

## **ITEM No ...7.....**

**REPORT TO: POLICY & RESOURCES COMMITTEE – 26 OCTOBER 2015**

**REPORT ON: ANNUAL PROCUREMENT & COMMUNITY BENEFITS REPORT**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 390-2015**

### **1.0 PURPOSE OF REPORT**

- 1.1 This report provides an annual Procurement update, details of future planned activity and reviews the progress made of work being undertaken by the Corporate Procurement Team, including an update on Community Benefits through Procurement.

### **2.0 RECOMMENDATION**

- 2.1 It is recommended that the Committee;
- note progress made within the Corporate Procurement Team and approve the planned actions and activities to realise the savings and benefits targets included in the report.
  - note progress made within the area of Community Benefits as shown in appendices 2 and 3.
  - approve the priorities outlined in Key Future Workstreams detailed in paragraph 11.0.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The financial implications of the initial project were detailed in Committee Report 53-2013 (Article iv of the minute of meeting of this Committee of 28 January 2013 refers), full implementation occurred in financial year 2014/15 with appropriate budget amendments to reflect this.
- 3.2 Procurement Savings included in the 2015/16 budget were £280,000. The intention going forward is to work with departments on an ongoing basis to identify savings opportunities and work in conjunction as part of the budget setting process. Targeted savings from procurement activity for 2016/17 and 2017/18 is anticipated to be a minimum of £500,000. Key to this, is the engagement of all departments with Corporate Procurement, to identify, confirm and action these savings opportunities. Monitoring of these savings will be carried out by Corporate Procurement and agreed with each department.

### **4.0 BACKGROUND**

- 4.1 The Dundee City Council Corporate Improvement Programme identified the organisation of Procurement within the City Council as an area for process review both from a tactical and strategic perspective.
- 4.2 Procurement activity within the Council, over the past year, has moved to a more centralised approach, from both a Procurement and Payments perspective with the appointment of the centralised Corporate Procurement Team. Performance metrics are used by the team to continuously track performance and identify areas for further improvement, the metrics used are:

<b><u>Purchases</u></b>	<b><u>2014/15</u></b>
Spend with contracted suppliers	78%
Orders placed electronically	82%
Total number of suppliers	4012
<b><u>Payments</u></b>	<b><u>2014/15</u></b>
Total number of payments	196,417
Invoices paid by electronic means	97.8%
Value of invoices paid by electronic means	99.9%
Invoices paid within 30 days	94%
Dundee supplier invoices paid within 30 days	95%
Dundee supplier invoices paid within 14 days	87%

4.3 Corporate Procurement, through centralisation activity has started the change from a reactive, tactical procurement approach across the Council to a more planned and proactive focus, as a result of this the priorities for Corporate Procurement are:

- embedding a more corporate, consistent and commercially focussed approach to all procurement and commissioning activities;
- improving the systems, skillset and knowledge base to support this approach;
- embedding sustainable procurement as 'business as usual', and securing maximum social value from the council's significant spend.

## 5.0 **TEAM STRUCTURE**

5.1 The organisation of the Corporate Procurement Team formally aligns procurement activity from Council departments into a new corporate Category Management structure. An organisation chart is provided in Appendix 1 and depicts the structure that is now in place in support of this team.

5.2 The Corporate Procurement Team has, over the past year, built a team that has been fully engaged in allocated category responsibilities. Time has been spent engaging with officers within Council departments to explain the role of Category Management, understand the existing contractual arrangements that are in place and to develop workplans with the respective officers, in preparation for upcoming contract development. Work has also been undertaken to engage with our collaborative buying partners such as Tayside Procurement Consortium, the wider Tayside Public Sector organisations and Scotland Excel.

5.3 This has been a valuable learning and development experience for all team members, whether they were previously in, or are new to Corporate Procurement. The blend of skills that have been brought together has provided strength to the team as a whole.

5.4 Next stages are to focus on strategic procurement planning; a more consistent and formalised approach to contract management; benefits recording & monitoring and on-going process improvements.

## 6.0 **STRATEGIC DIRECTION**

- 6.1 Corporate Procurement now has the building blocks in place to drive forward Strategic Procurement and Commissioning. The coming years will see challenges in terms of efficiency and savings, and Corporate Procurement will continue to seek tactical savings from contracts let nationally, regionally and locally. In conjunction with this, Corporate Procurement will work with departments to continue to embed procurement best practice, through the reduction in non-compliant spend; proactively working with officers in ensuring that specification of requirements in the tendering process and through improved contract & supplier management, deliver a best value offering for the Council.
- 6.2 Scottish Government continues to promote a national strategy of procurement reform to drive continuous improvement in procurement practice across the public sector in Scotland. This is supported by a mix of policy initiatives and legislative changes including the introduction of a new national procurement assessment framework; The Procurement Reform (Scotland) Act 2014; The Social Care (Self-directed Support) (Scotland) Act 2013 and the 2014 EU Procurement Directive.
- 6.3 The Scottish Government Annual Procurement Capability Assessment (PCA) is due to be replaced in 2016 by the Procurement and Commercial Improvement Programme (PCIP). The PCIP focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver. Dundee City Council, due to its Procurement re-organisation applied to be exempt from undertaking the most recent PCA in 2014/15 but will be participating in the PCIP of 2016.

6.4 **Social Care**

The Council supports the guiding principles of the Procurement of care and support services jointly published by the Scottish Government and COSLA. It reflects the complexity of procuring care and support services and the challenges associated with upholding values, delivering high standards and responding to individuals' needs whilst complying with procurement rules and securing best value. It applies to the procurement of:

- social care and support services for children and families, younger people and adults, including older people;
- care at home services
- social care and support services commissioned by criminal justice organisations.

