

REPORT TO: POLICY & RESOURCES COMMITTEE - 28 APRIL 2008

REPORT ON: TAYSIDE PROCUREMENT CONSORTIUM

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 230- 2008

1 PURPOSE OF REPORT

- 1.1 This report sets out the proposed strategy for Tayside Procurement Consortium (TPC) including the recommended structure and governance of the centralised procurement model and detailing the procurement activity required to be undertaken to support the delivery of the procurement programme.

2 RECOMMENDATION

2.1 It is recommended that the Committee:

- i Approve the development of the Tayside Procurement Consortium (TPC), which will co-ordinate and deliver all strategic procurement activities on behalf of Dundee City Council in the manner set out in this report, particularly section 4.4.
- ii Approve the adoption of the Tayside Procurement Strategy 2008-11 and associated Action Plan, as referred to in Section 4.7 of this report;
- iii Approve the proposed corporate governance framework for the TPC, as referred to in Section 4.8 of this Report;
- iv Delegate authority to the Depute Chief Executive (Finance) to exercise all functions on behalf of Dundee City Council relating to the operation of the TPC, including the award of contracts, provided the same is within the Council's approved Capital and Revenue budgets and is in accordance with the Procurement Strategy 2008 – 2011 and any other TPC policy approved for that purpose by the Council;
- (v) Note that if the Council's Standing Orders, Delegation of Powers, Financial Regulations and Tender Procedures require to be amended a further Report will be brought before the Committee; and
- (vi) Authorise the Depute Chief Executive (Support Services) to approve the TPC Memorandum of Understanding and authorise the Depute Chief Executive (Finance) to sign it on behalf of Dundee City Council.

3 FINANCIAL IMPLICATIONS

- 3.1 The financial implications for the Council are detailed in Appendix 2 to this Report. It is anticipated that the projected annual savings of circa £950,000 will more than cover the costs of the TPC (including the Council's procurement team) from the end of financial year 2008/09 and onwards. The actual savings achieved in 2008/09 and later years will be included into the Council's financial planning for 2009/10 onwards.
- 3.2 The City Council's share of the estimated 2008/09 cost of TPC of £81,000 will be met from the balance of Government funds still available as at 31 March 2008 of £214,000.

4 MAIN TEXT

4.1 Introduction

- 4.1.1 The McClelland Review of Public Sector Procurement was published in March 2006 and was widely welcomed by Ministers and a large number of stakeholders across both the Scottish public and private sectors. A clear recommendation of the McClelland report was that there is potential for significant gains (both cash and resource saving) to be made from better procurement practice and by collaboration across the public sector. The report delivered 82 recommendations relating to areas for improvement in procurement practice across the public sector and in particular raised issues relating to governance, lack of skilled resource and the requirement to adopt best practice procurement strategies. The implementation of robust procurement strategies was also identified as a critical success factor when delivering efficiency
- 4.1.2 The three Tayside Councils, Dundee City, Angus, and Perth and Kinross, are committed to implementing the McClelland recommendations. In 2005 work began to establish a partnership to identify opportunities, which could be realised by improving the way the three councils procured goods and services. In 2006, the authorities created the Tayside Procurement Consortium as a vehicle by which to deliver efficiency through improved procurement. The Policy & Resources Committee at its meeting on 12 March 2007, adopted a Corporate Procurement Strategy for the development and implementation of corporate procurement within the Council. On 8 November 2007, Tayside Procurement Consortium was formally launched and in April 2008, the TPC made its first appointment being the Head of Procurement.
- 4.1.3 Funding of £267,000 was secured from the Scottish Government to assist with the delivery of implementing a modernised procurement process. This funding provides a significant level of pump priming to assist the City Council and TPC to meet the key recommendations contained within the McClelland report. Collaborative procurement models will play a pivotal role in the delivery of efficiencies and the development of leading practices in the people, processes, technologies and suppliers that support the delivery of services to communities and citizens across Scotland.

4.2 The Tayside Procurement Consortium (TPC)

The three Tayside Partners have a history of successful procurement collaboration. To fulfil the Council's desire for fundamental improvement in procurement and to establish permanent support arrangements for collaborative procurement in the region, the Tayside Procurement Consortium has been created

4.2.1 **Vision and Values of TPC**

The Vision of the TPC is "to deliver a shared procurement service that provides Best Value to the three Tayside councils and all their stakeholders"

The values that will be demonstrated by the TPC are:

- Strong leadership and direction in the creation of contracts that secure best value, deliver value added services for our customers and promote sustainability.
- Setting and achieving the highest standards of Corporate Governance.
- Achieving best use of procurement resources and actively promoting and supporting sharing of best practice.

- Focussing on the achievement of its goals and aims through commitment and determination.
- Delivery of expertise in a range of professional procurement services necessary to support all procurement activity within its sector.

4.2.2 Key Activities of TPC

The TPC Steering group has delivered a Procurement Implementation Programme which when realised will deliver efficiency through improved procurement practice across the three Councils.

The key work streams which are being progressed by the programme are:

- Establishment of a Collaborative Procurement Model - creation of a structure that will deliver the benefits available from collaboration and maximise the potential for reduction in costs by eliminating duplication of effort.
- Establishment of a partnering agreement and shared procurement service team made up of procurement professionals and service commodity experts.
- Delivery of improved Strategic Procurement approach for the consortium through the development of and implementation of a programme of buying improvements which will drive forward the required programme of change and deliver the benefits
- Development of the knowledge and skills of those involved in procurement; through delivering improved procurement tools and investing in people through training and development.
- Effective local supplier engagement.
- Commitment to continuous improvement through development and implementation of an accelerated programme of process and technology improvements based on the implementation of e-Procurement.

4.2.3 Key Dependencies

To deliver the desired Programme outcomes, there is considerable work to be undertaken and to successfully deliver the benefits there are a number of key dependencies, namely:

- Programme strategy aligned to corporate strategy
- Visible high level support and sponsorship.
- Governance and accountability
- Effective communications
- Effective change management
 - Real collaboration across all three Councils
 - Real engagement with all services across all councils
 - Active and positive participation by key staff within councils
 - Commitment from all staff to deliver procurement change within their own respective areas
 - Compliance with the contracts post award
- Tracking of benefits

4.3 Tayside Procurement Consortium Business Case

4.3.1 Benefits

The main benefits to be realised from the TPC programme will be derived from increased collaboration across Tayside. All three Councils have now provided spend information to the Programme and using a management information analysis tool - Spikes Cavell have identified efficiency opportunities. The TPC have identified strategic sourcing opportunities following a comprehensive review of expenditure across the Consortium. Full consultation and engagement with specialist staff has been delivered through a series of meetings in early

September 2007 culminating with a full-day "Opportunities Workshop". The specific outcomes and opportunities arising from this workstream have been presented to and validated by each Council. The savings calculations from the initial programme work carried out are based only on the spend analysis from the three Councils and it is distinctly possible that further efficiency may be obtained from wider regional collaboration.

The predicted efficiency opportunities from the TPC are anticipated to be of the order of £2 million per annum by 2011/12 and have been assessed in three separate waves. The savings associated with each wave for Dundee City Council total £956,000. It is important to stress that in the 2008/09 Revenue Budget none of the projected 2008/09 savings have been included.

The Tayside Procurement Consortium and Scotland Excel have already been operating for a short period of time, however already the City Council has achieved a number of significant procurement savings. For example, on IT Hardware, the City Council used the nationally agreed contract and achieved a cash saving of £120,000. In a further example the City Council's Waste Management Department purchased a number of light vehicles through a Scotland Excel framework contract and achieved procurement savings of £54,000.

Members will recall from the earlier Report that the principal method by which it is proposed to deliver savings on a local government sectoral basis is by the establishment of a central purchasing body for the kinds of commodity identified as suitable for that level of procurement. It remains proposed that Scotland Excel will take on the role developing that of its existing predecessor body, the Authorities Buying Consortium (ABC) in the manner envisaged by the McClelland Review of Public Procurement in Scotland. Further background in this regard is given in the glossary / context document titled "explanation of terminology" forming Appendix IV to this Report.

