



Procurement Strategy

November 2014

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1. Introduction

The procurement of goods, services, materials and works is a key process within the College. The purpose of this document is to provide a Procurement Strategy for the College which specifies the objectives and policies relating to the management, efficiency and effectiveness of procurement to obtain best value for money.

Best value procurement will:

- be transparent
- be driven by desired results
- create the most economically advantageous balance of quality and cost
- reduce the burden on administrative and monitoring resources
- lead to simplified and/or routine transactions
- encourage open and fair competition
- follow all appropriate regulations and legislation

In March 2006 the Scottish Government published the Review of Public Procurement in Scotland (the McClelland Report). This report identified some weaknesses in relation to public sector procurement and suggested that structures, people and technology were not in place to deliver effective procurement. Overall, the McClelland Report made 82 recommendations on how the efficiency of public sector procurement should be improved. It prompted the introduction of Centres of Expertise across the public sector in Scotland. The Centre of Expertise for the FE/HE Sector is Advanced Procurement for Universities and Colleges (APUC).

Procurement is an area that continues to receive political attention. Within these times of financial constraint, the ability to deliver 'more for less' and eliminate

waste is a key driver. In terms of delivering services that ensure maximum value, the role of procurement is vital.

2. Overview and Context

The Further and Higher Education Sector is largely funded by public monies and therefore is required to work within the Procurement Directives of the European Union and domestic legislation.

Advanced Procurement for Universities and Colleges (APUC) is the procurement Centre of Expertise for all of Scotland's colleges and universities. APUC's vision is to maximise the contribution that advanced procurement makes to Scotland's investment in learning, teaching and research. The ultimate aim of APUC is to provide the FE/HE sector opportunities to achieve cost savings and delivery of best value procurement solutions. Close collaboration and joint working between APUC and Ayrshire College is the norm.

Within Ayrshire College the procurement function is overseen by the Vice Principal-Finance and College Systems. The Vice Principal-Finance and College Systems has overall responsibility for all aspects of procurement, purchasing and internal financial controls. The College is committed, through the Vice Principal-Finance and College Systems, to ensuring that all procurement and financial regulations and procedures are complied with and value for money is achieved. The Vice Principal-Finance and College Systems is the main liaison with APUC.

Ayrshire College also uses the external expertise available from APUC. The account management structure, adopted by APUC, represents significant progress in terms of resourcing available to Colleges to implement procurement best practice.

The Vice Principal, Finance and College Systems shall provide, and demonstrate value for money, in purchasing ensuring compliance with all legislation and best practice.

3. Purpose of the Strategy

This document aims to ensure that procurement planning reflects the College's corporate aims and priorities. This will provide an opportunity not only to coordinate the current processes but also provide a clear pathway for identifying and acting on improvements to ensure that best value is being obtained consistently when goods and services are purchased.

4. Procurement Strategy, Objectives and Best Practice Indicators

The College Procurement Strategy has identified five key strategic objectives:

- 1. to promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities**
- 2. to facilitate the development of an effective and co-ordinated purchasing effort within the College**
- 3. to analyse the College's non staff expenditure and apply appropriate procurement strategies to deliver value for money and reduce commercial risk**
- 4. to develop appropriate management information in order to measure the performance and value for money achieved by the College**

5. to embed the sustainability statement within the College's procurement function and to comply with all relevant legislation in all aspects of College purchasing

Each of these are summarised in **Appendix A** along with actions and related Best Practice Indicators (BPIs).

These objectives enable the College to seek to ensure best value and value for money in relation to the procurement of goods and services. It is anticipated that the BPIs will be fully established and monitored from the financial year 2015/16 onwards; the College will seek to establish baseline data for the 2014/15 financial year. The BPIs will be formally reported to Senior Management annually. The BPIs are linked to the relevant categories of the McClelland attributes as below. In addition, other operational information on procurement including analysis of supplier expenditure will be presented on a quarterly basis to the Executive Management Team (EMT)

The College is assessed against the McClelland attributes as part of the Procurement Capability Assessment:

- Procurement Strategy and Objectives
- Leadership and Governance
- Defining the Supply Need
- Sourcing Strategies and Collaboration
- Contract and Supplier Management
- Key Purchasing Processes and Systems
- People
- Performance Measurement

5. Leadership and Governance

McClelland Report

The College is committed to exhibiting best practice in all aspects of corporate governance.

In response to recommendations in the McClelland report, APUC has produced a best practice Sector Procurement Manual. This is based on the Scottish Government's Procurement Journey. The Procurement Journey has been developed to support all levels of procurement activities and to help manage the expectations of stakeholders, customers and suppliers alike. It facilitates best practice and consistency across the public sector.

The manual gives best practice on all aspects of the procurement of goods and services from the initial purchasing to contract management. The College is committed to applying the guidance in this manual to all procurement transactions and contracts it undertakes.