- 6.5 The Integration of Health & Social Care, along with the upcoming changes to Part B services commissioning within the Procurement Reform (Scotland) Act 2014 has resulted in further consideration of how the commissioning of Care Services are undertaken. These changes, however, cannot detract from the complexity of procuring care and support services and the challenges associated with upholding values, delivering high standards and responding to individuals' needs whilst complying with procurement rules and securing best value. The council is committed to:

- Outcomes – achieve positive outcomes for service users and carers through the delivery of good quality, flexible and responsive services which meet individuals' needs and respect their rights.
- Strategic commissioning – place the procurement of services within the wider context of strategic commissioning, reflecting strategic and service reviews.
- Personalisation – secure personalised services which provide independence, choice and control for service users.

- Involvement – involve service users and carers as active partners in defining their needs and the outcomes they require and in the design of services.
- National Care Standards – ensure services meet the National Care Standards and adhere to the principles underpinning the Standards (dignity, privacy, choice, safety, realising potential and equality and diversity).
- Codes of Practice (Scottish Social Services Council) – ensure staff involved in procuring services promote the interests and independence of service users and carers, protect their rights and safety and gain their trust and confidence; ensure employers provide training and development opportunities which enable staff involved in procuring services to strengthen and develop their skills and knowledge.
- Best value – secure best value by balancing quality and cost and having regard to efficiency, effectiveness, economy, equal opportunities and sustainable development.
- Benefit and risk – base strategic decisions concerning the procurement of services on benefit and risk analysis of the potential effects on: the safety and well-being of service users and carers; the quality and cost of services; and partnership working with service providers and workforce issues.
  - Workforce – ensure the procurement of services takes account of the importance of a skilled and competent workforce in delivering positive outcomes for service users.
  - Partnership – promote collaboration between public bodies and partnership working across the public, private and voluntary sectors to make the best use of the mixed economy of care and bring about cultural change in all sectors.

## 7.0 **COLLABORATION**

- 7.1 The Council participates in collaborative contracts put in place nationally by the Crown Commercial Service, in Scotland by Scottish Procurement and Scotland Excel, and locally by Tayside Procurement Consortium. The Corporate Procurement Team works with all the organisations listed to ensure that optimum collaborative opportunities are taken, but at the same time ensuring contract management is carried out at a local level to ensure best value is achieved for Dundee City.
- 7.2 Dundee City Council was the founding member council of TOPIC – Tayside Cross Public Sector Collaborative working group, with members from NHS Tayside, Tayside Procurement Consortium, University of Dundee, Abertay University, Dundee & Angus College. Work is ongoing within this group on various collaborative procurement and supplier development opportunities
- 7.3 The Council is committed to collaborative procurement and actively takes part in many National and Sectoral contracts. Examples of recent collaborative participation include the National Care Home Contract, Online School Payments, Asbestos Surveys and Storage and Removals. We will continue to look for collaborative procurement opportunities that will support the delivery of benefits for the Council and its communities.
- 7.4 Dundee City Council also acts as lead authority on a number of collaborative contracts including:
- Managed Print/MFD Contract – Corporate Procurement Manager is Tayside Lead for contract which supports 3 Local Authorities, Dundee & Angus and Perth Colleges, Police, Tayside Contracts and various 3rd Sector organisations

- Lead Authority procurement support provided on NEC/Business Gateway/Employability contracts

7.5 As well as contractual collaboration Corporate Procurement works closely with our partner organisations in other areas where collaborative benefits may be realised, for example with:

- NHS Tayside where both organisations undertook joint working on contracts register development and community benefits sharing of expertise to the benefit of both parties
- Serious and Organised Crime Task Force - Corporate Procurement Manager participated with one other local authority as part of pilot programme with Police Scotland

## 8.0 **PROCUREMENT STRATEGIES AND POLICIES**

8.1 The Council has a requirement to standardise its procurement documentation, Corporate Procurement will work in partnership with the Legal Section to update the Council Standing Orders and Tendering Procedures to reflect the Corporate Procurement restructure, changes to the law and best practice. These will be updated in line with the new EU Legislation and The Procurement Reform (Scotland) Act and will then be subject to ongoing review as the procurement landscape changes.

8.2 In conjunction with this, a review of the format of tender reports for Committee will be undertaken to ensure a consistent approach, along with a summary of pertinent required elements, including Community Benefits.

8.3 The Council is implementing a consistent approach to contract and supplier management. A review of the current supplier base is being undertaken at present with a view to relevance and appropriateness based on compliance requirements, with prioritised contract management on high value, high complexity and/ or high risk contracts. The process will be embedded to drive best value within existing contracts.

8.4 Corporate Procurement have an active role in the development of Dundee City's Third Sector and Small to Medium Enterprises (SME's), working closely with City Development to identify areas where procurement support is required. The team regularly take part in supplier development events to encourage local suppliers, and advertise all contract opportunities above £50K on the Public Contracts Scotland Advertising Portal. Contracts below £50k are issued as Quick Quotes to a minimum of 3 companies (where possible) selected from the Public Contracts Scotland portal and have committed (where possible) to include at least one of the companies selected in this process to be from Dundee City to support the local agenda.

8.5 The Council recognises that as an increasing proportion of its addressable procurement spend is going through a rigorous tendering procedure, the opportunities for future revenue savings still exists but cannot be achieved from re-tendering alone in the long term. An increasing focus therefore will be given to better contract and supplier management as a route to further ongoing savings. A Procurement Savings Review is being set up with Finance Officers from respective departments to ensure that contract savings being achieved are being recognised and accounted for in budget planning.

