

CABINET

Date of Meeting	Thursday, 23 rd February 2023
Report Subject	Joint Corporate Procurement Unit - Annual Report for 2021/22
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

The Council continues to operate a joint procurement service with Denbighshire County Council, with Denbighshire acting as the lead authority.

As part of the service level agreement, the joint procurement service produces a joint annual report on its regulated procurement activities.

This report is presented to Cabinet for the purposes of providing an annual update on procurement performance for 2021/22.

This report also provides Cabinet with an update on 'FastTrack', an initiative launched in 2021/22 which gives suppliers the option to be paid as soon as their invoice is authorised and ahead of their payment terms, in exchange for a small, pre-agreed rebate. The rebate is applied as the invoice is paid and is proportionate to how many days the payment is accelerated by. The Free Pay initiative also provides small businesses and suppliers with accelerated payments for free.

RECOMMENDATIONS

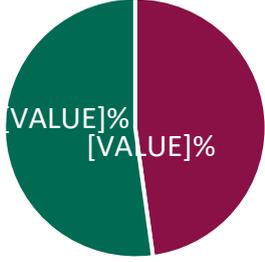
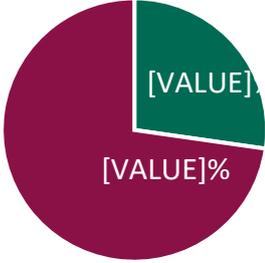
1	Cabinet is asked to consider and endorse the Procurement Annual Report for 2021/22.
2	Cabinet is asked to note progress with the FastTrack and Free Pay initiatives.

