

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 SEPTEMBER 2013**

REPORT BY: **HEAD OF ICT AND CUSTOMER SERVICES**

SUBJECT: **PROCUREMENT STRATEGY UPDATE**

1.00 PURPOSE OF REPORT

- 1.01 To provide an update to Cabinet in relation to local, regional and national procurement initiatives.
- 1.02 To gain Cabinet approval for Flintshire to become a member of the Welsh Procurement Consortium

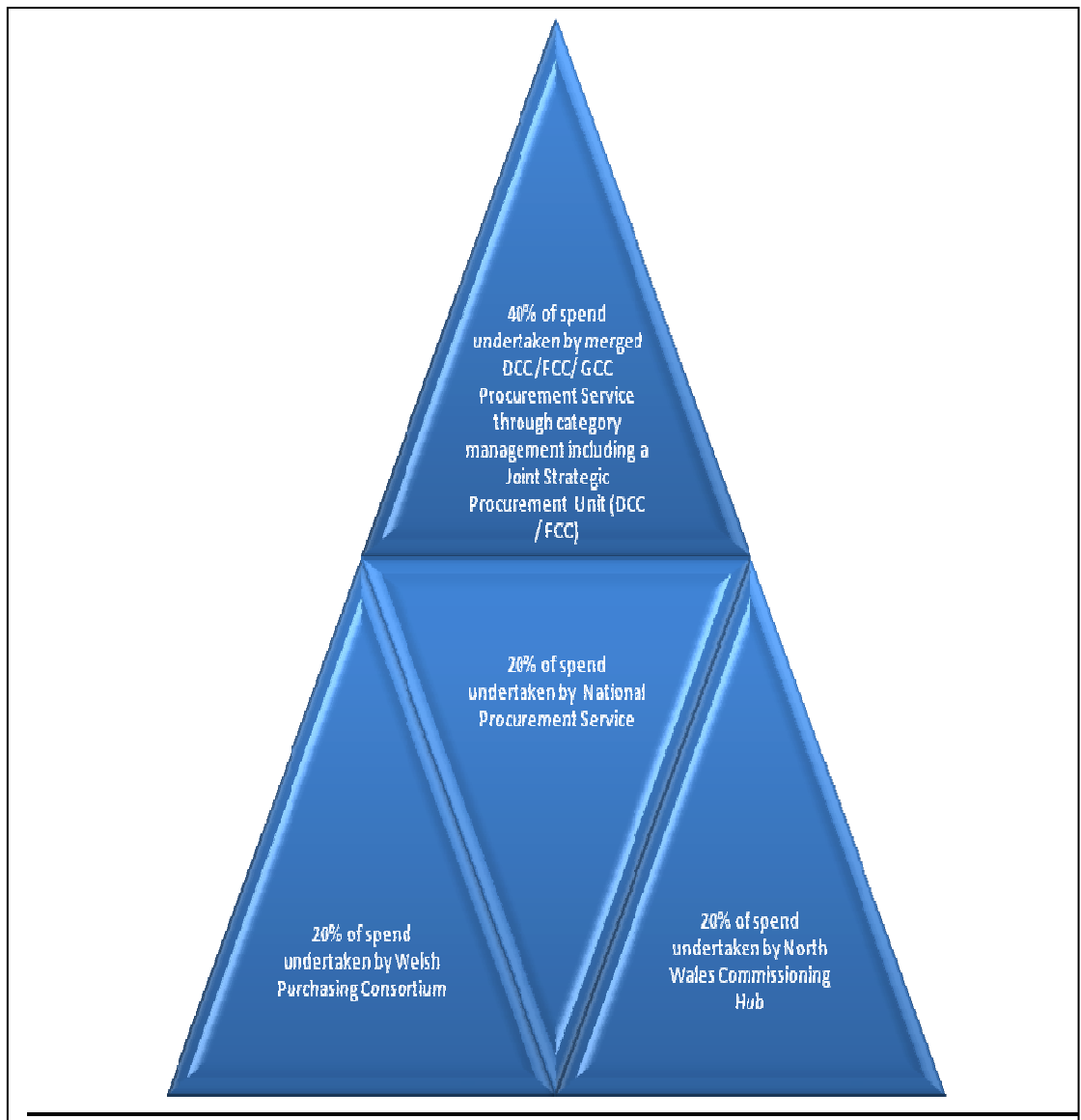
2.00 BACKGROUND

- 2.01 Procurement and commissioning of goods and services accounts for approximately 50% of out total spend, in 2012/13 this was £154 million.
- 2.02 Procurement is a major work stream within the Flintshire Futures programme with the major focus being to simplify, standardise and automate procurement activities, improve procurement professional practice and where appropriate aggregate spend with other public sector organisations to achieve savings.
- 2.03 There is a considerable focus on procurement at a national level by the Welsh Government with high expectations for large savings across the Welsh Public Sector. A recent policy statement from the Finance Minister reinforced this and the Welsh Government will shortly be undertaking Procurement Health Checks across the public sector to ensure our arrangements align with the policy statement.

3.00 CONSIDERATIONS

- 3.01 We have made significant progress locally over the past few years in simplifying and standardising procurement processes and introducing modern e-procurement systems to automate procurement activities.
- 3.02 We have seen savings of £2 million per annum achieved from improved procurement practice and spend control systems. We are confident that this level of savings can be increased going forward and will be a key contributor to addressing our projected Medium Term Financial Plan deficit.

- 3.03 To support standardisation, use of the new e-procurement systems, improved procurement practice and spend control a new set of Contract Procedure Rules have been developed and approved by County Council earlier this month.
- 3.04 At a regional level the North Wales Procurement Partnership (NWPP) has now been dissolved. Staff from the partnership have been transferred to North Wales councils and management arrangements established for all residual contracts. Following the dissolution a letter was received inviting us to become a member of the Welsh Procurement Consortium (WPC). The letter was sent by the WPC Management Board with the support of the WLGA.
