

**REPORT TO: POLICY & RESOURCES COMMITTEE – 25TH AUGUST 2014**  
**REPORT ON: ANNUAL PROCUREMENT REPORT**  
**REPORT BY: DIRECTOR OF CORPORATE SERVICES**  
**REPORT NO: 306-2014**

#### 1.0 PURPOSE OF REPORT

This report summarises progress made against the objectives set out in the Councils Procurement Strategy 2011-15 (Report 309/2011 refers). This report also seeks the approval of a Sustainable Procurement Policy to underpin the use of social, economic and environmental criteria in the development of contracts

#### 2.0 RECOMMENDATION

It is recommended that Policy & Resources Committee:-

- Note the content of this report, which is submitted in accordance with the approved objectives as contained within the Councils' Procurement Strategy 2011 - 2015 (Report 309/2011 refers).
- Note the progress being made in the procurement reform programme as noted by the Procurement Capability Assessment 2013
- Note the standards expected of public bodies when applying sustainability to procurement as expressed in the Procurement Capability Assessment questionnaire 2013; and
- Approve the Tayside Procurement Consortium Sustainable Procurement Policy detailed (Appendix A)

#### 3.0 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report. The procurement efficiency savings identified from procurement activity were addressed to some extent in corporate budget savings of £250,000 and with the remainder made available to departments for use in delivering additional services and/or achieving departmental budget efficiency targets.

#### 4.0 MAIN TEXT

##### The Councils Procurement Strategy 2011-2015

The Procurement Strategy 2011-2015 detailed outcomes under 8 headings for improvement:

- Leadership and governance
- Strategy and objectives
- Specification
- Sourcing Strategies
- Contract and Supplier management
- Process and Systems
- Our people

- Performance measurement

Progress to-date for these strategic objectives for the reporting period is detailed as follows:

#### 4.1 Leadership & Governance

Objectives set under this heading have led to the creation of a centralised approach to Procurement in the Council as a result of the Procurement Reform in Dundee City Council report (53-2013).

This, in turn, supported planning for a targeted programme to ensure that officers are provided with the necessary support to ensure procurement is undertaken in a way that delivers optimum value for the Council.

#### 4.2 Strategy & Objectives

The objectives approved under this heading can be described under three themes; communication & buy-in to the Strategy, development of the contract register and corporate social responsibility.

Dealing with each theme in turn; a communication plan is in place for the full procurement programme and a feedback mechanism (in the form of an on-going survey to check the success of this work) has been created – the findings of that survey will be included in future annual reports.

The process for ensuring accuracy of the content of the Council's contract register is now largely automated through the use of the Public Contracts Scotland national advertising portal; procedures are in place which encourages officers to use the portal when creating contracts.

The above measure supports the next theme, corporate social responsibility which is more usually described as Sustainable Procurement. A significant piece of work was undertaken during 2011/12 to develop the Community Benefits in Procurement Policy which was approved by Policy & Resources Committee (Report 350/2012 refers). That policy derives from an overarching Tayside Procurement Consortium Sustainability Policy – detailed in Appendix A. Resource was invested in recognition of the potential for procurement undertakings to support the Council in delivering social, economic and environment benefit for the community. Details of achievements in this area since the approval of the policy in 2014 are detailed in Section 5.0 of this report under the area of Sustainability. Dundee City Council appointed a Community Benefits Officer in June 2014, this has allowed increased focus in this area and the development of monitoring tools is in progress. Reporting of achieved Community Benefits through Procurement will, in future, be able to be reported on a regular basis.

#### 4.3 Specification (Defining the Need to Buy)

For this heading commitments were made for the full procurement staff complement to assist officers, where possible, in designing their procurement exercises to maximise value and achievement of Council outcomes.

Examples of how this is achieved include the use of data extracted from the Council's e-Procurement system to develop specific contract requirements, continuing to develop collaborative arrangements with our Community Planning

Partners and facilitating access to existing contracts through central holding and sharing of information.

