Scottish Government against a range of National Best Practice Indicators used to identify the benefits that have arisen from the council's participation in the Centres of Expertise. Additionally, the council's Procurement Capability Assessment performance is reported by Scotland Excel.

Benchmarking of West Lothian Council progress against other Public Sector Organisations will be performed to identify Best Practice and reported on an annual basis to the Corporate Management Team and Council Executive.

Appendix A – West Lothian Council Procurement Improvement Plan 2011-2014

The objectives identified within the Corporate Procurement Strategy will be delivered through the activities within this plan.

Objective 1- Provide procurement leadership and governance for achieving Best Value		
Activities	Risk if Activity Not Performed	2011/12 Progress
A Procurement Steering Board comprising the council Chief Officers will be established and will meet quarterly to support the Corporate Procurement Manager to accelerate procurement development throughout the council and to deliver improved procurement for West Lothian.	Lack of acceptance of importance of procurement and reluctance to change resulting in maintenance of existing performance.	
Whole contract lifecycle documentation will be developed to guide procurement professionals. The Procurement Journey will be rigorous and robust in stipulating the appropriate procurement procedures and templates to be used. A gateway review process will also be developed for all contracts awarded by the council.	Lack of consistency across organisation leading to loss of efficiency and savings and potential challenges from suppliers.	
Objective 2 - Ensure availability of a corporate framework to guide council procurement		
Activities	Risk if Activity Not Performed	2011/12 Progress
The Corporate Procurement Strategy will be sufficiently communicated throughout the council to ensure that it is embedded and that everyone is aware of their role and responsibility delivering the required procurement outcomes.	Inability to deliver efficiencies and Best Value.	
Appropriate procurement training will be developed and delivered to ensure that key procurement professionals understand the Strategy. Information and best practice will be shared throughout the council.	Failure to deliver objectives and improve performance.	
A standard suite of procurement procedures, policies and processes will be developed and implemented throughout the council with a clear message that use is compulsory.	Lack of consistency across organisation leading to loss of efficiency and savings and potential challenges from suppliers.	

Objective 3 - Demonstrate a well planned approach to defining supply need		
Activities	Risk if Activity Not Performed	2011/12 Progress
The Corporate Procurement Unit Category Managers will meet with Services to ascertain and plan for future procurement requirements.	Lack of information and co-operation from services in delivering requirements.	
The Corporate Procurement Unit, along with representatives from User Intelligence Groups will investigate the use of new and alternative products and services on the market in an effort to improve council performance.	Failure to optimise requirements and deliver Best Value.	
Social Policy will continue to attend provider forums, e.g. Senior People's Forum, Housing Support Providers Forum, as a basis for improving the provision of services to meet the objectives of the council and their customers.	Failure to optimise requirements and deliver Best Value.	
Comprehensive tender specifications will be developed to ensure that requirements are documented in a structured and consistent manner.	Failure to deliver Best Value and optimum savings.	
Training will be developed and delivered where necessary to ensure that all procurement professionals are aware of the required content for specifications.	Failure to deliver objectives and improve performance.	
Catalogue ordering will be promoted where possible. Non-catalogue ordering will be monitored for catalogue suppliers, with a view to increasing catalogue content and therefore enabling enhanced management information.	Lack of efficiency across organisation.	

Objective 4 - Demonstrate a clear understanding of how to best satisfy supply needs		
Activities	Risk if Activity Not Performed	2011/12 Progress
User Intelligence Groups (UIGs) will be established to assist with contract strategy development, tender evaluation, contract monitoring and supplier management, project implementation, and compliance and benefits tracking. Existing customer / supplier forums should also continue, to improve the provision of services.	Lack of support from customers and availability of information required to deliver benefits.	
A contract strategy development guide will be developed as part of the Procurement Journey documentation. The development guide will be supported by the introduction of a contract strategy template which will facilitate best practice and consistency across the council.	Lack of consistency across organisation and failure to deliver Best Value and savings.	
Collaboration with other organisations will be routinely investigated as part of the contract strategy development process.	Failure to deliver Best Value and optimum savings.	
Benefits tracking templates will be developed and implemented for use within the Corporate Procurement Unit. Contract responsibility, status, length, value, target and confirmed savings will be recorded.	Inability to monitor performance and achieve optimum service delivery.	
The activities from the West Lothian Sustainable Procurement Action Plan will be implemented.	Inability to ensure compliance to strategy, policy and processes.	
Increased benchmarking opportunities will be explored by the Corporate Procurement Unit through analysis of the supply market and the use of spend data from the Spikes Cavell hub.	Failure to deliver Best Value and perform detailed spending reviews.	
The principles of the Scottish Government's Supplier Charter will be used, where practical, to simplify and standardise procurement processes and to ensure consistency in order to provide a fair and open approach to tendering.	Failure to comply with council's Corporate Plan objectives and legislative / policy requirements.	

Objective 4 (Continued) - Demonstrate a clear understanding of how to best satisfy supply needs		
Activities	Risk if Activity Not Performed	2011/12 Progress
The use of the 'Small Lot' provision will where appropriate provide local and SMEs with contract opportunities, which are aligned to the capabilities of their enterprises, providing the total value of the lots is less than 20% of the contract value.	Failure to comply with council's Corporate Plan objectives and legislative / policy requirements.	
The council will make use of 'Reserved Contract' arrangements by restricting participation in a tendering exercise to supported factories and businesses for at least one contract.	Failure to comply with council's Corporate Plan objectives and legislative / policy requirements.	
Through membership of the Supplier Development Programme, the Corporate Procurement Unit will actively participate in supporting SMEs to access the public procurement market.	Failure to comply with council's Corporate Plan objectives and legislative / policy requirements.	
Objective 5 - Manage contracts and suppliers effectively		
Activities	Risk if Activity Not Performed	2011/12 Progress
All contract opportunities will be advertised on the council's Business Portal and the Scottish Government's National Advertising Portal, Public Contracts Scotland (PCS).	Lack of consistency across organisation and potential process inefficiency.	
Appropriate PCS training will be developed and delivered to promote the use of the portal.	Lack of consistency across organisation and potential process inefficiency.	
The number of quantitative KPI's and SLAs agreed with suppliers will be increased to enable enhanced performance measurement.	Failure to extract maximum value from contracts.	
A Contract and Supplier Management Strategy will be developed and implemented to ensure a consistent approach to managing contracts and suppliers across the council.	Failure to extract maximum value from contracts.	
A Communications Strategy will be developed to ensure that the correct audience are receiving the correct information at the correct time with regard to contracts.	Increases in off-contract spend and failure to extract maximum value from contracts.	

Objective 6 - Demonstrate Efficient and Robust Processes and Systems to Support Advanced Procurement Activity

Activities	Risk if Activity Not Performed	2011/12 Progress
A corporate contract register will be developed and implemented within the council with a clear message that use is compulsory.	Lack of appropriate information leading to reduced savings and potential duplication of effort and contract conflict.	
The Quick Quote facility will be implemented throughout the council to obtain competitive quotes for low value / low risk procurement exercises.	Process inefficiency and lack of consistency.	
All legacy systems will be interfaced with PECOS to ensure a consistent use of procurement systems and availability of management information.	Lack of appropriate information leading to reduced savings and process inefficiency.	
More efficient ordering and invoicing techniques will be implemented to encourage increased on time payment of invoices.	Failure to optimise legislative compliance levels and realise efficiencies.	

Objective 7 - Ensure availability of sufficiently capable people to demonstrate effective procurement performance

Activities	Risk if Activity Not Performed	2011/12 Progress
A Competency Framework will be used to identify the gap between what currently exists and what is required moving forward with regard to procurement competency across the council.	Inability to realise optimum performance from procurement staff and failure to meet future procurement demands.	
A Training Strategy will be developed to ensure that suitable training provision is delivered according to the number of individuals and level of requirements.	Inability to realise optimum performance from procurement staff and failure to meet future procurement demands.	
Online training courses will be developed to provide procurement fundamentals and procurement systems training across the council.	Failure to comply with legislation, obtain optimum customer input and realise work efficiencies.	

Objective 8 - Assess Procurement Performance and Demonstrate Improvements

Activities	Risk if Activity Not Performed	2011/12 Progress
Procurement Status reports will be developed and implemented within the Corporate Procurement Unit. Details of procurement activity and benefits tracking will be reported to the council's Senior Management teams by the Corporate Procurement Unit Category Managers.	Lack of available information to obtain maximum value from contracts.	
Quarterly performance meetings will be established, attended by the Head of Finance and Estates Services, the Corporate Procurement Manager, the Category Managers, Procurement Development Officer and appropriate Accountants within the Financial Management Unit. The meeting group will discuss the benefits tracking for each category, review progress of contracts, contract compliance and the actual cashable and non-cashable savings generated against the target of £1.8m between 2011 and 2013.	Failure to achieve maximum output from procurement activity.	
The activities identified within the annual PCA action plan will be implemented to ensure improved procurement performance and an increasing capability score for the council.	Failure to realise optimum procurement performance improvement.	
Objective 9 - Deliver value for money from sustainable procurement activity		
Activities	Risk if Activity Not Performed	2011/12 Progress
The council will accept the Most Economically Advantageous Tender (MEAT) and not only lowest price. This approach will allow the whole life costs and environmental characteristics to be considered when determining the most economically advantageous tender.	Inability to ensure compliance to strategy, policy and processes.	
Procurement professionals will be trained and receive guidance in whole life costing.	Lack of consistency across organisation, potential challenges from suppliers and a potential failure to deliver objectives.	
The council's future capital investment proposals will be supported with a financial appraisal which incorporates full life costing.	Potential failure to deliver objectives.	

Objective 9 (continued) - Deliver value for money from sustainable procurement activity		
Activities	Risk if Activity Not Performed	2011/12 Progress
The council will consider new products and services to pioneer, particularly in the use of carbon saving and recycled goods.	Inability to deliver efficiencies and Best Value.	
Objective 10 - Minimise the environmental impacts of our contracts		
Activities	Risk if Activity Not Performed	2011/12 Progress
Environmental criteria will be used where appropriate in the awarding of contracts with supplier environmental policies and procedures taken into account as part of the supplier appraisal process.	Potential challenges from suppliers and a potential failure to deliver objectives.	
The council will specify where appropriate the use of and minimum standards for environmentally friendly materials and products that minimise environmental effects in their production, use and disposal.	Inability to ensure compliance to strategy, policy and processes and a potential failure to deliver objectives.	
'Government Buying Standards' ³ will be referred to during the creation of contract specifications for appropriate commodities to ensure that the council is aware of the most up to date environmental developments and research impacting upon procurement decisions.	Inability to deliver Best Value, ensure compliance to strategy, policy and processes and a potential failure to deliver objectives.	
The Corporate Procurement Unit will work with suppliers and customers to introduce 'Fair Trade' products within range of options and investigate possibilities for committing to the use of 'Fair Trade' principles within sourcing strategies, where appropriate.	Inability to deliver Best Value, ensure compliance to strategy, policy and processes and a potential failure to deliver objectives.	
Partnership events will be developed and supported to promote sustainable procurement within West Lothian (including Fair Trade).	Failure to optimise requirements and deliver Best Value.	
The use of eprocurement solutions will be promoted and monitored throughout the council.	Failure to optimise savings and consistency across the council.	

Objective 11 - Encourage a strong sustainable local economy and sustainable supply chains

Activities	Risk if Activity Not Performed	2011/12 Progress
A supplier engagement programme will be developed to encourage and guide businesses to adopt sustainable development principles and practices. Support will also be provided for the implementation of sustainable procurement practices throughout the council and supply chains.	Failure to comply with council's Corporate Plan objectives and inability to deliver Best Value.	
Local organisations will be positively encouraged to bid for business with the assurance that they have an equal chance of success, e.g. low value contracts will be published on 'Quick Quote'.	Potential challenges from suppliers, inability to deliver Best Value and lack of compliance to Strategy objectives.	
The Corporate Procurement Unit will ensure that contractors, suppliers, volunteers and staff are aware of the council's selection and tendering processes which will positively address and include diversity and equality considerations to ensure that services are provided free from discrimination, harassment or victimisation.	Lack of consistency across organisation, potential challenges from suppliers and a potential failure to deliver objectives.	
Opportunities will be considered for the development of appropriate contractual provisions to deliver community benefits within major contracts, e.g. encourage bidders to enhance local employment and skills opportunities and vocational training.	Failure to comply with council's Corporate Plan objectives.	
Local businesses will be given access to appropriate support through the local business gateway.	Failure to comply with council's Corporate Plan objectives.	.
Public procurement advice will be offered to West Lothian organisations through the establishment of regular Procurement Surgeries.	Failure to comply with council's Corporate Plan objectives and failure to deliver strategic procurement objectives.	
The council will aim to have at least one contract awarded to a supported factory or business and opportunities for further provision will be investigated.	Failure to comply with council's Corporate Plan objectives and failure to deliver strategic procurement objectives.	
An annual survey of West Lothian organisations will be undertaken to obtain feedback and explore opportunities to develop, expand and increase the use of SMEs, Social Enterprises and the voluntary and third sectors.	Failure to comply with council's Corporate Plan objectives and failure to deliver strategic procurement objectives.	

Objective 12 - Implement sustainable procurement practices

Activities	Risk if Activity Not Performed	2011/12 Progress
The Corporate Procurement Unit will continue to attend the	Potential failure to deliver continuous	

Scottish Sustainable Procurement Working Group through its membership of Scotland Excel.	improvement and optimum Best Value.	
The council will implement the Scottish Sustainable Procurement Action Plan.	Failure to deliver objectives and improve performance.	
Sustainable procurement guidance and training will be provided for key procurement professionals to ensure that those with responsibility for procurement are skilled in integrating sustainable development considerations.	Lack of consistency across organisation, potential challenges from suppliers and a potential failure to deliver objectives.	
The council will embed sustainable procurement within contract specifications, tender evaluation, monitoring of outputs and outcomes and supplier engagement.	Potential failure to deliver objectives and achieve Best Value.	
The council will use the UK Sustainable Procurement Task Force's Flexible Framework ⁴ to benchmark current practice and develop an improvement plan by the end of 2011/12. The council will aim to achieve Level 3 against the Flexible Framework by 30 June 2012.	Failure to deliver objectives and improve performance.	
Sustainable procurement awareness will be promoted through the development of Best Practice Guides to ensure that procurement professionals integrate sustainability into major purchasing decisions.	Lack of consistency across organisation, potential challenges from suppliers and a potential failure to deliver objectives.	
The council will ensure participation in any collaborative exercises which promote sustainable procurement best practice.	Potential failure to deliver strategic procurement objectives and achieve Best Value.	

‘End of Document’

Appendix G - McClelland Recommendation Audit 2007

Scottish Local Authorities Chief Internal Auditors Group

Procurement Checklist Results - April 2007

<u>Section</u>	<u>Details</u>	<u>No of Questions</u>	<u>Scores</u>			
			<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>
1	Procurement Function	8	0	4	4	0
2	Procurement Strategy	7	1	5	1	0
3	Procurement Legal Framework	7	0	4	3	0
4	Procurement Collaboration	4	1	2	1	0
5	Procurement Business Processes	13	1	4	8	0
6	Procurement Approach	8	0	1	4	3
7	Procurement Performance Management	15	3	5	7	0
			6	25	28	3

<u>SCORING</u>	
0	Non Compliant
1	Still Preparing
2	Meets Basic Requirement at March 2007
3	Further Improvements Well Underway

OBJECTIVE 1 – The organisation can demonstrate its procurement function has the necessary authority, position and resources

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Structure and Status	1.1.1	Was the procurement structure and establishment the result of a comprehensive review of procurement activity within the organisation, including for example outsourcing.	Options appraisal Service Review Best Value review	1	5.5.3 8.1 14.1 14.2
	1.1.2	Has the organisation established a corporate procurement responsibility at head of service (or equivalent in reporting arrangements i.e. reporting to Chief Executive or Corporate Management Team) level?	Board/Committee minutes Job profile/advert Organisational chart	2	5.3.1 5.3.4
	1.1.3	Is there a central (or otherwise separate) procurement advisory/regulatory function with agreed terms of reference?	Scheme of delegation Service Plan	2	5.3.3 5.3.2
Authority	1.2.1	Has the Head of Procurement's authority been defined?	Scheme of delegation Job description	2	5.3.2, 5.3.4, 5.4.3, 5.4.4
	1.2.2	Are staff within the organisation aware that only designated procurement officers are authorised to procure goods and services and place OJEU notices?	Standing Orders on contract acceptance Procedures manuals Review of notices placed Training materials	2	5.4.1 5.5.2
	1.2.3	Has the authority of any non-central procurement officers been defined?	Scheme of delegation Organisation charts Training records Authorised signatory lists Job profiles for designated procurement officers	1	5.4.2, 5.4.4, 5.5.2, 13.2

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Staffing and Skills	1.3.1	Does the number of identified professional procurement officers in the organisation meet the McClelland 'standard'?	One procurement professional for every £15m contracted expenditure calculations Evidence to support decisions on staffing levels	1	8.1 8.8 9.5.4
	1.3.2	Has the organisation established arrangements to define the required skills, assess the competency of designated procurement staff and deliver training on procurement?	Job descriptions Employee appraisal/development process Procurement qualifications/accreditations Training course content Training course attendance	1	5.5.1 8.1 – 8.8

OBJECTIVE 2 – The organisation can demonstrate that it has an appropriate strategy governing its procurement activities

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Policy & Procedures	2.1.1	Does the organisation have in place an approved Corporate Procurement Strategy which sets out roles and responsibilities for the following subjects: <ul style="list-style-type: none"> • How it will address the issue of Local Economic Development • How it will balance its corporate and social responsibility against the achievement of Best Value • How it will promote a positive approach to equality and diversity • How it will engage with the Voluntary Sector in respect of procurement? 	Procurement Strategy Committee/Council minutes	1	5.1.1 5.7.2 9.9.1
	2.1.2	Does the organisation, through the central procurement unit, publish a Best Practice Procurement Manual which addresses the following subjects: <ul style="list-style-type: none"> • Authority for procurement • Risk management • Whole life costing • Aggregation of contracts • Emergency arrangements • Performance management 	Best Practice Guidance from Technical/Professional sources Procurement Manual Compliance with Procurement Policy Handbook (n/a at Jan 07)	1	5.5.5 7.1 9.5.1 9.9.1
Ethics	2.2	Has the organisation established how its suppliers can contribute to its corporate and social responsibility obligations?	Contract Specifications Contracts Register Committee Papers Procurement Strategy	0	9.9.1 12.7

