

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 13 MAY 2014**

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

SUBJECT: **MERGER OF FLINTSHIRE AND DENBIGHSHIRE
CORPORATE PROCUREMENT UNITS**

1.00 **PURPOSE OF REPORT**

1.01 For Cabinet to consider and agree the final business case for the merger of the Flintshire and Denbighshire Corporate Procurement Units (CPU).

2.00 **BACKGROUND**

2.01 At its meeting on 17th September 2013, Cabinet agreed to support the merger of the two CPUs subject to a final business case and detailed arrangements for the merger being agreed.

3.00 **CONSIDERATIONS**

3.01 Since September 2013, a considerable amount of work has been undertaken in agreeing the final business case for the merger. There have been workshops with both procurement teams and HR, IT and Finance representatives from both Councils.

3.02 The business case attached at Appendix 1 has been agreed by the project board and will be considered by Cabinets of both Councils this month.

3.03 The proposals build on the arrangements already in place for management support of the Flintshire CPU which has been provided for the past 2 years by the Denbighshire Strategic Procurement Manager. This approach has been successful in terms of moving the Flintshire procurement function forward and increasing its profile within the Council. It has also been extremely cost effective for Flintshire as the management support over the 2 years has cost £30,000, whereas a full time dedicated Flintshire Manager would have cost approximately £110,000 over the same period.

3.04 The increased profile and importance of procurement particularly as part of both Councils' change and efficiency programmes means the current joint management arrangements cannot be sustained due to

the increased call on the Denbighshire Strategic Procurement Manager in both Councils which is creating major capacity issues. If the merger did not proceed there would be a significant additional cost for Flintshire in terms of management support.

3.05 A proposed new Operating Model and structure for the combined unit has been designed which is attached at Appendix 4 of the Business Case. It is not intended to increase the headcount across the current 2 units but by creating a single team we will reduce duplication and increase productivity, developing specialist category and policy roles which is not possible currently due to the small size of the 2 individual units.

3.06 Other benefits from the merger will include enabling us:-

- 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 over £220 million.
- To introduce a Category Management structure by ensuring officers are focused on individual category areas with specific savings targets allocated.
- 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 potentially sharing system support and helpdesk facilities in the future.
- 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.

3.07 It is proposed that the new Joint Corporate Procurement Unit (JCPU) will be hosted by Denbighshire and the current Flintshire procurement team will transfer over and be employed by Denbighshire. The staff implications have been fully considered, HR advice has been given and full consultation has taken place with employees and trade unions. A recent meeting held between HR staff from both Councils considered the need to apply TUPE provisions, DCC are to confirm following discussions locally with the Trade Unions. The team fully support the proposals and see development opportunities for both the service and themselves professionally and career wise.

- 3.08 The new JCPU will be overseen by a Joint Management Board with equal senior management representation from both Councils. The service will be provided to Flintshire under a robust SLA to ensure service and organisational needs and expectations are met. It is proposed that the costs of the JCPU are split on a 55% Flintshire and 45% Denbighshire basis reflecting the level of individual Council procurement spend, this split will be kept under review.
- 3.09 It is proposed that there will be team members located both in Flintshire and Denbighshire offices, so ensuring direct support and availability for services. A business Partner Approach will be adopted with individual member of the JCPU allocated to services; this approach has not been possible to date due to the size of the existing teams.
- 3.10 The business case includes ambitious efficiency targets arising from the new operating model and the introduction of category management. These savings targets, £2 million for Flintshire, are detailed in Appendix 2. There may need to be some adjustment to the targets to take account of agreed procurement savings as part of our current Medium Term Financial Plan. However it is recognised that further efficiencies are needed for future years and procurement spend will need further reductions to achieve these.
- 3.11 The operating model and structure have been designed to minimise additional costs to both Councils and do not recommend an increase in headcount. The harmonisation of salaries between Denbighshire and Flintshire staff will result in a small increase in costs for Flintshire as Denbighshire procurement officers are currently higher paid. The grades for the Flintshire procurement team under the Single Status agreement are based on 2009 job descriptions which do not reflect the full range of duties which they now undertake. All members of the team will be in a pay protection situation, maintenance submissions have been submitted by team members, which could result in increased pay costs.

4.00 RECOMMENDATIONS

- 4.01 Cabinet endorse the final business case for the merger of the Flintshire and Denbighshire procurement teams into a single JCPU.
- 4.02 Cabinet agree to the JCPU being hosted by Denbighshire County Council.
- 4.03 The development and agreement of the SLA for the service be delegated to appropriate officers (Head of ICT & Customer Services, Head of Legal and Democratic Services and Head of Finance) in consultation with the Cabinet Member for Corporate Management.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The additional costs over the existing base budget in Year 1 will be £31,575 this includes one off IT costs relating to the merger, In year 2 and future years; the on-going budget increase will be £26,836. These additional costs can be met from the residual North Wales Procurement Partnership subscription budget.
- 5.02 To recruit a full time Procurement Manager would cost approximately £55,000 per annum, £40,000 more than we pay for the existing joint arrangements which cannot be sustained on the current shared management basis.

6.00 ANTI POVERTY IMPACT

- 6.01 None directly from this report

7.00 ENVIRONMENTAL IMPACT

- 7.01 None directly from this report

8.00 EQUALITIES IMPACT

- 8.01 None directly from this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 As detailed in 3.07 above and the attached business case.

10.00 CONSULTATION REQUIRED

- 10.01 Full consultation will continue with the procurement team and trade unions up to implementation of the new joint arrangements.

11.00 CONSULTATION UNDERTAKEN

- 11.01 Full involvement of procurement team members in developing operating model, structures and business case has taken place.

12.00 APPENDICES

- 12.01 Appendix 1 – Merger of DCC and FCC Corporate Procurement Units Business case version 2.5

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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