8.6 The Council is committed through its procurement processes to follow the Scottish Government's Procurement Policy Note SPPN 4/2013 which provides advice and guidelines on the exclusion from public contracts of companies

which engage in blacklisting. Dundee City Council has implemented these guidelines within its procurement processes.

## 9.0 **COMMUNITY BENEFITS & SUSTAINABLE PROCUREMENT**

9.1 The appointment of a Community Benefits Officer in June 2014 has enabled Dundee City Council to be one of the leading Scottish Local Authorities in this subject area both from a contract and policy perspective. The approach within Dundee City Council has been to consider community benefits for inclusion in all contracts, where appropriate. This approach has enabled, not only the traditional areas of Employability to realise opportunities, but also through further engagement with Schools, Colleges, The Third Sector and local SMEs.

9.2 This focus is further demonstrated by the council's commitment to actively participating in a number of local and national initiatives:

- Supplier Development Programme – Corporate Procurement Manager was requested to, and has joined the Board of this national programme
- Ready for Business – Scottish Government sponsored Community Benefits Champions network – supported by DCC Community Benefits Officer
- Social Enterprise Development Board – supported by Corporate Procurement Manager and Community Benefits Officer
- In Kind Support to Third Sector – enabling access to applicable contracts for 3rd Sector organisations
- Tayside Meet the Buyer events – facilitated by Dundee City Council City Development (Economic Development) and Corporate Procurement – large turnout from SMEs (c.200 attendees) with spin-off training events being supported. This event was strongly supported by officers from City Development's Property team and has enabled small contract opportunities for SMEs to be developed. A further event was hosted by BAM Construction focussing on sub-contract opportunities in the construction of the V&A. Future events will be planned to coincide with particular contracts and to provide organisations with a look ahead on our procurement planning activity, both from a capital and revenue perspective. Supplier training and development sessions will be co-ordinated in support of this.
- Environmental impact of supply chain – including the requirement for suppliers to become members of ECO Stars Fleet Recognition scheme (where appropriate). ECO Stars is a free environmental fleet management recognition scheme, which rates individual vehicles and overall fleet operations to recognise levels of environmental performance. The ECO Stars scheme has been set up to help fleet operators improve efficiency, reduce fuel consumption and reduce emissions – all helping to improve local air quality and, at the same time, make cost savings

9.3 It is intended to record & report realised Community Benefits and other sustainable procurement matters as part of overall contract management, benefits recording and monitoring. Regular reporting to Committee on Community Benefits will be introduced. The first of these reports is included under section 12 of this paper.

## 10.0 **PROCUREMENT SYSTEMS**

- 10.1 The Council's P2P (Purchase to Pay) approach is to have both a centralised procurement and invoicing system. This has allowed for the continued reduction in non-compliant spend as well as efficiencies as invoice processing is migrated to the central team.
- 10.2 The Strategy being followed to achieve these objectives included the following main elements:-
- 10.3 **Increasing Efficiency** by the removal of duplication, eliminating paper and increasing supplier engagement mainly in the ways in which we process invoices. In addition, there are potential efficiencies generated by improved access to information via scanned images.
- 10.4 **Improving Control** through systematic controls, forcing compliance, improved management information and electronic alerts and reminders.
- 10.5 The development of a seamless purchase to pay process achieved through the continued development and implementation of Civica Purchasing, Intelligent Scanning, Government Procurement Cards (including Lodged Procurement Cards), e-Invoicing, Self Billing and the development of a Suppliers' Portal. There are several ordering systems which operate within Dundee City Council, some of which interface into Civica Purchasing and thereby create a commitment for the order. However, all payments to suppliers are interfaced into the Financial System to pay suppliers.

#### 11.0 KEY FUTURE WORKSTREAMS FOR 2015/16

Activity	Target completion date	Owner
Review of Financial Regulations, Contract Rules / Standing Orders	31/12/15	Corporate Procurement Manager
Contract Register and Benefits Monitoring Database	31/12/15	Category Officer Corporate/Community Benefits Officer
Incorporating Legal/Organisational developments into our procurement approach <ul style="list-style-type: none"> <li>Health &amp; Social Care Integration</li> <li>Self Directed Support</li> <li>Changes to Public Procurement Rules in Scotland</li> </ul>	Ongoing to 2016  Ongoing to 2016 Ongoing to 2016	Corporate Procurement Manager/Senior Contracts Officer
Maximise the social and economic impact of the major developments across the city being led by the council	Ongoing	Corporate Procurement Manager/Community Benefits Officer
To work with major private sector employers and business organisations such as the Chamber of Commerce & Scottish Enterprise to build	Ongoing	Corporate Procurement Manager/Community Benefits Officer

further commitment to the Living Wage and Fair Work in Dundee		
Staff Training & Development Plan Roll out	Ongoing to 2016	Corporate Procurement Manager
E Tendering Development	31/12/16	Corporate Procurement Manager
Further development of Purchase to Pay	Phased	Corporate Procurement Manager/Compliance & Processing Officer/Category Officer Council Services

## 12.0 **COMMUNITY BENEFITS THROUGH PROCUREMENT UPDATE**

### 12.1 **Introduction**

This section provides an update on Community Benefits which have been secured as part of Dundee City Councils Community Benefits Approach. It also highlights recent and planned expansions to the approach specifically in the areas of Supplier Development; work with private contractors in Dundee Waterfront programmes, and approaches to encourage the use of the Living Wage.

### 12.2 **Summary of Achievements - Current Capital Construction Programmes**

The table below provides a summary of Community Benefits at current major Construction projects including, Waterfront 4, Harris Academy, V&A Dundee and Sidlaw View Primary (until end of August 2015).

