

# **John Wheatley College**

## **Procurement Strategy**

### **February 2010**

**Approved by  
The Board of Management  
on the 23 February 2010**

Index

- 1) Introduction
- 2) Overview and Context
- 3) Objectives, Actions and Best Practice Indicators
- 4) Governance and Policy
- 5) E-procurement
- 6) Risk assessment of Operational Environment
- 7) Supplier Appraisal, Procurement Collaboration and Supplier Base Management.
- 8) Contractual Spend and Contract Management
- 9) Staff Development
- 10) Corporate Social Responsibility
- 11) Inventory Management
- 12) Implementation and Review

Appendix 1 : Organisational Structure

Appendix 2 : Table of Best Practice Indicators

Appendix 3 : Scottish Procurement Hub Best Practice Indicators

## **1. Introduction**

The Procurement of Goods and Services 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. The key Objectives of the Procurement Function at the College are that goods and services:

- are obtained at the best price;
- are of a suitable quality;
- delivered in the correct quantity;
- delivered to the correct location;
- delivered to the requisitioner in a timely manner;
- comply with the College's Sustainability Policies; and
- are procured within Statutory or other regulatory requirements set out for Public Bodies.

The Procurement Strategy is driven by the objectives contained within the College Strategic Plan which incorporates the Value-for-Money Strategy and Budget. The College also recognises the regulatory requirement for it to secure Best Value in its decision making processes.

In March 2006 the Scottish Executive 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. The College reviewed the recommendations of the report and put in place a plan to develop its procurement function in a way which is proportionate to the level of spend at the College and the resources available. The preparation of the Procurement Strategy is a strategic target in the College Plan for 2009/10.

This document firstly provides an Overview and context for Procurement in public sector and in the College. It then provides a summary of the key strategic procurement objectives and the Best Practice Indicators the College will utilise in monitoring performance and implementation of the Strategy. The following sections then provide further context in respect of the College approach to each of the key areas of procurement management.

## **2. Overview and Context**

The McClelland Report recommended that centres of expertise were established for each of the main public service sectors, Local Government, the NHS, Central Government and Colleges and Universities. Advance Procurement for Universities and Colleges Ltd (APUC) was established as the Centre of Expertise for the College and University Sector. The primary role of

APUC is to facilitate collaborative procurement in the FE and HE sectors with a view to achieving cost savings and transactional efficiencies.

The College has consistently engaged with APUC from its inception and became a full member in August 2009. As part of the commitment to APUC, the College considers that its default position is that it will utilise contracts negotiated by APUC unless there is a specific rationale to make other arrangements in terms of the overriding duty to achieve Best Value which encompasses sustainability.

During 2009 the College completed a phase 1 implementation of the PECOS E-Procurement system with stage 2 taking place in late 2009 to early 2010. The implementation and development of PECOS is one of the key ways in which the College will implement its procurement strategy. The increasing use of the system is key to increasing transactional efficiency and migrating towards APUC contracts which in turn should ensure that the procurement objectives are met.

The College procurement function is managed within the Finance Team at an operational level and is overseen by the Depute Principal. Appendix 1 provides an outline of the existing structure. A contracts team will be established for larger contract awards which will include relevant specialist staff.

The Chartered Institute of Purchasing and Supply (CIPS) cite that, for efficient procurement of goods and service, the five basic “rights” must be met. These are: goods and services are obtained at the best price, the goods or service are of a suitable quality, the correct quantity are delivered, the goods or services are delivered to the correct location and delivery to the member of staff that requisitioned the goods or services is in a timely manner. CIPS also recommends that, where possible, goods are procured from ethical and sustainable sources. The College Procurement Strategy will aim to establish controls to attain the five rights of procurement for the procurement of goods and services, The College Procurement Strategy will align with the College mission statement and College wide objectives detailed in the College Plan. The College also anticipates that its Procurement Strategy will minimise the levels of inventory that it holds at any time.