A report expanding on the City Council's membership of Scotland Excel, its work programme and the linkages and impact upon the City Council and TPC was approved by this Committee on 14 April 2008 (Report No 229-2008 refers)

Potential savings are split into two main areas: cashable and non-cash. The cashable savings are from the improved strategic sourcing of goods and services across all Categories. Non-cash (or efficiency) savings result from the streamlining of the 'purchase to pay' process across the organisations.

To align the TPC to the development of the Scotland Excel project, the three Councils have been in close discussion with Aberdeen City and Aberdeenshire Councils to determine a model for working collaboratively as one of the "Centres of Excellence" for Scotland Excel – the North East Hub. This project is consistent with the approach Scotland Excel intends to implement to manage the procurement of 'Category B' commodities.

Category A items are defined as those negotiated on a national basis over all sectors. Category B commodities are defined as those negotiated on a sector basis i.e. for all local authorities. Category C commodities are defined as all other commodities excluding Category A and B's and will be negotiated on a local or regional level.

Some of the "softer" benefits arising from participation in the TPC are as follows:-

- Increased numbers of well trained staff, and cost avoidance for individual authorities through establishment of a central professional procurement resource.
- Improved service quality through improved dialogue between service delivery professionals (e.g. fleet managers)
- Better implementation of government procurement policy and greater awareness of best practice across Tayside.
- Improved engagement with and management of suppliers

It is recognised that to deliver the efficiencies highlighted there is considerable work still to be done in order to deliver these savings. It is particularly crucial to the success of TPC that Services within member Councils actively and positively participate in the User Groups, support the TPC team and be prepared to take on and drive procurement change within their own authority

4.3.2 **Allocation of Costs**

Costs have been developed for the first three years of operation of the TPC. The cost estimates, set out in Appendix 2, are based on information available at this time with regard to the proposed activities of the TPC. It assumes that the key objectives set out in Tayside Procurement Strategy 2008-11 and Workplan will form the basis of the TPC activity going forward. It is proposed that the TPC be funded by each member covering an equal share of the running costs.

4.4 **Tayside Procurement Consortium; The Key Recommendations**

4.4.1 **Centralisation of key strategic procurement activities for the council through the TPC central procurement unit (CPU)**

4.4.2 **Scope of CPU Activities**

The CPU will be responsible for the management of specific key strategic procurement activities on behalf of Dundee City, Angus, and Perth and Kinross Councils. These activities will be carried out on behalf of all Services and will relate to all goods and services. It is planned that the CPU will expand to involve other public sector partners in due course.

Placement of all Purchase Orders (tactical procurement) will continue to be made by individuals, in line with current agreed council procedures. (see Appendix I for a process flow)

4.4.3 **Responsibilities**

The **CPU** will be responsible for a wide range of strategic procurement activities which will include:

- the provision of expertise and advice relating to all purchasing activities
- management and control of the tender process for all goods and services procured by all Councils
- development of procurement strategies for individual commodities
- analysis of spend and market conditions/trends for individual commodities
- clarification and validation of user requirements and development of specifications
- managing supplier negotiations
- awarding contracts for all Councils
- monitoring and managing of the Council's supplier performance programme
- management of supplier development plans
- sourcing 'non- catalogue' goods/services raised by requisitioners through the e-Procurement system
- identification of opportunities for cost savings and the implementation of activities required to realise these savings
- management of the central ' Contract Register' and communication of new contracts to users
- management of the benefits tracking process
- in conjunction with the councils' dedicated procurement teams, management of catalogue content and the adoption of suppliers to the eProcurement systems across all Councils

4.4.4 **Services** will be responsible for the following activities:

- producing clearly defined specifications for goods and services, based on specific requirements
- participating in category teams, providing specialist knowledge as required and involvement in supplier selection & evaluation
- raising purchasing-related queries through the CPU's helpline
- reporting on supplier performance and raising issues with the CPU as appropriate
- enforcing compliance with the use of negotiated contracts
- enforcing the use of e-Procurement systems for raising requests for goods and services
- identifying innovative opportunities and new technology/products to improve service delivery or reduce costs

4.4.5 **Key Changes**

The key changes introduced by the centralisation of all strategic purchasing activities to the CPU will be the:

- Introduction of a Supplier Performance Management Process
- Development and maintenance of a central Contract Register by the CPU
- Compliance monitored centrally by the CPU and driven by Services
- A single point of contact established within the CPU for Services and Suppliers
- Introduction of a Benefits tracking system

4.5 **Operating Model**

The TPC appointed a Head of Procurement in April 2007 who will be responsible for the roll out of the Procurement Implementation programme and thereafter, the ongoing delivery of the shared service across the three Councils. The Head of Procurement acts as the professional lead for procurement across the three Councils and will be supported by an administration assistant, three commodity managers and two procurement assistants. These TPC posts are employed by Dundee City Council, and will be based in Dundee City Council premises, but will provide direction and support across the three councils. The posts will be funded on an equal share basis by the member authorities for the life of the consortium.

Developing a first class team of procurement and customer focussed support professionals will be a key success factor for TPC. The ability to build relationships with all parties involved in the procurement process and to lead and drive commodity strategies will be critical.

The proposed organisational structure enables the development of specialist commodity teams whilst providing a central support mechanism to the corporate procurement teams operating in each authority.

4.6 **Dedicated Council Procurement Teams**

In addition to the above TPC specific staffing element, each council has put in place substantive posts of Corporate Procurement Manager, and e-Procurement teams.

These posts will directly support their respective Councils, by managing e-procurement systems at local level and will provide the primary source of dedicated and expert procurement advice to councils' departments and divisions. They will also, however be aligned to and support the overall TPC procurement effort including specific procurement activity.

The policies and processes that will be used to drive forward procurement activity of the consortium though yet to be developed will incorporate the Scottish Procurement Directorate's strategic sourcing best practice tool kit.

This model is fully cognisant of, and aligned to both the development of the National Procurement Centre of Expertise (NPCoE) for the whole public sector in Scotland and the sectoral centre of expertise being developed for Scottish local authorities,

TPC in conjunction with partners in the North East will form a geographic hub providing a regional Centre of Expertise facility within the local authority sector

4.7 The Adoption of the Tayside Procurement Strategy 2008-11 and Action Plan

In March 2007 all three Tayside Councils adopted their own individual (but complementary) procurement strategy and associated workplan to take forward procurement initiatives in each of the respective councils. The Tayside Procurement Strategy 2008-11 incorporates and aligns all of these strategies into a single approach by which to raise procurement to the highest common denominator across Tayside. A copy of this document is attached at Appendix 3. The workplan details the key activities that will be delivered for the Councils over the strategy.

4.8 Tayside Procurement Consortium Governance Arrangements

4.8.1 Membership of TPC

Membership of TPC will initially be the three Tayside Authorities – Dundee City, Angus and Perth and Kinross Councils. The TPC may be expanded in due course to involve other public sector partners such as Tayside Contracts, where this would be of mutual benefit.

4.8.2 Powers of the TPC

Senior officers from each of the Councils have been involved in setting the proposed organisational design of the TPC. This has included consideration of the most suitable model for allowing the work of the TPC, particularly contracting on behalf of the three councils, to be taken forward in accordance with the proposed Strategy and its associated Action Plan.

The model had to achieve a balance between operational effectiveness and the allowance of due scrutiny and oversight by elected members of the Councils. It must be borne in mind that the currently proposed model does not envisage the setting up of a Joint Committee for oversight of the TPC at this time and the absence of such delegation would therefore require cumbersome and protracted reporting to the Committees of all three Councils before e.g. contracts could be awarded, which would be unworkable. It is proposed therefore that each Council agrees to delegate to the Chief Officers of the respective Councils representing them on the TPC Steering Group all the necessary powers required to enable it to exercise the functions for which it is established subject to the proposed action (including award of contracts) being within approved aggregate budget and in accordance with the Procurement Strategy 2008-2011 and any other TPC procurement policy approved for that purpose by the TPC Councils .