<b>Supplier Development</b>	
Local Construction Spend (within 35 miles)	£10,683,265
Average Local Labour (within 35 miles)	57%
<b>Employment and Skills</b>	
New Start Employment Opportunities (previously unemployed, redundant, graduates or new entrants)	42
Project Initiated Modern Apprenticeships	15
Work Experience Opportunities	36
<b>Awareness Raising Activity</b>	
Awareness Raising Events and Activities Delivered	42
Individuals Supported through Awareness Raising	750

### 12.3 **Background**

Community benefits is the term used to refer to a range of 'social issues' including targeted recruitment and training, equal opportunities considerations, supply chain initiatives, awareness raising programmes and community engagement activity which contribute more widely to 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 means that while the priority for all Public Sector Procurement remains the achievement of Best Value, this does not always mean accepting the lowest price. It means obtaining the optimum balance between price and quality in delivering Council requirements.

## **12.4 Policy Context**

12.4.1 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 frameworks. This is linked to the Council's overarching Sustainable Procurement Policy which aims to embed sustainability principles, (social, economic and environmental) into all procurement.

12.4.2 In terms of the national context, the Scottish Government is clear that public sector organisations including local authorities should be using their procurement activity to leverage community benefits for the communities they serve. This is articulated in a range of key policy documents and legislation including the Local Government in Scotland Act 2003 and more recent policy documents including Developing the Young Workforce (Wood Commission Report). Community Benefit activity also directly contributes to the following outcomes in the Single Outcome Agreement

- Outcome 2: We realise our full economic potential with more and better employment opportunities for our people.
- Outcome 3: We are better educated, more skilled and more successful, renowned for our research and innovation.
- Outcome 4: Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
- Outcome 7: We have tackled the significant inequalities in Scottish society.

12.4.3 The Procurement Reform (Scotland) Act 2014 builds on the work achieved so far in the reform of public procurement in Scotland. It establishes a national legislative framework for sustainable public procurement, ensuring that the public sector maximizes the economic benefit from effective and efficient procurement spend. It is intended to promote an approach that is 'both business friendly and socially responsible'. This includes duties to treat relevant economic operators fairly and without discrimination, and to be transparent and proportionate. The specific sustainable procurement duty requires authorities to use the procurement process to 'improve the economic, social and environmental wellbeing of the authority's area; facilitate the involvement of small and medium enterprises (SMEs), third sector bodies and supported business in procurement and promote innovation.

12.4.4 The Act provides Ministers with powers to make Regulations and issue Statutory Guidance on a number of specified issues. Most provisions of the Act do not, therefore, come into effect immediately and the work to develop the Regulations and Guidance will be aligned to the work on the development of

Regulations to transpose the EU Procurement Directives. The new Regulations are expected to be in place by the end of March 2016. It would therefore be the intention to refresh Dundee City Councils Community Benefits Policy in light of the guidance when published.

## **12.5 Community Benefits Model in Dundee**

12.5.1 The Councils Community Benefits Approach includes a range of linked measures and activities which are intended to, wherever possible, maximise opportunities for local people and businesses. The policy focuses on the development of community benefits in the following areas

- Supplier Development including support to Small to Medium Enterprises, Social Enterprises and Supported Businesses to develop activities and guidance to encourage local suppliers to compete for council contracts; and subcontract and supply opportunities.
- Employment and Skills Activity including activities to secure new employment and apprentice opportunities, share vacancies and secure work experience opportunities
- Community and Awareness Raising Activity; including development of awareness raising activity, including support to school, college and employability programmes, community programmes and donation of materials

12.5.2 The Model works by including Community Benefit requirements in the Invitation to Tender and including minimum targets based on the type and estimated value of the contract. For all construction contracts the council uses the Client Based Approach Benchmarks developed by Construction Skills, the Sector Skills Council for construction and endorsed by the Scottish Government to establish minimum targets. Contractors are given the opportunity to increase these targets during the tender process but when agreed these become a mandatory element of the contract. Once agreed, progress to delivering these targets is monitored monthly by the Community Benefits Officer. Contractors are also sign posted to a range of local support agencies which can support them to deliver their community benefit requirements.

12.5.3 Community Benefits are integrated into the delivery model for the Centralised Procurement Team. Category Officers work with client departments to assess their tendering requirements and proportionate and relevant Community Benefit requirements are agreed with the support of the Community Benefits Officer. Once agreed ongoing monitoring of Community Benefits becomes part of standard contract management requirement, with continued support from the Community Benefits Officer. This is particularly relevant for larger contracts, including construction programmes where direct support to deliver and monitor requirements is provided by the Community Benefits Officer.

12.5.4 While there has been an initial focus on supporting major construction projects, this is now being expanded to include more specialised Construction and Non Construction programmes where the procurement processes are now supported by the Centralised Procurement Team.

## 12.6 Community Benefit Update

- 12.6.1 While Community Benefits are now being entered into more diverse contracts, the major construction contracts continue to dominate the outcomes achieved to date. Full details of outcomes achieved to date are provided in Appendix 2.
- 12.6.2 In addition to agreed activity Dundee City Council have been working with Kilmac Construction, Robertson's principal ground works contractor to develop and deliver a Construction Pre-recruitment training programme for young people with barriers to employment including contact with the Criminal Justice system. This has been highly successful with all 5 of the young people who completed the programme gaining work, 3 directly with Kilmac a local Living Wage Employer and 2 at PJ Careys on the V&A Dundee site. A Community Benefits programme has also been agreed with Balfour Beatty successful contractor on the Dundee Railway Station, Hotel and Concourse. The contractor has already committed to advertise subcontract opportunities on the Public Contract Scotland portal and to host a Meet the Buyer Event on 17 November 2015 to raise awareness of opportunities to local contractors.
- 12.6.3 As well as Construction Capital programmes, the approach has begun to expand into other areas of council procurement as Category Officers identify opportunities. Following the Procurement Reform Act guidance, Community Benefits added are proportionate and relevant to the contracts being considered. A full summary of the Community benefit commitments are provided in Appendix 3.

