

Procurement Service Improvement

Report of Cabinet

Date:	16 October 2018
Agenda Item:	14 (i)
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Key Decision?	YES
Local Ward Members	All.



Council

1. Executive Summary

- 1.1 To approve updates to the Medium Term Financial Strategy in relation to the Procurement Service that were not part of the budget framework approved by Council on 20 February 2018.

2. Recommendations

- 2.1 To approve an update the Medium Term Financial Strategy based on the financial implications identified in the Cabinet Report (reproduced in the financial implications section) in relation to improvements to the Procurement Service.

3. Background

- 3.1 The existing relationship with Staffordshire County Council (SCC) is out of date, and the contractual terms are no longer being met. The support being offered is limited to larger (EU) procurement, and managers are left to self-serve on smaller value procurement exercises. The current contract anticipates that we would be required to spend £600 for the support provided to simple EU procurement exercises. We have around 36 contracts that are above the EU threshold, running on average for 4 years. Therefore, if nine contracts were to be retendered each year, this would cost a minimum of £5,400 per annum.
- 3.2 The contract review date is 30 September 2018, at which point it is proposed that there will be a requirement to redraft the arrangement and revise the terms to more effectively meet our needs.
- 3.3 Individual discussions with contract owners (managers) and a group workshop, provided a sense that procurement was felt as being an add-on. It was viewed as an activity that is not undertaken frequently and as such, there was often limited knowledge or time available to achieve the best outcome.
- 3.4 There was a clear demand for procurement expertise to provide advice, guidance and support, and contract owners felt this would bring significant benefit to procurement activities and outcomes, enabling better value for money from our contracts.
- 3.5 The information from this work, along with an analysis of procurement practices in other councils, were used to create an updated requirements specification. This introduced an advisory line, greater support, proactive analysis and reporting, an onsite presence, and access to templates and systems. This was tested with some contract owners internally and procurement a procurement expert from the Local Government Association (LGA).
- 3.6 An exercise was undertaken to consider the options available, including; continuing with the existing arrangement, recruiting a procurement officer, purchasing the services from another council or outsourcing the service to the private sector. It was felt that the resilience and relevant expertise offered through a service provided through another council would offer the best price and fit.

Appendix C

- 3.7 Discussions were held with several councils in the region which led to quotes being requested from two of them. A quote was received from Wolverhampton City Council with a cost of £56,490 per annum (£260,085 for a four and a half year agreement). It is proposed that a four and a half year agreement is entered as this will give time to develop and embed our procurement approach, however we will have an annual break clause should the arrangement need to be reconsidered.
- 3.8 This is equivalent to the likely costs of recruiting a salaried procurement expert, however the proposal provides greater resilience as we will have access to a large procurement team, while also providing access to existing systems and processes thereby removing the need for us to procure or develop these separately.
- 3.9 It should be noted that the procurement service in Wolverhampton is well considered across their peers in the region, and have been praised for their work in regards to social value and innovative procurement, work they can replicate for our council. In addition, as a unitary council, they procure all of the services that a district council would, making them more synergistic than a county council.
- 3.10 Wolverhampton City Council have also provided a one-off cost of up to £47,100 to support the improvement of current practices, supporting the work outlined earlier in this report, to increase skills, knowledge and expertise, while increasing compliance and reducing risk. This work has already begun using internal support, and a budget for further improvements and the first six months of the contract are identified within the fit for the future budget, hence the option of additional support is being considered.
- 3.11 A range of potential contract savings have already been identified through the review, and it believed that with improved support these could be achieved. It is anticipated that this arrangement would be self-funding as it would be set a realistic target to reduce procurement spend by 1% each year (equivalent to around £86,970). This is not an unrealistic achievement as some neighbouring authorities have already set and achieved this target.

Alternative Options

1. As explained in the report, an exercise was undertaken to consider the options available, including; continuing with the existing arrangement, recruiting a procurement officer, purchasing the services from another council or outsourcing the service to the private sector. It was felt, and can be evidenced, that the resilience and relevant expertise offered through a service provided through another council would offer the best price and fit.
2. Doing nothing was not an option as we were not fully compliant and are at risk of not ensuring best value in regards to procurement and contract management.

Consultation

Cabinet on 9 October 2018.

Financial Implications

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<u>Procurement Support</u>						
Ongoing Support	£34,125	£56,490	£56,490	£56,490	£56,490	£260,085
Sub Total	£34,125	£56,490	£56,490	£56,490	£56,490	£260,085
Inflationary Allowance @ 3% of ongoing support	£0	£1,690	£1,750	£1,800	£1,850	£7,090
Total Cost	£34,125	£58,180	£58,240	£58,290	£58,340	£267,175
<u>Existing Budgets</u>						
Procurement Support	£2,500	£5,000	£5,000	£5,000	£5,000	£22,500
Commercialisation and Transformation	£31,625	£0	£0	£0	£0	£0
Balance to be funded by Procurement Savings	£0	£53,180	£53,240	£53,290	£53,340	£244,675
Indicative 1% reduction in	£86,970	£86,970	£86,970	£86,970	£86,970	

Appendix C

	procurement spend	
Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> 1. Vibrant and prosperous economy – the work will ensure the council uses its money in the most effective way while providing opportunities for more local companies to be aware of the opportunities to work with the council and could enable more money to be spent in the Lichfield economy. 2. Healthy and safe communities – the inclusion of social value in to our procurement activities will enhance our communities through jobs, apprenticeships and other benefits. 	
Equality, Diversity and Human Rights Implications	There are no equality, diversity or human rights implications.	
Crime & Safety Issues	There will be no impact on our duty to prevent crime and disorder within the District (Section 17 of the Crime and Disorder Act, 1988).	
GDPR/Privacy Impact Assessment	Not relevant.	

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Savings not achieved	Monitoring procurement savings through procurement service and capture savings through reporting.	Yellow - Material
B	Legal action	Monitor compliance through active involvement in procurement processes and regular reporting	G Green - Tolerable
C	Fraud	Training to inform and prevent fraud, and the use of effective process and procedures, combined with regular proactive reporting to monitor spend and identify anomalies.	Green - Tolerable
D	Contract failure	Performance monitoring and contract management meetings in place to ensure delivery against agreed targets.	Green - Tolerable

Background documents
Report to Cabinet 4 September 2018

Relevant web links

<https://democracy.lichfielddc.gov.uk/documents/s4147/Item%206%20-%20Cabinet%20Report%20-%20Procurement%20Service%20Improvement%20v3.0.pdf>