4.8.3 Delegated Authority and Contract Award

To allow delivery of the collaborative model, the Head of Procurement will require delegated authority from each member council to award contracts. This authority will be delegated to the Head of Procurement on a case-by-case basis and on the strength of a report detailing the value for money achieved for the Councils by the procurement.

As referred to above, it should be recalled that these contracts may only be placed in respect of those commodities which have been identified as suitable for collaborative activity amongst the Councils and included accordingly in the Strategy's Action Plan (see Appendix 3). Any "windfall" or emerging opportunities will be the subject of a report back to the Councils for authority to amend the strategy, potentially on an urgent basis.

Non-TPC procured works, goods and services will continue to follow the Council's existing arrangements in terms of delegation and reporting, etc unless and until identified in a future or amended TPC Procurement Strategy or identified as included within pan-Scotland or pan-sector national procurement arrangements providing better value for the Council than non-aggregated procurement by the Council on its own. It is expected that TPC will lead for the Councils in representing their interests on such arrangements but participation in Scotland Excel to that effect has been the subject of a separate Report to Committee as mentioned above.

In addition to specific contract-related authority, it is proposed that the Head of Procurement will receive general delegated authority in respect of the day-to-day operation of the CPU.

4.8.4 Contract Rules, Financial Regulations and Oversight

If this report is approved, the City Council may require to amend its Scheme of Delegation, Tendering Procedure, Standing Orders and Financial Regulations to reflect the establishment of the TPC and its operating arrangements. This is proposed to be the subject of a separate report to the Policy & Resources Committee.

A report detailing planned contract activity approval will be submitted quarterly to the TPC Steering Group. Contained within this quarterly report will be a summary of all contract awards made by the TPC in the previous quarter in exercise of the delegated powers proposed to be granted in terms of the recommendations of this Report. In the interest of scrutiny and oversight, this summary will be reported to the Policy & Resources Committee.

An annual report summarising the previous 12 month TPC activity will be submitted to the steering group for approval and presentation to the respective Committees post Financial Year End.

4.8.5 Representation on the Steering Group

This programme was initiated by the establishment of a TPC Steering Group which comprises Chief Officer Representation from each council. The three local authorities representatives on the TPC Steering Group are as follows:-

- the Director of Corporate Services, Angus Council;
- the Depute Chief Executive (Finance), Dundee City Council; and
- the Executive Director of Corporate Services, Perth & Kinross Council

The Steering Group will meet on a monthly basis to guide and direct the TPC. Specifically, the Group will manage:

- TPC progress reporting;
- benefits achieved,
- budget monitoring,
- governance issues,
- risks

and any major strategic items of business such as procurement strategy and business plan. The Steering Group will set the performance targets for TPC and monitor Councils' participation in contracts.

In order to ensure proper governance, and given the criticality of excellent communication within the consortium, a project team has been set up to meet on weekly basis. This project team consists of the Head of Procurement, Commodity Managers, Corporate Procurement Managers and e-Procurement Managers from each council

The Head of Procurement has overall responsibility for the programme of work and is accountable to the Steering Group for the delivery of the work plan, the performance of the TPC and the delivery of the programme.

The Head of Procurement will represent the Consortium at all relevant meetings and groups and will act as the professional lead for procurement across all three councils

4.8.6 Support for TPC

Dundee City Council will be the employer of the TPC's staff and provide administrative and other support to it. DCC will continue in its role as the lead authority for TPC. Members have agreed to pay all costs, expenses and outgoings incurred by the lead authority, with each member's share being calculated in accordance with the agreed contribution rate.

4.8.7 The Work of TPC

TPC members will commit to use the contracts awarded by TPC as agreed and reported to the Steering Group. TPC members may make arrangements to access contracts other than through the Consortium. When members choose not to use TPC contracts they must provide the Steering Group with a justification for their decision.

4.8.8 Budget and Finance Resources

Each Council will be required to provide the necessary resources to satisfy the programme. The Head of Procurement will have a coordinating role in respect of these resources to ensure that effectiveness and efficiency is maximized. The budget for the programme will be co-ordinated by Dundee City Council and reported to the Steering Group on a monthly basis.

4.8.9 Memorandum of Understanding

To capture the understanding amongst the Councils on the operation of TPC and their mutual responsibilities, it is proposed to enter into a Memorandum of Understanding. This is not a legal agreement but seeks to set out the respective commitments of the Councils to one another.

4.8.10 Communications

Critical to the success of the TPC programme will be buy-in from all stakeholders. A clear communications strategy has been developed to ensure support and commitment from all

internal stakeholders and influencers at all levels. Presentations have been given to all the Management Groups across all authorities coupled with a successful Consortium launch event in November 2007 to which all key procurement contacts were invited. TPC will also actively engage with the local Chambers of Commerce, the Federation of Small Businesses, Social Economy and Voluntary Organisations to progress the support of the local business community in Tayside

5 CONCLUSION

- 5.1 To realise savings that will contribute to the efficiency savings targets set by the Scottish Government the Councils must progress with the roll out of the e-Procurement project and implement the next steps of the Procurement Implementation Programme work streams as part of the Tayside Procurement Consortium.
- 5.2 The procurement implementation programme represents a substantial exercise across the Partner Councils and must be suitably resourced, directed and managed. The Council, in line with other public sector bodies should embrace this initiative and seek to gain the potential benefits.

6 POLICY IMPLICATIONS

- 6.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The major policy implications expected to be included are:-

- Sustainability
- Local economy
- Equality

7 CONSULTATION

- 7.1 The Chief Executive, Depute Chief Executive (Support Services) and Head of Finance have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

Report 174-2007 Corporate Procurement Strategy 2008 - 2011
Report 249-2007 Appointment of Head of Procurement