## 12.7 Recent Developments

- 12.7.1 The Community Benefit programme is constantly evolving to incorporate additional activities which support the approach's aim of securing maximum economic and social benefit for Dundee. One of the areas of expansion for the programme has been in the area of Supplier Development, recognising that one of the most effective ways to secure money and employment opportunities in the City is to maximise opportunities to support SME, Social Enterprises and where possible local contractors. Some of these measures have included:
- **Direct Supplier Development Activity** – An annual Tayside Meet the Buyer Event is held in February each year in partnership with public sector partners and Perth and Kinross and Angus Councils. This event held in Dundee is hugely popular with more than 200 potential contractors and suppliers attending. This is part of a planned programme of industry specific Supplier Information Days and Training days coordinated by the Central Procurement Team to support local contractors compete for opportunities.
  - **Supplier Development Outcomes** – we are increasing the targets for companies to deliver supplier development interventions such as Meet the Buyers or Contractor Development Days
  - **Social Enterprise Development and Spend Monitoring** – the spend monitor in place for local contractors has been expanded to social enterprise and supported business in major construction contractors to encourage opening up new markets to our social enterprise partners. To

support this, a mini catalogue of services which social enterprises can deliver to construction companies has been developed in partnership with Dundee Social Enterprise Network.

- **Business Mentoring** – we are beginning to introduce Business Mentoring to our larger contracts, encouraging lead contractors to provide mentoring opportunities to potential supply chain partners.
- **Opportunity Access** – We continue to request opportunity access of key contracts, including with the V&A Contract, securing agreement from the lead contractor to advertise subcontract and supply opportunities on Public Contracts Scotland. This was further enhanced by a V&A Dundee Supplier Development event held at the Invercarse Hotel on 14 August 2015 which aimed to show potential contractors routes to market, 130 representatives from the local business community attended this event.

## 12.8 Living Wage Considerations

There is an ambition to explore innovative solutions for incorporating Living Wage considerations into our Community Benefits Approach within current legal limits.

- 12.8.1 The Scottish Government has recently published the first part of the Procurement Reform Act Guidance - The Statutory Guidance on Selection of Tenders and Award of Contracts, which includes guidance on addressing Fair Work Practices including the Living Wage. The full Statutory Guidance is to be published toward the end of the calendar year. The guidance indicates that the Scottish Government has obtained clarification from the European Commission which confirms that the 'contracting authorities are unable to make payment of the Living Wage a mandatory requirement as part of a competitive procurement process where the Living Wage is greater than any minimum wage set by or in accordance with law.' Procurement approaches can mandate the use of the National Minimum wage, as this has a legal status in the United Kingdom but not the Living Wage as this is advisory only.
- 12.8.2 In July 2015 the UK Chancellor, George Osborne announced the creation of a 'National Living Wage', for employees aged over 25, starting at £7.20 and rising to £9 per hour by 2020, to replace the minimum wage. As this will become the legally recognized 'minimum' this will be enforceable in contracts as the minimum wage is at the moment.
- 12.8.3 The Scottish Government's Statutory guidance provides details of what is required of contracting authorities, when undertaking regulated procurement, to address fair work practices, including the Living Wage. It indicates that this can be considered and scored as part of a wider 'Fair Work Practices', which includes consideration of other issues such as the inappropriate use of zero hours contracts, Trade Union recognition, support to learning and development and support for Modern Apprenticeships. The Procurement Team are actively seeking an appropriate contract where this can be piloted in advance of the publication of more detailed guidance, with future Invitations to Tender to reflect the Council's ambition to see the Living Wage paid through the whole supply chain.

12.8.4 An alternative approach has been adopted in the Sidlaw View Primary Contract which had been awarded to Robertson's Construction using the Scape Framework. It has been clarified that the structure of the Scape Framework enables Robertson Construction when they are tendering work packages to require that sub-contractors (and the sub-contractors' sub-contractors') pay the Living Wage as a minimum to all employees. This requirement can also be retrospectively applied to the Sidlaw View contract which was approved by Committee on 22 June 2015, with additional costs being met from the Council's contingency provision.

12.8.5 The Council is also participating in COSLA initiative to consider options for improving wage rates in the care at home/ housing support sector by agreeing a minimum hourly rate for the sector (note this is likely to be below the Living Wage). This initiative has been developed in recognition of the link between pay and the quality of care and in recognition of the challenges of recruitment and retention in a sector where care staff are often paid the minimum wage. The programme includes consideration of the care home sector for older people's care and the non-residential sector for adults and older people.

## 12.9 **Expand Community Benefits Approach to Dundee Waterfront**

12.9.1 It is recognised that the current Community Benefits Approach is limited to activity which is directly procured by the Council. The Waterfront Development is a £1billion redevelopment project with the majority of developments falling out with the councils direct procurement process. The Dundee Waterfront Board has identified an opportunity to expand the councils influence in these programmes and has tasked a small working group with developing an approach to expand the Community Benefits approach within the Waterfront Project to include engagement with private sector developers. The remit of the group is to

- Agree a proposed structure of future agreements
- Develop Community Benefit Agreements and Approaches for Construction and End User Phases
- Identify a pilot programme to trial the approach and undertake review and make amendments as required
- Consider resource requirements for Council departments and partners
- Explore options for promoting the use of the Living Wage

12.9.2 At this juncture it is envisioned that the likely preferred option for the majority of Dundee Waterfront Developments will be for them to be taken forward on a Joint Venture basis as this represents the best balance between control and risk reduction, with voluntary best endeavours agreements used if Joint Ventures were not appropriate.

