

**REPORT TO: POLICY & RESOURCE COMMITTEE - 26 MARCH 2012**

**REPORT ON: SHARED PROCUREMENT SERVICE**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 126-2012**

1.0 PURPOSE OF REPORT

1.1 This report recommends the approval of the permanent establishment of the Councils' shared procurement service as created in 2008, to lead on procurement for the three Tayside Councils.

2.0 RECOMMENDATIONS

It is recommended that the Committee:

2.1 agrees that the shared procurement service created in 2008 for the three Tayside Councils is established on a permanent basis as an ongoing service for the Councils;

2.2. agrees that the governance and funding arrangements agreed between the Councils in 2008, and as outlined in the report to P& R committee (ref 230 - 2008) be continued.

2.3 notes that this is also in the process of being approved by Angus and Perth & Kinross Councils.

3.0 FINANCIAL IMPLICATIONS

3.1 There are no new financial implications arising from this report. The cost of the entire procurement team is accounted for in the budget agreed for the Council. Service redesign has already reduced the recurring operating costs of the shared service over the past two financial years. In 2011/12 there was a 5% reduction in the operating cost of the service giving a saving of £14,447 which was in addition to the 7.5% cost reduction already delivered in 2010/11.

4.0 CONTEXT

4.1 In 2008 a shared procurement team, was established for the Tayside Councils. This shared service procurement team was created to lead on procurement for the Councils and comprises a small central team based in Dundee House along with corporate teams located in each Council. This procurement team has led the procurement reform agenda across the Councils and has been a success, has delivered on all the targets set for it to date, and is currently delivering the Councils procurement strategy & procurement plan to 2014/15. The annual reports to P&R Committee (refs 365-2009,550-2010,308-2011 ) have highlighted the ongoing progress being made.

5.0 BENEFITS

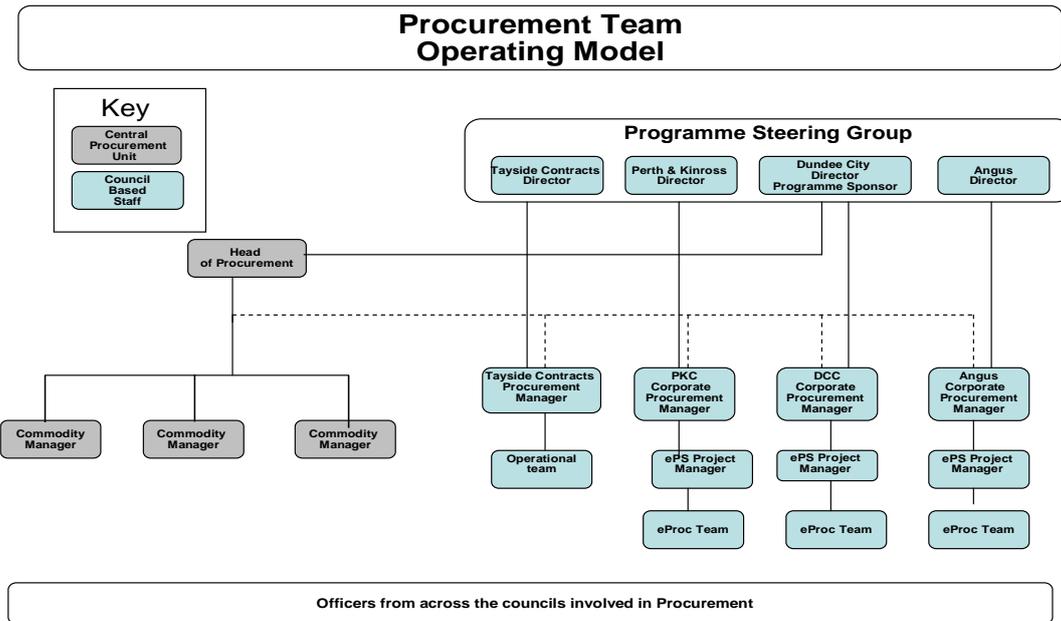
The Procurement Team is delivering on all objectives set for it -

### 5.1 Strategy and Policy

The Head of Procurement manages the procurement team and is responsible for the delivery of the Councils procurement strategy and associated policies.