DAVID DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

18 APRIL 2008

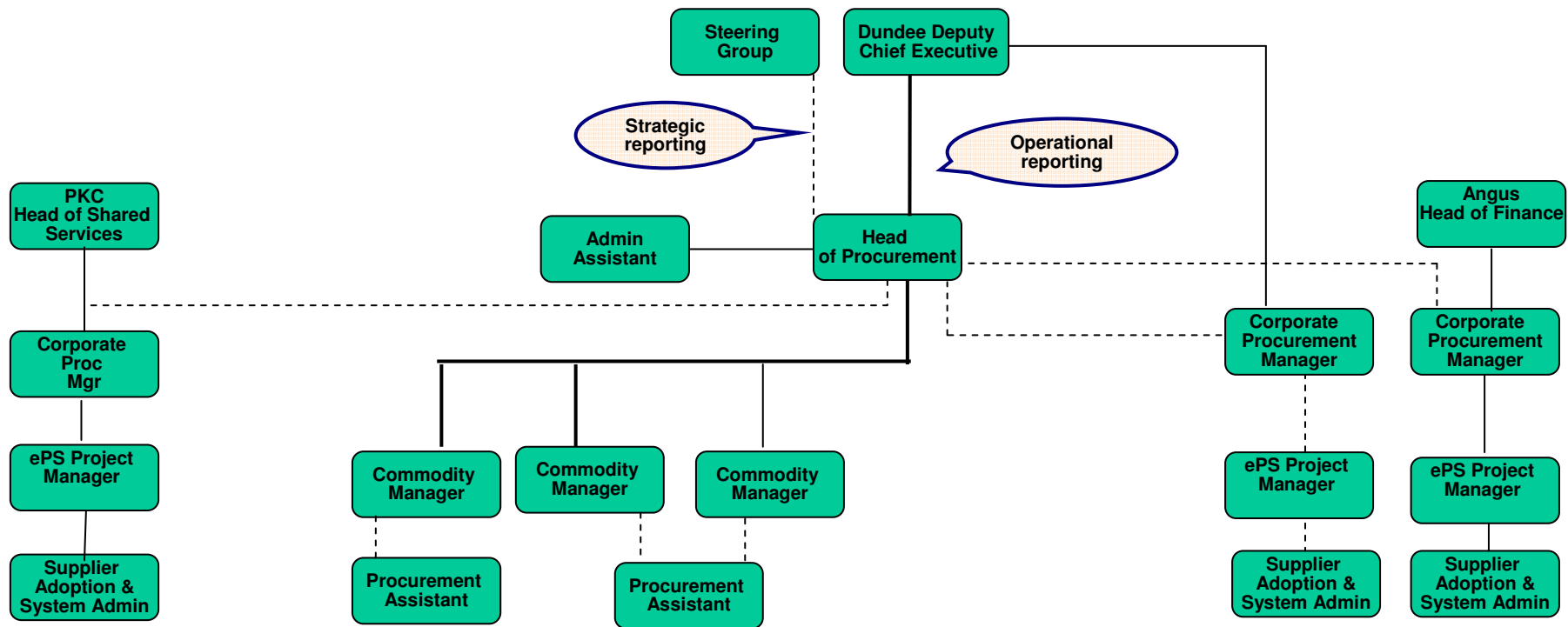
Appendices

- 1 - Organisational Design Model
2 - Cost model
3 - TPC Strategy 2008 - 11

APPENDIX I

**Organisational Design
Roles and Responsibilities
Process Flows**

Tayside Procurement Consortium Operating Model

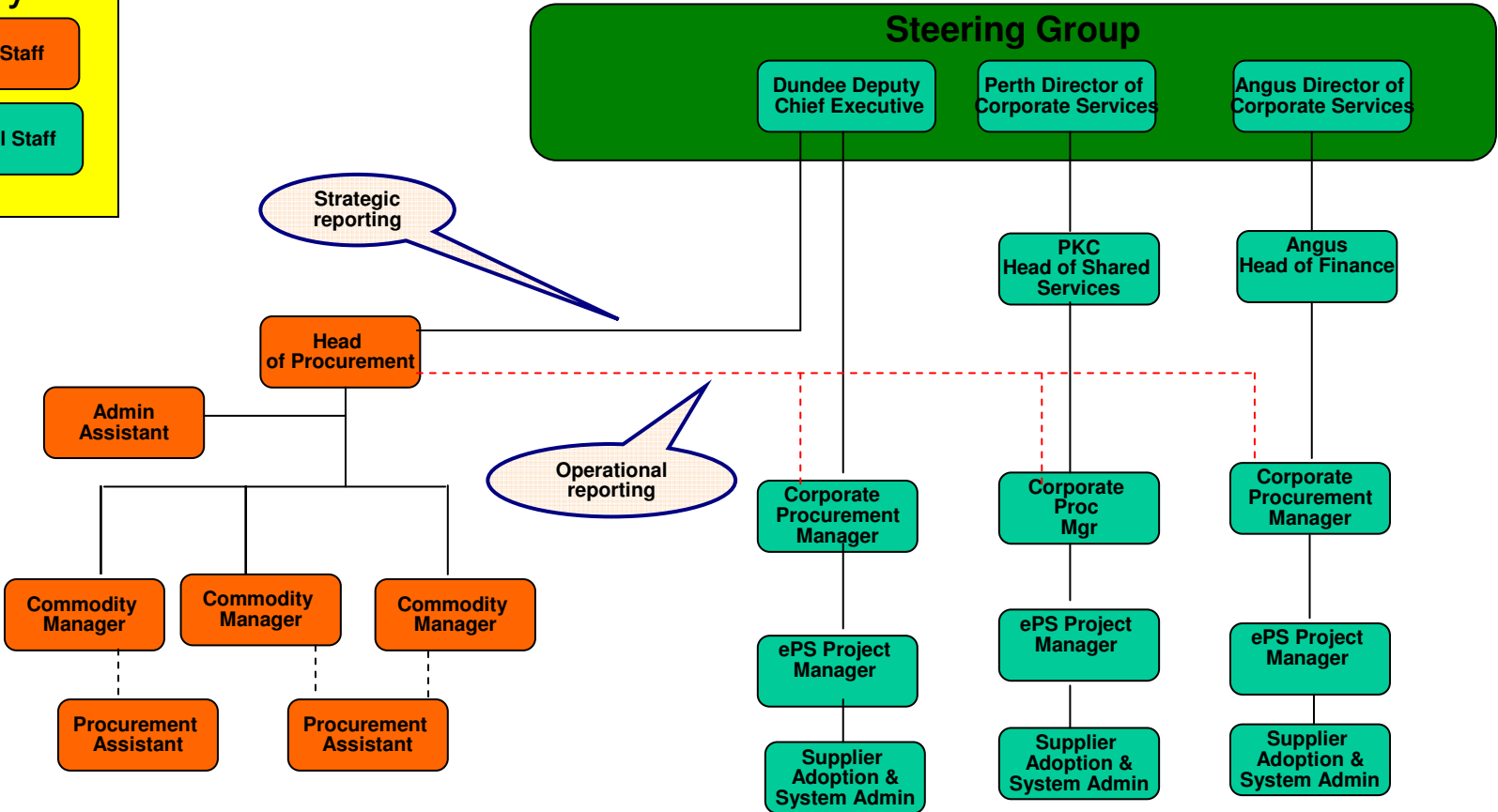


Specialist Commodity Groups (UIG's)