12.9.3 For Construction contracts it is recommended that, Joint Venture partners and their Construction Contractors are required to agree to an adaptive version of the current Community Benefits approach. By keeping requirements as much as possible in line with the current Community Benefit Approach, this will reduce the resource requirements of supporting and monitoring the additional activities.

- 12.9.4 There is also a significant opportunity to secure additional benefits by extending our agreements to capture the 'End User' phase of development opportunities. It is likely that this would be realised through a mixture of Lease and Sale agreements and would follow on from agreements which would already be in place with Joint Venture partners to secure opportunities through the construction phase of the developments.
- 12.9.5 While it is not yet known specifically which End Users will occupy future developments, these are likely to include labour rich developments including hospitality, retail and office developments. This provides ample opportunities for developing mechanisms to secure access to the employment opportunities which will be created through these new developments. A working group including representation from Dundee Employability Partnership, Jobcentre Plus, Skills Development Scotland and Dundee College has been established to develop a response, this is likely to include establishing sector specific vacancy management and pre-recruitment training approaches to secure opportunities created from these development.
- 12.9.6 The intension is to introduce Community Benefits requirements on forthcoming programmes on a Pilot basis for the first plots to be developed in the Central Waterfront. This approach will offer both the Council and the developer the opportunity to test the practicality of the suggested approach and refine it according to the practical opportunities and challenges it presents. This will help ensure that the implementation of future Community Benefits in to Construction Contracts, are better aligned to the practicalities of delivering those types of complex construction projects.
- 12.9.7 As these developments will not be led by Council procurement requirements, there is more potential to include outcomes around encouraging and promoting the use of the Living Wage to help address in work poverty. This will be actively explored with in the pilots of both Construction and End User approaches.

#### 12.10 **Next Steps and Reporting**

The Community Benefits Approach will continue to develop over time and a new Community Benefits Policy will be produced when the Procurement Reform Guidance is published. The Procurement Reform Guidance is anticipated to include guidance on reporting requirements for Community Benefits but it would be intended to report progress within Dundee City Council on a 6 monthly basis. To support this activity a new Procurement monitoring database is being developed which will include comprehensive reporting tools for Community Benefit activity.

#### 13.0 **CONSULTATION**

- 13.1 There has been ongoing constructive and positive dialogue within the project group comprising officers from the procurement team and Council Services.
- 13.2 The Chief Executive and Head of Democratic and Legal Services have been consulted on the terms of this report.

14.0 **POLICY IMPLICATIONS**

14.1 **Procurement Strategy 2011- 2015**

14.2 The Procurement Reform project is fully aligned to the delivery of the Council's current approved Procurement Strategy and objectives

14.3 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, however it is worth noting the positive impact of the proposed improvements.-

- **Equalities**

Adoption of the improved procurement management model will 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**

Previously devolved arrangements are not in line with best practice with regard to co-ordinating sustainable procurement and matters of corporate and social responsibility. The new management model should improve significantly the ability of the Council to buy products and services that are more sustainable in the long-term.

15.0 **CONCLUSION**

15.1 The continued implementation of changes within Procurement in Dundee City Council has begun to yield benefits, and will continue to be improved to ensure Best Value and Best Procurement Practice considerations. The City Council, through delivery of this corporate improvement project can optimise benefits realisation or whole-life costing models, and in doing so improve its procurement practice and realise increased savings and efficiency.