#### 4.4 Sourcing Strategies

Outcomes agreed under this heading relate to the decisions made when determining our route to the market for purchased goods, services and works.

We continued to support local business. We can evidence that a minimum of c. 29% of expenditure is with businesses in Dundee. In all 75% of our external spend is spent within Scotland and the remainder is spent almost entirely within the UK. The continued use of the national advertising portal for promoting public contract opportunities and local supplier engagement events support further improvement in this area.

Fair Trade - The Council is committed to support fairly traded products, and is encouraging the support for fairly traded principles through the wider community and local businesses. The Procurement team can support this initiative by assisting procuring officers in how to specify appropriate ethical goods into contracts.

Sustainability - A Community Benefits through Procurement group was established in 2011/12; the work of this group will also support the Social Enterprise Strategy and Action Plan for the City Council (ref. Changing for the Future project 42). The Council purchased an online product sharing system call WARP-IT in 2013, this system allows for items no longer required by one department to be made available free to another Council user who has a requirement for the same. This system has enabled the Council to support its environmental procurement objectives and details of success to date is shown in section 5.0.

Risk Management - A key outcome, monitored by the Scottish Government via the annual Procurement Capability Assessment (PCA), is the involvement of skilled, knowledgeable and well trained procurement staff in all significant contracting activity. This is intended to reduce risk from contractual relationships, and the potential for detrimental impact on finances, resources and service provision that these may have. Recruitment has been completed with Category Officers appointed, who will have the responsibility for undertaking the support of tendering procedures for specific category areas, and providing support and guidance to departmental officers on all aspects of the Procurement Process.

#### 4.5 Contract and Supplier Management

The focus of this work stream was further improvements to the accuracy and veracity of the contract register, which has now been created. This has been a necessary foundation for further development work currently taking place which will capture our approach to contract and supplier management in more detail.

This workstream will deliver a consistent approach in line with Scottish Government guidance for all aspects of the procurement process.

#### 4.6 Process and Systems

##### **Development of Procurement Procedures**

An updated Contracts & Procurement Guidance was published on the intranet and is available to all staff. This guidance is intended to reduce the risk to the Council, which can arise from inconsistent application of the Contract Rules or of the Public Contracts (Scotland) Regulations.

### **Procurement Pages on [www.dundee.gov.uk](http://www.dundee.gov.uk)**

The Council has a Procurement area on its website. A range of supplier-focused information about the Council's procurement activity is provided, along with a link to published contract opportunities on Public Contracts Scotland. This also links to the Scottish Government's Supplier Journey, which outlines what businesses can expect when tendering with the public sector.

### **e-Procurement tools**

The roll out of authority financials, the Council's e-Procurement system, has now been completed; this allows further automation of processes leading to the issuing of purchase orders on behalf of the Council.

E-Procurement also assists the Council in maximising spend with contracted suppliers; It is important to note that all suppliers, regardless of size or location can be added to the e-procurement system, there is an internal process in place to assist officers to request the adoption of new suppliers as required.

The Corporate Procurement Team is actively working on the implementation of electronic scanning of supplier invoices as part of Purchase to Pay developments. This, coupled with the roll-out of e-procurement, will ensure an increase in the automation and reduction in the manual processing of supplier payments. Recruitment of staff to support this initiative has been completed with all due to be in place by end August 2014, this will allow for a concentrated effort on the implementation of a centralised approach to invoice processing.

## **4.7 Our People**

### **Provision of Training on Tendering and on Tactical Purchasing**

Over the course of the year, awareness raising and procurement training has been delivered to a wide range of Council officers. This has taken the form of online modules, group sessions, individual sessions and externally delivered courses.

During the reporting period outline content for internal courses was developed; this will allow officers to select appropriate training based on the degree of involvement, and the stages of procurement, in which they participate. Plans are in place to deliver this training during 2014/15.