Tayside Procurement Consortium Operating Model

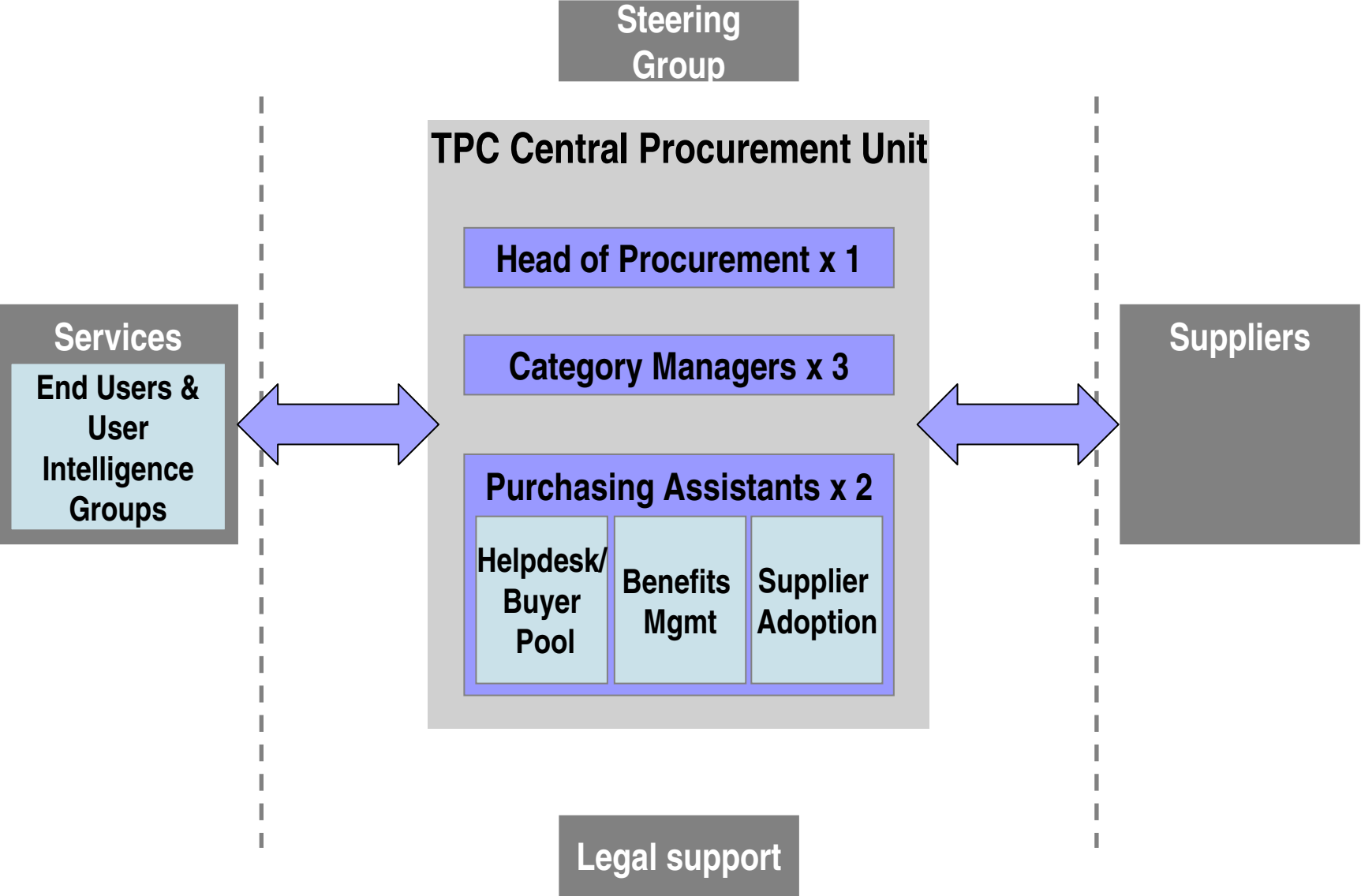
Key

- TPC Staff
- Council Staff

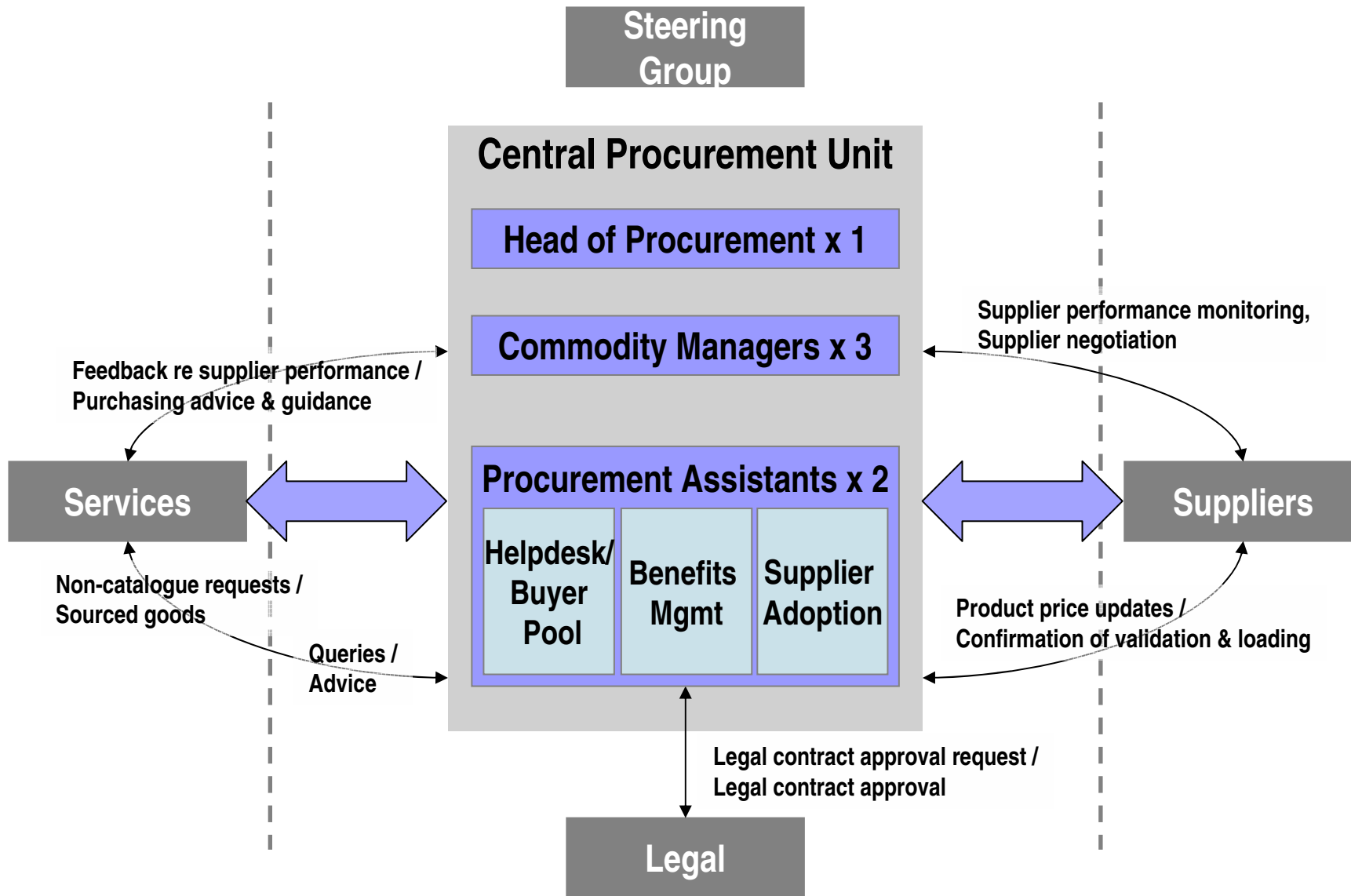


Specialist Commodity Groups (UIG's)

TPC Organisational Model



Proposed Central Procurement Unit model including key interfaces



APPENDIX 2

TAYSIDE PROCUREMENT CONSORTIUM REVENUE BUDGET 2007-2011

	2007/08 £	2008/09 £	2009/10 £	2010/11 £
Staff Costs	49	233	314	329
Property Costs-Office Rental & Cost	0	0	0	0
Supplies & Services	5	10	10	10
Consultancy	126	0	0	0
Gross Expenditure	180	243	324	339
Funded By:				
DCC Contribution	(60)	(81)	(108)	(113)
PKC Contribution	(60)	(81)	(108)	(113)
AC Contribution	(60)	(81)	(108)	(113)
Total Income	(180)	(243)	(324)	(339)
Surplus/Deficit	0	0	0	0

Assumptions

1. Equal Contribution by each Council.
2. Contingency costs have been split between Non Staff Costs equally.
3. Budgets are based on those originally specified. These will need to be reviewed to take cognisance of current circumstances.



Tayside Procurement Consortium

Procurement Strategy (2008-2011)

1. INTRODUCTION

Foreword

The environment within which local government in Scotland operates is constantly changing. The modernising agenda places greater emphasis on transparency and accountability, customer focused services, continuous improvement in performance and more joined up planning and delivery of services.

The McClelland report with its focus on better procurement and increased efficiency, the challenges of efficient government and the drive for continuous improvement across local authorities in the pursuit of excellence and value for money have been significant drivers in identifying the need for a collaborative procurement strategy.

The three Tayside Councils – Dundee City, Angus and Perth and Kinross - recognise that Procurement has a critical role to play in achieving potential efficiency savings and ensuring that the organisations are fully prepared to embrace the challenges of the public service reform agenda.

The establishment of a Tayside Procurement Consortium is to manage this changing agenda and to ensure coherence in the work of all Councils. The consortium was formally launched on 8 November 2007 in Dundee.

The Local Government in Scotland Act (2003) places a duty of Best Value on all Councils. The Councils are committed to achieving Best Value through more effective partnership working, integrated and responsive service delivery and more effective use of public resources

The Tayside Procurement Consortium will work with the services within the partner councils to ensure arrangements are put in place to demonstrate the fulfilment of the requirements of the McClelland report and the statutory obligations, which make up the Best Value regime provided by the Act. In doing so the Procurement function will aim to ensure that the principles of Corporate Social Responsibility are promoted and delivered

Allan Harrow

Head of Procurement
Tayside Procurement Consortium

November 2007

2. What is Procurement?

“Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the **whole cycle**, from identification of needs, through to the end of the service contract, or the end of the useful life of an asset.¹

This strategy covers the procurement of all goods, services, works and utilities on behalf of the Councils by their employees, agents, and as a model for its partners.²

Although no procurement activity will be exempt, it is recognised that different products and services, especially where the care and education of individuals is concerned, may require a different approach, and this will be reflected in the strategy.

3. Context of the Strategy

Following the McClelland report published March 2006, which aimed through procurement to contribute to the Efficient Government initiative launched in 2004. The Scottish Government, through the Scottish Procurement Directorate, intends to deliver on a national procurement strategy for local government with a number of targets for authorities to achieve over the period to 2011.

The Tayside Procurement Consortium’s procurement strategy and operations will reflect and work towards achieving these targets and this strategy reflects and builds upon recommendations contained within the McClelland report.