Reviewing & Communicating Best Practice	2.3	Does the organisation have in place arrangements for identifying, reviewing and communicating Best Practice advice?	Procurement Group Agendas & Minutes Technical Journals Guidance Notes from Head of Procurement Contract Specifications Training and Intranet materials Internal intelligence groups	1	5.1.1 5.2.1 9.2.1
Risk Management	2.4	Are risks involved in procurement identified within the corporate risk management process of the organisation, with steps taken to terminate or treat those identified?	Corporate Risk Register Risk Control Plans Service Plans Performance Reports Risk mgt/governance guidance	1	5.1.1
Process & Governance Improvements	2.5	Has the organisation established an accessible register of contracts to assist services and other procurement sections in purchasing?	Up to date register of contracts Intranet site	1	5.1.1
Partnerships	2.6	Does the organisation ensure robust governance arrangements for partnerships which jointly procure?	Procurement Strategy Partnership Agreements e.g. Purchase of Aids and Adaptations through joint futures Contract Specifications	2	5.1.1

OBJECTIVE 3 – The organisation can demonstrate it has addressed the legal frameworks for procurement

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
EU Legislation	3.1.1	Do the organisation's procurement documents promote compliance with European Legislation, in particular as it relates to expression of interest from suppliers?	Procurement Strategy Procurement Manual Contract Standing Orders Contract Files	1	5.1.1 9.7.1 9.7.2 12.1
	3.1.2	Are there any known irregularities within the organisation, based on failure to comply with all current E U legislation?	Contract Files Audit Reports Notes of Meetings	1	9.7.2
	3.1.3	For both EU and national legislation, are knowledge and documentation kept up to date?	Training attendance records Version controlled documentation	2	
National Legislation	3.2	Do the organisation's procurement documents promote compliance with Scottish and UK Legislation, including compliance with: <ul style="list-style-type: none"> • Public and Utilities Contract Regulations • Disability Discrimination Act • Freedom of Information Act • Race Relations Act? 	Procurement Strategy Procurement Manual Contract Standing Orders Contract Files Charter for Suppliers Contacts with Financial Partnerships Unit	1	12.1 16.1

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Standing Orders and Financial Regulations	3.3.1	Does the organisation regularly review its Contract Standing Orders in order to promote compliance with locally agreed rules, legislation both at a National and European level and best practice?	Contract Standing Orders Committee Reports	2	12.2 12.4
	3.3.2	Is there a consultative process in place to ensure that all interested parties have the opportunity to influence revisions to standing orders, financial regulations and guidance materials?	Procurement Group papers Committee Reports Consultation responses	2	5.1.1 5.2.1
	3.3.3	Does the Chief Officer, who signs the Procurement Assurance Certificate, have a process for identifying irregularities or for ensuring that known irregularities are reported to him/her?	Contract files Committee Reports Analysis of unofficial or off contract buying Audit reports Review of internal controls Payment instructions to suppliers	1	5.1.1 5.5.4 5.7.1

OBJECTIVE 4 – The organisation can demonstrate it collaborates on procurement

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Collaboration strategy	4.1	Does the procurement strategy provide guidance on collaborative procurement, and is it mandatory to use national and sector specific contracts? (McClelland category A & B commodities)	Procurement strategy Contract registers Procurement action plans Instructions/procedures	1	11.1 – 11.6
Collaboration within the organisation	4.2	Does the organisation aggregate spend internally, so as to ensure full compliance with Public Contracts (Scotland) Regulations 2006 and Council Standing Orders?	Contract registers Payments Comparisons of current to previous spend Analysis of spend by contractor or commodity	2	n/a
Collaboration within the Sector	4.3	Does the organisation pursue local/regional collaborative opportunities with other bodies in the sector, and use sector specific contracts, where these exist? (McClelland category B)	Contract registers McClelland category B commodities	1	11.2 11.3
Collaboration between sectors	4.4	Does the organisation pursue collaborative opportunities with bodies outside the sector, and use national contract arrangements, where these exist? (McClelland category A)	Contract registers McClelland category A commodities	0	11.2 11.3

OBJECTIVE 5 – The organisation can demonstrate it has sound business processes throughout the procurement cycle

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Client requirement	5.1.1	Is a client requirement prepared covering the goods and services being procured, including justification for spend? Is the client requirement subject to relevant review and sign-off?	Client requirement brief	2	n/a
	5.1.2	Is account taken of future service needs, views of service users, corporate policies and priorities, detailed options and collaborative opportunities?	Client requirement brief Organisational Statements Consultation records Background papers	2	n/a
	5.1.3	Does the client requirement include a robust forecast of indicative spend? Are there arrangements for ensuring sufficient budget is available?	Client requirement brief Ledgers and budgets	2	n/a
Supplier selection	5.2	Are procedures for supplier selection documented? Are these procedures adequate? Are they routinely followed?	Contract Standing Orders Procurement manual and procedures Training materials	1	n/a
Tender documentation	5.3.1	Are procurement specialists involved in all tender preparation, including capital projects?	Contracts registers Capital Bid papers Authorisations	2	n/a
	5.3.2	Are arrangements for issuing tender documentation, and receiving and opening tenders secure?	Contract Standing Orders Audit reports	2	n/a
Bid evaluation and award	5.4.1	Are tenders evaluated using an evaluation model based on pre-set criteria?	Contract Standing Orders Tender documentation Standard evaluation models	2	n/a
	5.4.2	Are contract award notices published, and are successful and unsuccessful bidders informed in writing of the outcome of each process?	Information on local and public sector portals inc EU award notices Standard models and guidance Letters to bidders	2	12.4

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Coding of expenditure	5.5	Are robust ledger coding arrangements in place and has the extent of ledger mis-coding been identified and improved upon?	Coding instructions Analytical reviews of coding Coding catalogues Commitment accounting regimes	2	n/a
Contract management	5.6	Are contract management arrangements defined for service delivery including performance management, managing the relationship and contract administration?	Contract Standing Orders Tender documentation Complaints Training materials Standard Terms and Conditions	1	5.5.4
Post-project Review	5.7	Are arrangements in place for a formal review of each contract, and for this to inform future procurement requirements?	Procurement planning procedures Audit reports Changes to standard Terms and Conditions	1	n/a
Capital projects	5.8	Is the gateway review process (supported by Scottish Procurement Directorate), or equivalent, used for capital or capital-related projects?	Procedures for approving and handling capital projects	1	13.1
	5.9	Are robust arrangements in place for information systems procurement which promote efficiency in IT through use of standard solutions?	ICT Strategy Minutes of ICT forums, boards, committees	0	15.1

OBJECTIVE 6 – The organisation can demonstrate it has modernised its approach to procurement

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Policy	6.1	Has the organisation identified its e-procurement options and considered the business case for each of them?	E-procurement strategy and policy Budgets defined ICT forum, group, committee minutes and approvals System definition documents and business cases	3	n/a
Systems	6.2.1	Has the organisation agreed to use the recommended electronic system ePS? (As a minimum, the Council should join ePS for Cat A, Cat B and Centres of Expertise commodities/services.)	System implementation/roll-out plan ePS membership subscription	3	10.1
	6.2.2	Has the organisation reviewed and re-engineered its buying processes to suit its chosen e-procurement solution?	Actual arrangements for: order creation, goods receipting, invoice authorisation and settlement Supplier adoption/integration plans Reviews and studies	3	5.2.1 5.5.4 5.5.5
	6.2.3	Has the organisation adopted a purchase card or similar efficient solution for all low value/one-off buying?	Procurement card policy/procedures Control and monitoring arrangements Transaction or savings targets	2	5.5.5 9.6.1
Tendering	6.3.1	Has the organisation put its buyer profile information on its public website?	Accessibility from www Responsibility for accuracy/updating References in tender documentation	2	n/a
	6.3.2	Has the organisation used public websites to promote available procurement opportunities?	Enquiries from prospective suppliers List of sites	1	n/a
	6.3.3	Has the organisation established e-tender evaluation arrangements?	Objective quality criteria (no intellectual component) Procedures for numeric evaluation Standing orders/financial regulations	2	n/a
	6.3.4	Has the organisation collaborated in or made practical use of e portals, e-tendering, e-auctions or dynamic purchasing?	Example procurements Procurement web pages Committee papers Meetings minutes	2	12.3

OBJECTIVE 7– The organisation can demonstrate that robust performance management of procurement and that this adds to organisation efficiency

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Procurement Plans	7.1.1	Is the extent of unofficial buying or off contract spend known?	Analysis of spending by contractor, commodity, department Audit reports Internal reports/analyses on off contract spending	2	5.5.4 9.3.1
	7.1.2	Have short and long term programmes of procurement activity been identified as part of the service planning process?	Procurement service and organisational plans Committee reports Financial Strategy Action plans	2	9.4.1 9.8.1
	7.1.3	Is the management of procurement activity fully integrated within the organisation's performance management and reporting framework?	Council-wide performance reports Procurement performance reports Web site information Public reports Efficiency registers	2	9.3.1 9.3.2 9.4.1
	7.1.4	Has baseline data has been specified and extracted?	Contracts registers; Financial system extracts; Reports/exercises re existing contracts soon to expire; spend by contractor, by service and by commodity; potential for re-packaging; use of data mgt tools	1	9.4.2
	7.1.5	Have procurement savings been linked to the long term financial strategy and are they regularly reported?	Financial Strategy Savings statements Efficiency registers	1	9.8.1

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Performance	7.2.1	Do selected workload/activity and performance measures reflect McClelland recommendations? <ul style="list-style-type: none"> • Corporate • Sectional 	Reports System extracts	2	9.4.2
	7.2.2	Have procurement service delivery standards/business conduct guidelines been set for contractors, suppliers and employees?	Intranet Core Briefs Reports/statements on objectives Statement of best practice/procurement manual National business conduct guidelines	1	5.6.1 9.1.1
	7.2.3	Does the organisation have in place benchmarking arrangements to compare or develop performance jointly?	Notes of meetings Correspondence File notes	0	9.5.1 9.5.2 9.5.3
Scrutiny and Monitoring	7.3.1	Have reviews of the procurement function been undertaken to ensure consistency and compliance with organisational policies, procedures and best practice?	Best Value reviews Reports	2	5.5.3 8.1
	7.3.2	Can the organisation demonstrate that procurement activity and performance is open to regular scrutiny, compared to best practice and is being improved?	Best Value review timetable Audit plans Procurement procedures and strategy Reports to CMT, Committee, SE and SPD	2	5.5.3 5.5.4 5.5.5
	7.3.3	Is there an advanced procurement plan and progress report incorporating milestones of progress and financial targets and savings?	Procurement project plan Financial/savings/efficiency plans	1	9.8.1
Assurance	7.4	Are arrangements in place to provide annual assurance as required by McClelland?	Reports Examples of assurance statements Audit Plans	1	5.1.1 5.7.1

Aspect	KCQ Ref	Key Control Question	Evidence Available	SCORE	McClelland Reccs
Savings and Efficiencies	7.5.1	Has a tracking system been established to identify cash and non-cash, (including time releasing) savings?	Financial working papers Working group papers Notes of meetings Reports	0	9.4.1
	7.5.2	Can the organisation demonstrate achievement of pre-planned procurement savings overall and for selected groups of commodities?	Committee papers Financial strategy working papers Evidence of quick wins Evidence of re-investment of savings Evidence of re-packaging	0	5.7.2 9.3.2 9.3.3
Commitment	7.6	Has the organisation adequately demonstrated overall improvements in its approach and delivery of procurement related activities since publication of McClelland?	Nil specified	2	Per 23.03.07 meeting of CIA group

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Appendix H – McClelland Recommendation Review - WLC Compliance Status as at February 2011

Report Section	Recommendation	WLC Responsibility?	Compliance?	WLC Comments
5.1.1	Public sector organisations are obliged to meet the minimum governance and accountability requirements stipulated by the following documents: EU legislation for Public Procurement, "Scottish Public Finance Manual", Public Finance and Accountability (Scotland) Act 2000, The Independent Commission for Good Governance in Public Services 2004, Local Government in Scotland Act 2003, Guidance from Ministers on Local Government in Scotland Act 2003, Code of Conduct for Councillors May 2003, "Building a Better Scotland" Document 2004, Public Procurement Rules. Senior Executive certification of conformance must be provided by 30 June 2006.	Yes	??	Do not know if we provided certification by a Senior Executive member by the required date.
5.2.1	A programme of communication should be undertaken to highlight the priority of procurement and provide education and reconfirmation to those in leadership roles of the value attached to good procurement and the risks associated with insufficient prioritisation. It should reinforce the principles of compliance to 5.1.1 documentation and request that those at leadership level pursue not only conformance to basics but pursuit of best practice and associated Best Value.	Yes	Partial	Procurement within WLC must be re-prioritised. The Procurement Forum must have greater standing and the reports to CMT should have Procurement updates on a separate agenda item to Finance & Estates Services.
5.3.1	Head of Procurement should report as a minimum to an Officer that reports to the Chief Executive	Yes	Yes	Procurement Manager reports to Head of Finance & Estates that reports to the Chief Executive.
5.3.2	Head of Procurement must be responsible for Procurement Unit	Yes	No	Procurement Manager is not responsible for procurement out with his service.
5.3.3	A Central Procurement Unit must be created	Yes	Yes	Procurement Services exists, however central procurement unit must have responsibility for procurement corporately.
5.3.4	Procurement should be separate to other professional functions, such as Finance.	Yes	Partial	WLC cannot achieve optimum status, as long as they reside within Finance & Estates Services.

5.4.1	Contractual commitments in behalf of WLC should be performed by a "Procurement Officer". A Procurement Officer network should exist within WLC. Any devolved procurement units should have a formally delegated Procurement Officer in post.	Yes	Partial	"Procurement Officers" do not exist within devolved procurement units within WLC. It is also unknown if they comply with formal procurement responsibilities.
5.4.2	Devolved Units with authority to procure that do not have designated Procurement Officers should have this authority suspended.	Yes	No	Procurement Officers must exist within services with responsibilities for arranging contracts.
5.4.3	WLC should have a Chief Procurement Officer with responsibility for day-to-day procurement transactions and accountable for leading the Procurement Team.	Yes	Yes	Senior Procurement Officer is in post but unsure if MM's job description reflects these responsibilities.
5.4.4	Financial responsibilities and accountability requirements for officially designated Procurement Officers should be documented. The role definition should be finalised with the help of the Society of Procurement Officers and become a formal aspect of appointment to post. It will then apply to those formally authorised to procure, whether they are part of the central procurement unit or not.	Yes	No	WLC does not have a definitive list of procurement officers operating in an official procurement capacity.
5.5.1	Procurement activities and transactions should be conducted by appropriately staffed and skilled procurement officers. They should not be undertaken by non-procurement staff located centrally or employed in other parts of WLC.	Yes	No	An unknown number of people operate a procurement function and their skills are also unknown.
5.5.2	Where there are fully justified exceptions to the principle in 5.5.1, then formally documented delegated authorities must exist. Those to whom authority is delegated, are in effect full- or part-time "procurement officers" subject to the same professional standards, responsibilities and accountability requirements as those operating in the central procurement unit.	Yes	No	No official scheme of delegation exists for WLC.

5.5.3	WLC should comprehensively review their procurement activities and transactions to establish which service units are authorised to procure goods and services, in particular the creation of contracts and orders to external suppliers. The authority to procure should be justified and documented and regularly reviewed for ongoing validity. Its terms should include minimum requirements for sound business processes, practices, contracts and staffing. A full list of people within services that are authorised and responsible for procurement should be established and maintained. The specific individuals designated as "Procurement Officers" should be identified and should consider themselves as members of the internal network of procurement officers and subject to those disciplines and accountability. All other units and persons should be prohibited from engaging with suppliers in any communication or other activity that could represent, or be construed to represent, procurement tender, contract or related purchase commitments. This policy should be documented and circulated to employees.	Yes	No	A comprehensive review of procurement officers within WLC has not been performed. This is now part of the scope of the Modernising Procurement Review project. An annual review is however performed of those individuals within the council will access to requisition, invoice and approve on PECOS. This review process must be rolled out to cover all procurement systems within the council. Standing Order guidelines stipulate the requirements for procuring from external suppliers. They also state that Heads of Service must provide a list to the Head of Finance and Estates of all requisitioners and approvers within their service. This is done for services using PECOS, but not those using their own systems.
5.5.4	WLC should review controls and practices to ensure that it is not possible to pay invoices that do not have a pre-requisite order for the goods and services provided.	Yes	Yes	Standing orders stipulate that an official purchase order must be supplied to an external supplier before the goods, services or works can be delivered. Retrospective order monitoring is performed from PECOS every month, but is this process monitored in other service systems?
5.5.5	Where the procurement of low-value goods or services creates anomalies in administration cost versus value procured, then alternative methods such as payment on receipt should be developed and introduced within the principles of full procurement and financial controls. Emergency requirements may require a similar flexible but controlled alternative. Therefore, neither the value of the order nor the requirement for speed and flexibility should be reasons for complete circumvention of procurement controls.	Yes	Yes	Electronic invoicing and payment upon receipt for zero VAT goods and services are processed on PECOS. Additional roll out of this functionality is being adopted where possible. The use of Procurement cards within WLC also enables the use of correct procurement practises. While other service procurement systems are being used, use of elnvoicing and ERS functionality is restricted.

5.6.1	Business conduct guideline document should be developed and issued for all of the Public Sector in Scotland. The documents should clearly define all that is expected in the conduct of employees and or those involved in public funds, particularly in any contact or dealings with external parties. Compliance with the document should be a condition of employment or of funding and compliance with it should be regularly monitored. The development of the document and its distribution should be undertaken by the Scottish Executive's Procurement Directorate.	No	No	Not WLC Responsibility
5.7.1	WLC should confirm that their Internal Audit unit will certify annually that the following minimum audit activities have been covered and reported upon for procurement: Minimum accountability and governance conformance, Appropriate structure, organisation and staffing including authorised procurement officer structure, Existence of adequate systems and performance reports, Conduct of basic practices and processes including compliance with EU legislation, Compliance with "Procurement Policy Handbook".	Yes	Partial	PECOS is audited thoroughly each year. This ensures segregation of duties, robust processes for the maintenance of users and monitoring of non-compliance in the form of retrospective ordering. Procurement audits are also performed throughout the council which investigate compliance with legislation. Compliance with the Scottish Procurement Policy Handbook is not investigated during the internal audit process. It is also unknown if the audit process for PECOS is performed for other systems used for procurement practices within WLC.
5.7.2	Whilst conformance to governance and accountability requirements and the adequacy of basic practices and processes should be reported in Internal Audits, progress towards improved procurement including strategies, other action plans and Best Value savings achievements is planned to be consistently reviewed by Audit Scotland. This should include a commentary on current status of that organisation's contribution to the procurement savings element of the Efficient Government programme.	Yes	Partial	Audit Scotland do perform reviews of Procurement Practices, but it is not evident that Audit Scotland perform reviews which enable progress towards improved procurement strategies or best value savings actions, other than the need for WLC to increase its number of contracts.
6.1	Assign overall leadership for procurement in Scotland to the Scottish Procurement Directorate. A Scottish Procurement Policy Handbook should be deployed and become mandatory for WLC.	No	Yes	SPD has responsibility and handbook is available. Does WLC to comply with this?
6.2	The procurement leadership role should extend to those activities associated with functional excellence including staff communications, education and training, staff development, career paths, job gradings, salary scales and where appropriate workload balancing	Yes	Partial	No official staff development programme or career path in place for procurement professionals.