Procurement staff working for the Council are encouraged to study towards attaining professional procurement qualification, where appropriate. Recent developments within Scottish Government are focussing on training and development programmes for Procurement Professionals. Each member of the Corporate Procurement Team will be assessed based on their experience and qualifications, to date, to determine the most appropriate procurement development route for them, as an individual.

A Category Management model for centralised Procurement within the Council is in the process of being implemented with specific focus on procurement compliance and reduction of risk in procurement. This team will also manage and provide support for the Council's Community Benefits through Procurement Policy.

## **4.8 Performance Measurement**

Performance Monitoring is an area which will be further developed with the introduction of the centralised Corporate Procurement Team.

## Procurement Capability Assessment

The Scottish Government has initiated a formal assessment to measure procurement capability. The Council was last assessed in November 2013. The results evidence the progress that the Council has made since the first assessment in 2009. The Council's score of 51% in 2013 shows a marked improvement on the 2009 score of 23% and means that the Council is objectively considered to be delivering conformance, and in some areas improved performance, in its procurement approach. The range of assessment scores across the 32 Scottish Local Authorities is from 30% to 80%.

<b>SECTION HEADING</b>	<b>Dundee City Council Score 2009</b>	<b>Dundee City Council Score 2010</b>	<b>Dundee City Council Score 2011</b>	<b>Dundee City Council Score 2012</b>	<b>Dundee City Council Score 2013</b>
1 Procurement Leadership & Governance	29%	43%	52%	53%	60%
2 Procurement Strategy & Objectives	38%	54%	58%	60%	67%
3 Defining The Supply Need	7%	20%	20%	44%	56%
4 Procurement Commodity / Project Strategies & Collaborative Procurement	31%	43%	46%	58%	61%
5 Contract & Supplier Management	15%	15%	11%	33%	33%
6 Key Purchasing Processes & Systems	21%	17%	28%	40%	47%
7 People	26%	29%	33%	28%	50%
8 Performance Measurement	17%	20%	20%	28%	28%
<b>Overall Procurement Capability scoring</b>	<b>23%</b>	<b>33%</b>	<b>37%</b>	<b>44%</b>	<b>51%</b>

Banding:

0 – 24%	Non Conformance	25 - 49%	Conformance
50 – 74%	Improved Performance	75 -100%	Superior Performance

The assessment indicates that the Council is doing many things well; it is fully conforming to the procurement standards set out by Scottish Government and in five of the eight sections of the assessment, the Council is able to evidence 'Improved Performance'.

The Procurement Reform in Dundee City Council project being delivered as part of the Changing for the Future programme – (report 53/2013) has been modelled to ensure continued improvement in all areas covered by the assessment.

The Corporate Procurement Team are committed to focus on and improve the recognised weaker areas of the assessment, in particular, Defining the Supply Need, Contract & Supplier Management and Performance Measurement.

## 5.0 SUSTAINABILITY

In 2011, the Policy & Resources Committee approved the Tayside Procurement Strategy 2011 – 2015 which committed the Council to “develop a sustainable procurement policy”; this report has been brought to Committee in order to meet that objective.

This desired outcome for Council Procurement was in part driven by guidance given in the Scottish Government “Community Benefits in Public Procurement Guidance Note”; in the note one of the key statements reads; *‘Contracting authorities must have a legal and policy basis for incorporating community benefit requirements into their procurement processes.’*

The Scottish Government’s Sustainable Procurement Action Plan for Scotland was created to help the public sector build sustainable procurement into their corporate culture, take proper account of sustainability in procurement activity and be able to show how this is being achieved.

Procurement underpins the achievement of the social, economic and environmental benefits that sustainable economic growth demands. In response to the Scottish Government’s Action Plan, the Tayside Procurement Consortium have already developed and part delivered a Sustainable Procurement Action Plan for Dundee City, Angus and Perth & Kinross Councils addressing the 10 key themes defined within the Scottish Government Action Plan.

