

Regional Procurement Integration Review

**Benefits of collaborative procurement for
municipalities in the Greater Toronto and
Hamilton Area (GTHA)**

5 October 2021



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1.0 Executive Summary

Background and Context

In March 2021, the province of Ontario announced provision of an additional \$10 million, delivered through the Audit and Accountability Fund (AAF), to help large municipalities find better and more efficient ways to operate. The investment is aimed at supporting initiatives that focus on increasing digital services, modernization, streamlining and service integration. This study was sponsored by the City of Toronto under the AAF to explore potential benefits, for all participating municipalities, from a regional approach to procurement and enabling policy alignment within the Greater Toronto and Hamilton Area (GTHA). The study also considers key implementation activities to achieve shared objectives. The project activities were completed between June and September of 2021 and included representation from City of Brampton, Durham Region, Halton Region, City of Hamilton, City of Mississauga, City of Toronto, and York Region. The project team appreciates and recognizes the engagement and support from key stakeholders from these entities throughout the duration of the project.

Objectives and Approach

Consistent with the requirements of the AAF, the two key objectives of the project were to: 1. assess various options to promote regional collaboration on procurement and develop recommendations for considerations and 2. analyze the procurement spending data provided by the participating municipalities to estimate potential cost efficiencies through broader collaboration. As such, the scope of analysis was limited by the information received from participating municipalities and other information available in the public domain. The approach followed for the study aimed at understanding the current extent of collaboration in the region to help understand barriers to broader collaboration. These learnings were combined with examples from a high-level jurisdictional review to develop collaboration model options that were further assessed against key evaluation criteria. One of the criteria was the potential savings and ability to achieve the savings. This estimate was developed using the procurement spending data shared by the participating municipalities. The comparative review of options was discussed with the representative stakeholders and a preferred option was recommended. Finally, an implementation roadmap was developed for consideration aimed at achieving the shared objectives.

Building on the Success of Current Collaborative Procurement Efforts

Municipalities in the GTHA currently collaborate on procurement activities primarily through joint-solicitation and local cooperative purchasing groups (e.g., York Purchasing Co-operative, Halton Co-operative Purchasing Group) and leveraging existing group purchasing organizations or other levels of government (e.g., Mohawk Medbuy, Province of Ontario's Vendors of Record). In particular, the local cooperative purchasing groups have a well established and successful track record of serving the needs of local municipalities. Examples such as the collaboration of municipalities to procure red-light traffic camera enforcement and fuel hedging arrangements are strong data points to highlight the potential of benefits from broader collaboration. The success of such collaborations is underpinned by key drivers including established policies, governance, processes and participation. It was established through consultations with participating stakeholders that collaboration in procurement must focus on objectives that go beyond leveraging economies of scale to achieve favourable commercial outcomes. Such goals include collaboration on sustainable and social procurement policies, sharing leading practices information on complex and strategic procurements, and developing a collective perspective on procurement-related initiatives driven by other levels of governments (e.g., Supply Ontario).

Opportunity to Generate Value by Expanding Collaborative Procurement

A review of the procurement spending data estimates potential annual benefits of \$140m-\$280m by enhancing procurement collaboration across the participating municipalities. It is recognized that the share of the benefits will vary for participating municipalities depending on the scale of annual procurement spend. However, it is estimated that through a broader collaboration approach, each participating municipality stands to achieve at a minimum \$6m in savings – further highlighting the shared success from expanded collaboration in procurement.

The study investigated several mechanisms to further enable collaborative procurement efforts. These options included leveraging existing mechanisms and platforms (such as group purchasing organizations (GPOs), shared services organizations, provincial Vendors of Record arrangement etc.). Similar to the local co-operative purchasing groups, these mechanisms have the added benefit of established structure, governance, procedures, and processes that can help accelerate value realization from collaborative procurement. Additionally, the study contemplates for the participating municipalities to come together in an informal regional co-operative purchasing group to discuss and determine use of an appropriate mechanism (including leveraging existing established collaborative procurement platforms) to enable collaborative procurement depending on requirements. It is important to recognize that such a collaborative forum is expected to keep participation voluntary and respect procurement authority, procedures, and policies of constituent entities.

Accelerating Value Realization and Implementation Considerations

The study contemplates key next steps for GTHA leaders to consider to demonstrate early success and wins from broader collaboration. In the near term, there is an opportunity to explore the existing set-up of group purchasing organizations to accelerate benefits realization from collaborative procurement where possible. There is value in identifying and mapping commonly procured goods and services with the capabilities of the group purchasing organizations to leverage economies of scale for immediate benefits. Subsequently, further expansion of scope of goods and services procured through the GPO mechanism could be undertaken provided there is appropriate coverage of requirements.

Regional collaboration in procurement will help enhance sharing of best practice information, gaining alignment on key policies, and pursuing cost efficiencies. An undertaking of this magnitude, however, will take time to fully materialize. As such, achievement of projected benefits is expected to take place over a period of time that will be determined through a detailed review of potential opportunities, existing contractual commitments, resource availability, organizational priorities, etc.

Finally, it will be critical for municipalities to align on core principles and objectives to enhance procurement collaboration. The critical success factors to pursue shared objectives are listed as follows:

1. Political will and executive leadership support to pursue shared benefits
2. Structured and robust change management to help advocate for new and alternate procurement approaches within the end-user business units in constituent municipalities
3. Alignment on interpretation of trade agreements as it relates to collaborative procurement
4. Commitment to allocate resources to engage in collaborative procurement opportunities as required. It is worth noting that achieving the benefits may require additional resources depending on existing priorities and workload of procurement teams in individual entities.

2.0 Introduction

The municipal leaders in GTHA agree that they have an opportunity to explore and potentially pursue higher levels of collaboration in service delivery in the region. Benefits from a collaborative approach to procurement of goods and services and ways to facilitate such a collaboration, has been selected as one of the areas to further explore. While this study is sponsored under the AAF and commissioned by the City of Toronto, the spirit of the work is to focus on a broader regional perspective. The study benefitted from engagement of representatives from City of Brampton, Durham Region, Halton Region, City of Hamilton, City of Mississauga, City of Toronto, and York Region.

2.1 Objectives and Scope

The key objectives of this project included:

1. Determining areas to expand collaboration by comparing current state of collaborative procurement to leading practices identified through a high-level jurisdictional scan
2. Understanding and quantifying the potential benefits through broader collaboration
3. Comparing various collaboration model options and recommending preferred option for GTHA
4. Developing an implementation roadmap and key considerations

Given the objectives stated above, the scope of the work focussed on reviewing and analyzing information gathered from publicly available sources and data shared by representative stakeholders from participating municipalities.

2.2 Project Approach and Timeline

The project approach was tailored to facilitate stakeholder collaboration in a remote working environment and leverage data as much as possible to support recommendations. Key features of the approach included:

1. Focus on understanding current state of collaboration to form basis for on what works within the GTHA environment
2. Engagement with the representative stakeholders through interviews and workshops. Feedback provided to the project team helped shape critical elements of the outcomes
3. Conducted high-level analysis of the procurement spend to generate opportunity hypotheses and insights

The chart below outlines the key activities and deliverables of this project.

Figure 1: Project Approach and Timeline



3.0 Current State Assessment

A critical first step in the project was to establish an understanding of the current state of collaborative procurement across the participating municipalities. The current state assessment included the following key elements:

- Understanding scope and operations of the local cooperative purchasing groups in GTHA;
- Assessing overall maturity of collaborative procurement; and
- Identifying areas to enhance collaboration and associated benefits

The following steps were undertaken to understand the current state of collaborative procurement.

1. Developed and applied an assessment framework to assess maturity of collaborative procurement across key dimensions;
2. Solicited inputs from participating municipalities on key questions related to collaborative procurement through an online survey (see Appendix A for survey questionnaire);
3. Identified potential gaps to leading practices through jurisdictional scan; and
4. Gathered and analyzed annual procurement spend and select contract data across participating municipalities for a two-year period (2019-2020) to identify potential areas of collaboration.

3.1 Assessment Framework for Current State Procurement Collaboration:

There are several dimensions that define the success of collaborative procurement. A maturity assessment framework was developed for the purposes of this project to focus on the following key dimensions:

1. **Governance** refers to the overall structure and processes in place to ensure appropriate level of control and compliance to agreed to objectives and principles of collaboration. In addition, governance establishes the agreed upon method to escalate risks and issues. It is an important assessment dimension as governance ensures compliance to collaborative procurement processes thereby directly impacting the potential value of benefits and ability to achieve them.
2. **Procurement Strategy** refers to level of maturity in applying strategic approach to managing spend and conducting collaborative procurement activities. It is an important assessment dimension as a strategic approach to collaborative procurement has a direct impact on ability to drive cost efficiencies and minimizing supply risks for participating entities.
3. **Resourcing** refers to the allocation of human resources to focus on carrying out activities related to collaborative procurement. It is an important dimension as resource model impacts the capacity and service quality of collaborative procurement activities.
4. **Scale of Collaborative Procurement** refers to the extent of spend sourced collaboratively. In addition to measuring the degree to which economy of scale is being leveraged, this dimension considers application of non-procurement value levers such as demand coordination and specification rationalization to drive value.
5. **Benefits Management** refers to a framework to establish benefit targets, monitor benefits realization, and sustain long-term benefits. It is an important dimension as a structured benefits management framework proactively monitors collaborative procurement performance and clearly defines benefits sharing mechanisms.
6. **Sustainable and Social Procurement Policies** refers to application of policies and supplier evaluation process to promote social and sustainable procurement. It is an important dimension as reducing carbon footprint and growing community are key focus areas for an increasing number of organizations, especially in the public sector.

7. **Supplier Development** refers to strategies and policies adopted as part of the collaborative procurement process to help promote growth and performance of supplier community. In addition, this dimension also relates to go-to-market approaches that simplify the process for suppliers to do business with GTHA municipalities.