6.3	The SPD should define and agree a system of reporting Scottish Public Sector procurement results and information including progress towards previously agreed and published cost-savings targets.	No	Yes	BPIs are measured and reported by WLC.
7.1	A Scottish Procurement Policy Handbook should be established. The policy contents should be mandatory for implementation by WLC and compliance measured and reported upon during audits and reviews.	No	Partial	Handbook available for use, however not aware of WLC being audited for compliance.
7.2	Responsibility for developing, issuing and maintaining policy statements and guidelines is the responsibility of the SPD.	No	Yes	Guidance available, but not sure about WLC's conformance?
8.1	Each organisation within the public sector should review its procurement organisation to establish the adequacy or otherwise of the resources including skills levels dedicated to the procurement activity. This work should identify base requirements identified in Section 5, as well as the requirements to move the organisation towards improved performance, superior performance and Best Value. Broadly speaking there should be one procurement professional for every £15m of contracted spend.	Yes	Partial	A number of procurement reviews have been performed within WLC, although these have been limited to the Procurement Services team. Some opportunities for improvement have been identified and implemented, but further efficiencies are possible. £230m expenditure in 2009/10 for supplies, services and works equates to 15.3 FTE. The current Procurement Services team operates with 7.8 FTE, however they do not cover Social Care or Works contracts and what spend has been allocated to collaborative contracts. Additional analysis required to establish the total expenditure for works and social care. Total resource requirements must be established moving forward based on commodity analysis.
8.2	Additions required to staffing and skills levels must be addressed within organisations. Recognition must be given to the offsets in resource and skills requirements offered by improving systems and collaborative procurement. Skills levels of existing staff should be upgraded through professional training and development.	Yes	Yes	Where necessary, the Procurement Services team are working towards CIPS qualifications. However, the use of the Scotland Excel competency framework could bring benefits to the council by identifying the skills and competency levels required by all staff involved in the procurement process and assist individuals to improve their skills through training and personal development.

8.3	As an urgent priority, inject into an organisation the necessary resources and skills to bring standards up to a minimum. Executives should also consider the short term investment in procurement resources and skills as a means of providing a progression towards financial savings in the long term.	Yes	Yes	Additional procurement resources were introduced to WLC prior to the McClelland review and as such no further resources were brought in after the publication of the review. Investment in training is ongoing, as all non-CIPS qualified procurement officers are working towards their qualification.
8.4	A programme of liaison and career development should be established between the public sector and professional groups such as the Chartered Institute of Purchasing and Supply. It will arrange support for education and training of new and existing staff, to accommodate maintenance of resources and skills.	No	Yes	Staff development being offered through CIPS qualifications. Trainee procurement officer position has also been filled in the past.
8.5	Work should be undertaken to establish how a complete, cross-public sector career path or ladder can be established which will facilitate career management and employee development and retention.	No	Yes	WLC have enabled two procurement professionals to second to other procurement organisations within the public sector. One procurement officer was seconded to Scotland Excel and the Procurement Manager was seconded to the Scottish Government. Unfortunately, the PO did not return and in fact left the Scotland Excel post. The Procurement Manager is due to return in July 2011 after a two year secondment and shall bring back alternative ways of working and knowledge of government procurement practises.
8.6	Given the scarcity of skills and difficulty in recruitment, a review should be conducted of job gradings and salary scales to confirm whether these aspects are properly positioned to recognise the quality and experience required in public-sector procurement.	Yes	Yes	A review of job gradings and salary scales was conducted as part of single status. However, a review of the structure of the Procurement Services team shall be conducted during the Modernising Procurement project and this may impact upon posts of procurement professional within the team.

8.7	A centrally co-ordinated pool of skills should be established and deployed on an as required basis to organisations or groups within the sector to supplement existing capability where a special one-time effort or peak workload is causing difficulty. That pool of skills should be established, funded, managed and assigned to priorities by the Scottish Procurement Directorate.	No	??	Unsure if a pool of resources is available and if WLC has needed or asked for help.
8.8	The programme for Efficient Government within the Public Sector could lead to adjustments in resource levels in some areas. Where redeployment of people is a potential, then strong consideration should be given as to whether and if so how individuals from other functions could be retrained to take up procurement work.	Yes	No	No review of the redeployment list has been performed and no additional members have been added to the team.
9.1.1	The minimum content for standards of procurement practices and business processes should be documented, deployed and fully implemented within all of the Public Sector in Scotland. The practices within procurement essential to satisfy legislation, codes of conduct and financial guidelines applying to Accountable Officers and all others in executive and non-executive positions with responsibility for public funds and in particular procurement expenditure. These minimum requirements should also be a review item within internal audit programmes and other corporate level infrastructure reviews and reports.	Yes	Yes	Internal processes and procedures exist, however the policing of their compliance is a current problem. This needs to be addressed through the change to standard processes and procedures followed by all and the potential for a contracts advisory group to monitor all contract documentation. Also, greater control on compliance to contract use is required.
9.2.1	Organisations should strongly consider the establishment of internal "User Intelligence Groups" to help co-ordinate requirements and specifications so that the procurement functions can rationalise the content of tenders and contracts to obtain Best Value and to ensure specifications to suppliers are comprehensive and accurate from an early point in the process.	Yes	Partial	Although UIGs are attended by WLC for Scotland Excel and Procurement Scotland contracts, this method of identifying and agreeing tender specifications and evaluation criteria could be used more widely by WLC when arranging Cat C contracts internally. The set up of category management within Procurement could facilitate this process.
9.3.1	Every public-sector organisation should review and update their internal reporting on procurement. Also, the Scottish Procurement Directorate should develop, agree and publish the minimum reporting requirements that not only should be utilised effectively within organisations but also must be provided to SPD regularly so that they can assist the Scottish Executive to understand status and monitor progress towards already established financial targets within the Efficient Government programme.	No	Yes	Performance reporting provided internally and externally by WLC. This is a strong area for WLC, however it's the use of the information reported that needs to be developed further.

9.3.2	Each organisation within the Public Sector should be required to report quarterly on procurement cost savings achieved. The methodology used should be founded upon an agreed and clearly specified baseline which once established should be consistent year to year	Yes	Yes	WLC report on cost savings achieved through the establishment of contracts.
9.3.3	To ensure consistency in reporting and performance evaluation a standard "basket of goods/services" should be agreed and implemented within the public sector. This measurement should be used to report year-on-year savings in a consistent and comparable manner which can also be translated into, and reconcile with, absolute annual financial savings being claimed.	No	??	Not aware of the savings reported to the government.
9.4.1	Every public-sector organisation should have a formal programme of procurement internal efficiency measurement and management. The programme should also measure the effectiveness of procurement in terms of results achieved.	Yes	Yes	Performance reporting provided internally and externally by WLC. Areas for efficiency agreed in Procurement Strategy and reported annually.
9.4.2	In support of efficiency and effectiveness a standard set of key performance indicators (KPIs) should be developed and regularly measured by all units within the public sector.	Yes	Partial	A number of performance targets have been set and are measured by WLC. However, the list provided in the McClelland review recommendations are not all measured and reported. The introduction of category management would satisfy the requirements outstanding.
9.5.1	Absolute information and performance data should be exchanged and shared across the public sector in a formally co-ordinated procurement benchmarking programme.	No	Yes	Both Scotland Excel and eProcurement Scotland capture data from WLC which is then used to benchmark progress. Best practise councils have been identified and can offer assistance to others when requested.
9.5.2	The co-ordination of the benchmarking programme should be positioned centrally within each major element of the public sector.	No	Yes	Procurement Capability Assessment carried out each year for public sector organisations. Also procurement information provided to Audit Scotland and the Scottish Government.
9.5.3	A National Benchmarking and Best Practices Forum should be established and co-ordinated within the public sector. Its co-ordination should be undertaken by the Scottish Procurement Directorate and it should meet at least quarterly.	No	??	Not aware of any benchmarking / best practise forum.

9.5.4	As part of the benchmarking initiative one of the first areas which should be approached is that of numbers of skilled procurement professionals related to value spent.	No	Yes	We do measure the number of skilled procurement professionals operating within Procurement Services and this is lower than required, However, training is ongoing in an attempt to increase the qualifications within the team.
9.6.1	A programme to rapidly widen the use of procurement cards and payment on receipt should be initiated and organisations should be strongly encouraged to adopt their use.	Yes	Yes	Procurement cards area available for use within WLC. Also payment on receipt has been established for 30 suppliers on PECOS equating to 7000 invoices = £17m / yr. The re-introduction of embedded procurement cards within PECOS could also bring about efficiencies and this will need to be investigated further.
9.6.2	The Benchmarking and Best Practices Forum should include in its agenda the topic of innovative techniques so that this opportunity is addressed and pursued as needs evolve.	No	No	Not a WLC responsibility.
9.7.1	There should be a formal programme of EU legislation workshops. In addition to re-emphasising the strict legal and procedural requirements the workshop content should also focus on how Best Value can be achieved within their legal framework. Every procurement professional in the public sector should attend a workshop during 2006 and then at a minimum annually thereafter.	Yes	Partial	Unsure if all officers responsible for arranging contracts within the council attend EU workshops on an annual basis.
9.7.2	Conformance with EU legislation should be a subject of focus for all internal and external audits. Conformance levels should be covered as part of the internal reporting to Governance levels within the organisation. This information should also be made available to the Scottish Executive.	Yes	??	Conformance to EU legislation is not subject to all External audits, but has been covered by a number of Internal Audits. Conformance is not managed sufficiently and this needs to be addressed going forward.
9.8.1	Each organisation within the Public Sector in Scotland should develop, establish and pursue an advanced procurement plan. The plan should incorporate specific milestones of progress and financial savings targets year by year.	Yes	Yes	Procurement Strategy stipulates the procurement plans for the Procurement Services team and the savings they aim to achieve over three years. This strategy needs to be updated and incorporate the plans and targets for social care and works contracts moving forward.

9.9.1	corporate and social responsibilities should be translated into guidelines and a specific practices document for each organisation. The requirements of that document should be deployed for implementation by the procurement organisation.	Yes	Partial	The draft sustainable procurement policy and strategy are out for consultation prior to being presented the P & R PDSP in April.
10.1	eProcurement Scotland should be adopted as the standard within the Public Sector.	Yes	Yes	WLC were an early adopter of the ePS facility and have made good progress with the use of the systems.
10.2	An ePS Installation Task Force should be established under the leadership of the Scottish Executive's Procurement Directorate. This Task Force should be assigned as required to provide additional support and skills to the project teams at the individual organisation level.	No	Yes	Available but not required at WLC.
10.3	Serious consideration should be given to providing a specific sector-wide programme of turnkey funding to accelerate the acceptance and more rapid implementation of ePS and other procurement initiatives within any funding required to implement the recommendations of this review.	No	Yes	Funding for use of ePS service used by WLC. Various elements of the ePS service are currently out to tender and depending on the budget availability assigned by the Scottish Government, it might be the case that WLC will have to find some funding of their own to continue using the future ePS systems.
11.1	Procurement "Centres of Expertise" should be established on a commodity-by-commodity basis.	No	Yes	Procurement Scotland and Scotland Excel are used by WLC.
11.2	In establishing the central contracts in Categories A and B above, it is essential that councils buy their requirements for A and B commodities from these contracts and not from local contracts.	No	Yes	WLC use Procurement Scotland and Scotland Excel contracts where possible.
11.3	A level of mandatory compliance is required for the effective operation of the Centres of Procurement Expertise.	Yes	Yes	WLC is committed to using the contracts, however contract compliance needs to be assessed further.
11.4	A strategy for each A and B commodity or service should be developed including market intelligence, supplier strategies, economic modelling of demand and supply and recognition of other criteria and issues. These commodity strategies will have with them individual supplier strategies. These strategies should also address and accommodate the need for the existence and use of local supplier capability to deliver commodities and services.	No	Yes	WLC attend user intelligence groups and make the requirements for the use of local suppliers known.
11.5	The concept of National A and Sector Specific B commodities and services should have the support of a single electronic procurement system for a streamlined interface to suppliers and to facilitate the aggregation of contracts for A and B items.	No	Yes	WLC use the ePS systems and catalogues are provided in a suitable format for our use. As such orders are transmitted from PECOS where possible to the Cat A and B suppliers.

11.6	The Heads of Procurement responsible for the Centres of Expertise should undertake leadership roles for the procurement activities within the sectors served by their Centre of Expertise.	No	Yes	Leadership roles are provided and delivery plans are monitored and directed.
12.1	A Charter for Suppliers should be established for the complete public sector in Scotland.	No	Yes	Suppliers' Charter is available and WLC have signed up to complying with it.
12.2	Whilst recognising the diversity of operations there should be some standardisation across the public sector in Scotland of the Terms and Conditions required by the public sector from suppliers.	Yes	Yes	The Ts and Cs used by WLC do not appear to cause confusion of problems for suppliers. Procurement Services are however reviewing the content of their Ts and Cs for supplies and services and it is proposed that a suite of terms and conditions be used by all of the council, covering supplies, services, social care and works contracts. That would enable a more consistent approach for suppliers.
12.3	Therefore an open market environment supported by a single public sector "electronic portal" should be established. Suppliers must be able to access all essential information on opportunities to offer services and bid for contracts for the supply of commodities and services to the whole Public Sector in Scotland.	No	Partial	Public Contracts Scotland is used for all Procurement Services tenders and some tenders elsewhere in the council. It is not compulsory within the council, but this is being reviewed.
12.4	There should be total transparency in connection with procurement decisions. All awards should be formally notified to the successful bidder and then publicly through the Public Sector portal website. All unsuccessful bidders should have access to the decision principles and be able to understand why they were unsuccessful on this occasion. A closed loop is mandatory.	Yes	Partial	Public contracts Scotland must be used by all areas of WLC for this to be fully compliant. A common process for notifying suppliers should also be adopted.
12.5	Suppliers need to have a single point of enquiry within Scotland to which they can address concerns and obtain clarification of decisions and procedure related to public procurement.	No	No	Not WLC Responsibility
12.6	The Centres of Expertise should have commodity and supplier strategies. In support of this each Centre of Expertise should conduct regular "supplier forums" during which buyer and supplier issues can be exercised, logged and resolved.	No	Yes	Procurement Scotland and Scotland Excel meetings are held quarterly.
12.7	There should be a special effort to ensure that regional suppliers are developed to provide goods and services locally. The opportunity being created for local suppliers to competitively bid for all categories of commodities and services should be encouraged.	No	Yes	Scotland Excel contracts have been set up with suppliers local to WLC, however it is apparent from conversations with customers that they would like there to be more local suppliers winning SXL contracts.

13.1	The Gateway Process should be a mandatory part of the fabric for all public sector Estates, Construction and Capital projects over a value parameter. Its adoption must not be optional. Where in exceptional circumstances the specific "Gateway" process is not used organisations must substitute a documented equally effective capital project phase procedure.	Yes	??	The gateway review process is used within WLC (used for Civic Centre build), but not sure if it is compulsory.
13.2	Capital projects not supported directly by the procurement department must still be administered by an individual who has formally delegated authority and who is classified as a "Procurement Officer". This means that the authority to procure delegated to that department and the register of authorised procurement officers for the department should be formally documented.	Yes	Yes	Housing, Construction and Building Services have delegated authority to arrange contracts out with Procurement Services.
13.3	A Public Sector Capital Projects Committee should be formally established to share best practice and monitor market conditions and individual contractors.	No	??	Not WLC Responsibility
14.1	There should be a review of non-core activities to establish candidates for outsourcing evaluation.	Yes	No	WLC does not promote outsourcing.
14.2	Where there is a sound business case and internal resource issues are manageable then outsourcing strategies should be pursued.	Yes	No	Outsourcing strategies are not pursued.
15.1	To achieve savings in initial procurement of Information Technology and in life time running costs, and to assist in implementation timescales, industry standard or existing already designed applications should be procured from and, wherever possible, installed directly by the software company.	Yes	Yes	IT systems are procured and installed by suppliers, rather than have bespoke applications developed for the needs of WLC.
15.2	Maximum use of standardised and integrated applications for significant transaction-related aspects of public-sector business and not new bespoke or unique local systems. If this is not possible or practicable for the overall public sector then at a minimum a strategy for each major element of the sector (e.g. Health) should be adopted.	Yes	Yes	Where possible new IT systems are bought which interface to existing WLC systems. Also, IT systems are selected partly due to their use by other organisations, to enable efficiency.
15.3	The procurement of standard and generic applications such as for Finance or Human Resources should be regarded as a Category A item and be contracted for by the National Centre of Expertise. If this is not practicable then default should be to the B Category standard and generic applications should not be contracted locally at the individual unit level.	No	Yes	WLC not in a position to use any such contracts at the moment.