This strategy will bring together and co-ordinate council specific procurement plans to deliver improvements in procurement practice and will drive procurement forward as a corporate priority across the partners.

This strategy addresses the areas where the Consortium activity is expected to deliver efficiency opportunities through improved procurement practice. Estimates for efficiencies have been set for the consortium and this strategy sets out how these efficiencies may be achieved.

¹ Office of Government Commerce definition

² The term “partners” encompasses all sources of goods and services whether directly employed, 3rd party, voluntary, or another public body.

4. Aim of the Strategy

The strategy is aimed at promoting effective procurement across the three authorities. It aims to strike a balance between setting out a high level framework for the delivery of excellent procurement and delivering a detailed plan which will address specific targets.

The key objectives of this strategy are to:

- a. Ensure our procurement practice reflects our vision values and aims
- b. Secure commitment to excellent procurement from all members and officers throughout the Councils
- c. Provide a point of reference and focus for procurement matters
- d. Plan the way forward on improving our procurement function
- e. Deliver savings as part of an authority wide efficiency strategy which will respond positively to the Scottish Government's agenda on Efficient Government and public service reform

5. The Strategic Vision

Procurement Mission Statement

“The Tayside Procurement Consortium will work to deliver effective and efficient procurement for the benefit of the organisation and all its stakeholders”

The three Councils are fully committed to delivering high quality standards and having an efficient procurement procedure. This in turn will enable us to deliver best value and ensure that best use is made of public resources.

Using best-practice procurement techniques, we are committed to making sure that every pound spent provides value for money, and that every pound saved is directed back into key front line service priority areas.

All services must deliver and promote the following principles of best value procurement. Our 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 or routine transactions;

- Encourage open and fair competition;
- Follow all appropriate regulations and legislation

6. Corporate Social Responsibility

The Tayside Procurement Consortium recognises that its activities have an impact on the community in which we work and live.

Corporate Social responsibility is essentially how we take account of the economic, social and environmental impacts from the way the Consortium operates – and in doing so maximises the benefits and minimises the downsides for all stakeholders.

The consortium aims to achieve this through actions taken, over and above compliance with minimum legal requirements, to both achieve value for money and address the interests of wider communities.

The following sections of the Procurement strategy outline the aims of procurement in relation to the corporate social responsibility agenda.

This specifically relates to the areas of:

- Sustainability
- Health, safety and welfare
- Environmental management
- Equality
- Ethical procurement
- Development of local economy / engagement with the local business community

7. Sustainability

Residents in the Tayside area have a right to expect that their money is spent both wisely and fairly. It is the position of the three Council that value for money through competition should be at the heart of public procurement. The Tayside Councils are also committed to playing a full role in sustainable development and have implemented environmental policies in support of this goal.

When we buy goods and services we aim to do so in a way which minimises impact on the environment. Our aspiration is that our suppliers share our commitment to continuous environmental improvement.

Some of the ways in which the Tayside Procurement Consortiums procurement policies may impact upon the sustainable development are shown below. They also contain important messages for those wishing to work in partnership with the Tayside Procurement Consortium.

- It is important that our suppliers keep pace with environmental developments in their particular markets. Failure to do so may mean that they will find it increasingly difficult to compete;
- Development of environmentally preferable goods and services and use of recycled/renewable materials is likely to offer a competitive advantage.
- Suppliers should play a full part in helping the Councils meet their environmental objectives and encourage improved performance.

These are intended as positive messages. We also want to be kept informed of new and developing environmentally preferable products, technologies or services. Those who fail to comply with environmental legislation may be excluded from selling to the Tayside Councils

8. Health and Safety Management

The Councils are committed to ensuring effective Health and Safety management and performance throughout all Council Services and undertakings, and require that Health and Safety matters be given appropriate consideration with equal status to all other demands.

The Councils recognise their responsibilities for the health, safety and welfare at work of employees, and the Health and Safety of others who may be affected by the Council's work activities.

All goods and services should be procured with the health, safety and welfare of any staff, contractor's employees, clients, volunteers and members of the public who may be affected, in mind.

All procurement must ensure that Health and Safety impact is considered (risk assessment), that Health & Safety impact is minimised through buying products and services that reduce risks to the lowest level, and that as a minimum, goods and services provided meet legal requirements.

Councils expect their business partners to comply with all the relevant legislation, related Acts, regulations and orders within all its contracts. These include:

- Health and Safety at Work Act 1974
- COSHH Regulations 2002
- Noise at Work Regulations 1989
- Electricity at Work Regulations 1989
- Management of Health and Safety at Work Regulations 1999
- Workplace Health and Safety Regulations 1992
- Provision and Use of Work Equipment Regulations 1998
- The Personal Protective Equipment at Work Regulations 1992

The Tayside Procurement Consortium will take into account within its tender evaluation and contracting processes, a potential contractor's approach to Health and Safety in terms of its employment practices and service delivery, which will also be monitored and managed during the life of each contract.

A contractor's compliance with Health and Safety will be checked in two ways:

- **Prior to Contract Award** - by asking questions either prior to or during the tender process. If following evaluation the response does not satisfy the Council's criteria, the firm may not be shortlisted or awarded a contract.
- **After Contract Award** - by including contract conditions on Health & Safety in all Council contracts and by monitoring a contractor's performance and compliance with those conditions

9. Environmental Management

The Tayside Procurement Consortium strategy has been developed in line with the Scottish Governments environmental policy. Key elements of this are that those involved in procurement activities, in particular specifiers and purchasers, must:

- Consider the environmental impact of purchasing decisions;
- Minimise adverse impacts through buying products, wherever possible, which have least impact on the environment.

The key elements of general procurement policy remain, i.e. that purchasing should be based on competition and value for money (VFM). Procurement should not be used as an instrument for securing objectives on social, industrial or trade policy. This principle is reinforced by our international obligations as members of the EU.

The Tayside Procurement Consortium's procurement policy does, however, allow services to specify goods and services which take account of their environmental impacts, provided a balance is struck between costs, benefits and other relevant factors. Full lifecycle costs, including disposal, must be taken into account and, the choice should favour the option which minimises any adverse environmental effect. Purchasers should also encourage suppliers to minimise any adverse environmental effects of their activities, and also encourage suitable new technology.

This Procurement Strategy and the accompanying procurement plan and objectives are subject to a Strategic Environmental Assessment as required by the Environmental Assessment Scotland Act 2005. Accordingly an ongoing review of environmental considerations is inherent and will underpin all procurement activity.

10. Equality and Diversity

The Tayside Councils are committed to equality of opportunity both as service providers and as employers. The Councils value the diversity of the communities in the area and work towards providing services that are inclusive and accessible. The Councils recognise that social inclusion and promoting equality of opportunity and good relations between different groups can only be achieved by incorporating equalities into the planning and implementation processes for all Council Services.

The Councils believe in equal opportunities for all. This belief becomes a reality through our policy commitments and proactive measures to challenge equality, recognise difference and celebrate diversity. The Councils will adopt a broad approach to equalities using the Equality Standard for Local Government as a framework for this.

The Equality Standard for Local Government is a performance management framework for mainstreaming equality into service delivery and employment. At present the Standard covers equality on the grounds of Race, Disability, Gender, Age, Religion/Belief and Sexual Orientation. The benefits of adopting the equality standard are:

- Identifies barriers that prevent equal access to services and employment
- Helps organisations conform to existing and forthcoming legislation
- Recognised as a credible performance management framework for equalities issues

A number of pieces of legislation contain various prohibitions on discrimination on the grounds of race, sex and disability in the provision of goods, facilities and services, and as such the Councils expect their business partners to comply

with all the relevant legislation, incorporating these as a requirement within all its contracts.

Currently the Councils have duties under the Race Relations (Amendment) Act 2000 and the Disability Discrimination Act 2005 (e.g. the Disability Equality Duty) to promote equality, including in their respective procurement practices. These are now supplemented by requirements under the Gender Equality Duty.