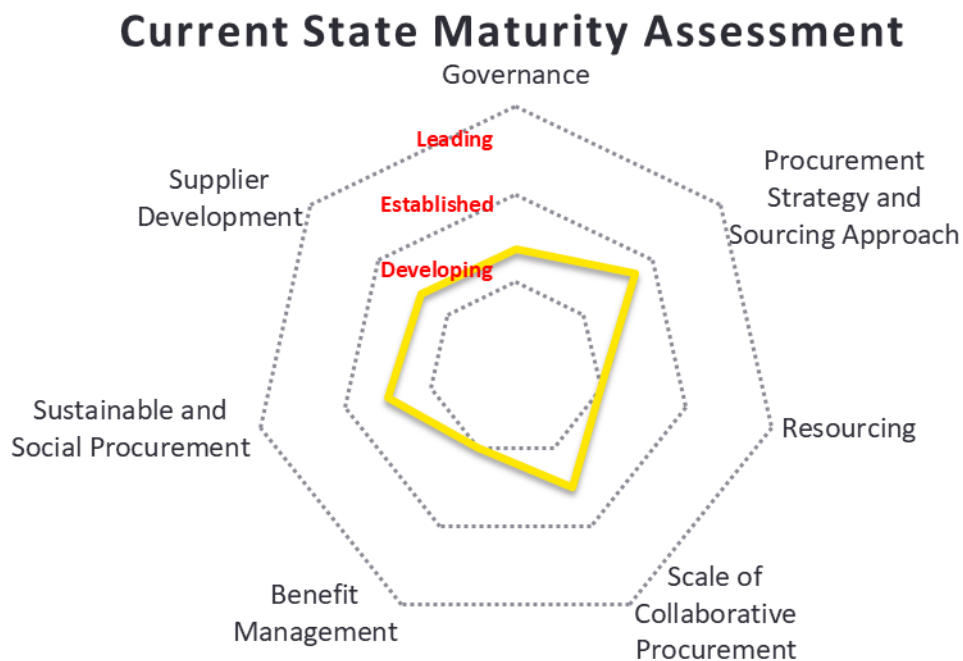
A scale was developed to measure maturity for each of the dimensions described above. The scale consists of three levels – Developing, Mature, and Leading – indicating an increasing level of maturity. The framework and related levels of maturity scale are described in Appendix B.

3.2 Summary of Maturity Assessment

The assessment framework described in Section 3.1 was leveraged to determine the current state of maturity of collaborative procurement across participating municipalities in the GTHA. The assessment was based on data collected and interactions with participating municipalities. It is worth noting that the assessment was focussed on determining maturing level of collaborative procurement collectively across participating municipalities in GTHA and not at the constituent entity level.

Figure 3 summarizes the results of the maturity assessment across the seven dimensions. As depicted in the chart, overall, the current state of maturity is between Developing and Established. This indicates progress in the right direction through the work currently being undertaken among municipalities (through local cooperative procurement groups and otherwise), but also highlights areas for consideration to further enhance collaboration.

Figure 3: Current State Maturity Assessment Results



Detailed observations for each assessment dimension are summarized as follows.

In the current state, while there is a mature level of operations within local co-operative purchasing groups, there is no defined governance structure to enable collaboration across the GTHA. Within the local co-operative purchasing groups, while participation is voluntary, governance is achieved through a committee that typically meets at some cadence to develop group procurement plan(s) and list of target commodities for collaboration. Representatives from participating municipalities convene on a regular basis to share information on topics of interest and collaborate on initiatives as they relate to the requirements. Establishing such form of governance for participating municipalities across the GTHA would be an important consideration and key first step to enable broader and more mature form of collaboration on procurement.

2. Procurement Strategy and Sourcing Approach

Currently, collaborative procurement initiatives conducted through local co-operative purchasing groups typically focus on consolidation of spend and leveraging economies of scale. While this is certainly a key objective of collaborative procurement, there is an opportunity to further increase the value from collaboration through application of advanced strategic sourcing levers such as demand management and specification standardization. In a more mature form of collaborative procurement, there is closer integration and hence greater latitude to influence requirements included in a solicitation document to achieve greater cost efficiencies.

3. Resourcing

A key aspect of collaborative procurement is the appropriate allocation of resources to execute on procurement activities. As expected, there is a significant level of effort required to coordinate with participating entities, gather requirements, and align on sourcing and contracting approach. Currently, there are no dedicated resources to manage collaborative procurement activities executed through local co-operative purchasing groups. Typically, resources from lead municipality (usually determined based on value/volume of requirements, subject matter knowledge, etc.) coordinate effort such as specification development, tender document development and evaluation to gather input from participating municipalities. To ensure success of collaborative procurement, it is important to commit appropriate resource time from all participating entities with a clear definition of roles and responsibilities.

4. Scale of Collaborative Procurement

The scale of collaborative procurement is driven by the mechanism leveraged to collaborate. A variety of options exist, which are described below:

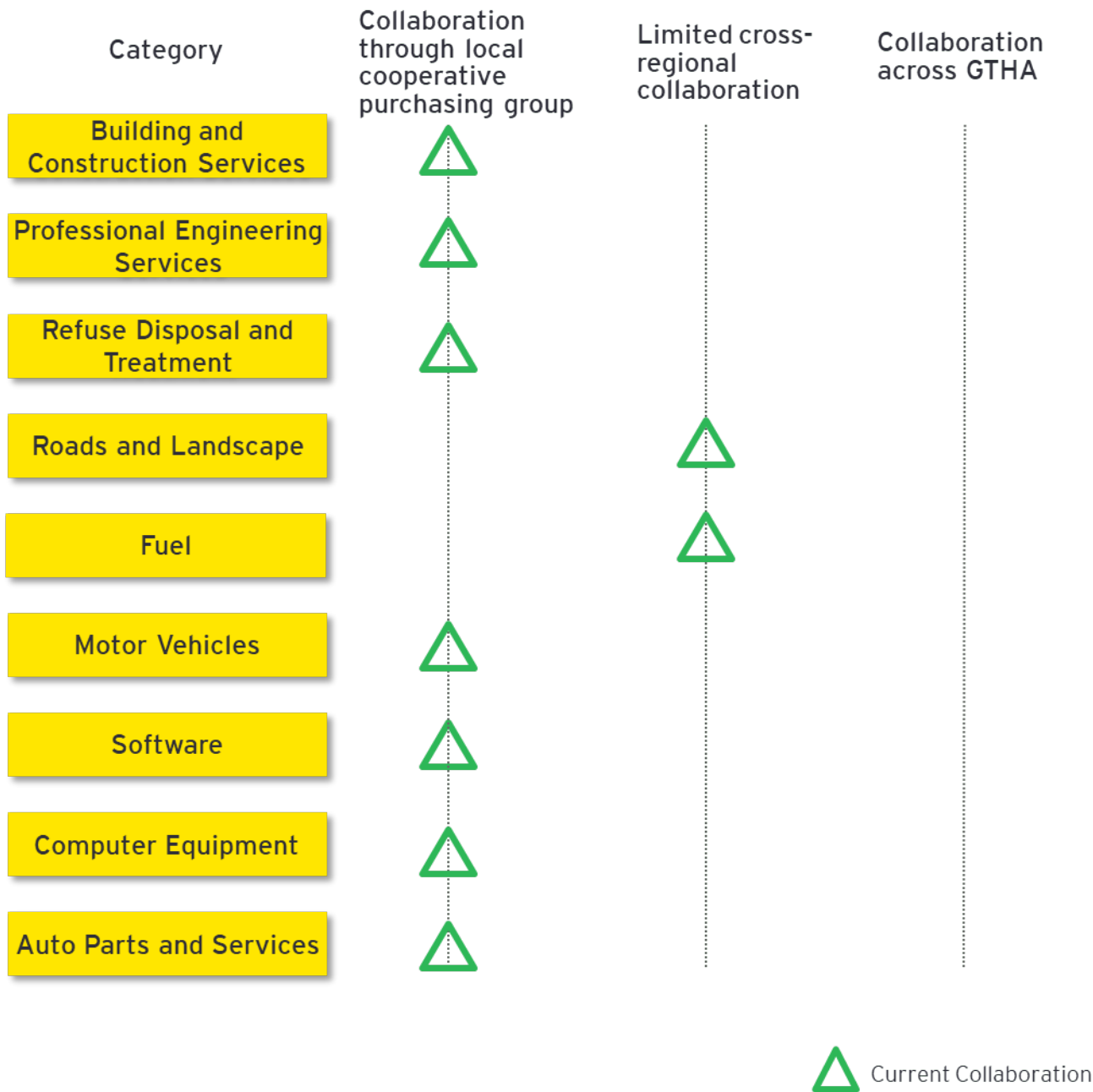
- **Joint-solicitation** – municipalities collaborate prior to the release of the solicitation document to appropriately reflect volume and requirements
- **Piggybacking** – municipalities leverage other municipality's contracts that often don't contemplate additional volume and consequently any potential discounts.
- **Local Cooperative Purchasing Groups** – municipalities within the region collaborate voluntarily to conduct procurement activities through local co-operative purchasing groups such as Halton Cooperative Purchasing Group (HCPG), Durham Purchasing Cooperative Group, York Purchasing Co-operative (YPC) and Grand River Cooperative Procurement Group.
- **Sector-specific CPG** – in addition to regional CPG, certain municipalities also collaborate with sector CPG such as Ontario Education Collaborative Marketplace (OECM) and Police Cooperative Purchasing Group (PCPG) to fulfill their requirements for education and law enforcement divisions/agencies
- **Shared Service Organization (SSO) or Group Purchasing Group (GPO)** – in certain cases, such as the procurement of Personal Protective Equipment (PPE), some municipalities leverage economy of scale of SSOs and GPOs such as Plexxus, Mohawk Medbuy, Kinetic GPO etc. to fulfill requirements. In this report, these mechanisms are explored as potential enablers to accelerate value realization from collaborative procurement

Currently, for municipalities in GTHA, the primary way to collaborate is through the local co-operative procurement groups. The decision to collaborate is mostly dependent on sharing of information and willingness to participate as opposed to a structured method to drive collaboration across target spend areas. The current scale of collaboration can be categorized into three levels described below:

- **Collaboration through local cooperative purchasing group:** municipalities within the region collaborate through the local cooperative purchasing group. For example, various municipalities within Durham Region conduct RFx together for computer equipment
- **Limited cross-regional collaboration:** municipalities across regions in GTHA collaborate through piggybacking and/or joint-solicitation. For example, various municipalities such as City of Mississauga and City of Brampton piggyback to City of Toronto's fuel contract to leverage the higher discount off rack prices
- **Collaboration across GTHA:** municipalities across GTHA collaborate in a structured manner on procurement activities. This is not currently happening for any categories

Figure 4 shows the level of collaboration between GTHA municipalities on procurement of common goods and services.

