

**REPORT TO: POLICY & RESOURCES COMMITTEE (13th June 2011)**

**REPORT ON: PROCUREMENT PROGRAMME ANNUAL REPORT 2010-11**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 308-2011**

## **1.0 PURPOSE OF REPORT**

This report summarises the Procurement Programme progress for the financial year 2010/11 against the objectives set in the approved Procurement Strategy 2008 -2011.

## **2.0 RECOMMENDATION**

It is recommended that Committee note the content of this report, which is submitted in accordance with the Councils approved procurement objectives as contained within its Procurement Strategy 2008 -2011.

## **3.0 FINANCIAL IMPLICATIONS**

3.1 There are no direct financial implications arising from this report. The procurement efficiency savings identified over the reporting period were addressed to some extent in corporate budget savings for 2010/11 with the majority made available to departments for use in delivering services and/or achieving departmental budget efficiency targets.

## **4.0 MAIN TEXT**

4.1 In August 2008 the Council, in partnership with the two other Tayside Local Authorities created a shared procurement team to deliver its procurement reform programme. In the report to Policy & Resources Committee on 28th April 2008 (Report No 230/2008 refers) it was agreed that the Procurement team would provide annual update reports detailing the progress of the procurement reform programme.

## **4.2. THE COUNCILS PROCUREMENT STRATEGY 2008 - 2011**

In summary the Approved Procurement Strategy 2008 – 2011 set out five key objectives

- I.** Implement an overall procurement strategy.
- II.** Deliver a collaborative procurement approach.
- III.** Develop the knowledge and skills of those involved in Procurement.
- IV.** Work towards being seen as an exemplar of best Procurement practice by all stakeholders.

- V. Commitment to Continuous improvement and efficiency savings through the roll out of e-Procurement which contributes to process improvement.

#### **4.3 PROGRESS AGAINST PROGRAMME OBJECTIVES**

The Councils programme has delivered on all the objectives set of it and has been very successful in establishing a recognised procurement structure within the Council.

The Council has made significant progress in the last 3 years and has both received national commendations and local praise in terms of its approach to procurement.

Specific to the agreed objectives;-

##### **I . Implementation of an overall procurement strategy - Achieved**

A Tayside procurement strategy was drafted approved and implemented following full approval by committees - Report No 230/2008 refers. In the reporting period work commenced on the creation of the procurement strategy for the Council covering the period 2011 - 2015

##### **II . Deliver a collaborative procurement approach - Achieved**

This has been delivered under the following headings

###### **Creation of a Shared Service team**

The small shared service procurement team of officers established in Tayside House in Dundee was redesigned in the reporting period with one post being offered up as efficiency. This team works as the central support team to the wider shared service procurement teams located in each authority and Tayside Contracts

###### **Membership of Scotland Excel**

The Council is a full participating member of Scotland Excel and is deriving benefit from use of the contracts available. Collaboration and membership of Scotland Excel is a fundamental element of the procurement strategy.

###### **Contract audits**

A high level contract audit has been carried out and a contract database has been created. The database is updated on an ongoing basis and made available on the council intranet

###### **Performance Monitoring**

The Scottish Government has initiated a formal assessment to measure procurement capability. The Council was assessed for a second time in October 2010. The results evidence the progress that

the Council has made since the start of the programme in 2008. The Council's score of 33% in 2010 is above the Scottish Local Authority average. It shows a marked improvement on the 2009 score of 23% and means that the Council is considered to be delivering improvement in its procurement function.

The assessment indicates that the Council is doing many things well and reflects the fact that although we have made great progress we still have scope for further reform of the procurement function. A comprehensive plan to address the areas for improvement has been implemented by the procurement team and will be delivered over the coming years, with the support of all Services and management teams.

A summary of Council performance against the assessment criteria is shown in **Appendix A**

### **III. Develop the knowledge and skills of those involved in Procurement - Achieved**

This has been delivered under the following headings

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

Procurement User guides and relevant Procurement support information has been published on the intranet and is available to all staff. This supports those out with the direct influence of the procurement team to develop a standard best practise approach to their procurement activity

#### **Provision of Training on tendering and on tactical purchasing**

Over the course of the year in excess of 100 days of formal procurement training to develop the skills and knowledge of those officers involved in procurement has been delivered.

#### **Increasing the number of staff with professional purchasing qualifications - MCIPS**

Three staff from within the Council are studying towards attaining their professional procurement qualification MCIPS. A further member of the Shared Procurement team passed the charter exams and joined the Institute during 2010/11

#### **Effective communication and engagement with Services.**

Regular meetings have been held with a variety of stakeholders. Presentations have been made to committees, management teams, and key users within the Council. Out with the Council events have been held with partners such as the Chamber of Commerce, Third Sector, Scottish Government and Scotland Excel,

#### **IV Being seen as an exemplar of best procurement practice by all stakeholders - Achieved**

The achievements of the Councils shared service procurement initiative has been widely recognised as a model of best practise and the team were nationally recognised during the reporting period. The team were winners of a prestigious public sector award at the UK 2010 Government Opportunities National Procurement Awards.

The types of activity that have supported this recognition include

##### **Procurement pages on the Council Websites**

The Council has a Procurement area on its website. A range of information about the council's procurement activity is provided along with a link to about contract opportunities

##### **Procurement Guidance pages on the intranet**

The Council's intranet site has been developed to host a full portfolio of user friendly guides and reference documents to support all officers involved in procurement

##### **Improved Local Supplier Engagement**

The Council is participating in the Public Contracts Scotland Initiative which has introduced a single advertising location where public sector contract opportunities are published. Training has been undertaken with Council Officers to utilise this portal.