Together these require the Councils to ensure that any contractor or partner that delivers services directly on their behalf has an effective equality policy and that this is implemented and followed. This consequently requires the Councils to obtain monitoring data on a regular basis to determine whether our contractors or partners are complying with their policies. Whilst suppliers of goods to Council services do not provide services directly on our behalf as part of our duty to promote equality we would encourage them to have equality policies and operate in the same way as our other contractors and partners.

The Tayside Procurement Consortium will take into account within its tender evaluation and contracting processes, a potential contractor's approach to equalities in terms of its employment practices and service delivery, which may also be monitored and managed during the life of each contract.

A contractor's compliance with equality and diversity issues will be checked in two ways:

- **Prior to Contract Award** - by asking equalities questions either prior to or during the tender process. If following evaluation the response does not satisfy the Council's criteria, the firm may not be shortlisted or awarded a contract.
- **After Contract Award** - by including contract conditions on equality in all Council contracts and by monitoring a contractor's performance and compliance with those conditions.

11. FAIRTRADE

FAIRTRADE refers to a social movement that promotes social economic and environmental standards in the purchasing of goods from developing countries.

Fair Trade refers to the certification and labelling system that ensures that these standards are met. One important objective is to ensure that excluded/disadvantaged producers are able to access international markets, are paid a fair price for their products and are provided with decent working conditions during production. Fairtrade also seeks to promote environmentally sustainable practices and develop long term economic trading relationships.

Traders are encouraged to buy as directly from producers as possible and supply chains are kept as transparent as possible.

So, in simple terms, producers in developing countries are paid a fair price for their products; in turn their workers are paid a living wage – an amount capable of sustaining basic needs, including food, shelter, education and health services.

By purchasing a fairtrade product or by stocking and promoting fairtrade product lines, consumers and businesses give communities the chance of an economic, environmental and socially sustainable future.

Perceived benefits

- Increased sustainable benefits for marginalised and disadvantaged third world producers.
- Increased standing as a good corporate citizen
- Opportunity to develop sustainable influence to other sectors

The Councils recognise the importance of Fair Trade and wish to increase the awareness of fairtrade.

12. Development of Local Economy / Engagement with Local Business Community

Comment:

Comment:

Tayside Procurement Consortium's aim is to ensure that, wherever possible and consistent with the need to secure VFM, suitably qualified Small/ Medium Enterprises (SME) have the opportunity to compete for the Tayside Council's business.

The barriers to business that SMEs face and how SMEs can be assisted in bidding for work will be addressed by the Tayside Procurement Consortium to ensure that SMEs are not unduly disadvantaged in the procurement process.

The definition of an SME is described as a business with less than 250 employees.

The issue of quotas for SMEs, i.e. ensuring that SMEs are awarded an agreed percentage of all public sector contracts, is often raised in the UK, but while inclusion of SMEs in competitive tendering exercises should have the benefit of increased competition, quotas would act against the principle of VFM and also against procurement legislation.

Scottish Government Procurement Policy states:

“It is Government policy to take steps to remove barriers to participation by SMEs. There are many ways in which this can be done, such as improving access to procurement opportunities and information, which do not discriminate against larger firms and which help to improve VFM by increasing competition.”

Given the nature and often comparatively large size of public sector contracts there will inevitably be circumstances when SMEs will have the best opportunities to tender for contracts as part of a consortium, as opposed to as a main contractor.

The Tayside Procurement Consortium will work in partnership with Economic Development departments across the three Councils to assist delivery on the respective initiatives - the three authorities have signed up to the Scottish Government’s suppliers charter which commits to the following:

- Consult with the business community to identify and reduce barriers to business
- Facilitate understanding of public sector procurement policy and legislation by relevant stakeholders
- Ensure that the approach to 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 the core questionnaire for routine procurements with addition of bespoke additions on a case by case basis. Authorities will be expected to follow this format and, as closely as possible, wording for routine open procedure 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 for opportunities
- Support training for procurement staff to develop consistency in the use of best practice procurement activity

The Tayside Procurement Consortium will actively engage with the Chamber of Commerce and the Federation of Small Businesses to progress our support of the local business community in Tayside.

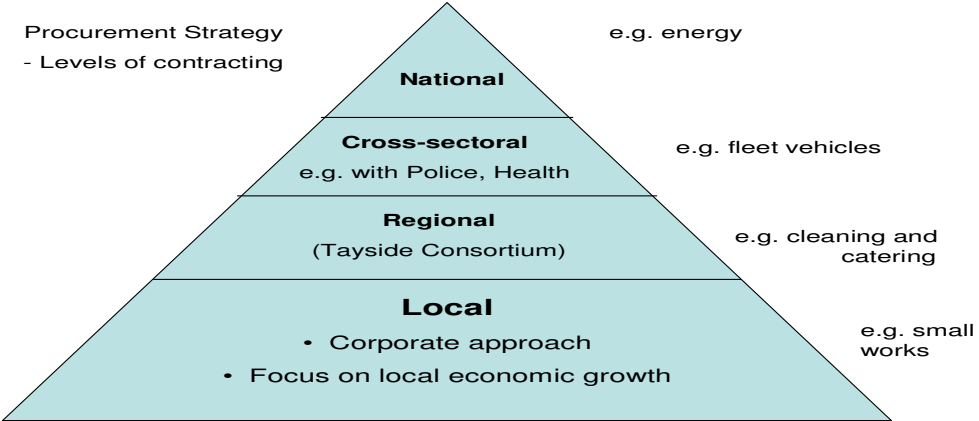
13. Delivering Efficiencies

Procurement has a significant role to play in the delivery of the three councils respective overall Efficiency Strategies.

The three Councils have already undertaken to address a number of key corporate commodity areas in order to gain efficiency savings for services and improve purchasing practice. Through existing initiatives, such as a collaborative purchasing approach, areas which have already been addressed include photocopiers, stationery / office supplies and wheelie bins.

Through involvement with the Scotland Excel programme, the Councils will realise further efficiencies through a national collaborative procurement approach. They will also take advantage of cross-sectoral procurement through the Scottish Centre of Procurement Excellence once that becomes available.

The following diagram explains on a high level the approach to this initiative.



Efficiencies will be monitored and Councils will be responsible for ensuring the effective redeployment of savings to their front line service provision.

Through implementation of this procurement strategy that adopts a collaborative procurement approach between the Tayside partners we may be able to realise a number of efficiency savings in key commodity areas.

From a recent review of the ledger data, expenditure profiles and existing contracts in place for the three Councils, there is significant potential for efficiencies to be realised. This is dependent upon a number of critical key factors being implemented including the successful roll out of e-Procurement Systems across all three Councils, compliance across all Councils to collaboratively procured contracts, and the enablement of strategic sourcing

To achieve these ends, the Councils will:

- Implement collaborative procurement exercises in the identified opportunity areas detailed below through the Tayside Procurement Consortium.
- Participate in national and cross-sectoral procurement activity where this present the Councils with best value solution to their requirements.
- Consider the scope and advantage for joint and collaborative activity on all other procurement opportunities as and when they arise.
- Once they are implemented, use strategically sourced suppliers for provision of relevant commodities to the exclusion of others not strategically sourced.

14. Governance

The Governance arrangements for the Consortium will be through a steering group comprising the Deputy Chief Executive (Dundee City Council), the Executive Director of Corporate Services (Perth and Kinross Council) and the Director of Corporate Services (Angus Council).

The Steering Group will receive reports from the Head of Procurement, indicating the progress made in delivering the Tayside Procurement Strategy,

and will have responsibility for ensuring that the Strategy is applied across all Councils.

A Tayside Procurement Consortium team will support the corporate procurement functions in each authority and will provide the vehicle by which the programme will be rolled out and the members of the Tayside team and the respective corporate procurement resource will ensure support is provided directly to this initiative. Delivery of the procurement programme within councils will be taken forward by Corporate Procurement Manager from each respective Council.

There will be some issues that arise through this change process that require to be considered by the Steering Group but in the main these matters will be addressed internally at an operational level. The Corporate Procurement Managers will ensure compliance within their respective councils for the corporate governance arrangements for all procurement related issues.