Figure 4 – Current scale of collaboration across GTHA municipalities



As shown in the chart, the collaborative procurement currently within GTHA is limited to procurement through the local co-operative purchasing groups. There is an opportunity to take advantage of lessons learnt and experience within local co-operative purchasing groups to expand the collaboration across the GTHA municipalities.

The ability to measure, track, and report on benefits is an important aspect of implementing collaborative procurement. A structured framework to measure benefits not only helps in understanding and realizing benefits achieved, but also aids as a tool to communicate benefits from participation in collaborative procurement. In the current state, local co-operative

purchasing groups do not have a formal benefits management framework that is applied consistently across all collaborative procurements. Additionally, the ability to sustain benefits, once achieved, is not monitored thereby indicating potential risk of value erosion. As an example, in some of the joint solicitations conducted between the City of Toronto and other municipalities, benefits are being tracked on an ongoing basis with participants (e.g., TTC) to ensure that benefit realizing progress aligns with initial benefit target.

6. Social and Sustainable Procurement

Currently, certain municipalities in the GTHA have policies to incorporate social and sustainable procurement factors as part of the supplier selection process. However, the broader regional peer group (including the local cooperative purchasing groups) have not come together to explore an alignment of the policies around these topics. It was also noted that social and sustainable procurement factors are not consistently included as part of the supplier selection process (e.g., evaluation criteria, mandatory requirements), which may be a key consideration to explore further at a regional level.

7. Supplier Development

Municipalities have a key role in supporting the local economic development and this is especially true in the post pandemic recovery phase. Similar to social and sustainable procurement, certain municipalities have policies to develop local and diverse supply market. However, municipalities in the GTHA region have not attempted to align on consistent methods of approaching key topics such as supplier performance management and information sharing that could lead to mutually beneficial outcomes. In addition, innovative and advanced procurement approaches and engagement with the market has the potential to help supplier capability and capacity enhancement including for the local small-scale suppliers.

3.3 Jurisdictional Scan

A review of collaborative procurement practices across other public jurisdictions was conducted to understand leading practices to help identify potential collaboration model options for assessment. Three (3) key organizations were identified to conduct the jurisdictional scan. These organizations were selected as they represent similar operating environment as GTHA (e.g., size of the population, size of spend, regulatory constraints, etc.). Brief introductions of the three (3) selected jurisdictions are provided below:

Alberta Urban Municipality Association (AUMA) was established in 1905 representing 269 urban municipalities in Alberta and 3.3 m citizens. AUMA provides procurement advisory services such as procurement strategy and leading practice procurement templates to its members, including identification of opportunities to leverage Government of Alberta's contracts. In addition, through its subsidiary Alberta Municipal Services Cooperation (AMSC), AMSC conducts procurement activities to procure goods and services for its members leveraging the joint volume such as fuel, fleet, telecommunication, technology equipment and office supplies. AMSC also manages procurement card program for its members to negotiate for maximum rebates with consolidated spend.

Association of Greater Manchester Authority (AGMA) Procurement Hub ("Hub") includes 10 municipalities and districts in the United Kingdom. AGMA annually spends approximately \$1.1b and serves 2.8m citizens. The Hub was initiated under the collaborative efficiency program in 2008 to secure efficiencies through collaboration in service improvement and procurement. The Hub conducted analysis and developed benefits roadmap in 2012 in order to aggregate fragmented supplier base (i.e., rationalize number of suppliers through spend aggregation), standardize best pricing across AGMA and negotiate for better pricing with consolidated volume. The Hub realized cost savings of \$37m (initially from 2009-2012) through a mix of direct procurement savings and supporting projects. The last reported incremental savings achieved from collaborative contracts is estimated at \$13m in 2014-2017.

Metro Vancouver is a political body and corporate entity operating under provincial legislation as a 'regional district' and 'greater boards' that deliver regional services, policy, and political leadership on behalf of 23 members. Metro Vancouver annually spends approximately \$754m and serves 2.5 m citizens. Metro Vancouver is responsible for procuring water related infrastructure and services (e.g., drinking water, wastewater treatment) and waste management services (e.g., waste

collection, waste processing). All of these services are delivered by four separate corporate sub-entities, each with a different set of members, operating as Metro Vancouver: Metro Vancouver Regional District, Greater Vancouver Sewerage & Drainage District, Greater Vancouver Water District and Metro Vancouver Housing Corporation.

Leading Practices Examples

Jurisdiction scan was conducted based on desktop research, interactions with jurisdiction members and EY's previous experience. We reviewed jurisdiction's practices based on the seven dimensions described in Section 3.1. In the following section, leading practices across key dimensions are highlighted for consideration in designing the future collaboration model for the GTHA.

Governance – AUMA

Governance of collaborative procurement activities is important to maintain oversight, define and commit to standard operating procedures, and to encourage participation of member organizations. Often times this takes shape in the form of a steering committee with rotational membership selected/elected from member organizations of a collaborative procurement forum. AUMA demonstrates the leading practice as it is a stand-alone governing body to manage outcomes and participation of procurement collaboration. In addition, AUMA is led by a Board of Directors elected by municipality members to oversee the organization, provide strategic directions, and resolve roadblocks.

Procurement Strategy and Sourcing Approach – AGMA

It is critical to develop and maintain a procurement strategy for collaborative procurement. Leading practice suggests that procurement strategy should be refreshed on an annual basis (at a minimum) to outline overall plan and target for the procurement function and to consistently apply strategic sourcing levers in procurement activities. The AGMA procurement hub develops procurement strategy annually to establish the plan and target. The Hub operates on a 'hub and spoke' model with AGMA acting as a Center of Excellence to develop category strategies, leading practice templates and strategic sourcing processes; the municipality members execute on the strategy developed by AGMA Hub. The AGMA Hub develops category strategies and leverages the following tools to provide value:

- Systems & Processes Management: AGMA conducts procurement digitally through e-procurement and e-auction channels.
- Management Information: AGMA Procurement hub utilizes SpendPro tool and the AGMA web portal for managing information across channels. AGMA web portal serves as regional tendering portal. SpendPro is the spend analysis tool which enables the member municipalities to analyse their spend and make decisions on the purchase and savings. It also provides database on supplier's credentials including financial information.

Resourcing – AGMA and AUMA

Allocation of appropriate and dedicated resources to support collaborative procurement activities is key to the success of such efforts. AUMA and AGMA both have dedicated resources to coordinate collaborative procurement activities.

Scale of Collaborative Procurement – AGMA

Collaborative procurement primarily aims at leveraging economies of scale for commercially favourable outcomes. Hence it is beneficial to channel as much (of the target categories) spend as possible through collaborative procurement efforts. A significant portion of Greater Manchester area's total spending is channelled through AGMA Procurement Hub. The maximum share of collaborative procurements contracts in 2015-2017 were across categories such as telecommunication, office supplies, postal services, financial services, technology, and food/beverages.

Benefits Management - AGMA

One of the key aspects of strategic procurement and especially of collaborative procurement is to measure, report, and track benefits achieved from the procurement. The key is to establish a framework with clear definitions of savings (financial and non-financial), measurement of savings in different scenarios (e.g., with or without an existing baseline information), and treatment of savings in the financial budget. Once such a framework is established, it is vital for all participating members in a collaborative procurement forum to be in alignment and agree to apply the framework consistently. AGMA Procurement Hub is a great example of having structured a benefits management framework. AGMA Procurement hub has established the following mechanisms to monitor benefits:

- Monthly reporting of benefits in first year by sourcing event; benefits are actively monitored after year 1 for any variations (i.e., above, or below original benefit estimates)
- Savings are broken down by type of benefits and distributed to its members
- Reported savings are aligned with savings reported within the authority
- AGMA's benefit targets are actively monitored and the body reports discrepancies on a periodic basis

Sustainable and Social Procurement Policies – Metro Vancouver

Inclusion of sustainable and social factors as part of the evaluation approach in selecting suppliers has become an increasingly important aspect for organizations in recent times. In a collaborative procurement forum, it is important that participants agree to consistently apply set of policies to promote sustainable and social procurement. Metro Vancouver showcases the best practice in terms of enhancing sustainable and social procurement. Metro Vancouver has a sustainable procurement program to generate environmental and social value. Under the sustainable procurement program, there is a framework that guides municipalities approach to achieve the best value through sustainable operation. This framework mandates that for each RFP, 5% of the weighted criteria is allocated to environmental impact and 5% of the weighted criteria is allocated to social impact.

Supplier Development – Metro Vancouver

One of the key objectives of several procurement organizations especially in the public sector is to simplify processes for suppliers to do business with them. Another area of focus is to establish a structured supplier performance management framework to improve service levels and help suppliers develop and grow capabilities. Metro Vancouver demonstrates leading practice in developing local suppliers. Metro Vancouver has a long-term plan to support sustainable regional economy. In order to achieve this goal, Metro Vancouver set up a regional economic prosperity service to attract strategic investments and create job opportunities. This will also attract more capable suppliers to invest in Metro Vancouver.

