



# **Denbighshire County Council and Flintshire County Council**

## **Merger of DCC and FCC Corporate Procurement Units**

### **Business Case**

### **Version 2.5**

**17<sup>th</sup> April 2014**

<b>CONTENTS</b>	<b>Page No</b>
1. Executive Summary	3 – 5
2. Introduction	6 – 7
3. Current Situation and Context	7 – 12
4. Need for Change	12 – 14
5. Vision	14 – 15
6. Procurement Development Model	15 – 16
7. Operating Model Options Appraisal	16 – 22
8. Conclusions and Recommendations	22
9. JCPU – Commercial and Financial Case	23 – 30
10. Human Resources and Staff Implications	30 – 31
11. Project Management Case	31 – 33
12. Risk Management	33 – 34
13. Next Steps	34 - 36

## APPENDICES

Appendix 1 – Total Procurement Spend and Savings

Appendix 2 - Total Cashable and Influencable Spend & Savings  
(Revenue Budget)

Appendix 3 – DCC Current CPU Structure

Appendix 4 – FCC Current CPU Structure

Appendix 5 – DCC New JCPU Structure

Appendix 6 - JCPU Allocation of Merger Costs

Appendix 7 – Risk Register

## 1. **EXECUTIVE SUMMARY**

- 1.1 Both Denbighshire and Flintshire Councils face a significant challenge of delivering services for less money. The acceptance of this reality is demonstrated in the nature of the collaboration for which both Councils are currently planning. In a time of unprecedented financial pressures set against high customer expectations, working together is becoming a significantly more important option to be considered as part of the solution.
- 1.2 Following on from an existing arrangement whereby DCC Strategic Procurement Manager has been managing on a temporary basis the FCC Corporate Procurement Unit for the last two years, both Councils wanted to explore the option of formalising this on-going arrangement by exploring the benefits of merging both Corporate Procurement Units.
- 1.3 There is an acceptance that there is a need to “modernise” and further develop procurement improvements across both the Councils. The proposed new target operating model within this business case, will aim to create increased resource capacity in order to provide a more focussed approach to procurement delivery that will allow further improvements to be made.
- 1.4 A project board and working group was established and this is the business case for Denbighshire County Council (DCC) and Flintshire County Council (FCC) to collaborate and form a Joint Corporate Procurement Unit (JCPU).
- 1.5 It is proposed that the JCPU will be hosted by DCC and that current Flintshire Corporate Procurement Unit staff will transfer over and be employed by DCC, to form an expanded JCPU consisting of 10 staff. The staffing implications have been considered fully and a full consultation process has been and will continue to be undertaken with affected staff and the trade unions.
- 1.6 Although DCC will be the host and employing authority, the JCPU will be governed equally through a Joint Management Board. The Management Board will have the appropriate senior officer representation from both Councils.
- 1.7 The primary objectives of the newly formed JCPU will be to:
- 1.7.1 **Efficiency**
- Achieve economies of scale through maximising and leveraging procurement volumes across the two participating authorities to realise savings and improved value for money

- Positively contribute to delivering efficiency improvements through procurement of excellent and cost effective services
- Modernise procurement processes and systems to develop a standardised approach and a better customer experience

### 1.7.2 Capacity

- Provide greater capacity and introduce the concept at a high level of category management capability across the procurement spend
- Provide greater resilience in terms of capacity and staffing structure and ensure duplication of effort is minimised
- Improve recruitment and retention of qualified procurement staff

### 1.7.3 Markets

- Maximise supplier relationships (getting the best from suppliers, where possible, local suppliers and SME's in particular)
- Increase competition and innovation

1.8 Smarter procurement is an important contributor to the wider success of each authority's individual efficiency programme and this proposal through collaboration will secure cash savings on purchasing costs, with further process and resource efficiency savings as well as providing resilience in terms of increased capacity and staff retention.

1.9 In addition there will be other benefits: streamlining policies and procedures which will generate further efficiency gains; developing and stimulating local markets; developing and ensuring procurement supports wider corporate objectives such as sustainability and economic development.

1.9 A new procurement approach will be introduced, by implementing a "Procurement Business Partner" concept. This will ensure that each Service Area will be allocated dedicated procurement support, in order to deliver continuity of expertise, allow procurement staff to have a greater understanding of individual service needs, the supplier markets and providing the required commercial support.

1.10 As part of the new approach a more holistic view of spend areas will also be undertaken through the introduction of category management principles. A category management approach will ensure improved internal collaboration across category areas as well as providing opportunities for collaboration across DCC and FCC. This new way of working will be looking for opportunities arising from a variety of techniques including aggregation, removal of duplication, standardisation of specifications or streamlining processes.