15.4	The procurement of other sector specific standard applications (e.g. for Health) should be categorised as B commodities and should have contracts established by the B Category Centres of Expertise.	No	??	Not sure if the contract for the new Housing & Building Services system would be covered until this recommendation? Not aware that Scotland Excel were approached about taking the lead on the contract, or even how that would work.
15.5	Although large-scale standard applications are often provided by multinational companies, it is also the case that specialised and innovative functions can be provided by niche applications from smaller companies.	Yes	Partial	WLC's new procurement card system was purchased from a local supplier.
16.1	Public Private Funding Partnerships - Engagement with, and guidance from, the FPU should be a mandatory requirement for all public sector capital projects that are potential candidates for public/private funding.	Yes	??	Not sure if this happens
19.1	A Public Procurement Reform Board should be formed. Its immediate prime responsibility is to oversee the successful implementation of the actions essential to address the basic issues in Public Sector procurement and to drive pursuit of the additional work and changes required to achieve improved performance.	No	Yes	Public Procurement Reform Board has been established and meets regularly. WLC's former Chief Executive was a board member.
19.2	Its membership should consist of executives from across the sector who understand the issues and priority required, and who can influence their own and other organisations in their drive to address basic weaknesses, and go on to capture the opportunities that lie beyond.	No	Yes	This is the case and this has driven WLC to buy into Procurement Scotland and Scotland Excel contracts.
19.3	The Board's remit should include the ongoing monitoring of results compared to savings targets already planned. It should also work within the public sector to develop and formalise the level of additional longer-term savings not currently planned.	No	??	Not sure of what is measured, but this is not a WLC responsibility.
19.4	The Public Procurement Reform Board should develop, as a first step, its detailed action plan.	No	Yes	Action plan developed and reform board meets regularly to review progress.
19.5	The Public Procurement Reform Board should interact with, and be advised by, a Public Procurement Advisory Group made up of business organisations within Scotland.	No	Yes	Public Procurement Reform Board has members from all aspects of public service.
19.6	Strong Ministerial support to this initiative is recommended.	No	Yes	Chaired by MSP

Appendix I – Procurement Capability Assessment 2010 Summary Letter

To: Chief Executive, West Lothian Council

Procurement Capability Assessment (PCA) Results for West Lothian Council

I would like to update you on the outcome of the recent Procurement Capability Assessment of your local authority. Firstly, thanks to you and your team for the effort that goes into preparing for the assessment. That effort is well-invested as the results will inform improvement plans for the sector as a whole as well as for your own organisation.

Tom Henderson and his colleagues presented evidence for the assessment on October 19th. Our assessors commended the open and honest approach which ensured an effective and constructive session.

The West Lothian score improved from 22% last year to 27% this year. The score reflects some progress on individual issues, but also that there is still a major challenge for the council in the lack of a corporate approach to management of procurement across the whole organisation. I have tried to highlight below the main actions that will deliver improved procurement performance and increased cash savings as well as reducing risk.

From our experience of the assessments, some of the actions to move forward are best addressed by you and your senior management team. They include:

1. Creation of a corporate procurement function that has early influence over all procurement activity in the organisation to reduce risk and maximise savings and quality
2. A structure that is resourced to support the corporate procurement team deliver the remit
3. Ensure that all Heads of Service and senior management actively support policy and practices promoted by the Corporate procurement team and engage on business planning and the re-engineering of services as they apply to procurement

It is clearly difficult during times of financial constraint to resource further investment in non-front-line services, but procurement is one of the few areas that can deliver substantial savings and reduce risk over the coming years. It is also worth noting that several councils have managed to improve performance through creative arrangements like shared procurement services or a shared head of service.

Actions that the procurement team need to address include:

4. Adoption of a consistent (corporate) set of processes and materials for the delivery of procurement across the organisation based on national good practice like the Procurement Journey (the Scottish Government's procurement toolkit).

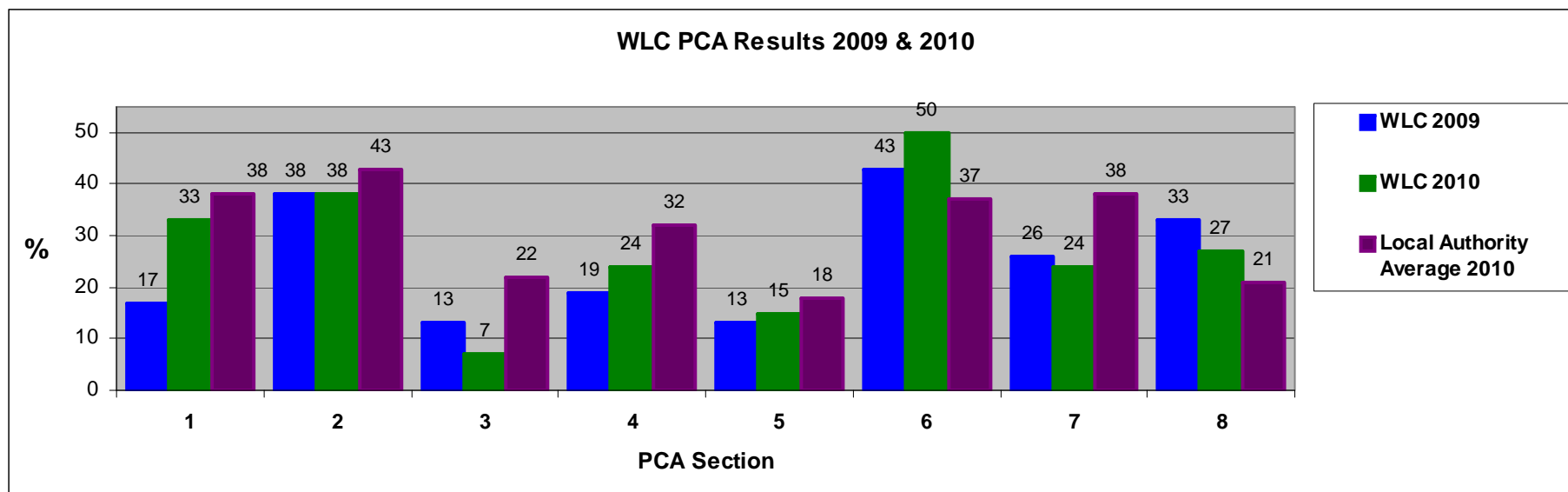
We hope your team find this aspect of the Scotland Excel service useful and we are looking forward to working with you to deliver your 2011 procurement priorities. Please don't hesitate to get in touch with any questions about the assessment or the improvement programme.

Appendix J - Procurement Capability Assessment - Action Plan 2010/2012



Procurement Capability Assessment - Action Plan 2010 → 2012

Purpose: To progress the development of strategic procurement within West Lothian Council and to improve on 2010/11 PCA score.



Section No	Section Title	WLC 2009 %	WLC 2010 %	LA Average 2010 %	WLC - LA Av. 2010 %
1	Procurement Leadership & Governance	17	33	38	-5
2	Procurement Strategy & Objectives	38	38	43	-5
3	Defining the Supply Need	13	7	22	-15
4	Procurement Commodity / Project Strategies & Collaborative Procurement	19	24	32	-8
5	Contract & Supplier Management	13	15	18	-3
6	Key Purchasing Processes & Systems	43	50	37	13
7	People	26	24	38	-14
8	Performance Measurement	33	27	21	6

Section 1 - Procurement Leadership & Governance

Areas Requiring Improvement	Action	Start Date	Due Date
Procurement not corporately controlled.	Undertake a review of council procurement : Modernising Procurement – Shaping The Future	Dec 2010	July 2011
	Develop new centralised procurement structure.	July 2011	July 2011
	Develop a 'gateway review' process for all contracts administered by WLC.	July 2011	Dec 2011
Procurement Manager does not have sufficient responsibility for, or knowledge of spend for all contracts arranged within WLC.	Ensure Procurement within WLC is regarded as a high priority strategic function and is given a high profile through support from Senior Management.	Oct 2010	Ongoing
	Develop strategic Contract Strategy and implement within WLC.	July 2011	Sept 2011
Insufficient reporting to Senior Management of procurement activity.	Initiate a quarterly Procurement Steering Group chaired by the Chief Executive and attended by senior managers throughout WLC.	Sept 2011	Ongoing
Insufficient management of internal stakeholders to ensure an effective procurement process.	Implement a rigorous and robust procurement journey for use with all contract types. Whole contract lifecycle documentation developed, including Contract & Supplier Management Strategy.	July 2011	Dec 2011
	Clarify roles and responsibilities with stakeholders.	July 2011	Dec 2011
Insufficient evidence that customer feedback is incorporated into everything done by Procurement.	Implement actions from previous WLAM and CSE assessments	Oct 2010	June 2011
	Issue customer surveys annually (as a minimum) and implement actions arising from feedback.	May 2011	Ongoing
Insufficient integration of procurement data within council systems.	Integrate Open Contractor with PECOS	Dec 2011	Mar 2012
	Integrate Axim with PECOS	July 2011	Dec 2011
	Roll out PECOS within Construction Maintenance.	April 2011	June 2011
	Implement a corporate contract register which is used and updated by all services.	June 2011	Ongoing
	Ensure that Covalent records details of all contracts and contracted spend within WLC.	July 2011	Ongoing
No clear system of delegation or authority for procurement.	Publish a Scheme of Delegation which clearly sets out authority levels and financial limits and review these regularly.	April 2011	July 2011
	Ensure that a separation of duties and authority levels are embedded into systems and these are reviewed regularly by Internal Audit.	April 2011	Dec 2011

Section 2 - Procurement Strategy and Objectives

Areas Requiring Improvement	Action	Start Date	Due Date
Availability of resources to determine need for process improvement, new policies and procedures and control.	Modernising Procurement Review project initiated with dedicated resources assigned.	Oct 2010	June 2011
Existing Procurement Strategy only affects Procurement Services deliverables and does not include a risk assessment, action plan or link to the business deliverables of the council.	Develop a new three year Procurement Strategy which affects supplies, services (including social care) and works contracts. Align Procurement Strategy with the council's Financial Strategy. Obtain CEC Strategy approval and communicate to all stakeholders.	April 2011	Aug 2011
	Corporate Procurement Unit review Procurement Strategy on a regular basis and performance is updated and reported quarterly to Senior Management.	July 2011	Ongoing
Procurement Reform Programme Required	Modernising Procurement Review project required to review procurement council wide. A report to Senior Management required highlighting areas for improvement.	Oct 2010	June 2011
	Modernising Procurement Review action plan to implement improvements approved by senior management.	July 2011	Mar 2012
Demonstration that Sustainable Procurement Strategy objectives are being met.	Procurement Sustainability Policy & Strategy requires to be approved by Council Executive	April 2011	August 2011
	Identification and nomination of Sustainable Procurement Champion at Head of Service / Director level	Sep 2010	Oct 2010
	Development of a Sustainable Procurement Action Plan	Sep 2010	Oct 2010
	Once approved, the objectives of the Procurement Sustainability Strategy must be reviewed and progress regularly reported to Senior Management.	Aug 2011	Ongoing
	Facilitation of Sustainable Procurement training	Aug 2011	Dec 2011
	Collaborative working with climate change policy officer	May 2010	Ongoing
	Investigate and make use of community benefit clauses within major contracts.	May 2011	Ongoing
	Implement the use of the Scottish Government's Quick Quote facility throughout council.	Jan 2011	Ongoing
	Issue annual questionnaire to local businesses / SME supplier and develop and monitor progress of subsequent action plan.	June 2010	Ongoing
	Perform initial assessment against Flexible Framework	Sep 2010	Oct 2010
	Achieve Level 3 against Flexible Framework	Dec 2011	Dec 2011
	Perform presentations to third sector and local business / SME community	May 2010	Ongoing
	Pursue "fair-trade" / ethically sourced goods and present / participate at Fairtrade Zone Steering Group	May 2010	Dec 2011
	Explore opportunities with working with the third sector	May 2011	Ongoing
	Hold Local Meet the Buyer Events in conjunction with the Economic Development Service	May 2011	Dec 2011
	Award of contract to a sheltered workshop	May 2011	Dec 2011
Inconsistent procedures, policies and processes used throughout council.	Implementation of a standard suite of procedures, policies and processes throughout the council with a clear message that they must be used. Reference - The Procurement Journey's	July 2011	Dec 2011

Section 3 – Defining the Supply Need

Areas Requiring Improvement	Action	Start Date	Due Date
Insufficient use of output specifications	Develop output specifications for contracts and ensure training is provided where necessary to ensure that all procurement professionals know what's expected in writing tender specifications.	Aug 2011	Dec 2011
Little innovation applied to tender specifications	Investigate the use of new products as a result of market research / supplier recommendations / contract strategy specifications.	Sept 2011	Ongoing
Lack of UIG involvement when investigating the use of new products / services	Corporate Procurement Unit must get involved with customers in challenging new and existing products and services on the market in an effort to improve council performance.	Sept 2011	Ongoing
Insufficient use of management information in developing enhanced commodity strategies and supplier management.	Need to promote the use of catalogue purchases where possible and monitor use of non-catalogue purchases for catalogue suppliers to enable catalogue enhancements.	Sept 2011	Ongoing
	Increase contract & supplier management activity to enhance catalogue content and drive down prices.	Sept 2011	Ongoing
Insufficient forecasting of demand for goods, services and works.	Category Managers need to meet with services to ascertain future requirements and provide guidance with regard to specifying requirements.	Sept 2011	Ongoing
	Use of management information from all procurement systems in place within the council to ascertain, develop and deliver contracts to meet needs.	Aug 2011	Ongoing

Section 4 – Procurement Commodity / Project Strategies & Collaborative Procurement

Areas Requiring Improvement	Action	Start Date	Due Date
Lack of understanding and use of the Scottish Procurement Directorate's Procurement Journeys.	Investigate the use of the Procurement Journeys 1, 2 & 3 and implement by December 2011	April 2011	Dec 2011
	Tailor Procurement Journey Route 1 procedures and templates for use within WLC.	April 2011	July 2011
	Roll out Procurement Journey Route 1 throughout the council	Aug 2011	Oct 2011
	Tailor Procurement Journey Routes 2 & 3 procedures and templates for use within WLC.	July 2011	Aug 2011
	Roll out Procurement Journey Routes 2 & 3 within the Corporate Procurement Unit	Sept 2011	Oct 2011
	Roll out Procurement Journey Routes 2 & 3 within the rest of the council	Nov 2011	Feb 2012
Lack of strategic approach to procurement.	Develop a Contract Strategy.	May 2011	July 2011
	Implement compulsory use of the Contract Strategy throughout council.	July 2011	Dec 2011
	Establish User Intelligence Groups with representation from key stakeholders, including service users and in respect of collaborative contracts, other organisation representation.	May 2011	Ongoing
	Create Benefits Tracking template to document contract responsibility, status, length, value, target and confirmed savings.	July 2011	Aug 2011
	Roll out compulsory use of Benefits Tracking within the Corporate Procurement Unit, which measures all contracts within the council.	Aug 2011	Ongoing
Inconsistent approach to measuring financial stability of suppliers.	Identify an appropriate financial checking process to measure the stability of all medium to high risk contract suppliers.	Aug 2011	Aug 2011
	Ensure that all medium and high risk contract suppliers have their financial stability checked regularly during the course of the contract.	Sept 2011	Ongoing
Inconsistent use of Terms and Conditions throughout the council.	Develop a standard suite of Terms and Conditions for use throughout the council.	April 2011	June 2011
	All contracts let by the council must adhere to a suitable set of Terms and Conditions from the suite.	July 2011	Ongoing
Lack of spend analysis at line item detail.	More analysis of line item details required to ascertain what we are buying from which suppliers, especially non-catalogue item analysis.	July 2011	Ongoing
Lack of supply market analysis and benchmarking.	Increased benchmarking by procurement staff throughout the contract lifecycle. Analyse Spikes Cavell to compare WLC to other councils.	July 2011	Ongoing
Inconsistent approach to using PQQs.	The use of PQQs should be consistently used throughout the council and managed by the Corporate Procurement Unit. Consistent use of the Scottish Procurement Directorate standardised PQQ when available	Aug 2011	Ongoing
Insufficient level of collaboration exists with regard to council contracts.	WLC to take a lead role in a Category C regional opportunity	April 2011	Sept 2011
	Collaboration with other organisations to be investigated as part of the Contract Strategy development process.	Aug 2011	Ongoing
	Analyse Spikes Cavell to ascertain potential collaboration opportunities.	Aug 2011	Ongoing
	Consider Shared Services with another Local Authority	Dec 2010	Dec 2011
Lack of understanding of the service standards expected of Scotland Excel and how WLC & SXL should work in partnership.	WLC to meet on a regular basis with representative from Scotland Excel. This should improve the expectations on both sides.	April 2010	Ongoing
	WLC must make every effort to attend UIGs organised by SXL to ensure that WLC get the	April 2010	Ongoing

	most out of SXL contracts.		
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Section 5 – Contract & Supplier Management

Areas Requiring Improvement	Action	Start Date	Due Date
Lack of User Intelligence Groups associated with contracts.	Increase the number of UIGs to enable a more accurate evaluation of contract & supplier performance to be obtained from customers.	July 2011	Ongoing
	Consult with customers to develop a better understanding of needs and supplier deliverables.	July 2011	Ongoing
Insufficient SLAs / KPIs established with supplier during tender stage.	Increase the number of quantitative SLAs and KPIs agreed with supplier to enable increased supplier performance measurement.	July 2011	Ongoing
Insufficient number of contracts published on Public Contracts Scotland.	Develop procedures which promote the use of PCS and ensure that all possible contracts are advertised on this portal.	July 2011	Ongoing
Insufficient spend through catalogue ordering.	Increase number of catalogues available on PECOS and provide price lists to non-PECOS customers. Also investigate the publication of price lists on the intranet, to encourage catalogue ordering.	July 2011	Ongoing
Inconsistent approach to contract and supplier management throughout the council.	Develop a Contract & Supplier Management Strategy.	April 2011	June 2011
	Contract & Supplier Meeting Minutes / Action Note template produced for use at meetings.	April 2011	April 2011
Infrequent / non-existent meetings held with suppliers.	Monitor use of Contract & Supplier Strategy and ensure compliance with regard to supplier monitoring (scorecards and meeting minutes & actions).	July 2011	Ongoing
Insufficient spend data received to monitor contract & supplier compliance.	Obtain regular spend information from council systems and suppliers to enable conformance monitoring and ability to review contract content.	July 2011	Ongoing
Insufficient Communication with stakeholders with regard to contracts.	Develop a Communications Strategy to ensure that the correct audience are receiving the correct information at the correct time.	July 2011	Aug 2011
	Develop a Corporate Procurement Unit Newsletter and issue on a 6 monthly basis	Sept 2011	Ongoing
	Update Corporate Procurement Unit intranet and internet sites.	July 2011	Ongoing
Lack of negotiation with suppliers with regard to benefits from reduced payment terms.	Seek savings from suppliers as a result of payment in advance of standard 30 days.	Aug 2011	Ongoing

Section 6 – Key Purchasing processes and Systems

Areas Requiring Improvement	Action	Start Date	Due Date
Inconsistent use of procurement systems throughout council	Integrate legacy systems with PECOS.	June 2011	Mar 2012
Inability to measure matched first time invoices from PECOS.	Create a report which measures first time matched invoices with a target of >90%.	Mar 2011	April 2011
	Provide advice and FAQ guidance to customers to promote first time matching.	April 2011	April 2011
	Implement more efficient ordering and invoicing techniques within the council, which also encourage first time matching, e.g. ERS, cXML and embedded PCards within PECOS.	Oct 2010	Ongoing
Insufficient contract spend processed through ordering systems.	Implement more contracts and ensure that contract catalogues and price guides are available within procurement systems.	Jan 2011	Ongoing
Procurement Services and eProcurement intranet sites are separate and do not promote consistency of approach.	Development of a single procurement intranet site. Also link to the Financial management Unit intranet site to incorporate the payments element of the process.	July 2011	Sept 2011
	Contract award details, roles and responsibilities of Corporate Procurement Unit and guidance clearly visible to customers.	Aug 2011	Sept 2011