To enable the next steps to be taken, a Sustainable Procurement Policy has been drafted to embed sustainability principles (social, economic and environmental) into all procurement undertaken on behalf of the three Tayside Councils and Tayside Contracts. **(Appendix A)**.

The current implementation of the Scottish Government’s Procurement Reform Bill has been considered in the preparation of this report and in the drafting of the policy. This policy fits well with the stated intent of the Bill:

*“The Bill will establish a national legislative framework for sustainable public procurement that supports Scotland’s economic growth by delivering economic, social and environmental benefits, supporting innovation and promoting processes and systems which are transparent, streamlined, standardised, proportionate, fair and business-friendly.”*

A variety of procurement related local supplier development initiatives have been introduced in the last number of years with varying degrees of success. As part of our procurement reform programme we have already signed up to the Government’s Supplier Charter, a National Supplier Development Programme and worked closely with the local Chamber of Commerce to support the local business sector.

We have already highlighted our commitment to engaging with local suppliers in our Procurement Strategy 2011-15 and further work to support Tayside's small businesses would demonstrate the Council's commitment to that.

Tayside has a high percentage of small, micro and very small businesses. To support the local economy, the Council aims to use its procurement activity positively - the use of Public Contract Scotland Quick Quote to seek quotes from local business will support this activity.

In September 2012 Dundee City Council approved a Community Benefits from Procurement Policy which introduces a Council wide approach intended to secure the maximum economic and social benefits from City Council Procurement within the current legal framework.

The Corporate Procurement Team has been actively engaged in seeking Community Benefits through any procurement that is undertaken. The aim is to seek Community Benefits through contracts for works, goods and services. The aim being to ensure that the level of benefits being targeted is achievable, reasonable and proportionate to the size/value of contract being let.

Community Benefits can be included in a wide range of contracts and can cover a variety of areas. The policy focuses on the development of community benefits in the following areas

- **Supplier Development** including SME and social enterprises development activities and developing guidance to encourage local suppliers to compete for council contracts.
- **Employment and Skills Activity ; (Targeted Recruitment and Training)** including activities to secure new employment opportunities, share vacancies and secure work experience opportunities
- **Community and Awareness Raising Activity;** including development of awareness raising activity, community programmes and donation of materials

Following approval of the Community Benefits through Procurement Policy the following have been delivered

- The development of sample documentation and approach to introducing mandatory Community Benefit requirements, made available for use in construction contracts, with benchmarks agreed with industry which identifies minimum deliverables across key community benefit areas.
- Tayside Meet the Buyer Events held in February 2013 and 2014, hosted by Dundee City Council but attended by all Public Sector organisations in Tayside – highly successful events with over 200 delegates in attendance each year.
- In Construction, the Waterfront 3 contractor was supported to undertake Community Benefit activity including creation of 12 new employment opportunities, 14 work placements for unemployed young people, 8 student

placements for university students and 1 modern apprenticeship. They also undertook a wider range of awareness raising activity to promote construction as a career to groups of school children and jobseekers and donated materials to support a local social enterprise.

- New Mandatory approach introduced into key Construction contracts including Waterfront 4, Harris Academy and the V & A which require contractors to deliver minimum outcomes across a range of community benefit areas including new start employment opportunities, apprenticeships, work placements, and awareness raising activity. Outcomes to-date have included the delivery of a Meet the Buyer Event hosted by Robertson Construction for New Harris Academy and the delivery of work placement and New start employment opportunities on Waterfront 4 contract (a new start is defined as someone who has been previously unemployed or leaving a training programme not someone moving from one opportunity to another)
- Dovetail Enterprise direct award of furniture contracts for Environment Department offices, McKinnon Centre, The Elms and Whitfield Life Services Centre, and as recommended first choice source under Scottish Government Supported Business Framework Agreement
- Scottish Welfare Fund Pilot has worked with Local companies, Social Enterprises and Supported Businesses to provide designated sources for fulfilment of goods for Welfare Fund clients. This has not only resulted in the provision of high quality goods to vulnerable clients but has also resulted in 6 additional employment opportunities across participating business including 1 modern apprenticeship and increased production for the bed team in supported employer Dovetail Enterprises from a 4 day to a 5 day week.
- The recent recruitment of a Community Benefit Officer post as part of the Corporate Procurement Reform Project will increase capacity to develop the Council's Community Benefit Approach into more diverse contracts and develop the approach further.