- 3.05 During its 5 years of operation the NWPP realised £2.4 million of savings across the 6 North Wales Councils, proving that there are benefits from collaborative procurement. By accepting the invitation to join the WPC we would in effect be utilising a similar procurement arrangement to the NWPP but on a national rather than regional level. The membership fee for the WPC is £13,500 per annum, compared to £62,000 for the NWPP. Attached at **Appendix 1** is a document setting out the scope of the WPC and the benefits current members have gained since its formal establishment in 2009. Other North Wales Councils are currently considering WPC membership.
- 3.06 Flintshire have already committed to be a member of the new Welsh National Procurement Service (NPS) and obviously we would want to avoid duplication with the WPC activities. The NPS accounts for only 20% of our procurement spend, the WPC have recognised this and will be focussing on categories of spend not covered by the NPS.
- 3.07 The diagram below shows the new developing model for procurement going forward. If we fully utilise the NPS, WPC and the North Wales Social Care Commissioning Hub that still leaves a considerable level of procurement activity to be undertaken at a local or regional level.



- 3.08 A bid supported by the North Wales Regional Leadership Board has been submitted to the Welsh Government Regional Collaboration Fund to establish sub regional procurement arrangements to firstly merge the Flintshire and Denbighshire procurement functions building on the joint management arrangements that have now been in place for the past 18 months, and secondly with Gwynedd to consider the introduction of category management arrangements across the 3 Councils.
- 3.09 We are still awaiting the final outcome of the funding bid and when this is confirmed a further report and business case will be brought to Cabinet regarding both projects.
- 3.10 The potential for the merger of the Flintshire and Denbighshire Procurement Units has been under consideration for some time. During the last 18 months, management support for the Flintshire Corporate Procurement Unit has been provided on a part time basis by the Denbighshire Strategic Procurement Manager. During this period, it has become increasingly apparent that there is

not only a common procurement agenda but also a clear duplication of effort across various procurement initiatives and activities within both councils.