Section 7 – People

Areas Requiring Improvement	Action	Start Date	Due Date
Lack of clarity over roles and responsibilities of procurement professionals and customers.	Document the roles and responsibilities of the Corporate Procurement Unit and its service customers.	May 2011	June 2011
	Generate job descriptions for all members of the Corporate Procurement Unit.	May 2011	June 2011
Lack of structured procurement training for all procurement professionals.	Implement the use of Scotland Excel's competency framework within the council.	Sept 2011	Ongoing
	Create personal development plans for the Corporate Procurement Unit.	Oct 2011	Ongoing
	Review and update procurement procedures and guides for use throughout the council on an annual basis.	April 2011	Ongoing
	Training to achieve MCIPS qualification required by all Corporate Procurement Unit members.	July 2010	Mar 2012
Availability of online procurement training within council.	Invest in software and develop online training courses for procurement fundamentals and procurement system use.	July 2011	Mar 2012
Insufficient contact between Procurement Services and their customers.	The Corporate Procurement Unit to provide formally arranged presentations and drop in session availability to their customers.	Aug 2011	Ongoing
	Emphasise the importance of procurement during the council's induction process.	July 2011	Oct 2011
Opportunity for Procurement Services to contribute efficiency initiatives.	Procurement Services to provide details of opportunities for efficiency savings through formal interview process and staff survey.	Nov 2010	Jan 2011
	Corporate Procurement Unit to contribute ideas for efficiency savings as an agenda standing item to be discussed at team meetings.	July 2011	Ongoing
Inconsistent training provision for procurement professionals.	Determine training needs throughout the council and arrange formal training sessions that can be attended by all procurement professionals, not just the Corporate Procurement Unit.	Sept 2011	Ongoing
	Ensure that a specific budget is allocated for procurement training.	Aug 2011	Sept 2011
	Use Scotland Excel as the first choice for external procurement training provision throughout the council.	Sept 2011	Ongoing

Section 8 – Performance Measurement

Areas Requiring Improvement	Action	Start Date	Due Date
No concise reporting mechanism used across the council.	Develop standard performance reporting templates to be used by procurement professionals throughout council.	July 2011	Sept 2011
	Category Managers to report to Senior Management Team Meetings.	Aug 2011	Ongoing
	Report procurement status and developments at quarterly Procurement Steering Group.	Sept 2011	Ongoing
	Develop formal benefits tracking template and implement for all contract categories.	July 2011	Ongoing
	Create Corporate Procurement Strategy performance indicators on Covalent	Aug 2011	Aug 2011
	Update Covalent with performance and report at quarterly performance meetings.	Sept 2011	Ongoing
Insufficient contract details recorded.	Implementation of a corporate contract register with compulsory use by all procurement professionals within the council.	July 2011	Ongoing
Revision of Service Standards in line with new Corporate Procurement Strategy.	Introduction of new Service Standards which are measurable and meet the targets of the new Procurement Strategy.	April 2011	July 2011
More feedback required from stakeholders with regard to the performance of Procurement Services	Send annual surveys to customers and suppliers and create an action plan (You Said We Did) to implement service improvements.	June 2011	Ongoing

‘End of Document’

Appendix K – WLC High Level Procurement Roles and Responsibilities



Procurement Roles & Responsibilities

The Corporate Procurement Unit is West Lothian Council's "Centre of Procurement Expertise" and provides advice and guidance to customers, facilitates performance reviews and implements improvements to procurement processes, procedures and systems.

Although responsibility for procurement is centralised within the Corporate Procurement Unit, Social Policy and Operational Services and Housing, Construction & Building Services remain accountable for Social Care and Works contracts respectively.

However, all council employees have a role to play in the procurement process and clarity of expectation and understanding of responsibility and the potential consequences of non-compliance are essential.

Responsibility	Process
Elected Members	<ul style="list-style-type: none"> • <i>Leadership, through endorsement of the council's Procurement Strategy</i> • Formal acceptance of tender process and evaluation criteria • Delegate appropriate authority for Scottish Procurement, Scotland Excel and OGC Buying Solutions contracts and other permissible frameworks to Head of Finance & Estates (Supplies and Part A Services), the Head of Social Policy (Part B Services) and appropriate Deputy Chief Executive (Works)
Chief Officers	<ul style="list-style-type: none"> • <i>Implement and develop procurement strategy</i> • <i>Report to Council Executive</i> • <i>Delegate authority to Heads of Service</i> • <i>Appraise relevant members / committees</i>
Heads of Service	<ul style="list-style-type: none"> • <i>Define procurement business needs</i> • <i>Control and approve budgets</i> • <i>Authorise strategic procurement decisions</i> • <i>Support line managers</i>
Line Managers	<ul style="list-style-type: none"> • <i>Plan and deploy resources to procurement projects</i> • <i>Develop and assist with the development of procurement business case</i> • <i>Approve operational purchases</i> • <i>Responsible for quick quotes (on line low value/low complex requirements < £50k)</i> • <i>Budgetary control</i> • <i>Provide technical expertise</i>
Operational Staff	<ul style="list-style-type: none"> • <i>Initiate purchase and process orders</i> • <i>Monitor contracts and feedback supplier / contract performance to Corporate Procurement Unit</i> • <i>Provide technical knowledge</i> • <i>Attend council User Intelligence Groups</i>
Corporate Procurement Unit	<ul style="list-style-type: none"> • <i>Provide expertise and specialist procurement advice</i> • <i>Coordinate West Lothian Council representation at National, Sectoral and Regional User Intelligence Groups</i> • <i>Develop and award local and regional collaborative contracts</i> • <i>Assist and define specifications, manage supply base, contracts & procurement risk.</i> • <i>Report corporate procurement performance</i>

Responsibilities of all members and officers involved in the procurement process require a duty to:

- Comply with council Standing Orders and Financial Regulations
- Use the Quick Quote facility (Scottish Governments online quotation facility for low value/low complex purchases < £50k)
- Use available council contracts
- Follow procurement framework, as detailed in the Corporate Procurement Strategy 2011-2014
- Be aware of current and proposed UK and EU legislation in discharging procurement activity
- Ensure that all procurement activity is carried out with regard to the principles of non-discrimination, equal treatment, transparency, proportionality, mutual recognition and protection of the rights of individuals
- Provide procurement information in a timely manner
- Act fairly, openly, ethically and responsibly

'End of Document'

Appendix L – 2010-2011 Budget & Contracts Spend Analysis



Modernising
Procurement - Service

Appendix M – Contract & Supplier Management Strategy



Contract & Supplier Management Strategy

Author: **Merle Stevenson**

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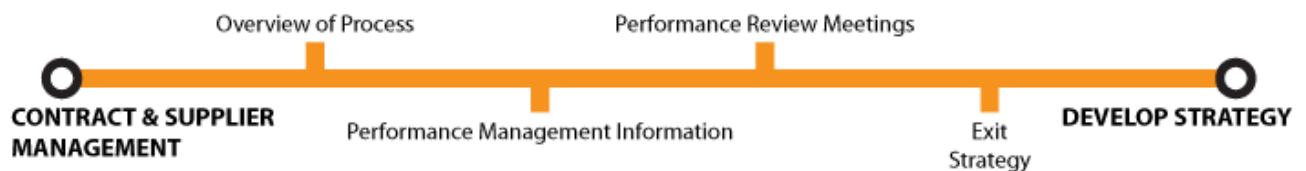
Procedural Note Approval		
Title	Printed Name	Date
Procurement Manager	Tom Henderson	06/06/2011

Contents

1. INTRODUCTION	129
2. PURPOSE OF CONTRACT & SUPPLIER MANAGEMENT	129
3. SPD SUPPLIERS' CHARTER	130
4. AIMS OF THIS DOCUMENT	130
5. PRIORITIES	130
6. CONTRACT AND SUPPLIER MANAGEMENT PROCESS.....	131
7. CONTRACT IMPLEMENTATION	131
7.1 CATALOGUE MANAGEMENT.....	132
7.2 END-USER INFORMATION PACKS	132
7.3 SUPPLIER / BUYER EVENTS.....	132
8. DETERMINE LEVEL OF CONTRACT & SUPPLIER MANAGEMENT.....	132
9. THE CONTRACT & SUPPLIER MANAGEMENT PLAN	133
10. CONTRACT & SUPPLIER PERFORMANCE REVIEW MEETINGS	133
11. CHANGE CONTROL.....	134
12. CHANGE CONTROL PROCEDURE.....	135
13. EXIT STRATEGY	135
APPENDIX A – CONTRACT & SUPPLIER MANAGEMENT PROCESS MAP	136
APPENDIX B - CONTRACT & SUPPLIER MANAGEMENT TOOLS & DOCUMENTS.....	138
APPENDIX C - EXAMPLE CONTRACT AND SUPPLIER MANAGEMENT PLAN	139
APPENDIX D - CONTRACT & SUPPLIER MANAGEMENT ROLES & RESPONSIBILITIES	141
APPENDIX E - CONTRACT VARIATION DOCUMENT	142

1. Introduction

This strategy has been constructed in conjunction with, and complements the West Lothian Council Procurement Strategy 2011-2014. Furthermore, it recognises the aims and values set out within the Scottish Procurement Directorate (SPD) Supplier Charter, and encompasses best practice set out in the SPD [Procurement Journeys](#).



The Contract & Supplier Management Strategy sets a foundation for the implementation of a consistent approach to contract and supplier management across all service areas and commodities, in order to drive value from new and existing contracts.

As well as implementing consistent cross-service processes for contract and supplier management, West Lothian Council aims to improve existing supplier relationships through increased effective engagement, at the same time supporting local businesses and SMEs.

2. Purpose of Contract & Supplier Management

The function of Contract & Supplier Management is to:

- ensure a contract is successfully executed
- provide a formalised method of monitoring supplier performance against contract requirements
- ensure that there is clarity of the roles and responsibilities by all parties relating to contract and supplier management
- monitor overall compliance by all parties to the terms of the agreement and contract, refining and improving KPIs, SLAs and service delivery through honest, open communication between the supplier and the authority, delivering improvements to both parties
- improve and develop relationships with key supplier representatives based on mutual trust and understanding, open communications and a joint approach to managing delivery
- realise estimated and planned savings through continuous monitoring of spend mechanism
- identify potential additional savings and benefits through proactive contract and supplier management
- co-ordinate the supply chain
- provide a focus for development of initiatives / innovation
- deliver learning and knowledge transfer
- drive continual improvement

3. SPD Suppliers' Charter

West Lothian Council has signed up to the Scottish Procurement Directorate [Suppliers' Charter](#), which aims to facilitate access to public sector procurement opportunities.

Both public sector procurement organisations and suppliers accept that effective procurement practices are an important factor in ensuring a varied and competitive marketplace and creating opportunities for Small and Medium Enterprises (SMEs), as well as ensuring Best Value / Value for Money within the public sector.

We recognise the need, where practical, to simplify and standardise processes and to ensure consistency in order to provide a fair and open approach to tendering. With these aims in mind, West Lothian Council will:

- Consult with the business community to identify and reduce barriers to business
- Facilitate understanding of public sector procurement policy and legislation for relevant stakeholders
- Ensure that sourcing for individual contracts, including large contracts and framework agreements, is supported by a sound business case
- Keep the tender process as simple as possible, but consistent with achieving Best Value / value for money, to help minimise costs to suppliers
- Unless there are compelling business reasons to the contrary, ensure that adequate and appropriate publicity is given to contract opportunities that fall below the OJEU threshold limits or are otherwise exempt from the public procurement directives
- Commit to using a core pre-qualification questionnaire for routine procurements
- Offer meaningful feedback to suppliers on the evaluation of their proposal at the end of the tendering process
- Publish guidance for the business community on tendering opportunities
- Support training for procurement staff to develop consistency in the use of best practice procurement activity

4. Aims of this Document

Relationship Management is a key element of supply positioning and Contract and Supplier management, with an aim to embrace efficiency and make the processes and contracts between the Council and its suppliers and partners more effective. Relationship management is integral to Contract and Supplier management, demonstrating a comprehensive approach to managing the council's interactions with the organisations that supply the goods, works and services that it uses.

Supporting the objectives set out in the Procurement Strategy 2011-2014, this strategy aims to provide a standard approach and guidance to Contract and Supplier management, defining clear ownership for operational day-to-day management throughout the lifecycle of a contract and relationship by the Corporate Procurement Unit Category Managers and the Contract Managers responsible for Social Care and Works contracts.

This strategy will achieve its aims by defining the procedure for developing and maintaining close relationships with business partners and key providers, and creating a consistent, standard Contract and Supplier management process, applicable to all commodities.

5. Priorities

Priority areas to achieve contract and supplier management objectives include the:

- Agreed ownership of the Contract and Supplier management process by the Corporate Procurement Unit Category Managers (refer [Appendix A](#)) – Process Map.
- Implementation of a standardised agenda, minutes and action notes template for managing and documenting supplier meetings consistently across all commodity areas (see [Appendix B](#)).
- Implementation of a balanced scorecard for measuring supplier performance in terms of the supply of goods, services, works and social care contracts (see [Appendix B](#)).

- Incorporation of a mechanism to review council performance and feedback within review meetings
- Introduction of supplier management meetings with identified key suppliers for each category, with an aim to seek continuous improvement in the execution of contracts.
- Commencement of a revolving programme of contract and supplier review meetings with 3 suppliers from each category, and then rolling out to all high value / high risk suppliers by March 2012
- Regular review of both contract performance and supplier performance through structured joint and service-inclusive meetings to improve output, savings and knowledge, and to reduce risk
- Facilitation of ongoing supplier events for SME's to cover areas of concern and provide advice on how to become a supplier to the council, and other public bodies in Scotland via [PCS](#)
- Encouragement of prime contractors to engage with local suppliers and SME's through the inclusion of Community Benefit / Sustainability clauses, and early engagement in commodity strategies
- Standardisation of the supplier management process, and implementation of rigorous controls to manage the supplier database and transactions within Procurement systems.
- Moving away from, and ultimately remove the Approved List of Suppliers within various services within the council, to improve efficiency, increase transparency, and reduce the risk of challenge.
- Continual review of the contract and supplier management process to ensure it remains fit-for-purpose, remains consistent with Procurement Journeys 1, 2 and 3, and continues to deliver clear benefits.

6. Contract and Supplier Management Process

This document sets out the procedure that is used to manage contracts and the supplier relationship post-supplier selection and contract award. Equally, it applies to the management of existing contracts.

The Contract and Supplier Management process begins with migration and mobilisation, and continues through a post-contract award meeting with the successful supplier, which as a guideline, should be conducted within 1-3 weeks of the contract award. The purpose of this meeting is to discuss the contract implementation phase and agree roles, responsibilities, identify activities and agree SLA's, KPI's, timescales and expectations. It is important to keep in regular contact with the supplier during the contract implementation phase and to arrange meetings and maintain open dialogue throughout.

7. Contract Implementation

Contract Implementation consists of three distinct phases:

- **Mobilisation** - the process of moving from contract award to 'go-live' i.e. the point when a user can actually buy from the contract
- **Migration** - facilitating the movement of an organisation to a new contract post 'go-live'
- **Communication** – ensuring all stakeholders are aware of the contract and what it involves

Actions that should be considered to migrate to, and mobilise a contract at this stage include:

7.1 Catalogue Management

Catalogues are more usually related to contracts for goods. Strategic contracts, for example Social Care and Construction Projects are unlikely to involve catalogues. Standardised catalogue content for commodities that are easily validated should be produced and published in PECOS. Catalogue content may take the form of 'punch-out' from PECOS to a supplier's online catalogue. It may also form a product price list provided to those services yet to have an interface with PECOS.

The process of catalogue management can be very time-consuming, dependent on the size (number of line items) and number of catalogues involved. It will involve the receipt of initial catalogue data from suppliers, checking catalogue content, validation checks and testing, before making them available to end users through PECOS or manually issuing. It is therefore important that sufficient time is built in for Catalogue Management where required.

7.2 End-User Information Packs

An information pack may be required to communicate and publicise the contract to inform end-users of its content, which can contain key information about the use of the contract including:

- contract objectives,
- details of the goods and services available,
- prices,
- supplier contact details,
- ordering and invoice process,
- returns / complaints / escalation process,
- contract and supplier management process.

Any information pack should be proportionate to the contract, and should demonstrate how it delivers best value and provides information relating to the benefits of the contract, e.g. cost savings, KPIs, SLAs, improvements in quality and service.

7.3 Supplier / Buyer Events

Depending on the size, value and risk level involved with the contract, a useful way to raise awareness of the contract amongst end users is to organising a Supplier / Buyer 'launch' event to give stakeholders who have yet to meet as part of the selection and award stage, the opportunity to meet each other, and present details of the contract and what it affords. This is also an opportunity to distribute information packs / buyers guides. Where a large number of users are affected, it may be useful to also publish a news item via the Intranet.

8. Determine Level of Contract & Supplier Management

It is important when developing the Contract Strategy to determine the level of management required for the proposed contract once awarded, based on size, value and organisational risk, as this will influence and determine the frequency and content of supplier review meetings.

Guidelines from the Procurement Journey are given below, but each service, guided by the Category Manager, will need to consider the appropriate level of management required for individual contracts, by considering factors such as value and length of contract, business criticality and dependency, number of customers / end-users, public visibility, openness to complaints or challenges, risk, performance criteria and compliance with requirements of governing bodies e.g. Care Commission grades for Social Work contracts.

A tool to assist in determining the level of management is incorporated within the Contract and Supplier Management section of Procurement Journey 3 can be found in [Appendix B](#).

- **Low level** - ensuring compliance to the contract by monitoring management information from the supplier, end-user feedback, managing delivery and compliance of the contract using the 4 high level indicators from the balanced scorecard ([Appendix B](#)) i.e. cost, quality, delivery and service.
- **Medium level** - managing the performance of the contract and the supplier through management information monitoring, end-user feedback and by expanding the 4 high level indicators, coupled with a minimum of one performance review meeting held per annum.
- **High level** - managing the performance of the contract and the supplier using a combination of management information monitoring, use of the balanced scorecard to monitor performance in support of quarterly meetings.

