

**Report To: Cabinet**

**Date of Meeting: 24<sup>th</sup> September 2013**

**Lead Member / Officer: Cllr Julian Thompson Hill / Paul Mcgrady**

**Report Author: Arwel Staples, Strategic Procurement Manager**

**Title: Procurement Transformation Update**

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**1. What is the report about?**

The purpose of this report is to update Cabinet on various procurement initiatives that are being undertaken as part of a wider Procurement Transformation Programme.

**2. What is the reason for making this report?**

To seek Cabinet approval to proceed with three Procurement projects that are outlined in this report.

**3. What are the Recommendations?**

3.1 To approve DCC becoming an official member of the Welsh Purchasing Consortium for the next 3 years up to 31<sup>st</sup> March 2016, with an annual contribution fee of £13,500

3.2 To develop a business case for the creation of a joint service by merging the Strategic Procurement Units of Denbighshire CC and Flintshire CC.

3.3 To develop a business case for the Three County Procurement Service involving initially Denbighshire CC, Flintshire CC and Gwynedd CC based upon a Category Management Structure

**4. Background**

There is a lot going on in procurement in Wales. Procurement is being seen as the solution to a number of issues – saving money by using larger contracts, supporting the local economy through using smaller contracts, increasing local control to benefit communities through using social benefits clauses, increasing central control through the creation of the National Procurement Service.

These competing demands are set against pressures such as a focus on reducing the 'back office' functions of organisations and a relatively small group of staff nationally. The following proposals are complementary and Appendix 6 attempts to show how they fit together.

This report attempts to steer members through the upcoming changes and how the Council should react to them. Key current initiatives are:

- The creation of a new National Procurement Service, which is due to be in place by November 2013 to address the 20% of the common and repetitive spend across the Welsh public sector
- The ending of the North Wales Procurement Partnership in June 2013 and potential replacement by joining the Welsh Purchasing Consortium
- Ensuring the Welsh Procurement Policy Statement launched by Jane Hutt AM, Minister for Finance & Leader of the House is incorporated, in order to promote SME friendly Procurement as well as realising Community Benefits
- Implementation and greater use of e-procurement solutions
- Incorporating the procurement actions arising from the DCC Economic and Community Ambition Strategy

It's anticipated the Council's new Procurement Strategy will be finalised in October 2013, since the current Strategy is out of date.

In order to incorporate and reflect the new procurement initiatives the current Contract Procedure Rules have also been reviewed and a draft set of CPR's are due to be distributed for consultation within Service Areas shortly. It's expected that the new CPR's will be presented to County Council for approval before Christmas.

A recent internal audit report on Procurement of Construction Services has highlighted a number of improvements required regarding the way construction procurement is undertaken. The progression of the projects within this report will address many of the issues highlighted within the Internal Audit report.

## **5. Welsh Purchasing Consortium (WPC)**

Following the recent closure of the North Wales Procurement Partnership (NWPP), a letter of invitation has been received from the WPC Management Board in conjunction with the WLGA inviting North Wales Councils to consider joining the WPC in order to create a Welsh Local Government Procurement Consortium involving all 22 Welsh Councils. (See Appendix 1)

The NWPP before it formally came to an end in June 2013 realised over its 5 year duration cashable efficiencies of £2.4m across the 6 North Wales Councils, hence the benefits arising from collaborative procurement has been well proven.

By joining the Welsh Purchasing Consortium, DCC would in effect be utilising a similar procurement solution but on a national rather than regional basis, but the cost implications of joining as an individual Council would involve an annual membership subscription of £13,500 in comparison to £44,000 with the NWPP. We would also undertake to lead on an agreed number of contracts.

This means that for example we would agree to deliver a set number of contracts of behalf of the members and in return would get access to all the other relevant contracts let by other members. The cashable and non-cashable benefits arising from the WPC membership are highlighted in Appendix 2.

The Head of Finance and Assets and the Strategic Procurement Manager have met with the WPC officers and board members and spoken separately to senior officers within other councils to gauge the effectiveness of the partnership.

The option of joining the Welsh Purchasing Consortium is currently being considered across the North Wales Councils.

The WLGA are also considering bringing the WPC within its governance framework to enable it to become an all Wales Local Government Procurement Service.