- 3.11 There are clear opportunities to leverage the current level of procurement resource by joining together the FCC & DCC Procurement Units, since both Councils still have a limited procurement resource and capability. The procurement capacity and capability issue seems to be a general and common issue across Local Government in Wales, it was highlighted in the recent McClelland Review undertaken for the Welsh Government, that there is currently up to 50% procurement capacity shortage in Local Government in Wales.
- 3.12 In order to continue and build on the procurement progress already made it is proposed subject to the full business case to take further formal steps and to merge both Corporate Procurement Units. The model of a collaborative procurement service with Denbighshire would demonstrate a clear commitment to increased collaborative working.
- 3.13 A new Operating Model and structure for the combined unit is currently being developed with a target date for implementation being early 2014 subject to business case and formal approval. During this period full consultation will take place with staff in both councils.
- 3.14 It is anticipated that the new outline Operating Model will include the following functions:
- Category Management
 - Contract Management and Supplier Relationship Management
 - Procurement Policy
 - E-Procurement
 - Contract Solicitor Support

3.15 **Benefits of a Joint Procurement Unit**

The new joint service of a combined Strategic Procurement Unit working across both councils would derive the following benefits:

- To leverage the current level of limited procurement resource capacity across both councils
- To reduce the duplication of effort across various procurement projects and initiatives, where staff in both councils undertake similar tasks
- To maximise the cashable efficiencies through economies of scale by greater collaboration across a combined total spend of £270 million
- To introduce a Category Management structure by ensuring officers are focused on individual category areas with specific savings targets allocated. This would be a pilot and proof on concept to the proposed Three County Procurement Service
- To ensure a greater cohesive approach in the implementation and management of the common e-procurement solution, which will have benefits of not duplicating implementation effort and also sharing system support helpdesk facility

- To implement more robust contract management especially across strategic critical contracts
 - To ensure greater focussed capacity can be allocated in ensuring procurement policy is integrated within all procurement projects, especially around delivery of community benefits and supporting SME friendly procurement initiatives.
- 3.16 The Three County Project which currently includes Flintshire, Denbighshire and Gwynedd is developing proposals for the introduction of category management within North Wales.
- 3.17 Category Management is a structured way of organising and managing procurement activities and resources by grouping together related supplies and services across the council and mapping them to their relevant supply market. We believe that although category management will deliver benefits across Flintshire and Denbighshire there are greater benefits to be gained applying category management on a regional or sub-regional level.
- 3.18 Category Management can radically improve professional procurement practice and deliver major efficiencies if implemented correctly and resourced appropriately. The principle is for a defined category of spend to be allocated to a category manager with an associated savings target. It requires organisational discipline and compliance to maximise savings and ensure compliance with CPR's and procurement legislation.
- 3.19 The Three County Procurement project is based on regional category management and the business case is unlikely to be completed until April 2014 so learning from any Flintshire Denbighshire arrangements implemented prior to this could be valuable.

4.00 RECOMMENDATIONS

- 4.01 Cabinet approve membership of the WPC and for officers to provide regular reports regarding the consortium activities and savings achieved.
- 4.02 Cabinet to support in principle the merger of the Flintshire and Denbighshire Procurement Units subject to agreeing final business case and detailed arrangements which will be subject to a separate report to cabinet.
- 4.03 Cabinet to support the further development of the 3 County Procurement Service initially involving Flintshire, Denbighshire and Gwynedd based upon a category management structure subject to a final business case which will be subject to a separate report to cabinet.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The annual subscription to the WPC is £13,500 and will be funded from the budget provision for the transitional NWPP arrangements. Based on total savings to date from the WPC work programme the average cashable savings per Council is £185,000 per year.

5.02 The full financial implications of the Flintshire/Denbighshire merger and 3 County projects will be detailed in the business cases which will be reported separately.

6.00 ANTI POVERTY IMPACT

6.01 None directly related to this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly related to this report.

8.00 EQUALITIES IMPACT

8.01 None directly related to this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly related to WPC membership, full personnel implications of the Flintshire/Denbighshire merger and 3 County project will be reported as part of the final business cases.

10.00 CONSULTATION REQUIRED

10.01 None at this time.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Appendix 1 – Benefits of WPC Membership

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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