9. The Contract & Supplier Management Plan

Once the contract implementation has been completed and the level of management determined, a Contract and Supplier Management Plan, see [Appendix C](#) for an example, should be constructed which outlines:

- Roles & responsibilities
- Agreed level of management (low/medium/high)
- Contract objectives
- Performance Management Framework, e.g. Use of balanced scorecard, KPIs & SLAs
- Mobilisation Plan
- Migration Plan
- Contract Compliance
- Escalation process (within supplier organisation and the council)
- Review meeting schedule
- Risks & issues

This will need to be agreed with your supplier. All of these, in particular, the routes for escalation and the review meeting schedule should have been built into the initial Contract(s) Strategy and tender, with reference to the fact that a Contract and Supplier Management plan will be developed.

10. Contract & Supplier Performance Review Meetings

Performance Review Meetings are an important part of the Contract & Supplier Management process and provide the Corporate Procurement Unit, Service Users and the Supplier with an opportunity to focus on what is going well, identify any problems at an early stage and agree opportunities for improvement and innovation.

The Scottish Procurement Directorate (SPD) suggests that, for contracts / suppliers where a medium level of management is being applied, there should be at least one performance review meeting per year. Meetings for Contracts / Suppliers where a high level of management is being applied should be held at least quarterly.

Standard templates for meeting agenda and minutes / action notes is available to assist in the management of performance review meetings and is supplemented by the balanced scorecard templates for goods, services, works and social care contracts. All are available on the Corporate Procurement Intranet site or via the links contained in [Appendix B](#).

These tools can be used by both Corporate Procurement Unit and the supplier in advance of meetings to provide a structure to the meeting, with the scorecards in particular used to gauge where performance is improving, remaining static or declining.

Meetings should focus on:

- i. Review of Actions and Minutes from previous meeting(s)
- ii. Supplier Business Review, with updates on new products / product developments, customer-affecting issues (e.g. product issues, recalls), complaints, etc.
- iii. Council Business Review / Service Improvement Plan Update
- iv. Scorecard review – (to determine current level of performance (Improving / Degrading)
- v. Benefits Realisation (e.g. Community Benefits, sustainability)
- vi. Review of risks and Issues
- vii. Issues for escalation
- viii. Financial Monitoring (Spend monitoring, P2P, Invoicing, financial stability).
- ix. Contract performance against target / SLA / KPIs
- x. Areas of Improvement (e.g. Innovation, new process)
- xi. Change Control

These are suggested agenda topics for discussion however these will need to be adapted for specific types of contract and / or suppliers.

The initial performance review or inaugural or kick-off meeting should also include a 'Lessons Learned' session with the supplier on the tendering and contract implementation process, and cover areas such as roles and responsibilities, performance levels, invoicing arrangements, etc.

Meetings should recur as agreed until the contract approaches its completion, and documented (minutes, actions, change in performance) throughout, with actions followed up as agreed. Minutes of meetings, agreed actions and scorecard results should be communicated to all stakeholders following each meeting (supplier, Corporate Procurement Unit & service area management).

11. Change Control

Changes (variations) to services, procedures or contracts are likely to occur throughout the lifecycle of a contract, especially lengthy and / or major, strategic contracts, which could have an effect on many aspects of the contract including:

- Service delivery
- Scope of work
- Performance
- Costs
- Product availability / changes to specification / obsolescence / revision of rates
- Whether the contract continues to represent value for money

The primary aim in managing variations is to minimise their likelihood, however change is inevitable, therefore the specification and management of change (Change Control) is an integral and important part of contract management and administration. Change control procedures should be included within the contract and discussed at the inaugural meeting. The respective roles and responsibilities of both parties in the change control process must be clearly identified, along with procedures for raising, evaluating, costing and approving change requests.

A single change control process should be applied to all contract changes. Flexibility does however need to be built into the process to deal with issues such as emergencies. A change control process should provide clear steps and clearly allocated ownership and responsibilities for:

- Requesting changes
- Assessment of impact
- Prioritisation & authorisation
- Agreement with provider
- Control of implementation
- Documentation and communication of change
- Updates to terms & conditions where applicable

If a specific change, or cumulative changes significantly increase or decrease the scale or scope of the contract, the responsible Category Manager / contract owner must question the contract's ability to achieve best value and value for money overall.

Similarly, the Category Manager / contract owner must also ensure that any changes do not take the contract outside the scope of the original tender in relation to the OJEU advertisement, or permitted extensions to contracts. When this is in doubt, the change should be referred to Legal Services for guidance.

The same level of diligence should be applied to contract variations as that applied to letting a contract.

12. Change Control Procedure

The change control procedure should be used by the council and supplier to enable changes to the contract, to provide clarity and documentary evidence of the change, and agreed actions:

1. A Contract Variation Document - See [Appendix E](#), should be completed and signed by parties to the contract. Documenting the change in this manner will ensure that involved parties have clarity and visibility of the change, which can be readily communicated to stakeholders. The contract variation document should be given a sequential number, logged in the variations log and should detail:
 - a. Contract Title, Originator of Change, Date Change Proposed
 - b. Reference to any attachments or addenda
 - c. The reason for the Proposed Change
 - d. Full details of the Proposed Change
 - e. Details of the Impact (financial / operational)
 - f. Date of Agreement of the Change
 - g. Name, Title, Date and Signature of contracting parties.
2. Signatory for the Council will normally be the Category Manager / contract owner, the Head of Corporate Procurement, or in cases where legal consultation has been sought, an appropriate member of Legal Services.
3. Until such time as the contract variation document is signed by contracting parties, it should be clarified to the Contractor that they will need to continue to provide and make available to the council the services as originally contracted.
4. Once the contract variation is agreed and signed, amendment to the contract can take place.
5. A signed copy of the contract variation document should be provided to the supplier, and a copy retained on Meridio with the original contract documents.
6. All stakeholders and end-users of the contract should be informed of the change

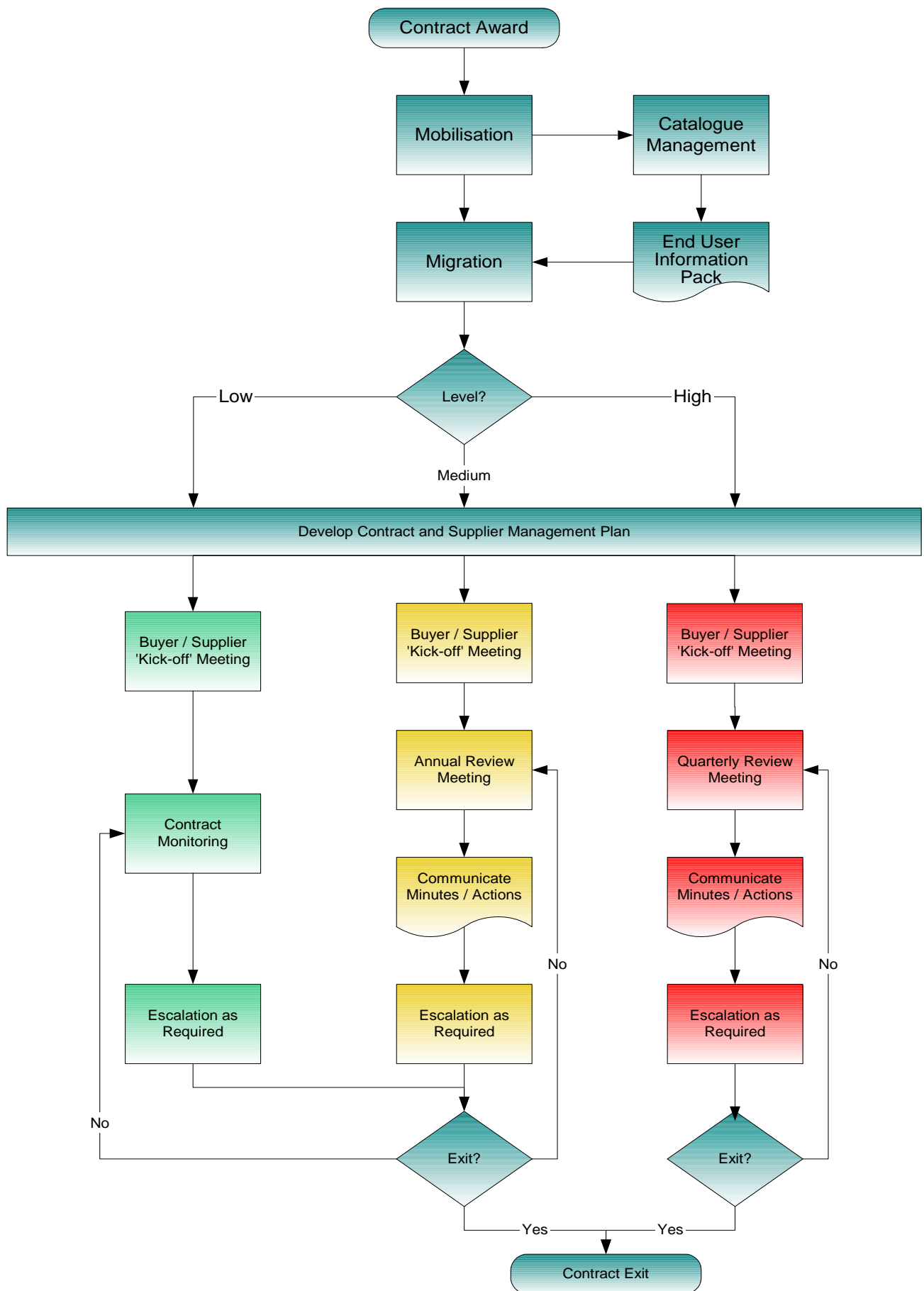
13. Exit Strategy

As a contract progresses, the Corporate Procurement Unit Category Managers or the Contract Managers responsible for Social Care or Works contracts will have responsibility for ensuring that both parties are working towards the planned fulfilment and exit of the contract, and the procurement process for securing subsequent supply arrangements if required.

The Exit Strategy should involve a full review of the contract and supplier's performance. This should include a 'lessons learned' review which incorporates feedback from end-users and the supplier.

The final review and lessons learned should be clearly documented and communicated to appropriate stakeholders, as it may inform any subsequent procurement for similar commodities in the future.

Appendix A – Contract & Supplier Management Process Map



Appendix B - Contract & Supplier Management Tools & Documents

1. [Contract and Supplier Management Level Identification Tool.](#)

2. Standard Meeting Agenda



Contract & Supplier
Management Meeting

3. Performance Review Meeting Minute / Action Note Template



Contract & Supplier
Management Meeting

4. Balanced Scorecards

Supplier Scorecard – Goods



Supplier
Management scoreca

Supplier Scorecard – Services

Supplier Scorecard – Works



Supplier
Management scoreca

Supplier Scorecard – Social Work

The latest versions of the above documents can be found on the Corporate Procurement Unit intranet.

Appendix C - Example Contract and Supplier Management Plan

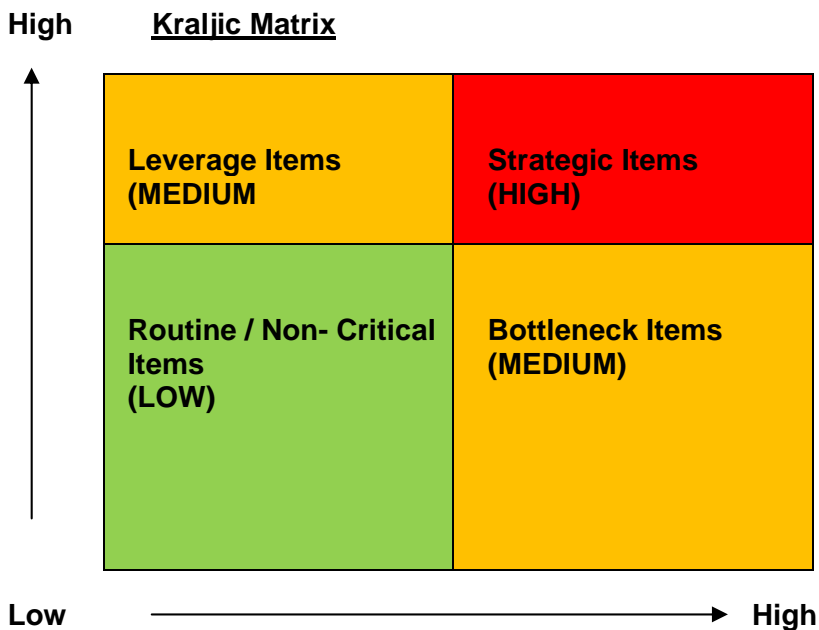
1.1 Owners / Key Representatives

Nominated contact	Role	Responsibility
	Lead Contracting Authority representative	
	Supplier Contract Manager	
	UIG Member(s)	
	Buying Organisation / End User	

A summary of the key roles and responsibilities for the various parties involved in the contract and supplier management process are provided in [Appendix D](#).

1.2 Level of Management required

Use the [Contract and Supplier Management Assessment tool](#) to determine whether the level of management required for a specific contract and supplier should be **HIGH / MEDIUM / LOW**. The assessment considers the potential impact on business based on criticality, dependency and the number of expected customers.



1.3 Contract Objectives

1.4 Performance Management Framework

1.5 Mobilisation Plan

1.6. Migration Plan

1.7 Contract Compliance

--

1.8 Escalation & Change Control Process

Supplier	Contracting Authority (Customer)

1.9 Exit Plan

--

1.10 Review Meetings

Proposed dates	Actual Dates

1.11 Issues / Risks

Issue Ref	Issue	Responsibility	Resolution	Date
Risk Ref.	Risk	Responsibility	Mitigating Action	Date

Appendix D - Contract & Supplier Management Roles & Responsibilities

A summary of the key roles and responsibilities for the various parties involved are provided below:

Key Roles	Responsibilities
Lead Contracting Authority	<ul style="list-style-type: none"> • facilitating and championing supply chain innovation, continuous improvement initiatives and best practice • monitoring of contract and supplier performance against KPIs and other specified performance indicators with UIG and Buying Organisations. • monitoring 'take-up' and spend through the framework by Buying Organisations • co-ordination and consolidation of management information from the Supplier (s) and Buying Organisations • chairing and managing performance reviews with the Supplier, including UIG input, and disseminating outcomes • managing any major performance issues and complaints • managing framework agreement variations, and disseminating outcomes • managing the extension of any optional extension periods (and/or the re-tender process and the Supplier Exit Strategy) including UIG input • providing guidance and advice to Buying Organisations as necessary
UIG	<ul style="list-style-type: none"> • supporting and championing supply chain innovation, continuous improvement initiatives and best practice • facilitating the validation of Buying Organisations feedback on contract and supplier performance • input to the monitoring of Supplier performance against KPIs and other specified performance indicators • input to performance reviews with the Supplier • participation in the annual performance review
Supplier	<ul style="list-style-type: none"> • lead, enable and support supply chain innovation, continuous improvement initiatives and best practice • meet the contractual obligations arising from the framework agreement • providing the required management information in a timely fashion to Lead Contracting Authority and Buying Organisations • attending performance review meetings • providing effective account management and customer services to both Lead Contracting Authority and Buying Organisations • development of key relationships with both Lead Contracting Authority and Buying Organisations
Buying Organisation (End User)	<ul style="list-style-type: none"> • leading, supporting and championing supply chain initiatives • managing supplier relationships relating specifically to operational issues • operational management of compliance, supply, demand and payment at a local level • providing contract/supplier performance data to Lead Contracting Authority

	referring Supplier performance issues to Lead Contracting Authority
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Appendix E - Contract Variation Document

CONTRACT VARIATION REF: V XXXX/2011 Date: XX/XX/XX	CONTRACT TITLE: CONTRACT REFERENCE: PSXXXX CONTRACT TERM:
Between West Lothian Council (hereafter called "The Authority") and the Contractor as defined below.	
CONTRACTOR DETAILS	Name:
CONTRACTOR ADDRESS	Street: Town: Post Code:
DIRECT CONTACT DETAILS	Name: Direct Dial : Email:

Contract Variation Details (as selected)

EXTENSION TO CONTRACT TERM		From XX/XX/XX To XX/XX/XX	If YES, Number of Months XX months
PRICE VARIATION		Effective from XX/XX/XX	
VARIATION to: PRODUCT LIST or SPECIFICATION		Effective from XX/XX/XX	
VARIATION to: CONTRACT TERMS AND CONDITIONS		Effective from XX/XX/XX	
Any revised price list, revised specification or revised terms and conditions must be attached to, and will form part of, this variation document.			
<ul style="list-style-type: none"> Variations to the above contract are applied in accordance with section 36 of the Conditions of Contract. Words and expressions in this variation shall have the meanings applied to them in the original contract. The contract, including any previous variations, shall remain effective and unaltered except as amended by this variation. 			