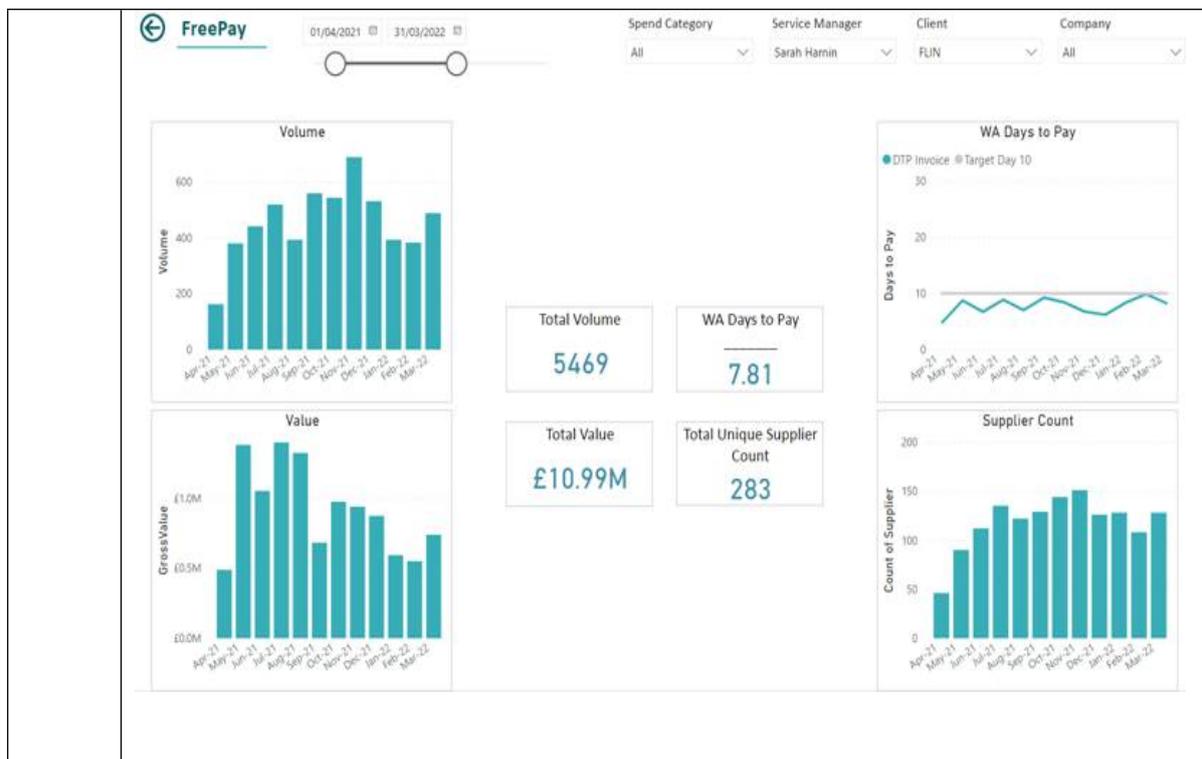
REPORT DETAILS

1.00	EXPLAINING THE PROCUREMENT ANNUAL REPORT FOR 2021/22 AND THE DEVELOPMENT OF ‘FAST TRACK’ AND ‘FREE PAY’
1.01	The Council entered a shared service arrangement in 2014 with Denbighshire County Council (“DCC”) for the delivery of procurement advice. DCC continues to be the lead authority and employs the specialist team who deliver the service on behalf of both Councils.
1.02	The shared service agreement also requires the service, led by DCC, to report annually on its performance and the Councils’ achievement of their aims in the Procurement Strategy. The executive report for 2021/22 is set out in Appendix 1 to this report.
1.03	The Joint Procurement service supports all services across both Councils equating to £165m of annual expenditure and primarily supports procurement activities for contracts and purchases of £20k and above, it does not support the low-level purchases below £20k.
1.04	<p>The Joint Procurement Unit continues to co-ordinate and support commissioning and procurement activities across the Council. It has a key role in:</p> <ul style="list-style-type: none"> • Promoting awareness and the need for compliance with legislation and the Council’s own contract procedure rules and financial regulations • Promoting awareness of the need to collaborate on procurement and commissioning across the two Councils • Providing assurance to Elected Members and management that the objectives in the Procurement Strategy are being met • Ensuring that the risks associated with commissioning and procurement activities are being identified and met • Ensuring that opportunities to drive through greater efficiencies and improvements are identified and implemented • To incorporate Social Value within our procurements, including making a positive commitment to addressing climate change and supporting the local economy.
1.05	<p>Considering the current extraordinary rate of inflation and market conditions Denbighshire & Flintshire Collaborative Procurement Service have recently sought approval, via the appropriate decision-making process, to suspend the current Contract Procedure Rules £10k threshold for one quote and increase this to £20k.</p> <p>The Constitution Committee have now approved this for any Goods, Services or Works up to £20k, and services now only need to seek a minimum of one quote if the purchase is based on price only, and quotes continue to be tracked by using the Quick Quotes functionality within the Proactis e-tendering portal. However, as good practice services are still encouraged to seek more than one quote when possible.</p>