3.4 Spend Analysis Review

An analysis of the procurement spend information was conducted in order to understand the nature of goods and services being procured by participating municipalities and develop potential opportunities to benefit from collaborative procurement. The spend analysis was leveraged to achieve the following objectives:

1. Generate insights from the spending pattern observed in the data
2. Identify opportunities to lower the Total Cost of Ownership (TCO)
3. Estimate potential benefits from collaborative procurement of select/target categories of spend

The first step in conducting the analysis was to collect relevant data and information from participating municipalities. The following steps were taken to gather the data required for the spend analysis:

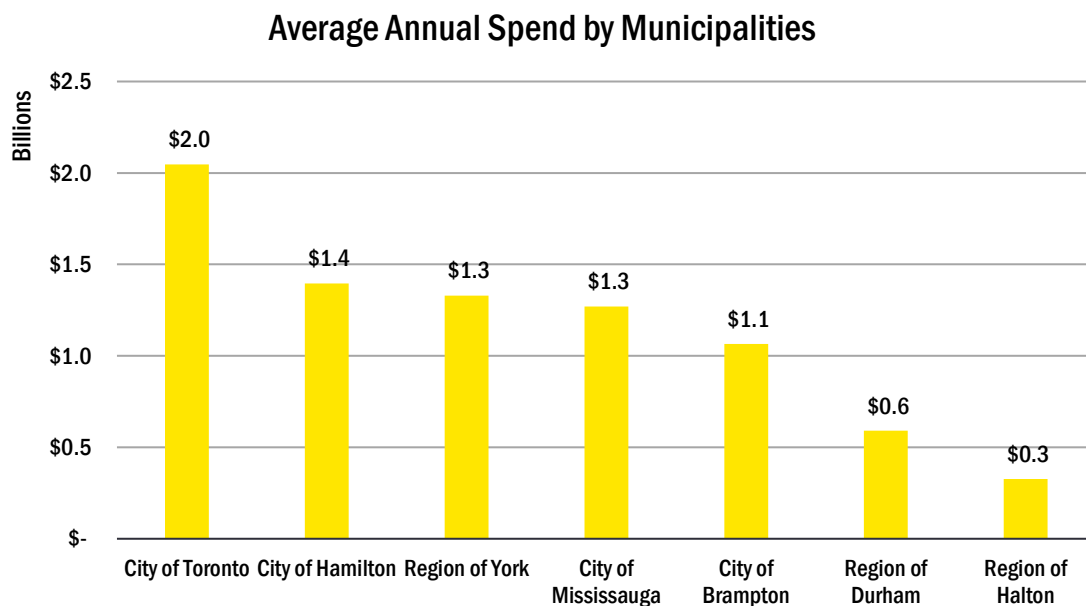
1. Two rounds of data requests were sent to participating municipalities to collect details related to their respective procurement spend portfolios (e.g., category, end-user division, supplier, etc.)
 - a. Round 1: high level spend detail was collected including invoice date, category of the spend, business unit/division, vendor/supplier name, value of the transaction and other information
 - b. Round 2: detail of spend and contract information including existing contracts and sample purchase orders for top suppliers across select key categories was collected
2. Survey responses from participating municipalities to help understand the scale of collaborative procurement
3. Publicly available financial statements (e.g., annual budget reports)

Five out of eight participating municipalities responded to the data request. Where data was not provided, procurement spend at an aggregate level was collected from publicly available documents (e.g., annual budget). To understand the breakdown of spend at a category level in such cases, an extrapolation approach was leveraged. This approach applied a percentage breakdown (at a category level) noted in data from other municipalities to the aggregate level of spend found in budgets and other documents. The underlying assumption in the approach being that municipalities procure similar types of goods and services in approximately similar proportions (i.e., spend on category/total spend). Once the data was collected, it had to be cleansed and categorized to allow for spend analysis. To do this, the following steps were taken:

1. Cleansed and consolidated the data received from various sources
2. Developed a standardized taxonomy (common spend categories) based on the commodity codes, end-user division and suppliers (e.g., vehicle parts and services)
3. Assigned taxonomy to the spend information and summarized the master dataset for further analysis

The overall annual procurement spend for the participating municipalities is about \$7.1B. The spend is broken down approximately as shown in Figure 5.

Figure 5: Annual Procurement Spend by Municipalities¹



¹ This is based on spend information received from participants. The data may include non-sourceable/pass through spend in certain cases. In addition, in some cases, information related to only top 80% of the spend was shared to expedite data gathering with focus on high-value items.

Commonality of buying patterns is critical to enable efficient procurement collaboration as a similar supply market is typically engaged to fulfill the collective requirements. In order to validate this further and identify opportunities to benefit from collaboration, the following analysis was undertaken:

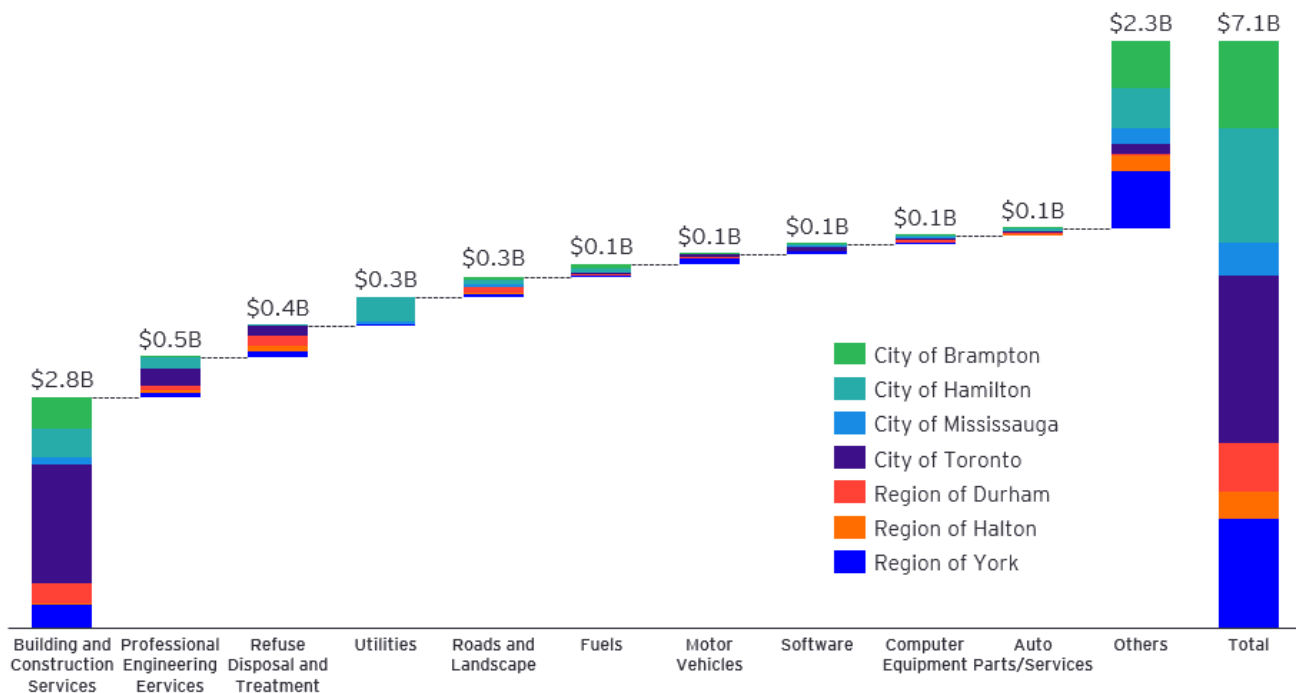
1. Identified commonality of spend by analyzing categories of spend and number of municipalities procuring similar goods and services (section 3.4.1)
2. Established commonality of supply base by analyzing suppliers being used by various municipalities (section 3.4.2)
3. Identified opportunities to standardize pricing and requirements for sample goods/services by analyzing pricing and specification variations for similar goods and services procured across GTHA (section 3.4.3 and 3.4.4)

3.4.1 Establishing Commonality of Spend Categories

The objective of this analysis was to identify common areas of spend across the participating municipalities. As described above, we categorized the invoice spend data to help understand key categories and commonality in spend.

Figure 6 shows the top ten categories that account for approximately 68% of the total GTHA spend. It is worth noting that the analysis excludes areas of spend that may not be considered in scope – spend on utilities, spend on proprietary items (e.g., software), etc. In summary, there is a significant amount of spend (approximately \$5b) that is on similar goods and services across the participating GTHA municipalities thereby indicating a significant opportunity to benefit from collaborative procurement.

Figure 6: 2020 Annual Spend by Category and Municipalities



3.4.2 Understanding Commonality of Suppliers

The next part of the analysis was to determine commonality of supply base leveraged by participating municipalities. A review of the spending data indicated that 1,315 out of a total of 19,213 suppliers provide goods and services to more than one municipality and account for \$1.8b (26% of GTHA spend). At the same time, the top 10 suppliers with highest annual spend also serve multiple municipalities and they account for 9.5% (\$680M) of the total spend across GTHA municipalities.

Figure 7 summarizes the top 10 common suppliers by spend across GTHA municipalities.

Figure 7: Top 10 Common Suppliers across Municipalities



Findings from the analysis indicate that GTHA municipalities have already been procuring common products and services from common suppliers, which makes for a strong case for expanding collaborative procurement.

