

## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by the Executive Director of Corporate Services**

**Corporate and Efficient Governance Committee: 21 March 2012**

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**Subject: Procurement Policy, Procurement Strategy for 2012 to 2015 and Council Membership of Scotland Excel**

#### **1. Purpose**

- 1.1** This report seeks Members' approval for a Procurement Policy and a supporting Procurement Strategy which covers the period 2012 to 2015.

#### **2. Background**

- 2.1** West Dunbartonshire Council spends around £90 million a year on a diverse range of goods, works and services. The Council is a major procurer of ICT supplies and services, food, paper, furniture, energy, cleaning equipment, services, healthcare, construction and vehicles etc. This is a significant figure both in terms of budget and the effect that such spending has on the local and national economy. The approach taken to this spending has a significant impact on the community and our own resources.
- 2.2** The current Corporate Procurement Strategy was approved by the Corporate Services Committee on the 26<sup>th</sup> October 2005, prior to the creation of the Corporate Procurement Team. There has been no formal revision of the strategy since that time.
- 2.3** The Corporate Services Committee on 31 January 2007 approved the Council's Sustainable Procurement Policy which forms part of the Council's Sustainable Development Strategy.
- 2.4** The Council agreed on 19 December 2007 that it would participate in Scotland Excel as the Centre of Procurement Excellence which was created for the local authority sector following the McClelland Review of Public Sector Procurement. This agreement by Council was for an initial 3 year period which ended on 31 March 2011.
- 2.5** The Corporate and Efficient Governance Committee approved a Local Procurement Policy on 24 March 2010, which was updated following a further report to this Committee on 16 February 2011. The Council does not currently have an existing policy covering wider procurement issues.
- 2.6** Following a comprehensive review of Procurement in 2011, the Chief Executive and CMT have agreed to implement a new approach to procurement within the Council. This will include the development of a Category Management model which involves a much more strategic approach to Procurement and closer working relationships between the Procurement Team and the service departments. A new "Hub and Spoke" structure is to be implemented commencing in May 2012 which will see a central Procurement Team in Corporate Services with Category Specialists embedded at departmental level.

- 2.7** There is a need for the Council's approach to procurement to be defined within a Procurement Policy and the proposed policy is described below.
- 2.8** In support of the delivery of the Policy, the attached, revised Procurement Strategy sets out the procurement aims and goals of the Council for 2012-2015 and provides a framework for the Council to develop its procurement transformation programme and to improve its procurement capability, processes and performance.

### **3. Main Issues**

- 3.1** The Council's approach to procurement requires to be laid out in policy and the following policy statements therefore describe the proposed Procurement Policy:

1. the Procurement function within the Council will be managed centrally and operate via a hub and spoke model utilising category management;
2. the Council will utilise the PCA evaluation as the main method of monitoring the compliance of the Council's procurement function to national standards;
3. the Procurement service will set a range of performance indicators against which performance will be monitored;
4. the Council will aim to rationalise and streamline all procurement processes to ensure efficient processes are in place from purchase to pay, by maximising the use of the functionality of the Agresso accounting system, where appropriate;
5. the Council expects all employees who are involved in the procurement process to follow a defined set of procurement rules (to be defined and agreed with Trades Unions) in order to ensure appropriate practices and processes are followed;
6. the Council will comply with all relevant European, National (UK) and Scottish procurement legislation and policy;
7. the Council will aim to maximise benefits for the Council through complying with national and sectoral collaborative procurement frameworks where these represent best value;
8. the Council will maintain and regularly review its approach to local procurement through the implementation of a Local Procurement Policy;
9. the Council will develop a consistent approach to Corporate Social Responsibility within procurement across the Council - covering issues such as sustainability, community / social / economic benefit, energy and carbon management; equality; ethics (including Fair Trade); etc.;
10. the Council will maintain and regularly review its approach to sustainability in relation to procurement through the implementation of a Sustainable Procurement Policy;

11. the Council will support local businesses through ongoing supplier development and adopting appropriate approaches to support local procurement, as described in the Local Procurement Policy.
- 3.2** The above set of procurement policy statements will be reviewed on a regular basis, as a minimum of every 3 years or following any significant changes in European, UK National or Scottish procurement legislation or policy.
- 3.3** The Council's Procurement Policy is supported by a Procurement Strategy. The procurement strategy is the 3 year plan which is in place to support the procurement policy. The Procurement Strategy will be reviewed in line with any review of the Procurement Policy. The Procurement Strategy is attached as Appendix 1. The main areas covered by the strategy are:
- 3.3.1** Category Management  
The strategy outlines at Section 3 the features of the Category Management model together with some issues to be addressed in implementation and the benefits of the approach.
- 3.3.2** Performance Measurement  
The Council's Procurement performance will continue to be measured annually through the Procurement Capability Assessment and the national Best Practice Indicators. As the Scottish Government develops its Sustainable Procurement Bill, there are likely to be additional criteria identified against which the Council's performance will need to be measured.
- 3.3.3** Process and System Improvements  
There are currently a number of different purchasing systems used throughout the Council, some of which do not interface directly with the ledger. The focus in the short to medium term will be to maximise the capability of the Council's main financial accounting system (Agresso) in relation to the purchase to pay process and to increase the proportion of spend going through e procurement tools.
- 3.3.4** Employee Procurement Policy  
In order to support and facilitate the generation of the expected outcomes and benefits arising from the Strategy, it is necessary to have a supporting Employee Procurement Policy which will advise employees as to how they should implement the Council's Procurement Policy and Strategy and how to achieve best practice in procurement activities. A policy document will be developed and it is intended that this policy be adopted by the Council and be binding on all employees who are involved in procurement. This will require consultation with Trades Unions.
- 3.3.5** Local Procurement  
The Procurement Strategy includes the following references in relation to local procurement:
- Section 4.2 - Aims of Strategy – To allow the Council to meet its aims, as stated in the Corporate Plan, of securing better employment opportunities and growing the local economy through consideration of social, economic and environmental objectives in contract specifications where these are relevant, proportionate and non-discriminatory;