The approval of the attached Sustainable Procurement Policy will facilitate the stipulation of social and environmental considerations in our Contracts, ensuring the potential for public procurement projects to maximise the impact on training, employment and investment in a local community and its longer-term regeneration is met.

## 6.0 CONCLUSION

The Procurement Programme has delivered on the agreed objectives to date. The programme is achieving outcomes that contribute to the overall plans set by the City Council. The continued roll out of the Procurement Programme will further contribute to the Council's improvement agenda. More importantly, good procurement is synonymous with good governance and the procurement



agenda is far wider than the efficiency agenda, which is but one part of the programme

## 7.0 POLICY IMPLICATIONS

The progress outlined in this paper evidences the delivery of the Council's current approved Procurement Strategy and objectives

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment. There are no significant issues to note, however it is worth noting the positive impact that procurement can have.-

- **Equalities**

Adoption of an improved procurement approach can make it much easier for the Council to implement strategies such as mainstreaming equal opportunities and policing the equalities policies of suppliers along the supply chain.

- **Sustainability**

The implementation of a best practice approach to co-ordinating sustainable procurement and matters of corporate and social responsibility will improve significantly the ability of the Council to buy products and services that are more sustainable in the long-term.

## 8.0 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted on the terms of this report.

## 9.0 BACKGROUND PAPERS

None

Marjory M Stewart  
Director of Corporate Services

Date: 28 July 2014

### **Tayside Procurement Consortium Sustainable Procurement Policy**

#### **Foreword**

This Sustainable Procurement Policy has been developed in line with the Tayside Council's key Procurement Strategy and in response to the Scottish Governments Sustainable Procurement Action Plan. The aim of the Sustainable Procurement Policy is to embed sustainable development principles, (social, economic and environmental) into all procurement within our Councils and Tayside Contracts.

All Tayside Council services and Tayside Contracts should endeavour to ensure that the key principles contained within this Policy are adopted across their entire organisations.

The Head of Procurement will be responsible for reviewing and monitoring the Policy and for developing an Action Plan.

#### **Sustainable Procurement**

Sustainable procurement is defined as "A process that achieves value for money on a whole life basis and generates benefits not only to the organisation, but also to society and the economy whilst minimising damage to the environment."

This Sustainable Procurement Policy has been developed to support our delivery of the Scottish Governments Sustainable Procurement Action Plan (SPAP) and to promote procurement practice which contributes to the Council's commitments to Corporate Social Responsibility

#### **Error! Objects cannot be created from editing field codes. Figure 1 Drivers for the Sustainable Procurement Policy**

#### **Social Aspects**

The social aspects of sustainable development can be defined as meeting the needs of all people in existing and future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity for all. The Councils will endeavour to ensure transparency, clarity and functionality of all procurement tendering and supporting documentation produced. This will involve consideration of the appropriateness of all tendering conditions.

#### **Supported Business**

Where applicable, as provided for by EU procurement rules, the Councils will restrict participation in tendering to supported factories and businesses. This is generally described as "Article 19" procurement. This is endorsed by the Scottish Procurement Directorate in their Scottish Procurement Policy Note (SPPN 10/2010).

