



Best practice indicators for public procurement in Scotland

To: All Chief Executives, Main Contacts and Email Contacts (Scotland)

CC: All Chief Executives, Main Contacts (England, Northern Ireland and Wales)

A publication by the Scottish Government

Key issues

Public procurement and the spending power of local authorities

Includes best practice indicators to assess procurement performance

First ever set of national best practice indicators for procurement in Scotland

Presents a unique opportunity to work together to help deliver high quality public services

1. Introduction

This guidance note issued by the Scottish Government addresses public procurement in Scotland and plays a key role in ensuring that Scottish citizens are provided with the wide range of goods, works and services that support public service delivery. Ranging from street lighting and school meals to social and hospital care, the public rely on authorities spending their budgets wisely and in return expect that there should be value for money whilst taking into account the local and global environment.

In these times of increased pressure on public funding it is therefore essential that we all make the best possible use of existing resources if we are to meet the challenges facing local authorities to provide first class public services. Managers and procurement staff at every level in the public sector need to be able to measure and monitor their organisation's performance. Effective performance measurement has a key role to play in supporting the aim of building a better place for us all to live.

Perhaps through active participation by every part of the public sector to actively participate in the drive for improved public procurement may change the way services are directly delivered by authorities. This briefing will hopefully provide what is regarded as the best practice indicators that all public bodies should be looking towards in order to assess their procurement performance against. The indicators have been developed by a group of professionals including representation from each key part of the public sector. Appendix A is attached.

These indicators are the first set of national best practice indicators for procurement in Scotland. Their development and adoption represents a significant further step towards implementation contained within John McClelland's recommendations on public procurement and towards delivering procurement reform. It is hoped that all organisations measure and monitor their approach to procurement activity and the indicators are vital tools for managers, which are recommended by the Scottish government to be adopted as quickly and widely as possible. Perhaps by closer working and monitoring with a joined up approach to this, there will be continued delivery of high quality public services.

To view the document in full visit: www.scotland.gov.uk/bpiprocurementguidance

APSE believes that procurement services in the public sector are under considerable pressure to deliver performance improvements and to achieve financial savings through more efficient and coordinated service delivery. The public procurement landscape is changing and there is now data available which details spending and supplier data from a significant number of high spending public sector organisations in Scotland. This is a huge step as the implications being that public sector spending

analysis of this level of complexity has been developed at a national level, not only within Scotland but across the UK and the rest of Europe.

From the data available, it can now be viewed that there are clear opportunities for regional, sectoral and national collaboration to negotiate a better deal through collective public spending and eliminate inefficient buying behaviours such as duplication of effort and price variations caused by disconnected contracting arrangements. It is expected following the recommendations of the McClelland report that all public sector organisations embrace these changes and engage in the effort to collaborate, become more efficient and adopt best practice. The report stated that: "the absence of consistent and reliable data will inhibit understanding, proper attention and essential action. Indeed, without the reported information it is difficult to create an environment in which performance can be properly assessed and its improvement encouraged".

The set of Best Practice Indicators (BPI) have been designed to be applicable and useful to procurement teams in all parts of the public sector in Scotland. The objective is to deliver measurable improvement in public procurement performance over time, across the whole of the public sector and can only be achieved if procurement teams adopt a culture of collaboration and continuous improvement. It may also be linked to the wider and ongoing efficiencies agenda and become a key part of the best value audit in future years.

2. The key performance areas

It was decided by the working group that there would be 'core deliverables' for public procurement:

- To provide a value for money procurement service that delivers financial savings
- To provide quality advice and contracts which deliver quality products and services
- To procure goods and services in a lawful and ethical manner which encourages participation and sustainable economic growth

These are regarded as the three overarching aims of every procurement function. A high performing, efficient and effective procurement function will deliver the central objectives. To achieve these core deliverables the following needs to be established:

- Working effectively across public procurement sectors and organisations
- Ensuring effective contract and supplier management
- Communicating effectively and ensuring productive stakeholder and customer relations
- Ensuring compliance and good procurement practice
- Continuously improving performance and innovation

3. Conclusion

The BPI's are the specific measures by which we will all be able to monitor progress towards key performance areas. The core deliverables, key processes and organisational capacity key performance areas are detailed below for information. When taken as a balanced group, they are designed to help managers and public procurement officials monitor their progress against the key performance areas and national vision.

APSE believes that the BPI's are designed to encourage improvement and best practice. It is important for local authorities to continue to deliver first class services to the public as they not only expect this but they deserve this in order to provide stable and liveable communities. This can be achieved through efficiency savings that can be measured through cash and non-cash situations. This can perhaps be balanced by a customer satisfaction measure, which would check efficiency, but not to the detriment of unacceptable loss of quality.