Signed For the Authority:		Signed For the Contractor:	
By:		By:	
Full Name:		Full Name:	
Title:		Title:	
Date:		Date:	
Attached Documents: List below any documents that form part of this variation			

Appendix N – West Lothian Council Payment Procedures 2011/2012



**West Lothian
Council**

Finance & Estates Services

COUNCIL PAYMENT SYSTEMS PROCEDURE 2011/2012

Approved by	Head of Finance and Estates Services
Date approved	March 2011
Date procedure to be reviewed	March 2012

1. **INTRODUCTION**

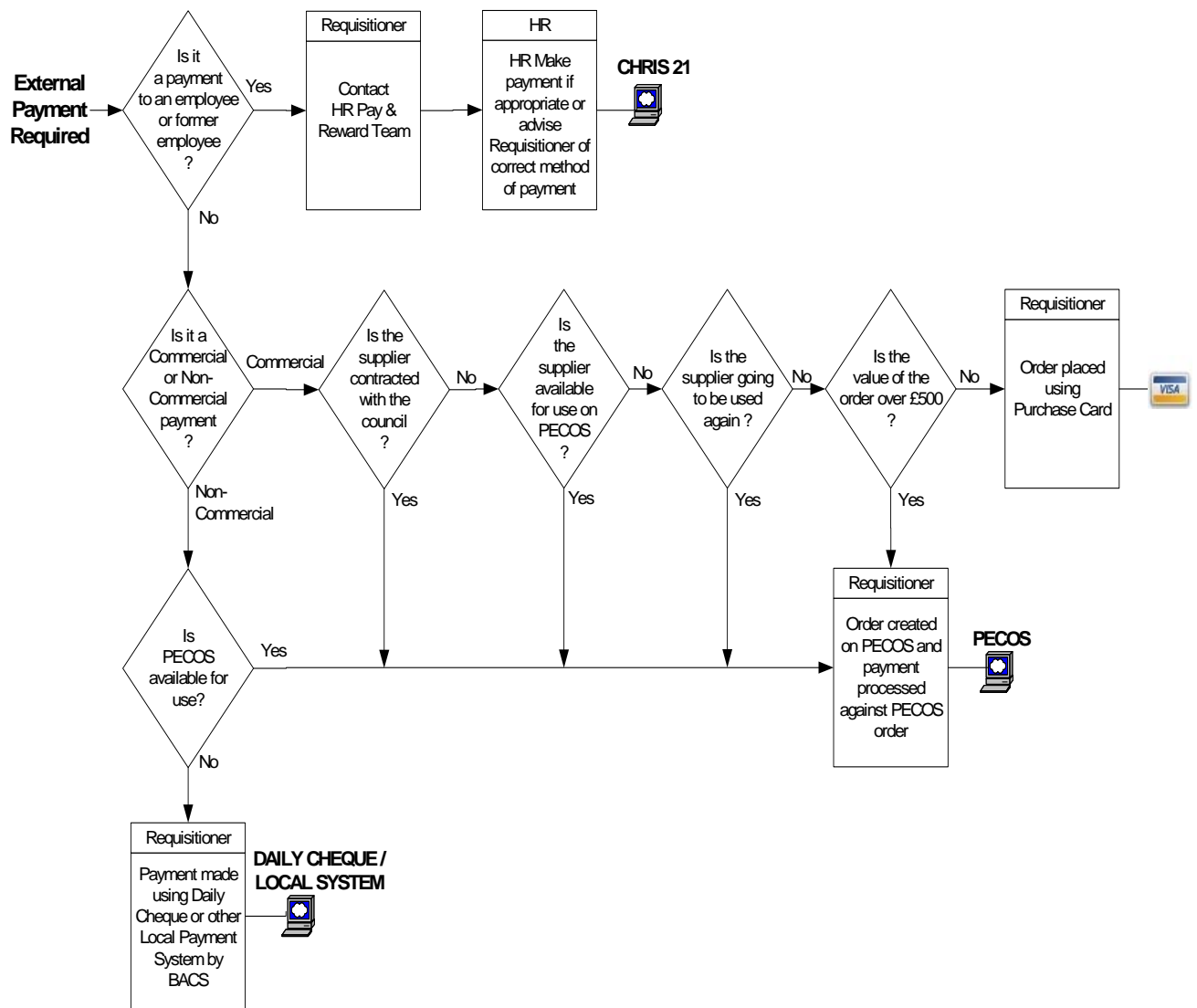
- 1.1 This document outlines the council's corporate procedure in relation to the most appropriate use of the councils' payment systems when making payments to third parties.
- 1.2 These procedures should be read in conjunction with procedures and guidelines in place for each of the systems noted under section 1.4 below.
- 1.3 Queries regarding this procedure should be forwarded to the relevant Service Accountant in the first instance who will be able to advise on the correct method of payment. Contact details are available on the Financial Management Unit intranet site:
<http://webwest1.app.westlothian.gov.uk/FinanceServices/FinanceServices/pdfs/FinancialManagementStaff.pdf>
- 1.4 Systems covered by this document (including any feeder systems) are as follows. A description of each of the systems is contained within the glossary.
 - PECOS
 - SEEMIS School Attendance
 - Purchase Cards
 - Petty Cash
 - CHRIS 21
 - Daily Cheques
 - Softbox
 - CHAPS
 - Smartstream
 - Axim
 - Contractor +
 - Housing Benefits by BACS
 - Clothing Grants

- Council Tax refunds
- *Recorder*
- *Profess*
- Foreign Drafts

2. **IDENTIFYING THE APPROPRIATE METHOD OF PAYMENT**

- 2.1 It is important staff consider the most appropriate method of making a payment to an external party.
- 2.2 In considering this, staff should ask the following questions:
- Step 1 - Is it a payment to an employee or former employee? If yes, the payment must be made via HR Pay & Reward. This is covered in section 3 of this procedure.
 - Step 2 – If the payment is not to an employee, the next question to consider is if the payment is a commercial or non-commercial payment.
 - Step 3 – If a payment is non-commercial, payment should be made by PECOS, other than in defined circumstances. Non-commercial payments are covered in section 4 of this procedure.
 - Step 4 – If a payment is commercial, payments should be made by PECOS other than in defined circumstances. This is covered in section 5 of this procedure.

The choices to be made in relation to payments are summarised below:



3. **PAYMENTS TO EMPLOYEES**

- 3.1 Payments to employees covering salaries and expense reimbursement must be arranged via HR Pay and Reward which will be processed via CHRIS21 to comply with tax legislation.
- 3.2 Emergency payments to employees can be made via daily cheque or CHAPS payments but must be arranged by HR Pay and Reward.

4. **NON-COMMERCIAL PAYMENTS**

- 4.1 The council processes various non-commercial payments. These are payments where the council does not receive an economic benefit in return for the payment. This will include paying money held on behalf of third parties and grant payments to individuals and organisations.
- 4.2 Non-commercial payments should normally be made via PECOS to allow commitment information to be included within the financial monitoring statements.
- 4.3 Some types of non-commercial payments are not suitable for processing via PECOS, for example Housing Benefit payments, service account refunds and

payments to individuals for social carers. These types of payments should be processed via daily cheque (or one of its feeder systems) or via a system that allows payments to be made by BACS or CHAPS.

5. PAYMENTS FOR SUPPLIES AND SERVICES

- 5.1 Commercial payments for supplies and services should be processed via PECOS.
- 5.2 The use of PECOS allows the council to analyse expenditure, negotiate best value through contracts and utilise electronic ordering.
- 5.3 PECOS also provides improved financial monitoring statements through commitment accounting. This allows budget holders to view spend available after deductions for orders yet to be delivered and receipts yet to be paid.
- 5.4 Some services are currently unable to fully utilise the PECOS system. The use of other systems to procure supplies and services must be agreed with the Procurement Manager in advance. Examples include food purchases for school kitchens and care homes and certain expenditure relating to Operational Services and Housing, Construction and Building Services that requires to be processed via a costing system.
- 5.5 In certain circumstances, purchase cards can be used to procure supplies and services. This should normally be for items with a low value, and guidance is contained within the Purchase Card operating procedures. The Purchase Card operating procedures are available from the Financial Management Unit and are available on the intranet ([Purchase Card Procedure](#)).
- 5.6 Petty cash can be used to facilitate low value purchases of an exceptional nature, which are not appropriate for processing via PECOS, daily cheques or purchase cards. It is anticipated that the use of petty cash should be the exception rather than the norm and local petty cash procedures will outline where this is appropriate.
- 5.7 Cash advances for items to be purchased via petty cash are not allowed. An employee incurring incidental expenditure is required to retain receipts and submit these to their local imprest officer for reimbursement.

6. CONCLUSION

- 6.1 This procedure outlines for staff the steps to undertake in choosing the appropriate payment method for external payments and sets out the relevant factors to take into account of when making such payments.
- 6.2 It is essential for governance, internal control and effective budget management that the correct payment method should be used.

GLOSSARY

Systems used for Commercial Payments

Purchase Cards (Similar to a credit card, used to purchase low value items)

PECOS – (Electronic procurement system used to purchase and arrange payment for supplies and services, can also be used for non commercial payments made on a regular basis)

Petty Cash (cash to facilitate low value purchases of an exceptional nature)

Smartstream (Corporate Accounts Payable Ledger)

Axim (Operational Services costing system, also used to pay invoices)

Contractor + (Housing, Building Services costing system, also used to pay invoices)

Foreign Drafts (cheques raised in a foreign currency)

Systems used for Non Commercial Payments

Housing Benefits by BACS (Housing Benefit payments)

Clothing Grants (system used by Education to make clothing grant payments)

Council Tax refunds (system to process council tax refunds)

Daily Cheques (cheques to be issued for non commercial payments)

Softbox (system used to make regular payments to individuals e.g. Social Policy clients)

CHAPS (an electronic payment made between bank accounts. The transfer occurs same day but a charge is incurred)

SEEMIS School Attendance (system used for paying Education Maintenance Allowance to school pupils)

PECOS – (Electronic procurement system used to purchase and arrange payment for supplies and services, can also be used for non commercial payments made on a regular basis)

Systems used to make payments to employees

CHRIS 21 (Council Human Resources system including payroll system)

‘End of Document’



West Lothian Council

Financial Management Unit

DAILY CHEQUE SYSTEM PROCEDURE 2011/2012

Approved by	Head of Finance and Estates Services
Date approved	March 2011
Date procedure to be reviewed	March 2012

INTRODUCTION

- 1.1 This procedure sets out revised regulations to services using the Daily Cheque payment system. All services should note section 2 'Allowable Expenditure to be processed via Daily Cheques'. If services have any doubt regarding the correct method of payment then advice should be sought from the Financial Management Unit.
- 1.2 The Daily Cheque system is to be used to facilitate non commercial payments outwith PECOS to various individuals or organisations. It should not be used for paying invoices or payments that could be processed through PECOS.
- 1.3 All employees using the daily cheque system are required to comply with these procedures.

ALLOWABLE EXPENDITURE TO BE PROCESSED VIA DAILY CHEQUES

- 2.1 The main purpose of the daily cheque system is to facilitate non commercial payments and these include:
 - Housing Benefit payments
 - Council Tax Refunds
 - Clothing Grants
 - Service account refunds
 - Petty Cash reimbursements to approved imprests
 - Payments to individuals for social carers
 - Payments to employees for payroll errors or amendments
- 2.2 Payments to employees or former employees via daily cheques should only be processed via HR Pay and Reward to ensure compliance with HMRC regulations.

2.3 Daily cheques should NOT be used for the following:

- Expense reimbursements to employees (which should be processed via HR Pay & Reward)
- Payments to suppliers (which should be processed via PECOS)
- Payments to contractors or individuals engaged in the provision of services to the council (which should be processed via HR Pay & Reward)
- Payment of grants to external organisations which could be processed via PECOS

3 ONLINE DAILY CHEQUE REQUESTS

- 3.1 All cheque payments are to be processed by services directly to the daily cheque system.
- 3.2 Services keying cheque requests directly to the system are required to maintain files containing supporting documentation for each request for six years (not including the current financial year).
- 3.3 The FMU will monitor online cheque requests for compliance with section 2 of the procedures.
- 3.4 New users to the system can be created by emailing form DC01 (attached to this procedure) to the Accounts Payable Team and stating whether the user requires access to input or access to authorise payments. Requests for user with authorising access must be requested by a senior manager.
- 3.5 On an annual basis, the Financial Management Unit will verify user access requirements with services to ensure the system is kept up to date.
- 3.6 To ensure segregation of duties is maintained throughout cheque processing, users must not share user accounts and passwords.

4 DAILY CHEQUES FEEDER FILES

- 4.1 The following systems interface directly into the daily cheque system:
- Housing Benefits
 - Council Tax Refunds
 - Clothing Grants
- 4.2 Other feeder files can be interfaced with the system from time to time to allow one off payments to be made, for example equal pay settlements.
- 4.3 It is the responsibility of services with feeder systems interfacing with daily cheques to maintain proper documentation, procedures and segregation of duties for the feeder systems.
- 4.4 Services with feeder files should ensure their coding structure i.e. subjective and cost centre is able to interface with the daily cheque system without transactions being rejected.



West Lothian Council

Financial Management Unit

DAILY CHEQUE SYSTEM

USER ACCOUNT ADMINISTRATION

FORM DC01

SECTION FOR SERVICE TO COMPLETE

EMPLOYEE NAME	
LOCATION	
SERVICE	
TELEPHONE	
EMAIL ADDRESS	
NT LOGIN ID	
NT DOMAIN	
TYPE OF EXPENDITURE EXPECTED TO BE PROCESSED	
NEW INSTALL YES/NO	
Access level required: Delete as necessary	Authoriser/Input

SECTION FOR FMU/IT TO COMPLETE

USER ENTITY	
LOGON ID	

Authorised by (refer to notes below)	
Date	23/06/2011

Notes

- Head of Service or other senior manager must approve the set up of accounts with authorising facility
- Input account set up can be approved by a line manager
- Deletions to accounts do not need to be approved by management
- New users account name and password will be advised by IT
- If form is incomplete or not properly certified the form will be not be processed and will be returned to the service

To be sent by email from the line manager/senior manager to 'Accounts Payable' mail box



West Lothian Council

Finance & Estates Services

COUNCIL CASH PROCEDURE 2011/2012

Approved by	Head of Finance and Estates Services
Date approved	March 2011
Date procedure to be reviewed	March 2012

1. INTRODUCTION

- 1.1 This procedure covers the handling of all cash within the council, including petty cash, floats held for cash registers or receiving income, cash held on behalf of third parties and imprests operated via a bank account. In addition the procedure outlines the council's procedure in relation to use and control of petty cash.
- 1.2 Definitions used in this procedure are contained within the glossary under section 9.

2. PETTY CASH & IMPRESTS

- 2.1 Petty Cash must only be used when the use of other methods of payment is not appropriate. Section 3 of this procedure gives guidance on expenditure to be processed via petty cash.
- 2.2 Imprests are arranged into six groups within the council, each having an approved officer with overall responsibility of overseeing the operations of the imprest, including satellite imprests reconciling into the main imprest:

IMPREST GROUP	RESPONSIBLE OFFICER	POST TITLE	SERVICES COVERED
Operational Services	Jamie Fisher	Cost/Finance Team Leader, Operational Services	Operational Services
Revenues & Benefits	Marie Dolan	Team Leader, Revenue and Benefits	Revenues & Benefits
Planning & Economic Development Services	Lesley Craig	Support Services Manager	Planning & Economic Development Services
Education Services	Zelia Hope	Group Accountant, Financial Management Unit	All Education except services residing in the Civic Centre
Social Policy	Bill Smith	Senior Finance Admin Manager, Social Policy	All Social Policy except services residing in the Civic

			Centre
Financial Management Unit	Lynda Ferguson	Technical Accountant, Financial Management Unit	All services in Civic Centre plus, Housing, Building and Construction Services and Corporate Services

- 2.3 The officers with responsibility for the above imprest groups must ensure that local procedures are drawn up in line with the Council Cash Procedure and in consultation with the Financial Management Unit. These procedures must be authorised by the Corporate Finance Manager on an annual basis.
- 2.4 In addition to the main imprests noted in section 2.2, services may choose to have satellite imprests held separately from the main imprest. These must in all cases reconcile into one of the main imprest groupings and the appropriate local procedure for the relevant one of the six groups will apply to such imprest, for example imprests held within schools should reconcile into the Education & Cultural imprest group.
- 2.5 All services are required to register with the Financial Management Unit imprest levels, locations and responsible officers for satellite imprests.
- 2.6 Any amendments to 2.5 and 2.6 must be notified to the Financial Management Unit so that the Corporate Imprest Register is kept up to date.
- 2.7 Imprest limits will be reviewed annually to ensure the appropriate imprest level is in place. This will be carried out by the Financial Management Unit.

3. EXPENDITURE TO BE PROCESSED VIA PETTY CASH

- 3.1 The main purpose of petty cash is to facilitate low value purchases of an exceptional nature, which are not appropriate for processing via PECOS, daily cheques or purchase cards.
- 3.2 In addition, cash floats are provided to services to operate cash registers, receive cash income and make emergency payments. Local petty cash procedures will outline where this is appropriate.
- 3.3 Items bought via petty cash should except in exceptional circumstances be of a value of less than £50 and must be supported by appropriate receipts.
- 3.4 Petty cash must not be used for the following:
- Travel and subsistence for council employees (which should be processed via HR Pay & Reward)
 - Items that should be purchased via PECOS or Purchase Cards as per Council Payment System Procedure
 - Expenditure that could be deemed to be a taxable benefit and which should be processed via HR Pay & Reward for example Travel and Subsistence
 - Hospitality and entertainment (which should be processed via HR Pay & Reward via Hospitality Expenditure form)
 - Expenditure where the council has approved contracts with suppliers

- 3.5 Cash advances for items to be purchased via petty cash are not allowed. An employee incurring incidental expenditure is required to retain receipts and submit these to their local imprest officer for reimbursement.

4. AUTHORISED SIGNATORIES FOR PETTY CASH

- 4.1 Petty cash claims must be authorised by an authorised signatory prior to reimbursement. Petty cash claims will be subject to review by Internal Audit and Financial Management staff.
- 4.2 The responsible officers noted in section 2.2 should maintain an authorised signatory list for their area.

5. IMPREST & CASH SECURITY

- 5.1 All cash must be held securely when not in use.
- Cash amounts under £200 must be kept in a locked container which must be kept in a secure location.
 - Cash over £200 must be kept in a secure safe. The Risk & Insurance Unit will provide advice regarding the suitability of safes.
 - Safes containing cash of £5,000 or more must be registered with the Risk and Insurance Manager so the safe is named on the council insurance policy.
 - In all cases, cash held should be kept to a minimum
 - Stamps and travel warrants should not be included in the imprest value but should be regarded as cash when determining the insurance limit of the safe.
- 5.2 Keys or combination codes for any locked containers or safes must not be kept on the premises over night or whilst the premises are closed and unattended.
- 5.3 Each imprest holder must maintain an authorised keyholder list for inspection. Keys or combination codes must not be left unattended whilst the premises are open for business.
- 5.4 For imprests operating via a bank account, access to chequebooks must be restricted to authorised cheque signatories and when not in use must be kept in a locked drawer or safe.
- 5.5 Imprest holders (including local imprests) must ensure that a petty cash reconciliation is undertaken on at least a monthly basis. This should include a reconciliation of the cash in hand, unclaimed expenditure and local record of any bank balance to the imprest amount.
- 5.6 Where practical, reconciliations should be undertaken by an independent person who has no day to day involvement in the operation of the imprest account. If an independent person does not undertake the reconciliation an independent person must check it.
- 5.7 Officers must not borrow or lend petty cash to top up another imprest. This includes mixing cash floats used for receiving income and petty cash for expenditure and also school fund accounts.
- 5.8 Any missing cash must be notified to the responsible officer in section 2.2 for investigation. If after investigation the missing amount is not found or a fraud

is suspected, the responsible officer must notify Internal Audit. Any loss of cash of £1,000 or more must be reported to the Risk and Insurance Unit immediately.