### 5.2 Structure

The following Collaborative Team model is working across the Councils



### 5.3 Savings

The annual procurement efficiencies reported for the Council in its annual efficiency statements notes the following savings which are in excess of £1.9 million.

<u>Financial Year</u>	<u>Saving</u>
2008/09	460k
2009/10	615k
2010/11	841k

### 5.4 Statutory Obligations

5.4.1 The Council has a statutory requirement under the Public Contracts (Scotland) Regulations 2006 to ensure that its procurement activity is legally compliant. The procurement team works to support colleagues involved in tendering activity to ensure that this is achieved within Services.

5.4.2 Amendments to the 2006 regulations which took effect in December 2009 expose the Council to greater risk of challenge and the associated costs of not procuring properly. The procurement team continue to lead on the drive to ensure that this key risk to the Council is managed.

#### 5.5 Reputation

The Council has made significant progress in its procurement reform in the last 3 years and has received national recognition and local praise in terms of its approach to procurement. This is as a direct result of the work of the procurement team, who continue to drive procurement reform across the Councils

#### 5.6 Award Winning

The procurement team has won awards for its performance at both UK and Scottish levels. It's expected that the team will again be nominated in the 2012 awards to be held in October of this year

#### 5.7 Risk Management

Through the involvement of skilled, knowledgeable & well trained procurement staff the Council reduces the risk it faces in its procurement activity. The procurement team are actively involved in supporting colleagues in the management of high risk tendering activity.

#### 5.8 Improved service collaboration

Through a collaborative approach there has been improved dialogue between service delivery professionals (e.g. fleet vehicle managers of the respective Councils) and this has laid the foundations for other collaborative projects to be developed. Within the current 2 year business plan the procurement team will be focussing on a further number of areas where collaboration has been highlighted as an opportunity.

#### 5.9 Implementation of government procurement policy

The procurement team leads on the implementation of all the Scottish Government procurement initiatives. For example in 2009 the Scottish Government launched a Sustainable Procurement Action Plan (SPAP) and the procurement team are delivering the required actions which address a full range of Corporate Social Responsibility initiatives. In addition the procurement team also lead on a 'delivering employability through procurement' initiative which looks to deliver employability outcomes such as targeted recruitment and training.

#### 5.10 Improved engagement with and management of local suppliers

The procurement team lead on supplier engagement for the Councils, we have introduced a Supplier Development programme which works with local business to remove perceived barriers to public sector business opportunities. We co-ordinate engagement with the Chamber of Commerce, and the Federation of Small Business.

## 6.0 COLLABORATION

The procurement team has one head of service and one management team to lead procurement across three councils. The procurement team is a collaborative success for the Council. Through our approach we have removed duplication in our management structures, have improved the councils buying power and we have improved our efficiency. Our collaborative approach has recently been expanded to the wider Tayside public sector. The procurement team lead on a cross Tayside procurement group, which collaborates with the NHS, Police & Fire Services, and Universities and Colleges.

## 7.0 RESOURCE

Four of the officers recruited to the team were appointed from 2007 on a 5 year fixed term contract basis. As we move towards the end of the fixed term period, a decision as to whether these specific team members are to be retained on a permanent basis is required.

Given the scarcity of skilled and experienced procurement resource in the public sector in Scotland, and the current challenge in recruiting qualified procurement staff it is in the interest of the Council to look to retain on a permanent basis its existing team of professionally qualified and experienced procurement officers.

## 8.0 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

## 9.0 CONSULTATIONS

The Chief Executive and the Depute Chief Executive ( Support Services ) Dundee City Council, have been consulted in the preparation of this report.

## 10.0 BACKGROUND PAPERS

None

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**Director of Finance**

**15 March 2012**