The Procurement Strategy incorporates and monitors Best Practice Indicators, appropriate to the College, largely based on those recommended in the report from the Scottish Government “Best Practice Indicators (BPI’s) for Public Procurement in Scotland” published in 2008. The cash saving identified in the monitoring of the BPIs will be reported in the Efficient Government Initiative returns. A summary table of BPIs is attached as appendix 2.

In addition to the key College BPIs identified in this strategy, the College will also upload the BPIs identified by the Scottish Government on to the Scottish Procurement Hub (Hub) database on a quarterly basis. A list of these BPIs is attached as appendix 3. The College will also upload spend data and

contractual information on to the Hub on a quarterly basis and as far as possible utilise the Hub as a data analysis tool.

### **3. Objectives, Actions and Best Practice Indicators**

The College Procurement Strategy has identified seven key strategic objectives. Each of these are summarised below along with actions and related BPI's. 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 2010/11 onwards, the College will seek to establish baseline data for the 2009/10 financial year. The BPIs will be reported to Senior Management and the Board of Management annually.

#### **Objective 1: The College will maintain good governance structures and policies in relation to procurement activities**

##### **Actions:**

- the College will adhere to the provisions of the Procurement Manual issued by APUC and the Scottish Procurement Manual in all procurement processes;
- the College will maintain a Procurement Strategy which will be reviewed and updated on a periodic basis (usually on a three yearly basis);
- the College will, as necessary, maintain, review and update the College Financial Procedure Manual which covers the day-to-day transactions of the procurement of goods and services; and
- the College will, as necessary, maintain, review and update the College Financial Regulations which provide high level guidance on procurement practices.

**BPI:** Procedures, Regulations and Strategy to be reviewed at least once every three years.

#### **Objective 2: The College shall seek to utilise e-procurement to obtain transactional efficiencies**

##### **Actions:**

- the College will continue to develop the use of PECOS adding identified high volume transaction suppliers; and
- the College will continue to roll out requisitioner training throughout the College.

**BPI:** a) percentage and number of total transactions that are e-transactions.  
b) Average process cost of a transaction, both electronic and paper transactions.  
c) Cash saving arising from using e-transactions as opposed to using paper transactions.

**Objective 3: The College shall identify, monitor and mitigate risks arising from procurement activities**

**Actions**

- The College shall keep abreast of the environment that it operates in, and any specific issues surrounding procurement. Any pertinent issues will be included on the College Risk Management Register.

**BPI:** Risk analysis on College procurement activity to be performed at least once a year.

**Objective 4: The College will adhere to best practice on supplier appraisal, procurement collaboration and supplier base management**

**Actions:**

- the College will continue to monitor the contracts established by APUC and utilise these contracts where possible;
- the College will adhere to the Financial Regulations when apprising suppliers;
- the College will attempt to ensure that all high volume transaction suppliers are on PECOS;
- the College will ensure that suppliers used have high ethical standards and high standard of commitment to Corporate Social Responsibility;
- the College will continue to support local Small/Medium Enterprises as part of the College commitment to its local community outlined in the College Plan; and
- the College will adhere to European Union Procurement law in tendering procedures and contractor appointment.

**BPI:** a) percentage procurement spend that is channelled through a collaborative (APUC) contract.  
b) percentage of total transactions that are e-transactions.  
c) Number of contracts subject to European award legislation/number of such contracts that fully meet European Union legislation.  
d) percentage spend with SMEs.

**Objective 5: The College shall seek to monitor total spend, contractual spend and contractual performance**

**Actions:**

- the College will aim to have all material spends on goods and services under contract by utilising, where possible, feasible and material, APUC contracts or awarding contracts directly;
- for contracts awarded by the College, the College will monitor performance of contracts on a regular basis using relevant BPIs agreed with the contractor; and

- the College will award contracts on “an economically advantageous basis” which takes in to account quality of the goods and services procured as opposed to lowest price.

- BPI:**
- a) Total savings achieved year-on-year.
  - b) percentage of procurement spend that is channelled through a collaborative contract.
  - c) percentage of spend with contracted suppliers.
  - d) percentage of contractual BPIs that show improvement since previous report.