16.0 **BACKGROUND PAPERS**

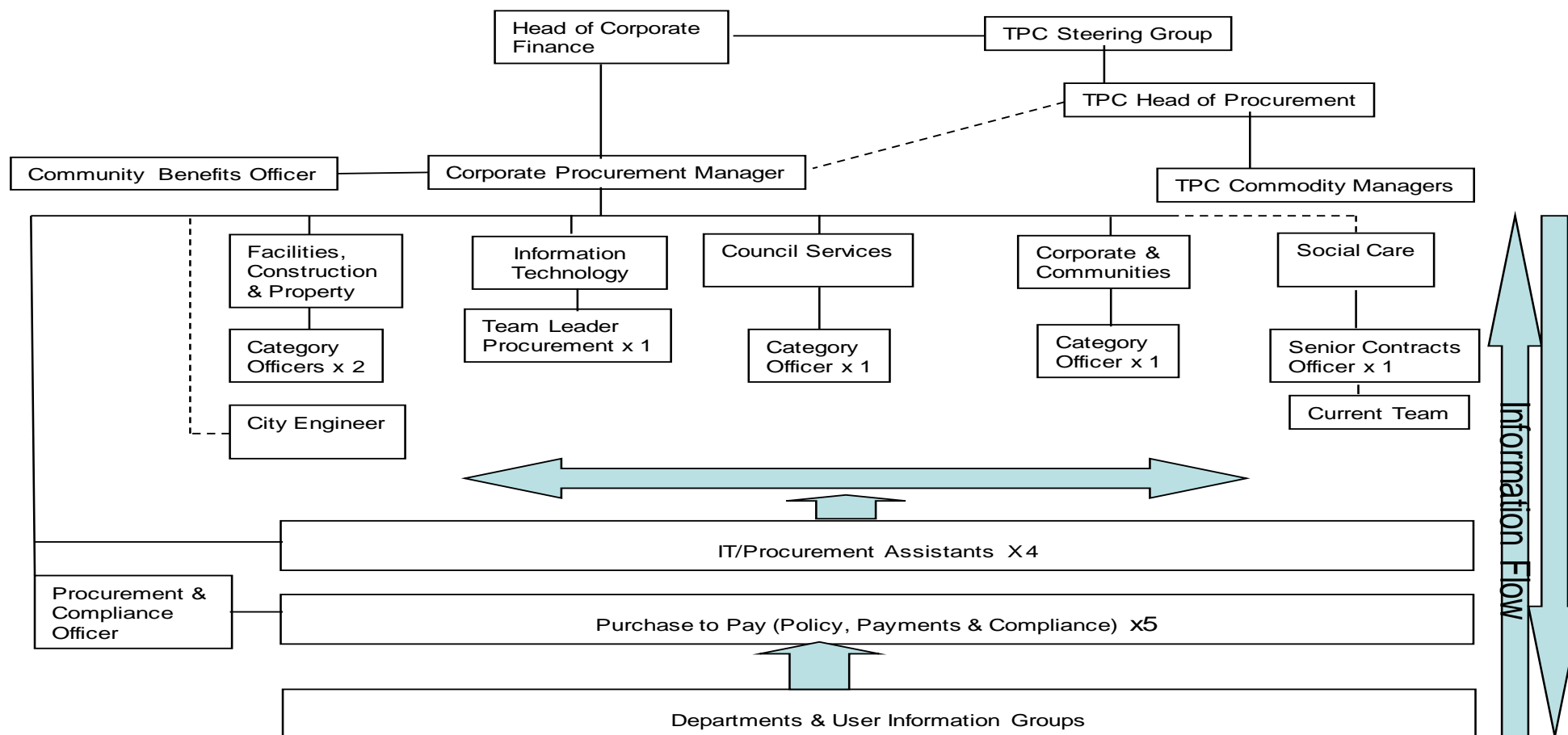
16.1 None

Marjory M Stewart  
Executive Director of Corporate Services

Date: 30<sup>th</sup> September 2015

## APPENDIX 1

### Corporate Procurement Team Structure





## **APPENDIX 2**

### **Community Benefits Committed/ Requested from Capital Construction Programmes**

#### **Dundee Waterfront 4 with Sir Robert McAlpine**

This contract is coming towards an end and has now achieved all of its stated Community Benefit targets and in some cases over achieved them.

- **Local Contractor Information** - from January 2014 to August 2015 an average of 43% of the contract value or £3,982,268 has been spent locally (within 35 miles of site), with local contractors undertaking major packages including ground works.
- **Local Labour**- from January 2014 to end August 2015 an average of 58% of labour on site was local (within 35 miles)
- **New Start Employment Opportunities** – 7 new start employment opportunities have been created and filled with previously unemployed candidates or young people from training programmes.
- **New Start Graduate Opportunity** – 1 new graduate opportunity has been created
- **Apprentices** – 3 new apprentice opportunities have been created with SRM and their subcontractors. These include the provision of 2 adult apprenticeships directly with SRM and a new start apprentice with Gilmartins.
- **Work Experience Placements** – 7 work placements have been delivered on site supporting young people and adults to gain experience in the construction industry
- **Awareness Raising** 7 awareness raising event delivered to date supporting over 130 clients including Site Visits from groups of College, University and Employability Students and participation in college and school events including 'a day in a Life of an Engineer' for Craigowl Primary School and Dundee and Angus College's 'Motivate Me'
- **Donation of Materials and Social Enterprise Activity** – In partnership with their Waste Management provider Geddes, the contractor has supported Claverhouse Training, to remove approximately 10,000kgs of waste from their facility at no cost. The company has also provided direct donations including timber pallets and shutters to Claverhouse and railway sleepers to a local scout group.
- **Additional Community Benefits** – In addition to the Community Benefits delivered as part of their contract requirements, the company has also supported initiatives including the Mary Slessor Centre Monument, Roseangle Community Playground and raised funds for various local charities including £750 to Dundee Cyclathon fund which supported Cash for Kids charities.

#### **Harris Academy with Robertson's Construction**

This contract has now also now achieved all of its stated Community Benefit targets and in some cases over achieved them.

- **Local Contractor Information** - from January 2014 to July 2015 an average of 24% of the contract value or £2,414,976 has been spent locally (within 35 miles of site)
- **Local Labour**- from January 2014 to end September 2015 an average of 52% of labour on site was local (within 35 miles)
- **New Start Employment Opportunities** – 6 new start employment opportunities have been created and filled with previously unemployed candidates or young people from training programmes.
- **New Start Graduate Opportunity** – 1 new graduate opportunity has been created
- **Apprentices** – 8 new apprentice opportunities have been created contractors including apprenticeships with Soundtex, Sidlaw Building and FES
- **Work Experience Placements** – 4 school based work experience and 17 post school work placements have been delivered on site supporting young people and adults to gain experience in the construction industry. These have included students from Dundee and Angus College and young people on Employability programmes.
- **Awareness Raising** - 29 Awareness Raising Events have been delivered supporting 411 individuals and significantly exceeding their targets for this element. Activities have included a full programme of site visits for school, college and university students including project work with Dundee and Angus College data networking students and allowing the Scottish Fire & Rescue Service to undertake exercises on site.

#### **Sidlaw View Primary**

This contract has been on site since July 2015 and will be delivered as part of the Scape framework which includes some slightly different Community Benefit requirements

- **Local Contractor Information** – from July 2015 to August 2015 89% of contracted spent has been spent with local subcontractors and suppliers within a 40 mile radius (note Scape framework measures at 40 rather than 35 miles). Local contractors include Kilmac Construction and Jackson Steel Structures Ltd.
- **New Start Employment Opportunities** – 4 new start employment opportunities have been created and filled with previously unemployed candidates or young people from training programmes. These include 3 candidates employed by Kilmac Construction from the Construction Employability programme, a pre-recruitment training programme targeted at young people will significant barriers to employment.
- **Work Experience Placements** – 6 young people on employability programmes have been provided with work experience as part of the Construction Employability Programme
- **Awareness Raising** – 4 Awareness Raising Sessions have been delivered to date supporting 189 people. These have included a CV workshop and a motivational session for young job seekers and Health and Safety Talks to current Sidlaw View Primary school children.