15. Structure and Resources

The operating model and process flow for the consortium is set out at Appendix A to this strategy.

A budgetary provision has been made to support the Tayside procurement implementation plan from each member Council. Resources to support the implementation of consortium arrangements, collaborative buying and e-procurement are subject to normal budgetary pressure.

16. Monitoring and Review

Every public-sector organisation should have a formal programme of procurement and internal efficiency measurement and management. McClelland in his review notes that every procurement programme should also measure the effectiveness of procurement in terms of results achieved. The reported information should rely heavily on key performance indicators.

The Councils additionally have a requirement to report on a national basis to the Scottish Government. As a minimum the types of KPIs are likely to be:

- Total Procurement Expenditure
- Procurement Expenditure Analysed by Spending Department

- Procurement Expenditure Analysed by Commodity or Service
- Total Number of Procurement Transactions
- Total Cost of Resources in Procurement Department
- Total Cost of Resources in Procurement Process including support departments, e.g. Accounts Payable
- Procurement Resources Analysed by Commodity or Service Procured
- Procurement Department Cost per £ of spend
- Procurement Process Cost per £ of spend
- Procurement Department/Process Cost per £ of Specific Commodity
- Spend Process Cost per Transaction
- Savings Achieved Year-on-Year in Absolute Terms
- Year-to-Year movement in Index of Basket of Procured Commodities Tracked
- Number of Suppliers (active/inactive)
- Spend Identified by Supplier
- Average Spend per Supplier / per Order placed

The effectiveness of this strategy will be measured through the efficiency savings realised and a set of indicators as listed above.

Monitoring of the consortium will be through standard internal audit schedules, monthly reports to the Steering Group and reports to Council committees as required

An annual procurement report assessing progress will be submitted as part of the annual efficiency statement to the Council's Strategic Policy and Resource Committees.

This strategy document will be reviewed annually.

Procurement Plan - 2008 to 2011

“Tayside Procurement Consortium will work to deliver effective and efficient procurement for the benefit of the organisation and all its stakeholders”

Five Key Operational Objectives

From the vision the following five key operational objectives for 2008 to 2011 can be identified:

1. Implement an overall Procurement Strategy.
2. Deliver a collaborative procurement approach.
3. Develop the knowledge and skills of those involved in Procurement.
4. Work towards Tayside Procurement Consortium being seen as an exemplar of best Procurement practice by all stakeholders.
5. Commitment to Continuous improvement and efficiency savings.

Tayside Procurement Consortium will work to deliver effective and efficient procurement for the benefit of the organisation and all its stakeholders”

STRATEGIC OBJECTIVES AND IMPLEMENTATION PLAN 2008-2011				
1. Develop an overall Procurement Strategy				
Outcomes	Main Actions	Priority	Completion Date	Owner
Creation, development and delivery of a TPC procurement strategy	Agree Vision Process map – what, who, how and by when	Critical	March 08	HoP
Create a TPC Governance Procurement Framework	Delegated Procurement Framework Authority to purchase Governance principles Business conduct documents	Critical	March 08	HoP
Ongoing assessment of delivery of recommendations from McClelland report	Revise strategy and policy Report to Councils Realise benefits	Critical	Ongoing	HoP
Key Risks and Dependencies	<ul style="list-style-type: none"> • Acceptance of requirement for change • Acceptance of importance of Procurement • Availability of resource • Commitment to change • Acceptance by audit for revised Governance structure • Approval from committee of vision , objectives and strategy 			

HoP Head of Procurement

SPD Scottish Procurement Directorate (Scottish Government)

CPM Corporate Procurement Manager

Tayside Procurement Consortium will work to deliver effective and efficient procurement for the benefit of the organisation and all its stakeholders”

STRATEGIC OBJECTIVES AND IMPLEMENTATION PLAN 2008-2011				
2. Deliver a Collaborative Procurement Approach				
Outcomes	Main Actions	Priority	Completion Date	Responsibility
Creation of a Central Procurement Unit	Agree structure Agree resource Implement	Critical	March 08	HoP
Identification of Key Council Users and Contacts	Training Share information Best practise	Critical	March 08	HoP CPMs
Full Contract Audit	Thorough review and procurement evaluation of all existing contracts Approval / Termination Renegotiate/Re-tender	Necessary	March 08 then ongoing	CPMs
Performance monitoring	Implement KPI's Work with EPS to develop E-proc. KPI's	Necessary	March 08	CPMs HoP
Organisational capacity	Develop & assist delivery of internal Training Specialist Training Develop skills base (CIPS)	Necessary Desirable Desirable	March 08 Ongoing Ongoing	HoP CPMs Training & Developmt Section
Key Risks and Dependencies	<ul style="list-style-type: none"> • High level support required from all areas • Availability of information – co-operation of all operational staff • Availability and willingness to commit resource • Ability to deliver. • Ability to ensure compliance to strategy , policy and protocols • Actual physical resources available • Ability to address the ‘ what’s in it for me ‘ issue 			

Comment: where do we set out the actual *commodity* procurement plan per wave?

Tayside Procurement Consortium will work to deliver effective and efficient procurement for the benefit of the organisation and all its stakeholders”

STRATEGIC OBJECTIVES AND IMPLEMENTATION PLAN 2008-2011				
3. Develop the knowledge and skills of those involved in procurement				
Outcomes	Main Actions	Priority	Completion Date	Responsibility
Development of Procurement User Guides	Update Contract rules Update Contract rules guidance Update Procurement Policy	Necessary	Oct 08 Oct 08 Oct 08	HoP CPMs
Effective communication	Develop overall communications plan Periodic newsletter Establish a database for Publication	Necessary	Ongoing	HoP CPM
	Create User guides	Necessary	Oct 08	CPMs HoP
	EU guidance	Necessary	March 08	CPMs HoP
	Advanced Procurement policy	Desirable		SPD
	Procurement templates	Critical		SPD
	Conditions of contract	Critical		SPD
	Development of a suppliers charter	Desirable		SPD
Key Risks and Dependencies	<ul style="list-style-type: none"> Initial dependency on SPD to provide information Support of management and staff to a corporate approach Availability of appropriate resource to provide necessary support / monitoring / audit. 			

Tayside Procurement Consortium will work to deliver effective and efficient procurement for the benefit of the organisation and all its stakeholders”

STRATEGIC OBJECTIVES AND IMPLEMENTATION PLAN 2008-2011				
4. Work towards <i>Tayside Procurement Consortium</i> being seen as an exemplar of best procurement practice by all stakeholders				
Outcomes	Main Actions	Priority	Completion Date	Responsibility
Website – user friendly	Develop website	Necessary	March 08	CPM HoP
Intranet – user friendly	Establish a library of guidance tools and techniques on intranet pages	Necessary	March 08	
Efficiencies from collaborative procurement	Implement excel	Necessary	April 08	CPM HoP
Central register of contracts	Information – develop a standard format Review use / non use of contracts Promotion and rationalisation of contracts	Necessary	March 08	CPM HoP
Local supplier engagement	Develop and agree improvement plan with BCI , EC Dev & CoC	Necessary	March 08	CPM HoP
Key Risks and Dependencies	<ul style="list-style-type: none"> • Availability of appropriate information from services • Procurement and its relationship with Economic Development & Chamber of Commerce 			

Tayside Procurement Consortium will work to deliver effective and efficient procurement for the benefit of the organisation and all its stakeholders”

STRATEGIC OBJECTIVES AND IMPLEMENTATION PLAN (2008-2011)				
5.Commitment to continuous improvement				
Outcomes	Main Actions	Priority	Completion Date	Responsibility
Compliance Awareness Ownership	Establish an annual review process for strategy, policy and guidance	Desirable	March 08	CPM
	Ensure above is up to date and reflects best practice	Desirable	March 08	
Delivery of e-Procurement	Implement EPS proposals	Desirable	Ongoing	CPM
Key Risks and Dependencies	<ul style="list-style-type: none"> • Availability of appropriate resource to provide necessary support / monitoring / audit. • Mis-match of priorities of consortium members • Equity of commitment from all members to consortium • Ability of all services to facilitate the roll out of ePS 			

Appendix A