The Council is a member of the national Supplier Development Programme and has signed up to the Scottish Government Suppliers Charter. A number of successful supplier engagement events have been held to support small business. The Procurement team have built positive relationships within Chambers of Commerce, Voluntary sectors and other stakeholder bodies. Community Benefits clauses have been introduced into construction tender documents.

#### **V Commitment to continuous improvement - Achieved.**

Through the introduction of professional procurement staff within the authorities, and through their involvement in tender activity, the level of compliance, awareness and general standard of procurement activity has improved over the reporting period.

Progress has been made in the following areas

##### **Promoting Compliance with EU procurement legislation and the Councils own Financial Regulations**

The Council has a statutory requirement under the Public Contracts (Scotland) Regulations 2006 to ensure that its procurement activity is legally compliant. Engagement with the Procurement team and use of

available contracts has been one of the ways to ensure that this is being achieved across the Council. Amendments to the 2006 regulations which took effect in December 2009 expose the Council to greater risk of legal or financial penalties. There has been a significant rise in litigious activity against local authorities since the amendment; more than one neighbouring Council has been affected. Working with the Procurement team and use of the Contracts reduces Council exposure to these risks.

### **Risk Management**

Through the involvement of skilled, knowledgeable & well trained procurement staff the Council reduces the risk of poor contractual relationships and the detrimental impact on finances, resources and service provision this may have.

### **Improved service quality**

Through a collaborative approach there has been improved dialogue between service delivery professionals supporting the delivery of best practice

### **Implementation of government procurement policy**

There has been a greater awareness of Scottish Government procurement initiatives for example the Governments Sustainable Procurement Action Plan. The Procurement team are delivering the required actions which address a full range of Corporate Social Responsibility aspirations

### **Delivery of Improved Contract Terms and Efficiency opportunities**

There have been significant efficiencies delivered for the council in 2010/11 through improved procurement activity and these will be reported in full in the Councils annual efficiency statement

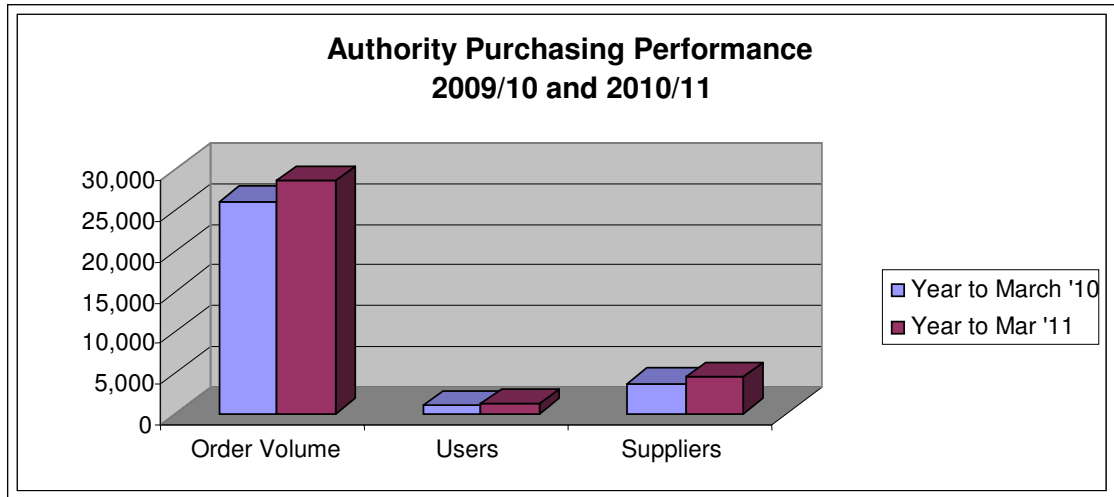
The savings from current contracts have typically come from a reduction in unit cost for the same items, from the same range of suppliers, in the similar volumes, that are being purchased by end users

### **Implementation of the e Procurement System**

The principle benefits to an organisation of using an electronic procurement system come from improved visibility of spend and greater control of purchasing activity. Tools to deliver these benefits in the Council include e-Procurement. The Procurement team have continued the roll out of e-Procurement, and have worked in partnership with the finance team to support the obligations set out in the Financial Regulations.

### **Growth**

This graph illustrates e-Procurement growth in users; suppliers and the order volume trend over the last year. A steady growth is shown.



The above graph illustrates the increase in all areas of activity in 2010/11, when compared with the previous year 2009/10.

## 5.0 CONCLUSION

- 5.1 The progress made by the Procurement programme in 2010/ 11 has established a good footing on which to continue with the procurement improvements being made by the City Council in collaboration with its Tayside and other partners.

## 6.0 POLICY IMPLICATIONS

- 6.1 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 major implications.

## 7.0 CONSULTATION

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

## 8.0 BACKGROUND PAPERS

- 8.1 None.

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Date: 25th May 2011

<b>SECTION</b>	Dundee City Council Scores 2009	<b>Dundee City Council Score 2010</b>	Scottish Local Authorities Average 2010
Procurement Leadership & Governance	33%	<b>43%</b>	38%
Procurement Strategy & Objectives	38%	<b>50%</b>	43%
Specification of Goods & Services	7%	<b>20%</b>	23%
Sourcing Strategies and Collaboration	31%	<b>41%</b>	32%
Contract & Supplier Management	13%	<b>11%</b>	17%
Key Purchasing Processes & Systems	21%	<b>39%</b>	36%
People (training & capability)	22%	<b>24%</b>	38%
Performance Measurement	17%	<b>20%</b>	21%
<b>Overall Procurement Status for the Organisation</b>	23%	<b>33%</b>	32%

## Banding:

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