**Objective 6: The College shall seek to develop a suitable level of staff expertise in the area of procurement**

**Actions:**

- the College will fund one member of staff to work towards attaining the CIPS level 4 procurement qualification; and
- the College will fund staff members to attend relevant procurement development events to ensure a high level of awareness is maintained throughout the College.

- BPI:**
- a) Number of staff undertaking CIPS procurement training.
  - b) Number of days other procurement related staff development.

**Objective 7: The College shall effectively manage inventory stores to minimise inventory holding cost and ensure efficient delivery of stock items to end users**

**Actions:**

- Finance Assistant-Stores to maintain and manage stores at the Easterhouse and East End campus; and
- the College will optimise inventory levels with a buffer stock of frequently used items maintained.

- BPI:**
- a) percentage of average inventory held in stores written off as obsolete.
  - b) Number of days between requisition and delivery.

#### **4. Governance and Policy**

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 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 APUC Sector Procurement Manual can be found at the following website address:-

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

The College also maintains Financial Procedures which cover day-to-day transactional procedures and Financial Regulation which provide high level guidance on procurement. These documents along with the Procurement Strategy cover the governance of College procurement. These documents will be reviewed and updated periodically. The reviewed documents will be approved by the College Board of Management's Financial Control Committee.

## **5. E-procurement**

The College fully implemented the e-procurement system PECOS in December 2009. Initially 5 members of staff were trained as approvers only, 7 members of staff as both approvers and requisitioners and 23 members of staff were trained as requisitioners only. Further members of staff have been identified to be trained. It is expected that this training will be provided by APUC in February 2010.

It is anticipated, once fully utilised, that PECOS will provide the College significant savings in transactional costs and staff time. It also provides an opportunity to migrate expenditure to APUC negotiated contracts.

The College, in collaboration with APUC, performed an analysis of College supplier transactions. In line with the Parato Principal it was identified that 80% of supplier transactions related to 20% of suppliers. These suppliers were first targeted to be uplifted on to PECOS. The supplier base will be reviewed periodically using the data analysis tool on the Procurement Scotland Hub.

## **6. Risk Assessment of Operational Environment**

The College maintains a College Risk Register which is considered at each of the College Board of Management and its Standing Committee meetings. This documents all the material risks identified, many of these are relevant to procurement. The College receive regular current procurement information from CIPS and APUC. This information will be monitored, along with news press 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 extant procurement legislation;
- failure to procure goods and services at the best price;

- inefficient and slow ordering processes;
- stakeholder dissatisfaction with procurement process;
- contracts let with companies who fail to meet their obligations in a way consistent with College expectations and policies; and
- inadequate expertise and structure to deliver effective procurement.

This analysis along with guidance issued by APUC, CIPS and the Scottish Government was used as a basis for this procurement strategy.

## **7. Supplier Appraisal, Procurement Collaboration and Supplier Base Management.**

Supplier appraisal is an essential aspect of strategic sourcing to ensure that the College achieves its procurement aims of obtaining best value and value-for-money. Supplier appraisal evaluates suppliers in such areas as; financial stability, production capacity and facilities, human resources, quality of service and performance, sustainability policy and environmental and ethical policies.

In the first instance the College will seek to utilise the collaborative procurement contracts established by APUC. The College will place reliance on the qualifications, skills and experience of APUC staff in the supplier appraisal process. Where unable to utilise an APUC contract, the College will advertise all contracts it intends to directly award in the Public Contract Scotland Portal.

CIPS best practice confirms that the supplier appraisal process is lengthy and time consuming and therefore a costly activity. Therefore supplier appraisal should be limited to such products and services as:

- purchase of strategic, high value items;
- expenditure on capital items including machinery and Information Technology systems;
- when negotiating outsourcing contracts; or
- when negotiating service level agreements.

The College will adhere to the recommended CIPS best practice only entering a full tendering and supplier appraisal process for procurement items meeting the above criteria. The College will use a standard Pre-Qualification Questionnaire in all tender processes. The College has also developed standard contractual terms. Both these documents can be found in the College Procurement Section of the College Website.