## **6. Merger of Denbighshire and Flintshire Strategic Procurement Units and the Three County Procurement Service**

Following a request by Chief Executives of the six North Wales authorities, the NWPP Management Board commissioned CAPITA to produce a Business Case on 'North Wales Regional Procurement', the business case was delivered in November 2012. Following consideration of the business case by the Chief Executives it was decided not to progress any further on the basis of six local Authorities.

However in order to progress Procurement Transformation on a sub-regional basis, two new individual projects have emerged out of the original Capita report. The two individual projects as detailed below and are both subject to a joint application for funding from Welsh Government Regional Collaboration Fund (See Appendix 5). Early indications are encouraging that the funding bid will be successful albeit on a reduced basis.

### **6.1 Merger of Denbighshire and Flintshire Corporate Procurement Units**

During the last eighteen months, the DCC Strategic Procurement Manager has also been undertaking a part-time management role in overseeing and developing the Corporate Procurement Unit in Flintshire CC. This has highlighted the benefits that could be derived from the creation of a merged joint Strategic procurement Unit. The benefits are highlighted in Appendix 4. A detailed final business case will be presented to Cabinet in October 2013.

### **6.2 Three County Procurement Service**

Denbighshire, Flintshire and Gwynedd have decided to establish a new project to develop both outline and detailed business cases on the basis of a 'Three County Procurement Service, based around joint Category Management for Denbighshire, Flintshire and Gwynedd Councils. Category Management is explained in Appendix 3. The initial output from this project will include developing outline and final business cases by December 2013 and April 2014 respectively.

The implementation of this project may have implications on officers who currently undertake procurement responsibilities within each service area since a new category management approach may mean a re-design of how operational procurement is undertaken across three Councils. A data gathering exercise will begin shortly to identify which current staff in the service areas has procurement

roles and responsibilities and to what extent does this transpose to a Full Time Equivalent (FTE) assessment.

## **7. How does the decision contribute to the Corporate Priorities?**

The approval of the recommendations within this report will provide the Council with the maximum opportunity to identify and realise the efficiency savings required through procurement to meet the extreme financial pressures over the next few years.

## **8. What will it cost and how will it affect other services?**

The financial implications of both projects highlighted in sections 6.1. and 6.2 of this report cannot be fully established at this stage, until WG funding decision has been obtained. However detailed Business Cases for both projects are in progress of being developed, and shall be presented for formal approval by Cabinet in October 2013 and April 2014 respectively.

The annual cost of joining the Welsh Purchasing Consortium would be £13,500

## **10. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

None

## **11. What consultations have been carried out with Scrutiny and others?**

Consultation has been undertaken with SLT, CET as well as Procurement staff within the Strategic Procurement Units in DCC and FCC.

## **12. Chief Finance Officer Statement**

The Council currently spends over £120 million per year procuring goods and services. It is essential that the Council procures these as efficiently as possible.

The above projects all have one thing in common – they are attempting to improve the capacity, capability and resilience of procurement in the region. Procurement is a specialist skill that is in short supply – both Flintshire and Gwynedd have vacancies at manager level, Anglesey has an interim manager. Other Councils are carrying vacancies at various levels. Denbighshire actually has about the largest procurement team in the region with 4 permanent members of staff. The creation of the NPS has also seen staff move out of local government and we may lose a member of staff. Within services there are lots of people making buying decisions and this is not controlled well enough. By undertaking these initiatives we should be able to use other organisations to undertake work on our behalf, get local access to a scarce specialism and improve the capability of a smaller number of department-based staff to make better decisions.

## **13. What risks are there and is there anything we can do to reduce them?**

All risks regarding the DCC / FCC Joint Service and the Three County Procurement Service will be highlighted within the respective detailed Business Cases.

The risks involved of joining the Welsh Purchasing Consortium is minimal, which include:

- Not realising efficiency savings to cover the cost of the membership fee.
- Joint liability against any general claims or liability arising from any tenders, contracts or employment

#### **14. Power to make the Decision**

With respect to joining the Welsh Purchasing Consortium, Contract Procedure Rules Section 7.1 states: *“Any membership of an official purchasing consortium shall be approved by Cabinet prior to the involvement by or on behalf of the Council”*.