3.4.3 Sample Analysis: Pricing Variations

As reflected in the analysis presented in the previous sections, GTHA municipalities procure similar goods and services. To take the analysis further and identify specific examples that demonstrate value from collaboration, sample contracts from key categories of spend were requested from participating municipalities. The aim of this analysis was to establish any variations in pricing that may exist for procurement of similar goods and services. Fuel and Technology spend categories were selected for this analysis as there is a high degree of commonality of requirements among municipalities for these categories. A sample of contracts and invoices were further reviewed and the findings are presented below.

Fuel

GTHA municipalities typically procure bulk fuel from refineries (e.g., Suncor, Shell) and distributors (e.g., Canada Clean Fuel). Generally, a discount on rack price is offered by the supplier for diesel and gasoline. Based on our analysis, the discounts that the GTHA municipalities are being offered vary, as outlined below:

1. Gasoline – discount off rack price ranges from 3.75 to 5 cents per liter (better value with higher discount)

2. Diesel – discount off rack price ranges from 4.5 to 5.7 cents per liter

This represents an opportunity to standardize discounts by leveraging appropriate mechanisms (such as piggybacking on contract negotiations, if possible) to achieve preferred pricing for all participating municipalities.

Technology

Analysis indicated that in some sub-categories, GTHA municipalities procure the same technology products and/or services from the same suppliers. However, the same supplier was found to be offering different prices to municipalities. Some of this could be explained owing to factors such as volume and supplier relationship, however the analysis still reflects an opportunity that should be explored further. Examples from the analysis are described below:

1. Annual ERP software support – the same supplier charges price ranging from \$292,000 to \$352,000 for the same ERP software support services; this represents approximately 20% in pricing variation
2. Enterprise server – similarly, the same supplier charges different prices ranging from \$2,532 to \$3,940 for the same enterprise server; this represents approximately 55% in pricing variation

Such examples represent opportunities to enhance value through collaboration mechanisms (e.g., conduct procurement activities with joint volume across GTHA) by harmonizing pricing, where possible, for similar goods and services.

3.4.4 Sample Analysis: Specification Variation

It is normal and even expected that despite commonality of categories of spend among municipalities, there might be differences in the specifications established at the product level. While there may not be an opportunity to standardize or even influence the specifications in some cases, there still is an argument for assessing the requirements further to seek areas where standardization may generate benefits and efficiencies. The study reviewed sample contracts and requirement specifications to identify examples of specification variation. Procurement of computer monitors is one of the examples that is highlighted in this report.

All GTHA municipalities procure 24-inch computer monitors for general office use. Four variants of 24-inch computer monitors were found to be being procured for broadly similar use cases (i.e., general office-use) from three different suppliers. Also, different buying sources were found to be used to procure these monitors – ranging from original equipment manufacturer (OEM) to value-added reseller. As a consequence, the pricing received for these monitors was found to vary between \$150 and \$270. Notwithstanding the further depth of analysis required in this case, the example still represents a potential opportunity to rationalize and standardize specifications for common/off the shelf type of goods where possible. This may require discussions with subject matter experts, end user groups, and even the supplier community. If approached with open minds and concerted collaborative effort, this opportunity has the potential to not only drive cost efficiencies in the unit price, but also help simplify and reduce the total cost of ownership on maintenance of such products.

3.5 Estimated Benefits

Based on the observations and insights gathered from the spend analysis, the following levers are presented as considerations to generate benefits by enhancing procurement collaboration across GTHA:

1. Consolidate demand to further leverage economies of scale
2. Attempt to rationalize specifications to the most economical product or service offering that meet business requirements
3. Apply strategic sourcing levers such as negotiable RFPs approach and volume-based pricing to achieve additional benefits from unexpected surge in demand

4. Implement structured supplier performance management framework to improve service quality and contract compliance
5. Reduce procurement effort to reinvest productivity in other value-added activities

The financial benefits for opportunities are estimated using insights from spend analysis (e.g., benefits from standardizing pricing), experience from City of Toronto procurement transformation program and EY's global experience. It is estimated that potential savings of 4-8% may be achieved through collaborative procurement.

The total annual spend based on the data received from participating municipalities was estimated at \$7b as summarized in Figure 6. It is realistic to assume that the collaborative procurement effort will likely be focussed on the top ten categories (accounting for approximately \$5b in spend) that present the highest potential for cost efficiencies. In addition, not all spend areas are addressable due to regulatory constraints (e.g., utilities are regulated) and benefits realized from ongoing/completed procurement transformation initiatives (e.g., the category management and strategic sourcing initiative at City of Toronto). Taking these factors into consideration further reduces the size of addressable spend to approximately \$3.5b. Applying the savings range to the expected addressable spend, the benefits range is estimated to be \$140m to \$280m. In addition, based on the spend distribution on common spend categories and projected savings range, it is estimated that each municipality is expected to achieve benefits of at least \$6m. It is to be noted that the timelines to achieve the savings will be determined through a deeper review of existing contracts, availability of resources etc. It is expected that achieving savings of this magnitude will take considerable time, effort, and change management to align requirements and procurement approach across participating organizations.

3.6 Potential Short-to-Medium Term Opportunities

Based on the spend analysis and consultations with representative stakeholders in workshops (summary of workshops included in Appendix C), the study identified three opportunities to execute in the next two to seven months in order to expedite benefits realization. The execution timelines and projected benefits for these opportunities are based on the assumption that there will be a commitment from participating entities to collaborate and furthermore the procurement teams will have the support of their respective client divisions in exploring strategic approaches to procurement. It should also be noted that while this analysis contemplates benefits through a collaborative procurement exercise (i.e. go to market activity), there could be other existing mechanisms to explore to expedite timelines to realize value. As an example, considering use of contracts established through group purchasing organizations for appropriate goods and services could be explored further as a potential option to conducting a full-scale procurement.

These opportunity areas and details of sourcing levers for each are listed below.

Fuel

As described in Section 3.4.3, GTHA municipalities receive different discounts on their bulk purchase of fuel in the current state. There is an opportunity for municipalities to consider leveraging mechanisms to harmonize the discount offered on rack fuel prices regionally. There are considerations related to contractual obligations, ability to piggyback, and even negotiate a higher discount that need to be further explored. However, since the contract for this commodity has already been established (through the City of Toronto), the timelines to implement this opportunity is expected to be relatively shorter - between two to three months (depending on existing contractual commitments). The benefits are estimated to be \$1.3m-\$1.7m in annual recurring savings.

Vehicle, Parts and Services

GTHA municipalities procure similar types of vehicles such as sedan, pick-up trucks and SUVs which require similar parts and services to maintain and operate. Participating municipalities can consider consolidation of their requirements to establish a preferred supply base through a negotiable RFP. It is envisaged that such an RFP focuses on evaluating the total cost of

ownership, including initial fleet asset acquisition costs and ongoing parts and service costs to maintain the vehicles. It is anticipated that this opportunity will have an expected implementation timeline of six to eight months (depending on existing contractual commitments). The estimated benefits are \$8m-\$10m in annual recurring savings.

Software and Computer Equipment

As described in Section 3.4.3 and Section 3.4.4, GTHA municipalities procure similar types of technology equipment and services, however, in some cases, same suppliers are charging different prices for same products across GTHA. There is an opportunity to consolidate requirements under a negotiable RFP for end-user computer equipment and services which are typically more commoditized compared to other IT services. In addition, GTHA municipalities can consider applying demand management levers such as sharing of pooled software licenses and applying dynamic licensing models to reduce demand. Given the complexity of requirements, it is expected that the implementation of this opportunity will vary from three to five months to implement for end-user hardware and five to seven months to implement for software and services. The benefits from this opportunity are estimated between \$8m-\$9m in annual recurring savings.

In addition to these specific opportunities, there are other enabling activities to pursue benefits that are outlined in Section 5.0 – Implementation Considerations.

4.0 Comparative Analysis of Potential Collaboration Models

One of the key focus areas of this review was to explore mechanisms to establish and promote collaborative procurement across the participating entities in the GTHA. To do this, a number of collaboration models were considered, and a few were short selected for comparative analysis. The analysis incorporated feedback from participating entities through workshop sessions to ensure the complexities and challenges to undertake collaborative procurement were considered in the analysis. In the following sub-sections, the scope and approach to the analysis, outcome of the analysis in the form of a preferred collaboration model and its key attributes are discussed.

4.1 Scope and Approach of Analysis

A variety of models to operationalize collaborative procurement were considered for the analysis. In total, six models including policy collaboration, joint solicitation, third-party sourcing/group procurement organization (GPO), cooperative purchasing group, shared services organization (SSO) and piggybacking were discussed with the participating entities. Through consultations (in a workshop held on July 13th, 2021), the scope of the comparative analysis was narrowed down to the following four models - Co-operative Purchasing Group, Policy collaboration, Joint Solicitation and Shared Service Organizations. The models are further described as follows:

Cooperative Purchasing Group (CPG) is an association of procurement professionals representing their respective municipality. Member municipalities work together to cooperatively purchase common goods and services. In addition, CPG also acts as a platform for member municipalities to share best practices and information. Participations are typically voluntary in nature and members can select to opt in or opt out at any time

Joint Solicitation is a collaborative procurement approach where two or more municipalities aggregate their goods and services needs into a single solicitation.

Shared Service Organization (SSO) is an organization to provide procurement and supply chain services to participating municipalities. Requirements of member municipalities are centralized and the SSO conducts procurement activities on behalf of participating municipalities. Procurement responsibilities are shifted from the municipality to the SSO.

Policy Collaboration is a process and framework where municipalities collaborate to standardize policies (e.g., sustainable procurement, procurement process and procedures) and supplier qualification standards.

The analysis focussed on key evaluation dimensions to compare each of the models. These dimensions form the key factors to determine the degree of favourability to the current regional environment. In total, six dimensions were evaluated and the following two sub-sections further describe definitions of collaboration models and evaluation dimensions.