By collaboration and working together it is hoped that authorities will improve faster and save more money and eliminate duplication. APSE believes that the best contracts in the world are worthless if people don't use them. The BPI's will measure the proportion of total spend that is with contracted suppliers on contract and will use the customer satisfaction questionnaire to ensure that authorities know how to access these contracts.

Obviously following on from the McClelland report was the commencement of Scotland Excel, set up by the Scottish government which is hoping to secure the commitment by all 32 local authorities in Scotland. At the time of writing the report, APSE believes that there are already 28 authorities signed up with the others looking likely to follow suit. It is believed that there may well be savings in excess of £10 million in the first year thanks to the ability of Scotland Excel procuring a whole host of commodities and vehicles etc using their unique buying power skills. However, sceptics are not too convinced that it will be all plain sailing in this respect and time prove to be the main driver to ascertain whether they can deliver what is suggested.

In order for local authorities to be the best, they must ensure that they get the best out of staff and treat procurement as a professional discipline with a clear training path and ensure that procurement decisions are handled professionally and strategically. It is also important that procurement resources in organisations are appropriate to the complexity and amount of spend. Moreover, it is also vitally important that local authority procurement managers maintain a strong professional link with Scotland Excel to ensure that service delivery remains the key issue.

Whilst APSE welcomes performance management frameworks, direct in house service delivery remains a key objective. No matter how it is achieved, it is hoped that the focus will remain on maximising local authority purchasing power to provide excellent service delivery.

APSE would welcome any comments which should be sent to ptaggart@apse.org.uk

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Appendix A

| Possible Baseline | In Support of | Against |
|---|---|---|
| <p>Outline Business Case</p> | <ul style="list-style-type: none"> • <i>Can be used when using the Open, Restricted, Competitive Dialogue or Negotiated Procedures</i> • <i>Tests and affirms the affordability of the project and option selected</i> • <i>Stage at which the approval for the project to proceed is given</i> • <i>Budget identified and funding allocated on basis of OBC projections.</i> | <ul style="list-style-type: none"> • <i>Costs are based on best information available which may be inaccurate</i> • <i>Market not yet tested</i> • <i>Market conditions changing between OBC and going to tender may lessen the OBC's accuracy</i> • <i>Refinements to the scope of the requirement and tenderers input may alter the accuracy of the OBC.</i> |
| <p>Most Economically Advantageous First Tender</p> | <ul style="list-style-type: none"> • <i>First opportunity to gain insight to level of remuneration that market will need to meet the defined requirement</i> • <i>The accuracy of the baseline is enhanced if tenderers can be eliminated from subsequent cycles.</i> | <ul style="list-style-type: none"> • <i>Cannot be used in conjunction with the Open or Restricted Procedures</i> • <i>The first tender cycle may be based on an immature requirement, financial model or draft contract. The baseline may be insufficiently robust.</i> • <i>Tenderers will anticipate subsequent tendering cycles and may inflate first tenders for negotiation purposes.</i> |
| <p>Most Economically Advantageous Tender at interim tendering cycles</p> | <ul style="list-style-type: none"> • <i>The baseline becomes more robust as the requirement, financial model and contract evolve towards final form</i> • <i>The procuring entity will have had the opportunity to update the financial business case ensuring tenderers remain within the</i> | <ul style="list-style-type: none"> • <i>Cannot be used in conjunction with the Open or Restricted Procedures</i> • <i>Reportable VFM savings arising from professional procurement activities may be reduced</i> • <i>Tenders may remain inflated for negotiation purposes.</i> |

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| | <i>affordability envelope.</i> | |
| Final Most Economically Advantageous Tender (Best and Final Offer) | <ul style="list-style-type: none"> • <i>BAFO follows from tender conditioning, tender clarification and value engineering where action should improve overall VFM</i> • <i>This is the actual market value of the solution.</i> • <i>Earlier tenders may not be as robust.</i> | <ul style="list-style-type: none"> • <i>Cannot be used in conjunction with the Open or Restricted Procedures</i> • <i>VFM savings achieved by the work of the project team and structures are not recognised</i> • <i>If expected by the tenderers, earlier tenders may not be as competitive as possible to enable the tenderer to improve later submissions.</i> |
| Final contract price | <ul style="list-style-type: none"> • <i>Contract awarded with full information based on agreed specification and solution.</i> | <ul style="list-style-type: none"> • <i>There should be no difference between the final MEA Tender and the contract price.</i> • <i>No recognition of benefit of professional procurement expertise and application of prescribed procedures.</i> |