6. REPLENISHING IMPRESTS

- 6.1 Imprests can be replenished by cheque drawn on the council's main bank account and made payable to 'West Lothian Council - Cash' and by cashing the cheque at a Bank of Scotland branch. Officers are required to provide bank staff with their staff ID badge when cashing cheques at the Bank of Scotland Almondvale branch. At other branches registered signatories must be registered with the particular branch and be authorised to cash cheques. The Financial Management Unit can arrange this.
- 6.2 Cheques must not be made payable to 'Cash'. If cash is required for petty cash reimbursement it should be made payable to 'West Lothian Council - Cash'.
- 6.3 A cash security company must be used to move cash over £1,000 between the bank and council offices.
- 6.4 Bank transfers can be used to replenish imprests operated via a bank account. This should be actioned by the Financial Management Unit. Alternatively a cheque can be made payable to the relevant imprest bank account

7. PROCESSING PETTY CASH EXPENDITURE TO LEDGER

- 7.1 Responsible officers indicated in section 2.2 are responsible for overseeing the processing of transactions to the ledger for their relevant area.
- 7.2 Responsible officers should ensure that appropriate segregation of duties exist between the different individuals with involvement in the petty cash process. This will be written into any local procedures.

8. CASH HELD ON BEHALF OF THIRD PARTIES

- 8.1 This section of the policy deals with cash held on behalf of a third party, for example School Fund Accounts and cash held on behalf of care home clients.
- 8.2 Cash held on behalf of third parties should be kept to a minimum at all times.
- 8.3 If cash is to be held on behalf of a third party, section 5 of this policy must be adhered to.
- 8.4 In addition, a record of the amount held, the owner of the cash and reason for holding must be given to the responsible officer in section 2.2.
- 8.5 For officers holding cash relating to care home clients, records and receipts should be kept in a suitable form to allow inspection and reconciliation to be carried out at any time.
- 8.6 Amounts held on behalf of third parties should not be included within the service imprest value.

9. GLOSSARY

CASH	Coinage and bank notes
PETTY CASH	A store of cash kept in hand or in a bank account to facilitate low value purchases of an exceptional nature which is not appropriate for processing via PECOS, daily cheques or purchase cards
IMPREST	A system used to reconcile petty cash. The amount of the system is agreed in advance and when a reconciliation is undertaken the cash in hand and expenditure not reimbursed should reconcile to the imprest value

Appendix O – New Supplier Form 2011



**West Lothian
Council**

Finance and Estates Services

REQUISITIONER REQUEST TO ADD A NEW SUPPLIER

Requisitioners shall use this form to request the addition of a non-catalogue supplier to the Council's finance systems.

The information provided by the supplier shall be used to configure a supplier profile on the relevant systems.

The form has two parts:

Part 1 – Guidance to the Requisitioner about adding a new supplier to and verification from the Requisitioner regarding further use of the required supplier.

Part 2 – Supplier configuration requirements. This should be completed by the Supplier and returned along with Company Letter Headed Paper, showing Bank Details to the Requisitioner.

If the supplier does not return the completed form and headed paper to the Requisitioner by email, then the Requisitioner shall be responsible for retyping the supplier's entries in to a new copy of the form and attaching the headed paper.

If the supplier submits Part 2 of the SF01 directly to Finance and Estates Services, it shall not be processed.

The Requisitioner is responsible for making sure that the supplier completes and returns the form in a timeous manner.

Should Finance and Estates Services reject the requisitioner's request to add the supplier, advice on a more appropriate source of supply shall be offered.

INFORMATION FOR REQUISITIONER

PECOS

If the supplier requires to be added to PECOS, the completed parts 1 and 2 of the SF01 and the headed paper showing the suppliers bank details should be attached to a PECOS non-catalogue order (leaving the supplier as "unknown").

Detailed instructions for adding a new supplier to PECOS can be found in the link below:
[PECOS Step-by-Step Guide - Adding a New Supplier to PECOS V4.0.doc](#)

Smartstream

If the supplier requires to be added to Smartstream (this shall happen automatically for PECOS suppliers), the completed parts 1 and 2 of the SF01 and the headed paper showing the suppliers bank details should be emailed to accountspayable@westlothian.gov.uk

**THIS PART OF THE SF01 FORM MUST BE COMPLETED BY THE WEST
LOTHIAN COUNCIL REQUISITIONER**
**(Failure to complete all sections of this form will result in the form being
rejected.)**

1.a	Justification and Business Case for Using Supplier (Please detail below)		
1.b	Frequency of Requirement (Please indicate below)		
On-going		One-Off	

2.a	Total Value of this Expenditure	£	
2.b	All documentation for the Procurement has been retained for Audit purposes (Please indicate below)		
Yes		No	

3.	These goods have already been supplied / This service has already been completed (Please indicate below)		
Yes		No	

4.	Service Area Requesting Supplier Addition

Important Certification

In submitting this new supplier form, I certify that I have checked the suppliers available and they cannot provide the goods / services required.	
--	--



Finance and Estates Services

West Lothian Civic Centre
Howden South Road
Livingston
West Lothian
EH54
6FF

Dear Sir / Madam

Use of eProcurement

West Lothian Council was one of the first public sector organisations to subscribe to the *e-Procurement Scotl@nd* programme and is now transacting electronically with over 4000 key suppliers via the e-Procurement service.

An e-Procurement solution has been established which is fully integrated with our corporate financial systems and in tandem with this, streamlines and standardises our processes in order to improve the efficiency of our organisation.

I would appreciate your immediate attention in providing the information detailed in the enclosed SF01 Form – Part 2, as we have a purchase order that we would like to send to you. It is of extreme importance that the completed SF01 form and Company Headed Paper showing bank details are returned to the person that originally issued it to your company. The data collected shall be used to build your supplier profile on the relevant finance systems allowing us to send you purchase orders and remittances by email or automated fax.

Acceptance of purchase orders implies acceptance of West Lothian Council's standard / amended Terms and Conditions, which can be viewed at <http://www.westlothian.gov.uk/potandc/>

If you would like to learn more about the e-Procurement Scotl@nd programme, please visit the programme website at <http://www.eprocurementscotland.com/>

Thank you for your co-operation.

Yours sincerely,
Neil Gubby
Procurement Manager



PLEASE COMPLETE AND RETURN ALONG WITH HEADED PAPER SHOWING BANK DETAILS.
FORM TO BE COMPLETED BY THE SUPPLIER ORGANISATION. SECTIONS 1-7 ARE MANDATORY.

SECTION 1

FOR PURCHASE ORDER RECEIPT (Please complete form in title case, e.g. West Lothian, not WEST LOTHIAN).			
Supplier Name	MAX 30 CHARACTERS		
Address Line 1			
Address Line 2			
City			
Postcode			
Sales Contact Name		Sales Telephone Number	
Sales email Address		Sales Fax Number	

SECTION 2

PREFERRED METHOD OF PURCHASE ORDER RECEIPT	
Please choose email or automated fax	

If you opt for orders to be received by e-mail, please be aware that they are transmitted by [PECOS eProcurement \[support@Elcom.com\]](mailto:support@Elcom.com) and will contain a PDF attachment. You may need to notify your IT department to make any necessary arrangements.

SECTION 3

PLEASE LIST THE TYPE OF GOODS OR SERVICES YOU SUPPLY TO WEST LOTHIAN COUNCIL			
Do you accept Credit Card Payments? (Please tick as appropriate)	Yes		No

SECTION 4

REGISTERED COMPANY INFORMATION			
Company Registration Number			
VAT Reg. Number			
APPLICABLE TO CONSTRUCTION INDUSTRY VENDORS ONLY			
UTR Type (Gross / Net)		UTR Number	
N.I. Number			

SECTION 5 - please complete if different from SECTION 1

FOR THE RECEIPT OF PAYMENT	
Supplier Name	
Address Line 1	
Address Line 2	
City	
County	
Country	
Postcode	

SECTION 6

PAYMENT DETAILS	
Accounts Payable Contact Name	
Accounts Payable Phone Number	
Payee Name	
Name of Bank	
Bank Branch	
Sort Code	
Account Number	
Remittance email Address	

SECTION 7

CERTIFICATION	
I certify that these details are correct, that I am authorised by the organisation above to instruct payment as detailed in Section 6 and that I have read, understood and accept West Lothian Council's Terms and Conditions.	
Please print name	Date

SECTION 8

DOCUMENT CONTROL – WEST LOTHIAN COUNCIL, FINANCE SERVICES USE ONLY			
Supplier Validated By		Vendor Number (VN)	
Date Supplier Validated		VN Assigned By	
Thomson Classification		Date VN Assigned	
Contracted / Non-Contracted		Details Added to Access By	
Catalogue Collection (Non-IT, Procurement, IT, etc.)		Details Added to PECOS By	
PECOS Purchase Order Number	WLC		

Appendix P – Marketing West Lothian Council Procurement

Overview

Strategic procurement involves significant stakeholder engagement, market analysis and ensuring that contracts continue to meet customer requirements after contract award.

Effective communication is fundamental to strategic procurement as this ensures that the right messages are relayed to the right people at the right time, using the most appropriate channels. Information exchange is a two-way process and informing sharing, listening, responding and feedback are all important.

Improvements to procurement processes and the cascade of best practice also require effective communication.

Effective communications and a procurement marketing strategy are essential if West Lothian Council are to successfully assess need, plan and procure supplies, services and works. Communication is integral to a modern, forward thinking council that puts customers first and is crucial to building and maintaining confidence in the delivery of an effective service. Good communication is also important to understand other viewpoints, build trust, and enhance relationships. This will be necessary as we manage procurement change.

Current Procurement Marketing Tools and Techniques

Internet

The West Lothian Online site is used to publish the Procurement Strategy and Policy, as well as terms and conditions for supplies and services contracts awarded by Procurement Services. There is a link from the tenders and contracts page to the council's Business Portal for Procurement and Contracts.

The Business Portal displays contact details for Procurement and Construction Services. Additionally, a link to the Public Contracts Scotland site promotes contract opportunities and awards. A number of information screens can also be accessed to assist future and existing suppliers.

Intranet

Due to the historical relationship between the eProcurement service provision and Procurement Services, separate intranet sites currently exist for Procurement Services and eProcurement.

- Procurement Services - The intranet is used to provide contact details and high level responsibilities for Procurement Services. A list of current council contracts and associated suppliers is available. The Procurement Strategy, Policy and Standing Orders are accessible via links on the Procurement Services homepage and a number of guidance documents and performance records can be also be accessed..
- eProcurement – The facility to contact suppliers is available from the homepage, along with links to all Step-By-Step Guides, Frequently Asked Questions and minutes from eProcurement meetings. Online forms for registering new PECOS suppliers, changes and queries can be downloaded. Access to an archive of all emails issued to PECOS users is also available.

Procurement Promotion Events

The Procurement Manager and the e-Procurement Administrator have previously given and continue to give procurement related presentations to various audiences (Chamber of Commerce, Local businesses, the Voluntary Sector and council customers etc). Procurement Services also attended a number of promotional events during 2010.

Working with Suppliers

A Procurement Surgery is held monthly to offer public procurement advice to local businesses. This facility is well attended and offers local suppliers and SMEs guidance relating to tendering for future council contracts.

Recommendations for Consideration

Procurement Services Unit – New Name

Consideration should be given to the future name of Procurement Services. The message that Procurement Services offer guidance and influence corporately should be reflected within their name, e.g. Corporate Services, Corporate Communications. The change of service unit name also emphasises that changes are taking place to the service provision. A number of council's operating a successful procurement service use the name "Corporate Procurement Unit". This name should be considered for West Lothian Council's Procurement Service.

Communications Strategy

Critical to the marketing of Procurement is the need to develop a Procurement Communications Strategy which will set out a framework for ensuring communications meet the following criteria:

- Give clear consistent messages
- Keep customers, stakeholders and suppliers suitably informed
- Project and reinforce a positive reputation
- Build pro-active supplier relationships

Procurement activity within the council is not all performed by Procurement professionals. However, as procurement is a profession, it is important that a strategy is developed for communicating the message that procurement is a strategic value added function and explain the range of services that the Corporate Unit can offer, and that all individuals with responsibility for procurement are fully empowered.

The Procurement Communication Strategy will identify a clear process and ownership for communicating pertinent procurement related information to services. It must also promote guidance and highlight training availability.

The provision of a Procurement Communications Strategy is a critical task that needs urgent attention, to assist in addressing any resistance to change and to promote the introduction of corporate procurement within the council.

Marketing procurement processes and systems and selling the benefits of good procurement practices will be aided through effective communication skills and tools. Internal customers and stakeholders should receive effective communication to ensure that they are kept informed of news and developments. Any new Corporate Procurement Unit will work with Services to create a communication process to ensure that new contracts, updates to information on PECOS and procurement performance are communicated effectively.

Accordingly, a variety of communication techniques will be required to both understand and be understood. The Procurement Communications Strategy will include a communication programme identifying the following:

- Communication Medium
- Target Audience
- Purpose
- Content
- Date / Frequency
- Responsible Officer

Procurement Strategy

All council staff involved in any aspect of procurement activity should be totally committed and aware of the wider implications of the Procurement Strategy and their responsibility. The 2011-2014 Procurement Strategy will make reference to the importance of communication and incorporate a link to the new Procurement Communication Strategy.

Corporate Procurement Unit Structure

The Procurement Manager remains the council's figurehead for Procurement, however more clarity is required in relation to the marketing roles and responsibilities of other members of the Procurement team, as the marketing of procurement should be the responsibility of everyone who is involved in procurement and who will be expected to be ambassadors for their profession. All Procurement professionals should be expected, welcome the opportunity and be prepared to market procurement and perform presentations to a variety of audiences.

Management Team Meetings

Strategic procurement has much to offer the council in terms of potential procurement cashable savings and the minimisation of commercial and legal risk. However, it is always best supported with commitment from senior management. Other professional services eg HR, Financial Management and IT have representation at regular management team meetings. Representatives from the Corporate Procurement Unit should seek attendance at such meetings to discuss procurement related issues.

Customer Meetings and Surveys

Historically, customer interviews have not been comprehensively performed by Procurement Services. Therefore, a number of customer and key stakeholder interviews must commence and be conducted regularly in the future. Customers will be selected to be interviewed and adopting full listening mode, the feedback will be used to develop an action plan. A systematic regular interview schedule should be implemented to complement surveys.

A close working relationship between procurement staff and customers will encourage procurement requirements planning. Making better use of available management information and the implementation of a Category Management Strategy should support a close working relationship. Listening to customers helps to ensure that requirements, procedures and potential benefits are logical to them and that they understand how they will be benefited directly.

The potential benefits of meeting with customers, suppliers and other stakeholders will be maximised through knowledge sharing, collaboration and cross-service dialogue. Working closely with others will help to capture opportunities for increased efficiency and effectiveness. Customers will increase their confidence in the procurement service delivered, as they should perceive that their contribution is valued and has been given appropriate consideration.

The new procurement culture will be developed to empower customers and stakeholders to contribute and air concerns, feedback and suggestions for improvement, with the expectation that their views and proposals will be received, respected and acted upon.

Internet

The West Lothian Online site should urgently be updated to reflect the introduction of the new Corporate Procurement Unit. Potential for the use of social marketing media, e.g. facebook should be explored.

Intranet

Procurement Services do have an important message to tell and a regular update (bi-monthly or quarterly) should be placed on the Procurement intranet site, accessed through the Latest Additions section. This will enable the Corporate Procurement Unit to shout about and celebrate successes, provide an update on procurement developments, while promoting procurement events and training sessions. The amalgamation of the Procurement and eProcurement intranet sites is not possible until IT Services implement a Mediasurface upgrade. Once available, work to produce a single site must be a priority. In the meantime, both intranets must be updated with the new strategies and information produced from the Modernising Procurement Review.

eLearning

Technology must be explored to ensure that key messages are being conveyed and to assist with education and training. Investment in eLearning tools is required to supplement training given by the Corporate Procurement Unit. Other council's have introduced successful online training and there is available material which West Lothian Council could expand upon.

Council Induction

To emphasise the importance of public procurement and Standing Orders, Procurement Services requested a ten minute slot on the Corporate Induction Programme. This request was politely declined, although Procurement Services now provide a one page document for inclusion within the induction pack.

The presence of a representative from the Corporate Procurement Unit on the Corporate Induction Programme must be revisited.

Procurement Promotion Events

The Corporate Procurement Unit needs to be available to meet its customers and procurement staff should arrange events at which they will be able to offer advice and guidance on all public procurement related issues. In addition to attendance at any service specific events (e.g. Primary and Secondary Teachers Meetings), council wide Meet the Buyer Events, or similar should be arranged. A procurement surgery for staff could also be investigated as a short term measure; however, this may not be necessary if the Corporate Procurement Unit is successful in marketing.

The eProcurement Administrator is due to commence PECOS Bite Size sessions in April. Procurement staff should also plan to present procurement related topics on a rota basis. The use of Quick Quote (the Scottish Government's online request for quotation facility) and the Procurement Journey Routes 1, 2 and 3 guidance need to be cascaded to appropriate individuals and the Bite Size sessions provide an opportunity to support their roll out within the council.

Procurement Manual

A Procurement Manual based on the Procurement Journeys should be developed and maintained.

Internal Procurement Training – Specialist Knowledge

The current economic climate has meant that budgets for training maybe limited. However, this may be an ideal opportunity for Procurement professionals to pass on their knowledge and expertise to council customers through organising and presenting various procurement related matters, for example, The Remedies Directive. This is an opportunity to save the council money on training, reduce legal and commercial risk and obtain potential procurement efficiencies. It is also a useful marketing and networking opportunity.

Working with Local Suppliers and SMEs

The Corporate Procurement Unit should be proactive in its dealings with small and local businesses, the voluntary and third sectors and, should arrange and host a number of Events throughout each year: The calendar of Events should be published on the intranet and internet.

The Corporate Procurement Unit should investigate increasing its working relationship with the local Chamber of Commerce & Business Gateway, as well as attending external 'Meet the Buyer' and similar events.

The council has recently joined the Supplier Development Programme and Procurement will participate and be an active member.

WLC Corporate Communications

It is recommended that the Corporate Procurement Unit work closely with the council's Corporate Communications team to ensure appropriate marketing of the procurement service, facilities and events.

Customer Service Centre

The Customer Service Centre deals with telephone, email and online enquiries on behalf of a number of different services. Improved contact information must be communicated to the CSC to ensure that procurement enquiries are routed appropriately.

'End of Document'

'End of Modernising Procurement Review'

¹ The Flexible Framework www.actionsustainability.com/evaluation/flexible_framework/

² Sustainable Procurement Action Plan for Scotland
<http://www.scotland.gov.uk/Publications/2009/10/sspap>

³ Government Buying Standards :
<http://www.defra.gov.uk/sustainable/government/advice/public/buying/index.htm>

⁴ The Flexible Framework www.actionsustainability.com/evaluation/flexible_framework/