	For any purchases up to £20k where services incorporate a quality assessment within a tender evaluation there is still a need to seek a minimum of four quotes.															
1.06	During 2021/22 the Joint Procurement Service supported service areas to compliantly award 45 FCC Contracts and 82 DCC Contracts, excluding the contracts awarded for school transport, all of which FCC & DCC Transport Department Award themselves following further competition from their Dynamic Purchasing System (DPS), which was established in 2017/18.															
1.07	Over three quarters of Flintshire contracts now include Social Value elements. This is a significant improvement on previous year's outturns of 58.8% for 19/20 and 47.2% for 18/19.															
1.08	The Procurement team continues to work closely with DCC's Community Benefits Hub and FCC's Social Value Development Officer to ensure full consideration is given to Community Benefits/Social Value at point of tender, and that these commitments become contractual requirements that the successful supplier must deliver against.															
1.09	<p>The joint procurement service continues to explore opportunities, wherever possible, to undertake collaborative procurements between DCC & FCC and during 2021-22 there were two collaborative procurements.</p> <p>This remains an area where improvements can be made as it is reported that 95% of the procurements undertaken in 2021/22 did not lend themselves to collaboration and where very specific to either DCC or FCC e.g. maintenance works in specific DCC/FCC schools.</p> <p>Those which did lend themselves to collaboration but did not progress collaboratively were all due to either the requirements of the two LA's not aligning or timing. As of end of March 2021 there were 4 actual collaborative procurements underway and another 12 identified as potential collaborations going into 2022/23.</p> <p>Where contracts could not be let collaboratively due to different expiry dates, procurement officers have asked the commissioning officers to set the length of contract so that it brings the expiry date into alignment with the other council.</p>															
1.10	<p>The SLA also requires the service to report annually on its key performance indicators and the tables below show performance for 2021/22 compared to previous year's performance.</p> <p><i>Outcome 1 - the Council achieves value for money from the goods, works and services it procures:</i></p> <table border="1"> <thead> <tr> <th>PI No</th> <th>DESCRIPTION</th> <th>18-19</th> <th>19-20</th> <th>21-22</th> </tr> </thead> <tbody> <tr> <td>CPS2</td> <td>Number of Procurement Challenges</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>CPS3</td> <td>% of contracts delivering anticipated savings</td> <td>17/38</td> <td>20/44</td> <td>21/45</td> </tr> </tbody> </table>	PI No	DESCRIPTION	18-19	19-20	21-22	CPS2	Number of Procurement Challenges	0%	0%	0%	CPS3	% of contracts delivering anticipated savings	17/38	20/44	21/45
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		44.7%	45.4%	46.7%	
	CPS 4 % of Procurements AWARDED collaboratively	6/38 15.8%	3/44 6.8%	2/25 8.0%	
	Outcome 2 - the Council improves the contribution its procurement activity has on the local economy:				
	PI No	DESCRIPTION	18-19	19-20	21-22
	CPS5	% of spend with suppliers based within Mersey Dee Alliance	33.8%	33.3%	31.0%
	CPS6	% of spend with suppliers based within Wales	49.3%	51.0%	53.2%
	CPS9	% of spend with suppliers based within Flintshire	25.7%	25.5%	24.6%
	CPS7b	% of Flintshire contracts between £25,000 and £1,000,000 containing Community Benefits	17/36 47.2%	20/34 58.8%	29/37 78.4%
1.11	<p>During 2021-22, the joint Procurement Team has also worked with colleagues in Flintshire to support and facilitate the ongoing rollout of the Fast Track early payment scheme into the tendering process. In conjunction with our external partners, Oxygen Finance, the Council's FastTrack programme went live for goods and services contracts in April 2021, and construction contracts in August 2021. Implementation provided the opportunity to review and upgrade our payment processes whilst strengthening our relationships with suppliers and providing an opportunity for them to improve cash flow.</p>				
1.12	<p>FastTrack gives suppliers the option to be paid as soon as their invoice is authorised and ahead of their payment terms, in exchange for a small, pre-agreed rebate. The rebate is applied as the invoice is paid and is proportionate to how many days the payment is accelerated by. Payment is targeted at day 10 as standard; the Council's standard payment terms are 30 days from receipt of a valid invoice for goods and services contracts and 28 days from receipt of a valid invoice for construction and works contracts.</p>				
1.13	<p>Not all spend is within the scope of the FastTrack programme and contracts must be assessed for their eligibility. Direct payments, (such as those for foster carers and carers), personal care and some other projects whose payment terms differ from the Council's standard are excluded from the scope of FastTrack.</p>				
1.14	<p>46 contract awards were logged in total during the period of 2021/22. Of these awards, FastTrack was offered to 22 suppliers</p>				

	<p style="text-align: center;">Total Awards 21/22</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: left;"> <ul style="list-style-type: none"> ■ FT included ■ FT not included </div>  </div> <p>Of the 22 suppliers who were offered the opportunity to sign up to FastTrack, 6 indicated they wished to participate in the programme. Rebateable spend totalled circa £1.4 million.</p> <div style="text-align: center; margin-top: 20px;"> <p>FastTrack Included</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: left;"> <ul style="list-style-type: none"> ■ Accepted ■ Declined </div>  </div> </div> <p>Of the £1.4 rebateable spend, the Council has generated a rebate of £14.6k</p>
1.15	<p>To support small, local businesses the Council and Oxygen Finance also operate Free Pay. Businesses which meet the criteria below are automatically enrolled and receive accelerated payments for free (i.e. without paying the rebate). The criteria to qualify are:</p> <ul style="list-style-type: none"> • an annual turnover below £650,000 and • fewer than 20 employees; and • a registered head office within Flintshire
1.16	<p>Overall during 2021/22 as part of Free Pay the Council paid</p> <ul style="list-style-type: none"> • 5,469 invoices across • 283 individual suppliers • to a total value of £11m • in an average of 7.81 days



