

Report To: Cabinet

Date of Meeting: 12TH December 2012

Lead Member / Officer: Cllr Julian Thomson Hill / Paul Mcgrady

Report Author: Arwel Staples, Strategic Procurement Manager

Title: National Procurement Service (NPS)

1. What is the report about?

1.01 The business case is now complete for the creation of a National Procurement Service (NPS) and all public sector organisations in Wales have been invited to provide formal commitment to join the service. The deadline for indicating our commitment is 14th December 2012. (A copy of the letter and pro forma for completion is attached at Appendix 1).

2. What is the reason for making this report?

2.01 To seek Cabinet approval to join the proposed Welsh public sector National Procurement Service, with an initial 5 year commitment.

3. What are the Recommendations?

3.01 Cabinet are asked to support the NPS and Denbighshire's membership for a 5 year period subject to the conditions set out in 4.28.

4. Background

4.01 The 2010 review of procurement in the Welsh public sector "Buying Smarter in Tougher Times" recommended that for common repetitive spend, contracts should be established on a "Once for Wales" basis.

4.02 The Compact emphasised this commitment by confirming the development of a business case to establish a National Procurement Service (NPS).

4.03 The business case is now complete and all public sector organisations in Wales have been invited to provide formal commitment to join the service. (A copy of the letter and pro forma for completion is attached at Appendix 1).

4.2 Considerations

4.21 The proposed NPS will undertake procurement for between 20%-30% of the total spend across the public sector in Wales. The categories of

spend included are set out on Page 4 on the invitation letter at Appendix 1.

- 4.22 The level of spend covered by the NPS is estimated at £967 million, savings are estimated at £75 million over a 5 year period, with minimum savings for Local Government of £6million per annum. A copy of the Business Case Executive Summary is attached at Appendix 2 of the report.
- 4.23 The establishment of the service will require an investment of £2.4 million per annum to establish and resource the hosting organisation. Expressions of interest are currently being sought from across the public sector to host a new service.
- 4.24 Commitment to the service will be on the basis that the service will be centrally funded by Welsh Government until 2016/17 after which it's proposed that the funding of the service will switch to a self-funding supplier rebate model.
- 4.25 The NPS is intended to complement our local procurement capacity and allow that capacity to concentrate on non-standard spend "Denbighshire" specific contracts.
- 4.26 The North Wales Procurement Partnership which currently manages a range of regional procurement projects is currently being reviewed alongside a business case for an enhanced regional procurement service. In undertaking this review we need to ensure there are no overlapping procurement categories which impact the respective business cases.
- 4.27 In committing to the NPS there is an expectation to commit to using all the contracts established by the service. There will be an "opt out" mechanism, however this would only be by exception and need to be justified to the NPS board in advance of the tender process commencing.

5. How does the decision contribute to the Corporate Priorities?

- 5.1 It is difficult to identify specific Denbighshire efficiencies until the service is active. However, the business case has identified a minimum level of savings for Local Government of £6 million per annum. The level of savings will be dependent by the "buy in" into the service and the resultant scale of the procurement.

6. What will it cost and how will it affect other services?

- 6.1 There is no requirement for direct funding from the Authority, since Welsh Government and subsequently supplier rebates will fund the service. However, dependent on the location of the host organisation, there could be an increase in travel costs, if DCC officers are expected

to participate in specific User Groups for individual procurement projects.

- 6.2 It's anticipated that the creation of the NPS will require "buy in" from service departments that currently procure within the range of categories identified to be in scope of the NPS. This in turn may require officer participation in creating national contracts rather than procuring on a local or regional level.

7. What consultations have been carried out?

- 7.1 There has been a number of consultation events arranged nationally and regionally over the last 12 months in developing the NPS Business Case. This has included consultation at many levels including Chief Executives, Heads of Finance, Heads of Procurement, WLGA meetings.
- 7.2 On-going updates have also been presented to CET, SLT and Cabinet regarding the progress of the NPS internally over the last 12 months.

8. Chief Finance Officer Statement

The Council has seen recent examples of where better procurement has led to significant savings including school transport and most recently street lighting. The NPS, if well managed and with appropriate engagement from partners, offers scope to deliver further savings.

9. What risks are there and is there anything we can do to reduce them?

- 9.1 The main risks to the success of the NPS, is lack of engagement at officer level in complying with the contracts that are put in place. There will need to be strong governance from CET and SLT to ensure that unless it's justified, that procurement arrangements are supported and used.
- 9.2 As set out in the conditions to commitment above, the Authority will need to ensure that there is an appropriate exit strategy in place, if the use or continuation of using the NPS is not in the best interest of Denbighshire.

10. Power to make the Decision

Section 151 of the Local Government Act 1972 requires the Council to have proper processes in place for sound financial management.