- Section 4.3 – Outcomes of the Strategy – Bullet Point 3 - Procurement processes that take account of the Council's needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of benefit to society and the economy, whilst minimising damage to the environment;
- Section 4.3 – Outcomes of the Strategy – Bullet Point 6 - Improved communications with potential suppliers and, in particular, local businesses, small and medium sized enterprises and third sector organisations to maximise awareness of and capability to respond to contracting opportunities;
- Section 4.3 – Outcomes of the Strategy – Paragraph 2 - This strategy proposes the implementation of a consistent approach to supplier and contract management in order to drive value from new and existing contracts. As well as improving existing supplier relationships, the Council recognises the need to support local businesses and small and medium enterprises and third sector organisations;
- Section 4.3 – Outcomes of the Strategy – Paragraph 4 - Over the next two years, an approach to Corporate Social Responsibility will be embedded into the procurement processes. This will include the development of sustainable procurement which is currently governed by the Scottish Government's Sustainable Procurement Action Plan and the use of the Flexible Framework Tool. This will be further developed, following the enactment of the Sustainable Procurement Bill in the lifetime of the current Scottish Parliament;
- Section 4.4 – Procurement Policy – Paragraph 2 - In view of the Council's focus on supplier development in the local area, the local procurement policy has been considered and a number of specific actions that procurers can take to assist local businesses to compete for the supply of goods and services to the Council. This is attached at Appendix C of the Procurement Strategy document; and
- Section 7 – Implementation Plan – Corporate Social Responsibility / Sustainable Procurement – Four separate actions with timescales attached.

**3.4** The Council has been a member of Scotland Excel since it was set-up as a replacement of the Authorities Buying Consortium (abc) in 2008. Initial membership was agreed for a 3 year period which ended on 31 March 2011 however the Council has continued to be a partner since then. However it was recently identified that formal approval of ongoing membership has not been sought from Council.

**3.5** Scotland Excel's primary focus is on leading and co-ordinating the delivery of sector specific commodities – the "B" commodities referred to in the McClelland Report. In addition, Scotland Excel will liaise closely with the National Centre of Procurement Expertise and take the lead for local authorities in facilitating and co-ordinating input from the sector in the development of national commodities strategies – the "A" commodities. Scotland Excel's approach includes a programme of supplier support and development.

- 3.6** The work done by Scotland Excel is significant and if the Council was not a member then additional resources would require to be employed by the Council in order to undertake the level of procurement activity which is currently provided as a shared approach by all Councils in Scotland. In addition the procurement efficiencies identified at 5.2 (below) are likely not to be achieved in full. Continuing membership of Scotland Excel it also ensures that the Council can access key information on Public Sector Reform and can undertake the annual PCA reviews, receiving a formal report on progress in procurement reform and good practice advice and guidance. It also allows access to very cheap/relevant procurement training courses.
- 3.7** Termination of membership requires 12 months notice to be provided to Scotland Excel and may result in a charge from Renfrewshire Council (as the lead authority which manages Scotland Excel) for all costs, expenses and outgoings whatsoever reasonably incurred by Renfrewshire Council as a result of that Member Authority ceasing to participate in Scotland Excel.
- 3.8** Membership of Scotland Excel provides the Council with an effective and efficient delivery of collaborative procurement across a range of areas, and continued membership is considered to be appropriate for the Council.

#### **4. People Implications**

- 4.1** The post of Procurement Manager has been created to lead the implementation of the Council's policy on procurement. The new Manager has been appointed and will commence mid April 2012. One of her first priorities will be to implement the Category Management approach through the Hub and Spoke Procurement structure and this will be done in accordance with the Council's Organisational Change process. Details of the new structure are contained in Appendix A of the Procurement Strategy.
- 4.2** The move to a Category Management model requires a redefinition of the roles and responsibilities of the existing central procurement team and departmental staff who are involved in procurement, as the delivery of category strategies and procurement plans is a joint responsibility. This will be developed on a cross functional basis once the Category Specialists have been appointed.