2.00 RESOURCE IMPLICATIONS	
2.01	The service level agreement states that the Council's will split the running costs based on their share of the combined overall spend of both Councils and historically Flintshire has made a 55% contribution towards the overall running costs.
2.02	Spend inevitably varies from year to year but a recent analysis of the past four years of workloads indicates the need to now adopt a different split in favour of Flintshire. From 2023/24, there will be a revised 50:50 split on running costs. In other words, there is a 5% reduction in our funding contribution which will result in an efficiency saving of £9k for our Council.
2.03	The Collaborative Procurement Service is currently made up of: 1.0 full time equivalent Team Leader Post; 4.8 full time equivalent Procurement Business Partners; 1.0 full time equivalent Procurement Officer; 1.0 full time equivalent Systems Officer & Data Analyst.

3.00 IMPACT ASSESSMENT AND RISK MANAGEMENT	
3.01	Effective procurement involves having adequate numbers of appropriately qualified staff and appropriate organisational structures and policies to manage and govern procurement activity.
3.02	The immediate challenge is the practical resourcing of procurement activity in Councils and there is an ongoing issue with a shortage of skilled capacity, particularly at a high level. Recruitment at all levels of Procurement remains a risk for public sector organisations and during 2021/22 the joint Procurement service have experienced a number of

	<p>staffing and recruitment challenges, in particular the in-ability to recruit to the Strategic Procurement Managers post which has been vacant since Q3 in 2020, despite several recruitment campaigns. However, the service has recruited a Team Leader Post and were able to appoint an existing member of the service to this post, as well as recruiting a replacement System's Officer and Data Analyst externally.</p>
3.03	<p>Looking ahead there are significant legislative and procedural changes on the horizon for public sector procurement.</p> <p>The Transforming Public Procurement programme aims to improve the way public procurement is regulated to:</p> <ul style="list-style-type: none"> • Create a simpler and more flexible, commercial system that better meets the UK and Welsh needs while remaining compliant with international obligations. • Open-up public procurement to new entrants such as small businesses and social enterprises so that they can compete for more public contracts <p>The Procurement Bill, which will reform the existing Procurement Rules has now been introduced in the UK Parliament. The UK Government have indicated that the Procurement Bill is unlikely to be implemented before late 2023 at the very earliest. However, it should be noted that this may be subject to change. Secondary legislation, which includes legislation that is relevant to the proposed transparency regime, is also currently being developed by the Welsh Government. It is the intention of WG to engage with stakeholders on the draft legislation prior to its introduction to the Senedd.</p> <p>Further changes to procurement systems may be required. The Welsh Government will be taking these aspects forward and further detail on required changes to systems will be provided in due course.</p>
3.04	<p>It is envisaged that any additional resource obligations arising from the changes will be largely mitigated by the enhanced automation of procurement systems and platforms. Welsh Government is working to develop its own platforms and is working closely with UKG to ensure that any resource impacts from the Bill are minimised as far as possible.</p>
3.05	<p>Other challenges and priorities ahead include:</p> <ul style="list-style-type: none"> • Decarbonisation through procurement will be a key area of focus for the team, and a carbon reduction post is to be created to help commissioning officers prepare specifications that will reduce carbon. • Launch of a new Procurement Strategy 2023 – 2028 linked to the changes to procurement bill. • The revision of Contract Procedure Rules (CPRs) once the new Procurement Rules have been introduced.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
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4.01	The report for 2021/22 has been considered by the Procurement Joint Management Board which continues to meet on a quarterly basis and receives quarterly data and performance management information.
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5.00	APPENDICES
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5.01	Appendix 1 – Joint Corporate Procurement Unit Annual Report for 2021/22.
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	None.
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7.00	CONTACT OFFICER DETAILS
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7.01	<p>Contact Officers: David Barnes, Revenues & Procurement Manager Lisa McQuaide, Project Manager</p> <p>Telephone: 01352 703652 01352 702357</p> <p>E-mail: david.barnes@flintshire.gov.uk lisa.mcquaide@flintshire.gov.uk</p>
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8.00	GLOSSARY OF TERMS
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8.01	Key Performance Indicator - a type of performance measurement used to evaluate the success of an organisation or of a particular activity in which it engages.
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