The College will adhere to European Union Legislation for the procurement of goods and services exceeding the specified limit published by the European Union.

The College's Financial Regulations outline the limits for low value items for which three competitive quotes must be obtained.

Through a rigorous supplier appraisal process the College will ensure that only desirable suppliers are included on its supplier database. This will facilitate good supplier database management.

## **8. Contractual Spend and Contract Management**

The College will aim to have all material key spend on goods and service under contract, whether it be under collaborative procurement contracts awarded by APUC, or contracts awarded by the College. This will ensure that the College is obtaining Best Value and Value-for-Money. It also provides legally binding terms and specifications which can be used for reference in the light of any arising dispute. Contractual agreement also ensures that the College will be able to plan future budgeted costs and will not incur sudden unexpected price escalations from suppliers.

Accurate specifications are deemed to be vital in Service Level Agreements such as cleaning/security contracts to ensure the College obtain expected level of service at the expected price.

For each Service Level Agreement contract detailed specification will be added to the standard contractual terms to clearly specify the service expected by the College. On award of the contract, a meeting will be held with the successful contractor to agree Key Performance Indicators (KPIs) linked to specification conformance. Regular meetings will be held with the contractor in which the agreed KPIs will be monitored to ensure satisfactory performance by the contractor and facilitate continuous improvement to the service provided by the contractor.

A list of current contracts awarded by the College along with those currently out to tender is listed in the College Procurement section of the College Website.

## **9. Staff Development**

Following the McClelland report and demanded 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. The College is committed to funding one member of staff to work towards obtaining the level 4 CIPS qualification and will fund other members of staff to attend procurement training events as appropriate.

The College will also utilise the staff expertise and resources of APUC where possible. It will also, as part of its Succession Planning, ensure that 'next generation' managers are apprised of the procurement procedures at an

appropriate point in their careers. This will ensure continuity of best practice in the longer term.

## **10. Corporate Social Responsibility**

Corporate 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; and
- community involvement.

The College demonstrates a clear commitment to Corporate Social Responsibility in all aspects of its operations.

The College is a member of the Environmental Association of Universities and Colleges (EAUC), has signed the Climate Change Commitment and has a Climate Change Action Plan which has been subsequently approved by its Board of Management.

As part of its commitment to CRS, the College reports on its sustainability performance in its yearly Annual Accounts. The College has developed a robust set of KPIs based on the work of the Sustainable Accounting Group (which was part-funded by the Scottish Funding Council and lead by the College). The KPIs cover the following broad areas:

- total consumption of electricity and gas;
- percentage of renewable energy consumed;
- water usage and details of water recycling initiatives;
- paper consumption;
- waste generation and disposal; and
- transport and "Green Travel Plan".

The College obtained a Building Research Establishment Environmental Assessment Method (BREEAM) 'Excellent' Rating for its East End Campus. The award recognises the low environmental impact of the building design.

The College also 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:

- ensuring at supplier appraisal that key suppliers have robust CRS policies;
- continuing to utilise local suppliers and SMEs; and
- procuring recyclable goods and green utilities and services where available.

## **11. Inventory Management**

The College maintains two stores of inventory with the main store situated at the Easterhouse Campus and a smaller store at the East End Campus. The items stored are vital to the smooth day-to-day operations of the College (items such as IT cartridges and stationery). It is vital, therefore, that items are distributed to staff efficiently on request.

To increase the efficiency of ordering in this area the College employs a member of staff as a stores contact, has a minimum stock holding of frequently used items and uses PECOS, where possible, to speed up the ordering process. This avoids the need for each department to hold stocks and place orders for routinely used items. The holding of only frequently used stock minimises the risk of obsolescence or damage to stock.

## **12. Implementation and Review**

The College will seek to implement its procurement strategy through taking the actions outlined in Section 3. It will also update the strategy every three years and will monitor progress and performance on an annual basis.