4.2 Evaluation Factors and Approach

The analysis focussed on key evaluation dimensions to compare the various options. These evaluation factors were selected based on the desired outcomes of collaborative procurement and the ability to achieve common objectives within the current environment in the GTHA region. The evaluation factors are described as follows:

1. **Sustainable and Social Procurement Policies** evaluates various operating models based on ability to enable consistent application of leading sustainable and social procurement policies

2. **Compliance with Local Policies** evaluates various operating model based on degree of changes to the municipal policies required to implement the operating model
3. **Ease of Implementation** evaluates various operating models based on level of resources and effort required to operationalize the operating model, potential roadblocks, and challenges to operationalize the operating model, and the change management effort required to implement the model
4. **Size of Benefits** evaluates various operating models based on estimated financial and non-financial benefits, likelihood to achieve expected benefits, and expected level of productivity enhancement (e.g., reduced procurement activities)
5. **Satisfaction of Requirement and Service Level** evaluates various operating models based on enhancement in service level to business units (e.g., lead-time to complete a sourcing event) and improvement in supplier's service quality by applying advanced sourcing levers and consolidating demand
6. **Influence on Local Market** evaluates various operating models based on ability to simplify processes for suppliers to do business with GTHA municipalities and ability to develop the supply market (e.g., attract new suppliers, grow existing suppliers)

The short-listed models for collaboration were rated on a scale developed to demonstrate favourability of the option to participating municipalities in GTHA. The three-score scale ranged from a score of 1 for not favourable to a score of 3 for favourable. For each evaluation criterion, a score was assigned to the corresponding model option. Importance of the dimensions were ranked based on consultations (in a workshop held on July 13th, 2021) with representative stakeholders, leading to different weighted factors per dimension. For each collaboration model, a weighted average score was calculated considering all six dimensions and weighted factors. The evaluation summary is presented in the following sub-section with details of the estimated scores for each of the models included in Appendix C.

4.3 Summary of Analysis

Figure 8 summarizes the results of the comparative analysis. Cooperative Purchasing Group received the highest score among the options demonstrating the ability of the model to balance implementation effort with the potential size of benefits. Detailed explanations on the scoring approach and rationales are described later in this section. Detailed numerical evaluation of various model options is summarized in Appendix D.

Figure 8 – Collaboration Option Comparative Analysis

Collaboration Model / Comparison Factor	Compliance with local policies	Size of Benefits and ability to achieve benefit target	Satisfaction of requirements and service level	Ease of implementation	Sustainable and social procurement	Influence on local Market	Weighted Average Overall Score (out of 10)
Policy collaboration	Policy standardization required	Efficiency benefits	Status quo	Easier to implement (similar to status quo)	Enhanced by standardizing good practices, sometimes on specific procurements	Enhanced by simplifying qualification process	6.7
Joint solicitation	Limited changes to policies	\$ (low)					7.3
Cooperative Purchasing Group	Policy changes to enable collaboration and governance	\$\$ (medium)	Structured supplier performance framework; however, service level may vary across GTHA due to geographical factors	Effort to stand up the function	Greater level of standardization to enable social and sustainable procurement objectives	Deeper impact on market making it easier for suppliers to do business with GTHA	8.2
SSOs	Significant changes to policies	\$\$\$ (high)		Significant effort and change management			7

Legend:

Rank	Non-favourable	Neutral	Favourable
Score	1	2	3

Summary of Options Comparative Analysis

The following section summarizes the rationale of the comparative analysis:

1. Compliance with Local Policies

Joint Solicitation is rated as the most favourable option in compliance with local policies criterion as limited changes to policy will be required and this option is currently being used by participating municipalities without any changes to existing policies and procedures. SSO is rated as the least favourable option as significant changes to policies and procedures are required to shift the procurement responsibilities and decision authority to establish and operationalize an SSO.

2. Size of Benefits and Ability to Achieve Benefits Target

Policy Collaboration and Joint Solicitation are rated as less favourable options to achieve financial and non-financial benefits as the collective spend sourced through collaborative procurement approach will be limited compared to other options. In addition, there is limited opportunity to apply advanced levers such as demand coordination and specification rationalization in these models. SSO is rated as the most favourable option as SSO presents a complete centralization of agreed to areas of spend and hence a greater level of control and authority to influence the outcomes.

3. Satisfaction of Requirements and Service Level

In this dimension, a model's ability to enhance procurement function's service level to the business divisions and the supplier performance is evaluated. Policy Collaboration is rated as unfavourable as there will be limited enhancement to the supplier selection process. CPG and SSO options are rated neutral as procurement lead-time will be expected to reduce due to a smaller number of procurement activities required. In addition, robust supplier performance management (e.g., KPIs, penalty framework for SLA incompliance) will be standardized in the supplier selection process. However, local suppliers may not be able to provide same level of service quality to all GTHA municipalities due to geographical factors (e.g., local contractors can supply services in shorter lead-time to municipalities closer to their facilities).

4. Ease of Implementation

Policy Collaboration and Joint Solicitation are rated as favourable in this dimension as limited changes will be required to operationalize, and these models already exist in the current state. SSO is rated as the most unfavourable option as significant amount of effort will be required to set up the organization (e.g., organizational and procedure design, staffing) and conduct change management activities.

5. Sustainable and Social Procurement

All four collaboration model options are expected to enhance application of leading sustainable and social procurement practices. CPG and SSO options are rated as more favourable as these models directly influence the supplier selection process.

6. Influence on Local Market

CPG and SSO are rated as favourable to positively influence the local supply market. Procurement effort for suppliers is expected to reduce under these models with consolidation of requirements under fewer procurements. In addition, consolidating demand across greater number of entities is expected to support supplier capability and capacity development by attracting new suppliers and scaling existing suppliers in the market.

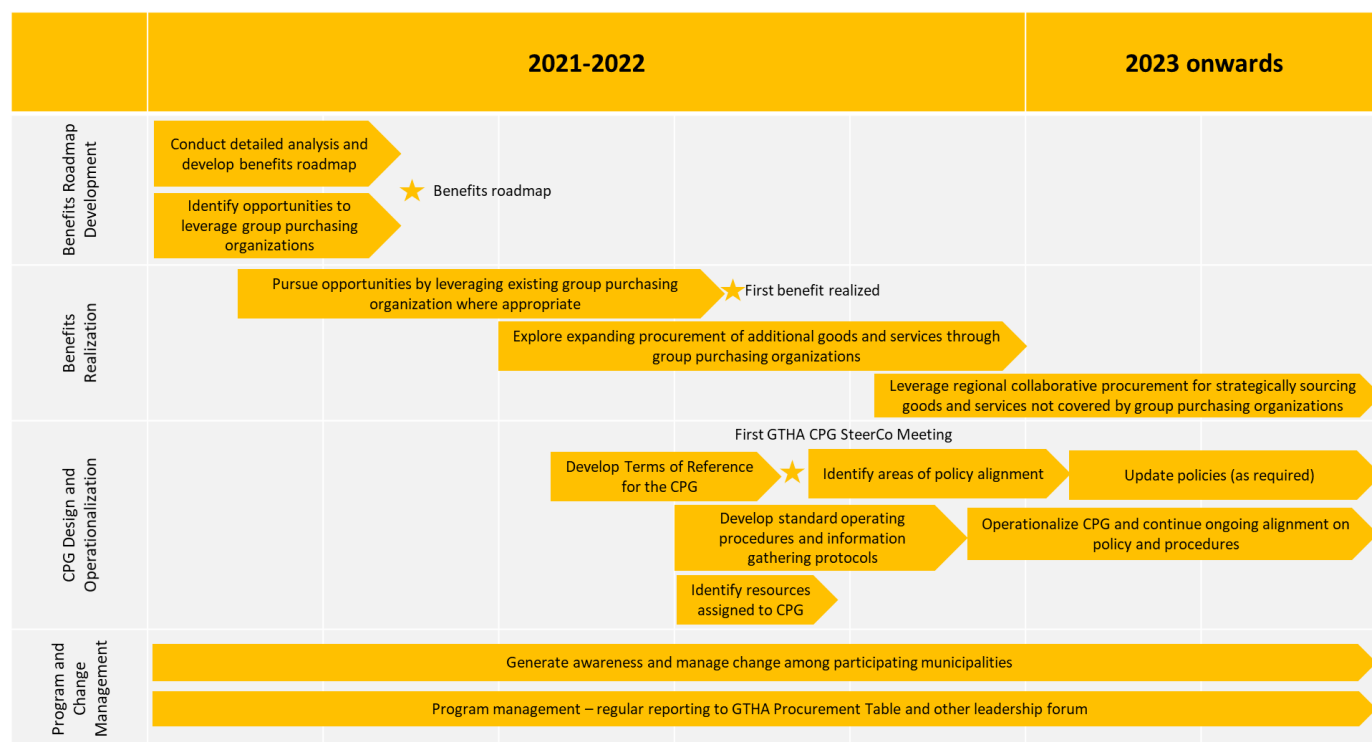
It is worth noting that while the analysis covered in this section focusses on a few collaboration models, it is not intended to preclude use of existing collaboration options such as provincial vendor of record arrangement, group purchasing organizations etc. from being considered by participating organizations as a vehicle to promote and accelerate collaborative procurement. In fact, in the next section, the study contemplates leveraging existing constructs to accelerate benefits realization and demonstrating successful outcomes where appropriate while a regional CPG takes shape.

5.0 Implementation Considerations

A high-level implementation roadmap has been developed to outline the next steps. The key design principles of the implementation roadmap are to:

1. Explore ways to leverage existing mechanisms (e.g. group purchasing organizations) to procure common goods and services to accelerate value generation and demonstrate success
2. Establish a regional CPG (including a steering committee) as a forum to collaborate
3. Sequence and schedule activities to be efficient while considering day-to-day operations
4. Incorporate change management activities to generate awareness in early stages of implementation as required
5. Include program management to maintain momentum, engage stakeholders, and secure leadership support and guidance to remove roadblocks and gather buy-in
6. Gain alignment on key topics including co-existence of a regional CPG and the local purchasing groups, the use of GPOs, potential impact on local and small suppliers from consolidation and mitigation measures, legal interpretation of piggybacking and ways to enable this for a regional CPG

The recommended implementation plan consists of four key activity streams expected to be executed over the next couple of years as shown in figure below.