#### **V&A Dundee – BAM Construction**

BAM have been on site since March 2015,

- **Local Contractor Information** – Contractors are asked to report on the percentage of spend allocated to local subcontractors and suppliers within a 35 mile radius on monthly basis. Since the beginning of the project in March 2015 until the end of August 2015 £4,286,021 or 11% of the contract value has been spent with local subcontractors and suppliers.
- **Supplier Development Activity** – 4 Supplier Development Events have been delivered to date including participation in a PACE Redundancy Event for Muirfield Contracts staff, and a major V&A Dundee Supplier Development Information session on 14 August 2015. At this event BAM and their major subcontractors FES and Careys shared details of their future subcontract and supply opportunities and committed to advertise these on Public Sector Scotland, the public sectors procurement portal.
- **Local Labour** – In August 2015, 61% of the labour on site was local (within 35 miles) and from May 2015 to the end of August 2015 an average of 49% of labour on site was local.
- **Employment Opportunities** – 33 Employment Opportunities have been created on site since March 2015 and of those 16 are defined as ‘new start’ employment opportunities. New Start employment opportunities are those who have been filled with candidates who were previously unemployed candidates, a new start from a training programmes or those experiencing redundancy. These include a Site Secretary, Project Engineer and Project Surveyor from Muirfield Contracts.
- **Apprentices** – 4 Modern Apprentice opportunities have been created, including 3 previously redundant apprentices from Muirfield Contracts have been employed by joinery contractor W.B.S Keillor Ltd and 1 new joinery apprentice with PJ Careys, with another planned
- **Work Experience Placements** – 2 Civil Engineering work placement opportunities have been delivered to date. A work placement programme has been agreed with BAM and Education service for school aged young people to begin in the new term and dates are being arranged for post school clients and college students.
- **Awareness Raising Activity** – 2 awareness raising events have been delivered to date, supporting 20 clients. These have been site visits and talks for groups of unemployed young people. A full programme of both onsite and off site awareness raising activity is being developed. Of particular note is the onsite training centre which will allow candidates more distant from the labour market to participate in practical construction ‘taster sessions’ in a safe environment.
- **Other Community Benefits** – Various fundraising events for BAMs nominated charity Alzheimer’s Scotland including a ‘Buy a Brick Campaign’ for on site contractors.

### **APPENDIX 3**

#### **Community Benefits Committed/ Requested from Other Contracts**

##### **Construction**

Contract Area	Status	Description	Community Benefit Ask
Electrical Inspection and Testing	Agreed in Contract	Electrical testing of domestic properties	2 school based Work Experience placements per annum (8 total) 1 Employability Work Placement per annum (4 total) 2 per annum (8 total) Student Talks or visits to relevant groups of Dundee and Angus College students
H&S Service and Maintenance of Sprinkler Protection Systems	Agreed in Contract	Inspection and Testing of Sprinkler Systems	1 per annum (4 total) Student Talks to relevant groups of students
H&S Fan Convectors	Agreed in Contract	Inspection and Testing of Convector	1 per annum (4 total) Student Talks to relevant groups of students
H&S Air Conditioning Units	In Tendering Process	Inspection and Testing of Air Conditioning Systems	1 per annum (4 total) Student Talks to relevant groups of students

##### **Non Construction**

Contract Area	Status	Description	Community Benefit Ask
Occupational Health	Agreed in Contract	Delivery of Occupational Health Service including Counselling and Physiotherapy Services	5 per annum (15 total) – Supplier Development Events for Local SMEs. Will include the delivery of mini health checks in partnership with Healthy Working Lives  5 per annum (15 total) – Awareness Raising Events to include training on 'Common Health Conditions from groups of staff from

			<p>Jobcentre Plus and Employability partners</p> <p>1 school work experience per annum (3 total) for a senior pupil in Physiotherapy or Health Surveillance</p> <p>Explore 1 work placement from a University based Physiotherapist Student</p>
Auto Desk Software Support& Training	Agreed in Contract	Specialist AutoCAD Software	1 per annum (4 total) Delivery of Student f Talk or Demonstration to groups of relevant Dundee and Angus students
Cyclone and Filer Ash	Agreed in Contract	Collection, Transport& Recycling, Reuse or Disposal of Energy from Waste Cyclone and Filter Ash Residues	<p>1 commitment to meet with local providers to discuss options for the recycling and reuse of ash products in a sustainable manner</p> <p>2 per annum (3 total) Delivery of Student Talks to groups of Pre-Apprentice and Renewable Energy Students at Dundee and Angus College</p>
Dundee & Angus Residual Waste Contract	In Tendering Process		<p>Operational Phase requirements include (potential 20 – 25 year contract)</p> <p>2 Supplier Development Events for SMEs and social enterprises per annum</p> <p>25 hours of Business Mentoring per annum</p> <p>2 New Start Employment Opportunities</p> <p>2 New Modern Apprenticeships</p> <p>4 Work placements per annum</p> <p>2 Awareness Raising Events per annum</p> <p>4 Environmental Awareness Events per annum</p>

			If a Construction Phase is proposed a full Community Benefits programme would be implemented using the Client Based Approach Benchmarks to agree targets based on value
Museum Collections Management System	In Tendering Process	Development and Delivery of a new collection management system for McManus Gallery	To propose development opportunities for local digital media companies including start ups.