The Sector Procurement Manual can be found at the APUC website

<http://www.apuc-scot.ac.uk/>

In line with the recommendations of the McClelland Report, the College will use the Public Contracts Scotland Advertising Portal to advertise contracts over the value of £50,000 and use the Quick Quote facility for tenders between the value of £25,000 and £50,000. Once established, this may be rolled out to include lower value contracts within the College.

Procurement Reform Bill

The College is required to meet its obligations of the Procurement Reform Bill that shall be formed in Scottish Legislation in 2015. The Procurement Reform Bill places additional obligations on publicly funded Contract Authorities such as advertising contracts over £50,000 publishing a Contract Register on their website and carry out full debriefs for below threshold contracts. This strategy accounts for the changes that the Procurement Reform Bill requires. The College Procurement Policy and Procedures shall be updated to reflect the required changes.

Suppliers' Charter

In support of the supplier community, the College has signed the Suppliers' Charter. The Suppliers' Charter forms an agreement between public purchasers and the business community in which public bodies commit to:

- Develop public sector procurement processes with the aim of ensuring fairness and transparency
- Consult with business on an ongoing basis to achieve change
- Advertise contracts in an appropriate manner, consistent with the requirements of the Public Contracts (Scotland) Regulations 2012
- Use of the standard pre-qualification questionnaire when applicable
- Provide debriefing on request, whether or not the procurement regulations require it

In return, by signing to the Suppliers Charter the suppliers commits to:

- Recognise that public sector must work within a legal framework when awarding contracts

- Encourage members to adhere to the Suppliers Charter including use of the standard questionnaire
- Use judgement in bidding only for appropriate contracts
- Work with customers to deliver Value for Money throughout the life of the contract

Risk Assessment of Operational Environment

The College updates its Corporate Risk Register on a quarterly basis and a number of risks are relevant in terms of procurement. The following risks within the Corporate Risk Register (November 2014) are relevant and most specifically risk reference Fin7.

- BOM1-Failure to manage reputational damage
- BOM2-Failure to achieve the highest standards of Corporate Governance
- FIN1- Failure to achieve financial sustainability and embed appropriate financial decision making
- FIN2-Failure to comply with Statutory and other relevant obligations
- FIN7-Failure to comply with Purchasing and Tendering Policies.

The College receives regular current procurement information from APUC. This information is monitored along with news and legislation changes to identify risks in the areas of procurement which relate to the College.

In developing the Procurement Strategy a number of key risks which directly relate to procurement were identified. The Strategy, objectives and action points are designed to include mitigation of procurement risk. Some of the key risks associated with procurement are:

- non-compliance with procurement legislation
- Failure of staff to comply with approved Purchasing and Tendering Policies
- Purchasing and Tendering Policies not updated on a regular basis to ensure continued relevance
- College not achieving best value in terms of procuring goods and services.

This analysis along with guidance issued by APUC, Scottish Government and the Chartered Institute of Purchasing and Supply (CIPS) is used as a basis for this procurement strategy.

6. Defining the Supply Need

Accurate specifications are deemed to be vital in tendering to ensure the College obtains the expected level of service at the expected price.

For each tendered contract, a detailed specification shall be developed to clearly specify the service expected by the College and, where appropriate, implement a service level agreement.

The College shall actively monitor key existing contracts using customer feedback and management information to improve performance and achieve better value for the College.

7. Sourcing Strategies and Collaboration

Annual Expenditure Analysis

The College shall review its expenditure formally on an annual basis, categorising spend by commodity with a view to developing a sourcing strategy.

The College shall establish mechanisms for sourcing commodities by:

- using established framework agreements
- direct tendering (either as a single College or through collaboration with other bodies)
- competitive quotations

The sourcing strategy shall seek to reduce the supply base on an annual basis and through supplier management, the College shall seek to ensure that only appropriate suppliers are included on its supplier database.

The College shall follow the Procurement Policy and Procedure in sourcing goods, services and works.

Collaboration

The College shall seek to use national contracts where possible and shall seek to collaborate with local public bodies where it is deemed of benefit to the College and its stakeholders.

Terms and Conditions

The College will develop contractual terms for standard procurements. Bespoke terms will be used when required for ad-hoc, unique projects.

Corporate and Social Responsibility

Corporate and Social Responsibility (CSR) is broadly described as a collection of related disciplines all of which combine to represent an organisation's overall ethos, its personality and character.

The banner of CSR covers a wide number of issues including:

- environmental responsibility

- human rights
- equal opportunities
- diversity
- corporate governance
- sustainability
- ethics and ethical training
- biodiversity
- community involvement

The College demonstrates a clear commitment to CSR in all aspects of its operations and has robust governance policies on equalities in gender, disabilities, equal opportunities and race.