Key workstreams of the implementation plan are described below:

1. Benefits Roadmap Development

While this study outlines a few pilot opportunities, further analysis is required to develop a detailed benefits roadmap. Such an analysis will review existing contractual commitments and identify specific benefits opportunities. These opportunities will then be prioritized based on the size of estimated benefits and ease of implementation (e.g., existing long-term contracts to hinder implementation and level of change management required). The output of this workstream will be a multi-year and multi-wave benefits roadmap. In addition, there is an opportunity to explore the

viability of leveraging existing group purchasing organizations, where possible, to demonstrate success of regional collaboration in procurement in the near term. This activity does not have a critical dependency on establishing a CPG and therefore has the potential to accelerate value generation and demonstrating early success for a more structured future collaboration.

2. Benefits Realization

There is an opportunity to accelerate value realization by leveraging existing set up of group purchasing organizations for procurement of appropriate goods and services through analysis undertaken in workstream 1. It is expected that this could potentially be pursued concurrently with the potential pilot opportunities identified in this study in the immediate future. As a next step in realization of potential benefits, further expansion of procurement through the group purchasing organizations may be considered where appropriate. Finally, as the CPG takes shape, further opportunities for collaborative procurement can be operationalized through a concerted effort. While it is expected that the first benefits may be realized by mid Q1, 2022, the full realization of projected benefits will be over a period of time.

It is important to note that sourcing strategies developed for collaborative procurement must consider potential impact on local and small suppliers, especially when consolidating requirements across multiple organizations. There are options to mitigate such risks including considering a geographical split of the consolidated volume of work, determining niche requirements as a separate bundle of work etc. It is expected that such measures will be contemplated, discussed, and aligned on when planning for collaborative procurements.

3. Regional CPG Design and Operationalization

Establishing a regional CPG requires work in key areas. To begin with the group must develop Terms of Reference for the CPG. This work can happen in concurrence with the benefits roadmap development activity. Terms of Reference define the objective, scope, governance structure (including establishment of a steering committee), work-plan, and reporting requirements of the regional CPG. Policy change requirements and alignment (e.g., interpretation of piggybacking, procurement procedures and policies, sustainable and social procurement policies) will be identified prior to operationalization of the CPG. Additionally, further discussions and alignment will be necessary on co-existence of a regional CPG and the local cooperative purchasing groups and existing group purchasing organizations. This will include clarity on roles and responsibilities, mechanisms to align on channeling of collaborative procurement (i.e. through an existing group purchasing organization, a regional CPG or one of the local cooperative purchasing groups). In summary, there will be three key activities to help operationalize a regional CPG:

a. Update policies

Identify areas of policy that need broader alignment (e.g. sustainable and social procurement). This will also include exploring and aligning on the interpretation of enabling items such as piggybacking. Research, consult, and develop key policy elements and gain stakeholder alignment. Finally, it is expected that the identified policy changes will be enacted through appropriate procedures.

b. Develop standard operating procedures and information gathering protocols

Design CPG's standard operating procedures, including the procurement process, information (e.g., market insights, commercial terms, and conditions) sharing protocols among participants and templates (e.g., RFX documents, sourcing strategy and evaluation process).

c. Identify resources assigned to CPG

Develop resource requirements to operate the CPG and align on resourcing model (e.g., dedicated resources from participating municipalities).

4. Program and Change Management

A collaboration of this scale requires time and effort to establish. A structured program management support will be key to generate and maintain momentum towards achieving objectives. This will also ensure constant and strong

leadership support to overcome roadblocks and promote collaboration. Finally, exploring and executing on new procurement strategies requires willingness and full cooperation of the client business units within participating organizations. Procurement teams do not always have a decision-making authority when it comes to sourcing approaches and therefore a targeted change management approach will be key to generate awareness around benefits of collaborative procurement for end user groups.

Critical dependencies to achieving objectives of collaborative procurement

While the study outlines significant potential from establishing a collaborative procurement approach regionally within the GTHA, it also recognizes the constraints and potential barriers that will need to be overcome to achieve successful outcomes. The following are identified as the critical success factors to establishing a strong and successful regional municipal collaborative procurement forum:

1. Political will and executive leadership support to pursue shared benefits
2. Structured and robust change management to help advocate for new and alternate procurement approaches within the end-user business units in constituent municipalities
3. Alignment on interpretation of trade agreements as it relates to collaborative procurement
4. Commitment to allocate resources to engage in collaborative procurement opportunities. It is worth noting that achieving the benefits may require additional resources depending on existing priorities and workload of procurement teams in individual entities.

6.0 Appendices

Appendix A – Survey Questionnaire

An online survey questionnaire was sent out to representative stakeholders to collect qualitative information regarding current state of collaborative procurement in the GTHA.

Data Request Online Survey Questionnaire
Please provide a copy of the current procurement policy (if not publicly available)
Please provide details of any existing policies related to social and sustainable procurement.
Please provide details of any existing policies aimed at promoting local supplier development, inclusivity, and diversity etc.
Are you part of a local cooperative purchasing group? If so, please provide details about the operations of the purchasing group. E.g. meeting cadence, agenda items, information shared, other members, etc.
Please provide details of any recent or upcoming procurement requirements triggered by a strategic initiative and/or a regulatory requirement that might be applicable to you and other municipalities. E.g. AODA requirements, red light cameras etc.
Please provide details of procurement(s) completed through a collaborative procurement approach in the last two years. Include information such as the name of the good/service, annual spend, vendor, contract duration, estimated benefits, etc.

Appendix B – Maturity Assessment Framework

Figure 2: Maturity Assessment Framework

Maturity Score	1	3	5
Assessment Dimension	Developing	Mature	Leading
Governance	▶ No governance body in place to support overall purchasing strategy, noncompliance is high, and organization is reactive to risk	▶ Processes and systems are formally documented and published but are not always enforced ▶ Inconsistent compliance	▶ Actively monitored process and administration ▶ Stand-alone governing body to manage collaborative procurement
Procurement Strategy and Approach	▶ Procurement strategy is not defined in a number of areas and there is no/less visibility on key future initiatives. ▶ The sourcing approach is not developed for key categories in alignment with collaborative procurement strategy	▶ Procurement strategy and formal idea of future initiatives exist in most areas, but procurement strategies are not always executed. ▶ Sourcing approach is transactional to some extent for key categories	▶ Procurement strategy and objectives developed and implemented ▶ Sourcing strategies developed for key categories
Resourcing	▶ No dedicated resources to manage collaborative procurement	▶ There are some staff dedicated to collaborative procurement but sometimes distracted with other responsibilities	▶ Dedicated resources to manage collaborative procurement
Scale of Collaborative Procurement	▶ Limited spend sourced through procurement collaboration	▶ Engagement in collaborative procurement to some extent ▶ Less to Medium (<20%) portion of municipality spend through collaborative body	▶ Significant (>50%) portion of municipality spend through collaborative body and high collaborative purchasing spend
Benefit Management	▶ No benefit management framework in place for collaborative procurement	▶ Various benefits realized in terms of cost-savings, information sharing, efficiencies but benefit management	▶ Defined benefit management framework for collaborative procurement

Maturity Score	1	3	5
Assessment Dimension	Developing	Mature	Leading
		framework is not defined for collaborative procurement	▶ Established benefit targets for the collaborative procurement body ▶ Structured benefit sharing approach back to participating entities
Sustainable and Social Procurement Policies	▶ Sustainable procurement strategy not in place ▶ No specific policies, procedures or provisions targeted towards sustainable and social procurement	▶ Sustainable procurement strategy, policies and procedures are in place to some extent.	▶ Measures in place through clear strategy and action plan, policy, procedures, and training to enact sustainable and social procurement
Supplier Development	▶ No defined strategies and approaches to develop suppliers through collaborative procurement	▶ Some attributes of supplier development levers are utilized	▶ Structured supplier performance management to grow vendor capability ▶ Provisions in place to promote diverse suppliers including small as well as large suppliers and new suppliers ▶ Provision to promote local suppliers

Appendix C – Summary of Workshops

Workshop #1

Workshop #1 was conducted on July 13th. The overall objective was to share findings from the initial analysis and explore potential collaboration opportunities to be further investigated in the next step of the project. The workshop attendees provided inputs to key questions in an interactive manner using an online tool - Mentimeter. Extracts of the feedback to these activities are provided below.

Activity #1.1: What could be the pilot categories to consider for enhancing collaboration?

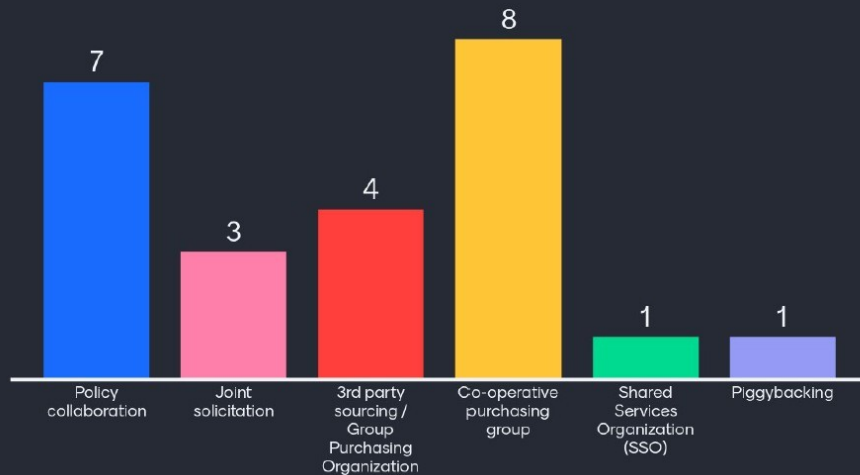


Comments:

- Labour-related services (e.g., engineering services and constructions) will be more difficult to collaborate compared to other categories. Suggest addressing labour related categories once the governance has been setup
- Other categories to be considered for collaboration:
 - Facilities management (e.g., janitorial services)
 - Personal Protective Equipment (PPE)
 - Maintenance, Repair and Operation (MRO) materials

Activity #1.2: What are your top three options of potential collaboration model?