#### **5. Financial Implications**

- 5.1** The Council currently spends approximately £90 million per annum buying in works, goods and services from third parties. One of the aims of the strategy is to facilitate the delivery of financial savings through greater control and influence of procurement spend, improved procurement practices and the development of a strategic sourcing methodology.
- 5.2** The potential scale of cashable savings has not been defined at present, however within the Council's revenue budget there is an annual efficiency target set for procurement of around £559,060 and a further target of £300,000 has been set. It will take time to fully implement the new approach to procurement however other Councils that have implemented a Category Management approach have estimated savings of between 0.7% and 2.3% of total procurement spend.

- 5.3** The Council currently pays £68,518 to Scotland Excel as annual membership for services provided in procurement of goods and services to Scottish Local Government. Savings from Scotland Excel contracts in the year 2010/11 were £202,257. Any decision not to maintain membership of Scotland Excel will require the Council to review further the level of resource employed to manage a wider range of procurement activity than is currently provided directly by the Council. In addition it is possible that cessation of membership would result in a charge from Renfrewshire Council for any costs incurred as a result of the cessation. It is also likely that there would be a loss of efficiency if the Council were no longer a member of Scotland Excel as the buying power of Scotland Excel will generate economies in costs of the procured goods or services which it is unlikely that the Council would be able to achieve. This will almost certainly mean that the efficiencies identified at 5.2 above would not be achieved in full.

## **6. Risk Analysis**

- 6.1** Procurement is key to the Council's strategic capability and the new operating model has the potential to deliver significant benefits to the organisation. One of the main risks in the implementation of the strategy is that takes longer than anticipated to deliver the benefits. It will therefore be necessary to develop a detailed project plan with realistic timescales and targets which can be used to monitor progress.
- 6.2** In relation to Scotland Excel membership a decision not to maintain membership will open the Council to potential criticism of the efficiency and effectiveness of procurement, as any alternative which the Council could provide internally will almost certainly result in a loss of efficiency and result in additional cost to the Council.

## **7. Equalities Impact Assessment (EIA)**

- 7.1** An equalities impact assessment carried out in the development of this policy and strategy and has identified that procurement activities must take account of any impact on the wellbeing of specific groups. This must be considered at the earliest possible stage in the contract strategy formation and, where there is likely to be an impact, provision should be made within the contract for this. In addition, it is necessary to ensure that companies contracting with the Council comply with the same equality standards adopted by the Council.
- 7.2** When the Category Management approach is implemented, equalities impact assessments will be built in to the sourcing strategy formation and delivery process which will be subject to formal sign off.

## **8. Strategic Assessment**

- 8.1** Through the policy described above and the associated strategy, Procurement will support the delivery of the Council's high level priorities and objectives as detailed in the Community Plan, Single Outcome Agreement and the Corporate Plan. In particular, Procurement will make an important contribution in the following areas:

### **8.1.1 Single Outcome Agreement 2011 – 2014**

Priority One – Work and Benefits:

- Local Economic Activity;
- Local Economy Sectors; and
- Unemployment Rates.

Priority Two - Strong and involved communities:

- Working with the Third Sector; and
- Attractive and sustainable environments.

### **8.1.2 Corporate Plan 2012 - 2015**

Theme 1 – Regeneration and the Local Economy;

Theme 4 – Sustainable Environments; and

Theme 6 – An Improving Council.

In addition, Procurement will play an important part in the delivery of the Council's long term Financial Strategy.

## **9. Conclusions and Recommendations**

**9.1** The Council has developed a number of approaches to procurement over the last few years, and the Procurement Policy identified as the 11 policy statements identified at 3.1 above will provide a clear direction for the Council. The attached revised Procurement Strategy supports the implementation of these policy statements over the next three years. It contains details of the changes that will be made to the operating model and the implications of these. In addition, it contains the overall aims, objectives and outcomes of the strategy together with specific actions to enable these to be achieved.

**9.2** There is specific reference in the strategy to local procurement and a Local Procurement Action Plan with actions to help the Council meet its commitments to assist the local supplier base is attached at Appendix C.

**9.3** Council agreed to participate in Scotland Excel in 2007 and further agreement requires to be renewed.

**9.4** It is recommended that Members approve:

- i) the Procurement Policy as identified at 3.1 above;
- ii) the attached Procurement Strategy 2012 – 2015; and
- iii) the continuing participation of the Council as a member of Scotland Excel.

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Date: 8 March 2012

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<b>Appendix:</b>	Appendix 1 – Procurement Strategy 2012 - 2015
<b>Background Papers:</b>	“Corporate Procurement Strategy” – Paper to Corporate Services Committee on 26 October 2005; “Sustainable Procurement Policy” – report to Corporate Services Committee on 31 January 2007; “Scotland Excel – The centre of Procurement Expertise for Local Government in Scotland” – report to Council on 19 December 2007; and “Local Procurement Policy” – reports to Corporate and Efficient Governance Committee on 24 March 2010 and 16 February 2011.
<b>Wards Affected:</b>	All