The procurement strategy is committed to supporting the College in its CSR objectives and policies by:

- continuing to provide the opportunity for local suppliers and SMEs to win business in line with procurement policy and best value
- incorporating the assessment of Corporate and Social Responsibility aspects into procurement processes where applicable

8. Contract and Supplier Management

The College will aim to have all material key spend on goods and service under contract, whether it be under collaborative procurement agreements established by APUC, other national frameworks which can be accessed by the College or contracts awarded direct by the College.

This will ensure that the College is obtaining best value and continuous value for money. It also provides legally binding terms and specifications which can be used for reference in the light of any arising dispute.

A list of current contracts awarded by the College along with those currently out to tender will be listed on the College Website by the end of 2014/15.

The College shall adopt a formal approach to managing its key suppliers by establishing and monitoring Best Practice Indicators (BPIs).

9. Key Purchasing Processes and Systems

The College currently uses its Finance System for purchasing/ ordering.

The College will adopt a standard contracts database and is currently embedding the use of Public Contracts Scotland Advertising Portal (PCS) for relevant procurements across the College.

10. People

Following the McClelland report and required efficiencies in the public sector procurement, the role of procurement in organisations has risen in prominence and is now central to strategic aims. The College recognises the importance of employing suitably qualified members of staff and will fund members of staff to attend procurement training events as appropriate.

The College has agreed a shared service agreement with APUC which will increase its procurement capacity, provide local professional procurement expertise and guidance and embed procurement practice and compliance across the organisation. This shared service agreement will build upon the current APUC procurement support structure for the College.

11. Performance Measurement

The College is required to report to the Scottish Government on the BPIs on an annual basis. Through this Procurement Strategy, the College has also developed further measures to improve procurement performance and support business improvement. The BPIs and further measures shall be initially reported in year 2014/2015 to the Executive Management Team (EMT). An annual report shall be provided thereafter. These measures are indicated in Appendix A.

12. Implementation and Review

The College will seek to implement its procurement strategy through taking the actions outlined in Appendix A. It will also update the strategy every two years or more frequently if the procurement landscape changes. Progress and performance shall be monitored on an annual basis.

Appendix A

Objectives, Actions and Best Practice Indicators

Procurement Objective 1: To promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities

Outcomes	Main Actions and Commitments	Best Practice Indicators	Timescales
Leadership and Governance - Practices and Processes			
Aggregate purchases to tender at institutional level.	Review annual expenditure.	Increased proportion of institutional expenditure that is contracted directly or positively influenced by procurement.	Annual
Contract and Supplier Management - Practices and Processes			
Support category A and B contracts where appropriate	Embedded procurement policy	Levels of spend of category A and B over total spend of category A, B and C contracts	Annual
		Increase number of relevant Cat A and B contracts in use	Annual

Procurement Objective 2: To facilitate the development of an effective and co-ordinated purchasing effort within the College

Outcomes	Main Actions and Commitments	Best Practice Indicators	Timescales
Contract and Supplier Management – Supplier Strategy and Policy			
<p>Co-ordinated purchasing activity information communicated to the College</p> <p>Suppliers and potential suppliers provided with guidelines and advice on doing business with the College and APUC.</p>	<p>Embed Procurement Strategy, Policy and Procedure</p> <p>Establish a Contracts Database</p> <p>Clear communication on procurement issues and links on website.</p> <p>Use Public Contracts Scotland Advertising Portal for all tenders > £50k</p> <p>Use Public Contracts Scotland Advertising Portal – Quick Quote Facility between £25k and £50k</p>	<p>Procurement Strategy, Policy and Procedure signed off by EMT/ Finance Committee/ Board of Management</p> <p>Procurement Training and Development across the College</p> <p>APUC Shared Services Agreement Operational</p> <p>Contracts Database fully populated</p> <p>All current contracts registered</p> <p>PCS Website up to date with Tendering opportunities</p> <p>Number of contract notices published via Public Contracts Scotland</p> <p>Number of contract award notices published via Public Contracts Scotland</p>	<p>Dec 2014</p> <p>Jan 2015 to Feb 2015</p> <p>Jan 2015</p> <p>Nov 2015</p> <p>Ongoing</p> <p>Annual</p> <p>Annual</p>
Contract and Supplier Management – Practices and Processes			
<p>A managed supplier base</p>	<p>Annual expenditure review</p>	<p>Increased proportion of institutional expenditure that is contracted directly or positively influenced by procurement</p>	<p>Oct 2015: Establish baseline figure</p>