Select your top three options of potential collaboration model



Comments:

- Policy collaboration is the key and foundational piece to successful collaboration
 - Policies will have to be standardized and aligned prior to setting up the collaboration mechanisms
- Shared Services Organization would be a less preferred option as it requires a significant amount of change management such as:
 - Governance structure
 - Changes to local policies and by-laws
- In addition, creating a new Shared Services Organizations may duplicate the scope and responsibilities of other existing SSOs to create additional “competition”

Activity #2: How do you measure the success of regional collaboration?

How do you measure success of the regional collaboration?



Comments:

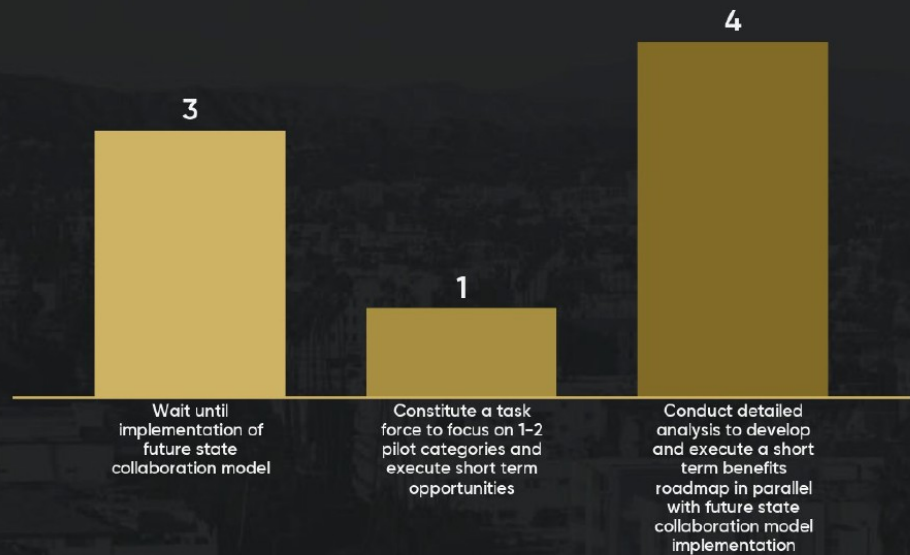
- Quality of services provided to business units will be a critical consideration factor; the new model shall ensure selection of quality suppliers to meet requirements and efficient procurement processes
- Ease of implementation will consider various factors such as:
 - Resourcing
 - Changes required to policies and by-laws
 - Level of change management required

Workshop #2

Workshop #2 was conducted on August 18th. The objective of this workshop was to share additional findings and discuss collaboration options and design principles. The participants provided feedback to two activities focussed on identifying steps to realize benefits in the short-term and determine long-term collaboration model design principles. Extracts from these activities are provided below:

Activity #1 – what can we do as next steps to realize benefits in the short term?

SELECT YOUR PREFERRED OPTION:

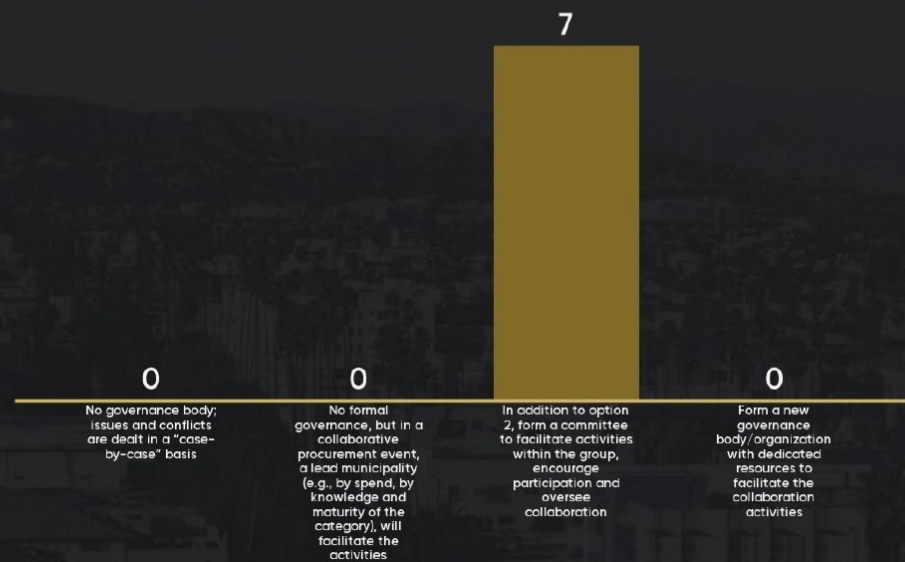


Activity #2 – what does a Co-operative Purchasing Group for GTHA look like?

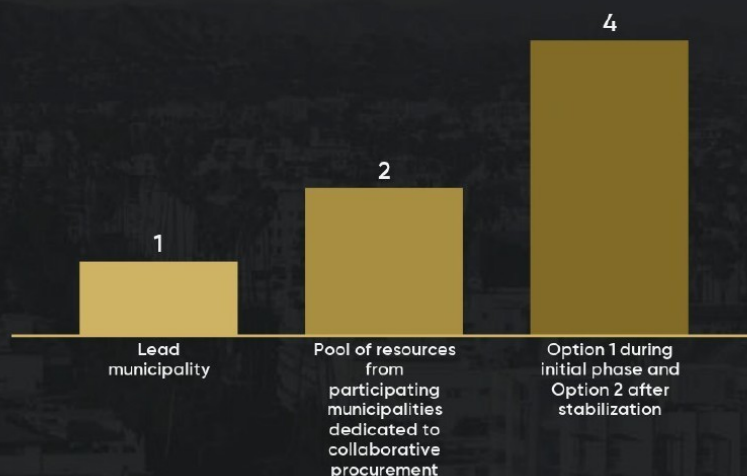
WHAT WILL BE THE SCOPE OF COLLABORATION?



WHAT WILL BE THE GOVERNANCE STRUCTURE?

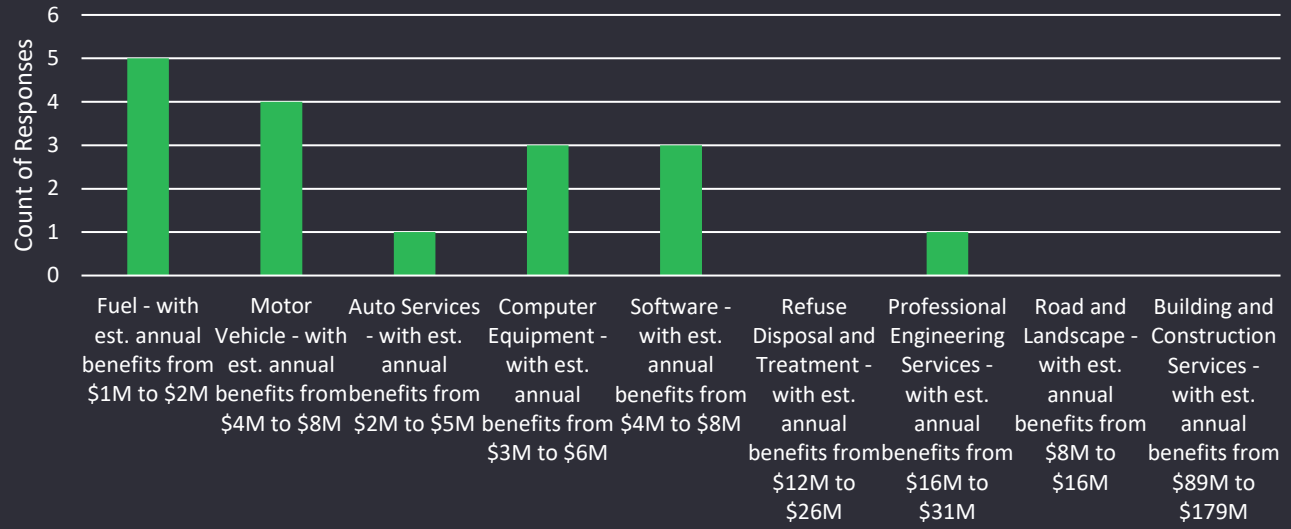


WHO WILL EXECUTE THE COLLABORATIVE PROCUREMENT ACTIVITIES?



After workshop #2, a survey was conducted to capture participants' preference and commitment to proceed with execution of select pilot categories. The table below summarizes the response to the survey identifying fuel, vehicles, computer equipment, and software as the potential categories to initiate collaboration in the immediate future.

Top 10 categories that participants are interested in and committed to launching execution shortly



Appendix D – Details of Options Analysis

The following table summarizes the numerical evaluation of various collaboration models.

Collaboration Model / Comparison Factor	Compliance with local policies	Size of Benefits and ability to achieve benefit target	Satisfaction of requirements and service level	Ease of implementation	Sustainable and social procurement	Influence on local Market	Weighted Average Overall Score
Weighting Factor	2.7	2.6	2.4	2.4	2	2	
Policy Collaboration	2	2	1	3	2	2	67%
Joint solicitation	3	2	1	3	2	2	73%
Cooperative Purchasing Group	2	3	2	2	3	3	82%
SSOs	1	3	2	1	3	3	70%