#### **Employability**

Where applicable, as provided for by EU procurement rules, the Councils will seek to ensure tendering opportunities provide benefits for the economy and leave a lasting positive legacy. We will consider the inclusion of specific community benefit clauses, on a project by project basis, into the procurement process. Community benefits will typically focus on:

- Delivering employment and training opportunities for local people
- Apprentice Opportunities

- Support for Local Businesses – promotion of sub-contract and supply opportunities for local businesses;
- Promotion of Construction – through awareness raising activity and promotion of workforce development and lifelong learning opportunities.
- Provision of a Council Point of Contact - Provide a dedicated point of contact to coordinate with construction subcontractors to secure opportunities from the activity and link with providers as required
- Construction Skills Bank and Vacancy Management Training Interventions - develop consultation with contractors training programmes when required to support individuals to access opportunities

### **Devolved Services Organisation**

Under the existing Agreements with Tayside Contracts the Councils will continue, where deemed appropriate, to award contracts directly to Tayside Contracts subject to evidencing best value.

### **Shared Services**

The Councils will continue to deliver shared services where deemed appropriate and will continually review the business requirement to assess where efficiency and improvement can be delivered through a shared service approach.

### **Economic Aspects**

The economic aspects of sustainability can be defined as building a strong, stable and sustainable economy which provides prosperity and opportunities for all. In terms of delivery of value for money we need to embed sustainability into the early stages of the procurement process to ensure the selection criteria take cognisance of the Most Economically Advantageous Terms for the Councils. There will be commitment to the economy through ongoing proactive engagement with the supply market to ensure there is an equal opportunity to compete for business. This is further strengthened by the Council's commitment to the Supplier Charter, membership of the Supplier Development Programme, continued support and attendance at "Meet the Buyers" events and the provision of advice and guidance in terms of how to tender to the SME community.

To increase the level of opportunities, tenders will be advertised on <http://www.publiccontractsscotland.gov.uk/>

### **Environmental Aspects**

The environmental aspects of sustainability can be defined as those that respect the planet's environment, resource and biodiversity. We aim to improve our environment and ensure that the natural resources needed for life are not damaged and remain so for future. The Councils are committed to ensuring that environmental issues are proactively addressed in all aspects of the procurement policy.

### **Our key sustainability objectives**

Sustainable procurement can offer whole life cost efficiency, supports our commitment to Corporate Social Responsibility, evidences that we are responsible public bodies and can promote health improvements amongst all our stakeholders.

The councils will, through their procurement activities and using appropriate and effective evaluation techniques, strive to:

- Promote use of local products and services
- Create job opportunities for local people, and increase the number of apprentices in employment
- Engage effectively with the third sector and SMEs

- Influence the supply chain to promote sustainable procurement
- Reduce greenhouse gas emissions and mitigate the impacts of Climate Change
- Increase our use of renewable energy and energy efficient products
- Increase the percentage of reused, recycled and sustainable or ethically sourced materials, resources and products
- Reduce the percentage of waste to landfill

### **What else will we do**

In order to deliver on our objectives, we will aim to:

- Reduce the purchasing of new products
- Cut down on waste >Repair <> Reuse <> Recycle
- Consider value for money in terms of whole life cost
- Improve our Specifications - we will aim to purchase products which are
  - made of recycled materials and can be recycled or reused;
  - can be operated in an energy efficient manner
  - have the minimum impact in terms of production, distribution, transportation & use and disposal

Furthermore we will

- Explore the availability of, and use wherever possible ethically traded type goods
- Purchase whenever practical, materials and substances which are the least harmful to health, and the environment.
- Include environmental considerations in all relevant contract documentation.
- Contract manage, and work together with suppliers to improve environmental performance.
- Work in partnership with other Council Services to raise staff awareness about sustainability through the provision of information and training.

Our view is that Sustainable Procurement **is** Best Practice Procurement. This policy applies to all our purchasing activity. We want to encourage sustainable development through providing guidance, information and practical help to assist officers to buy or specify products that contribute to sustainable development.

### **Monitoring & Reporting Performance**

As an informative and simple means of self assessing our performance on sustainable procurement and to demonstrate commitment to the deliverables of this policy the Head of Procurement will review and report on Sustainable Procurement Performance through the following channels:

- annual report to Steering Group with subsequent report to respective Council committee as appropriate.
- through the Procurement Capability Assessment model.