	Maintain an up to date and relevant internal suppliers list.	Reduce number of suppliers	Oct 2015: Establish baseline figure
Sourcing Strategies and Collaboration – Collaboration			
Maximise opportunities for collaboration.	Consider all available Cat A and B contracts when making sourcing decisions.	Increased % of expenditure on Cat A and B contracts)	Nov 2015: Establish baseline figure
	Identify areas for local collaboration	Contracts identified for local collaboration	Nov 2015
Key Purchasing Processes and Systems – Information Systems			
Efficient procurement order and invoice processes	Optimise the use of : <ul style="list-style-type: none"> ▪ Electronic ordering 	Improve 1 st Time Match rate	Oct 2015: Establish baseline figure
People and Performance Measurement – Resources and Skills			
Use made of APUC training opportunities	Ensure all staff involved in procurement process can receive appropriate training	Record of training sessions attended	Oct 2015

Procurement Objective 3: To analyse the College's non staff expenditure and apply appropriate procurement strategies to deliver value for money and reduce commercial risk

Outcomes	Main Actions and Commitments	Best Practice Indicators	Timescales
Sourcing Strategies and Collaboration - Practices and Processes			
Undertake high level spend analysis	The Vice Principal, Finance and College Systems to work with APUC to develop analysis of expenditure in key categories and their suppliers.	Commodity Sourcing Strategy and Plan in place Number of tender processes managed The percentage of expenditure with contract and non-contract suppliers.	Nov 2015 Nov 2015 Nov 2015
Review spend categories by commodity and agree appropriate procurement strategies.	Identify areas for aggregation, move to frameworks or tender locally	Reduction of non compliant expenditure	Nov 2015
Review spend by category and develop Procurement Risk Register	The Vice Principal, Finance and College Systems to work with APUC to develop Procurement Risk Register	Procurement Risk Register up to date	Mar 2015
Documented savings for use of Cat A, B and C Contracts	Establish a tool for reporting savings	Savings captured and reported on Cat A, B and C Contracts	Annual
Standardised templates for use across the College	Revised templates for: <ul style="list-style-type: none"> • Invitation to Tender with standard Ts and Cs • PQQ • Invitation to Quote • Award Recommendation Report • Award and Regret Letters 	Standardised templates in place	Dec 2014

Procurement Objective 4: To develop appropriate management information in order to measure the performance and value for money achieved by the College

Outcomes	Main Actions and Commitments	Best Practice Indicators	Timescales
Contract and Supplier Management – Supplier Strategy and Policy			
Improved management of suppliers by means of performance reviews with key suppliers	Implement a process of review and scoring system for key suppliers Carry out customer and supplier feedback	Document key suppliers, process, baseline figures and demonstrate scoring outcomes for identified suppliers Results of customer and supplier feedback	Dec 2015 Annual
Key Purchasing Processes and Systems – Information Systems			
Make full use of available procurement systems that shall provide process efficiencies across the College	Incorporate use of Procurement Systems into ICT Strategy: <ul style="list-style-type: none"> • Electronic ordering • Contracts Database • Spikes Cavell • PCS 	Embed Systems Usage	Nov 2015: Establish baseline figure
People and Performance Measurement - Overall value of results			
Use of benefits measurement to record efficiencies generated by procurement activity	Embed a reporting tool to record benefits and savings	Savings on Cat A, B and C Contracts	Annual
Undertake an annual review of the Procurement Capability Assessment	Action PCA Improvement Plan	PCA Score	Every 2 years
Improved scores obtained in annual PCA process	Action PCA Improvement Plan	PCA Score	Every 2 years
Improved BPI Outcomes	Spikes Cavell up to date	BPI Outcomes	Annual

Procurement Objective 5: To embed the sustainability statement within the College's procurement function and to comply with all relevant UK Legislation in all aspects of College purchasing

Outcomes	Main Actions and Commitments	Best Practice Indicators	Timescales
Procurement Strategy and Objectives - Governance/Reporting and KPI			
Undertake an annual review of the College's procurement initiatives.	The Vice Principal, Finance and College Systems to ensure that the procurement process remains consistent with rules and regulatory compliance.	Outcome of Annual Review	Annual
	Periodic 'gap analysis' review against "Procurement Journey".	Procurement Strategy, Policy and Procedures up to date.	Annual
Sourcing Strategies and Collaboration - Corporate and Social Responsibility			
The Vice Principal, Finance and College Systems to provide leadership and policy on sustainability and corporate social responsibilities in College procurement.	Develop procedures and disseminate good practice throughout the College in line with APUC Account Manager	Procurement Strategy, Policy and Procedures up to date.	Annual
	Embed use of the Sustainability Test >£50k	Demonstrate use of Sustainability Test for applicable procurements	Annual
	Ensure all contracts and procurement practices are compliant with the Equalities Act 2010	Demonstrate compliance for applicable procurements	Annual
Undertake an annual review of the College's effectiveness and compliance of its sustainability targets.	Develop, monitor, implement and review suitable procurement measurements.	Review Sustainable Procurement Action Plan	Nov 2015