- 1.11 Under the new joint service, it's proposed that FCC will "buy in" the procurement service from DCC, with a robust Service Level Agreement, being in place in order to ensure service expectations are managed and that adequate governance arrangements are put in place. This will be delivered and managed through the creation of a Joint Management Board.
- 1.12 The creation of the new JCPU will result in some additional costs for increased capacity with the retention of two temporary Senior Procurement Officer positions as well as a salary grade harmonisation exercise relating to transferred staff from FCC. The annual costs for the operation of the JCPU in year 1 are estimated as £351,977, against current joint budget for the 2 separate units of £323,399. The total additional operating cost for the new JCPU over and above the current core budgets will be £ 28,578 in year 1 rising to £47,192 in year 5 of the operation taking account of annual pay increments but does not include inflationary salary increases. (See Appendix 6). There will one off ICT costs in year 1 estimated at £15,000
- 1.13 It is proposed that the costs of the JCPU be split on a 55% FCC to 45% DCC based on current procurement spend. In terms of affordability in Year 1 DCC will contribute a maximum additional amount over and above existing budgets of £12,002 to cover the merger costs and the costs of the combined unit and FCC will contribute £31,575.
- 1.14 The alternative to the creation of the JCPU would be for Denbighshire and Flintshire individually to increase their own procurement capacity to the same level as the proposed JCPU staffing structure. This option would cost both individual Councils in the region of £170,000 each. However, if both Councils continue to operate as individual procurement functions, there would be no benefit from aggregated spend and / or volumes therefore each council on its own would be less likely to achieve significant savings.
- 1.15 The implementation of the new JCPU, the introduction of category management as well as implementing a Procurement Business Partner approach is likely to unlock additional opportunities for cashable and process efficiencies. It's estimated that the new service has the potential to deliver additional total procurement savings of £2.9m for DCC and £3.6m for FCC (See Appendix 1). However a more prudent estimate of revenue budget savings opportunities would be of circa £1.0m (DCC) and £2.0m (FCC). (See Appendix 2)
- 1.15 Initial consultation with staff commenced in October 2013, with the JCPU implementation scheduled for July 2014.

## **2.0 INTRODUCTION**

- 2.1 There are significant financial challenges facing the wider public sector, and a number of collaborative procurement arrangements between Denbighshire County Council (DCC) and Flintshire County Council (FCC) already exist to deliver efficiencies. These include joint working in relation to various framework agreements e.g. 21<sup>st</sup> Century Schools, Street Lighting Materials and Temporary Agency staff. At a more strategic level the DCC Strategic Procurement Manager has for the last two years been providing procurement management support to FCC Corporate Procurement Unit on a part-time basis.
- 2.2 There have been numerous examples of collaborative procurement initiatives being developed, such as the North Wales Procurement Partnership which came to an end in 2013 and the newly created National Procurement Service developed by Welsh Government to procure “once for Wales” in respect of common and repetitive spend.
- 2.3 This business case sets out the case for establishing a new Joint Corporate Procurement Unit (JCPU), which would formalise the existing arrangements of collaboration across both Corporate Procurement Units in DCC and FCC by establishing a Joint Corporate Procurement Unit team.
- 2.4 In both Councils there is recognition that procurement needs transforming and offers huge potential to deliver efficiencies, both in terms of process and levels of spend. This is reflected in the corporate plans of both Councils where procurement transformation is seen as a key priority;-
- Denbighshire Corporate Plan 2012-2017 priority : Modernising the Council to deliver efficiencies and improve services for our customers
  - Flintshire Improvement Plan 2012-2017 priority : Modern and Efficient Council, sub-priority Procurement Strategy
- 2.5 This business case sets out the significant opportunities available to both Councils to drive improvements, share the best procurement practice from both organisations, increase capacity and develop a more resilient resource model, and jointly leverage spend where appropriate.
- 2.6 To achieve substantial savings, both Councils recognise the need to engage in a procurement transformation journey, by initially

reorganising and transforming their corporate procurement functions into a joint service arrangement and then exploring the options of reviewing how procurement is carried out within the current devolved service areas, where its estimated that circa 480 staff have some procurement responsibilities across both Councils. It's anticipated that the wider procurement service review will be considered as part of the Three County Sub Regional Procurement business case, which is a separate project.

### **3. CURRENT SITUATION AND CONTEXT**

#### **3.1 Current Procurement Initiatives**

3.1.1 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 and increasing central control through the creation of the National Procurement Service.

3.1.2 The following is a summary of the various procurement initiatives:

- The creation by Welsh Government of a new National Procurement Service, established in November 2013 to address the 20% of the common and repetitive spends across the Welsh public sector. The service is not yet fully operational.
- The ending of the North Wales Procurement Partnership (NWPP), in June 2013. As a result, DCC and FCC have subsequently joined the Welsh Purchasing Consortium which now consists of 19 Local Authorities.
- Ensuring the Welsh Procurement Policy Statement launched by Jane Hutt AM, Minister for Finance & Leader of the House is incorporated in local procurement activities, in order to promote SME friendly procurement as well as realising Community Benefits.
- Implementation and greater use of e-procurement solutions. Both Councils have implemented the same Proactis e-procurement solution.
- Incorporating the procurement actions arising from specific regional initiatives as well as corporate priorities e.g. Economic and Community Ambition Strategy in DCC.

3.1.3 In 2011 the Chief Executives of the six North Wales local authorities, commissioned the North Wales Procurement Partnership Management Board to develop a Business Case on 'North Wales Regional Procurement', Capita were commissioned to produce the business

case which was delivered in November 2012. Following consideration of the business case recommendations for a full regional procurement service by the Chief Executives it was decided not to progress any further on the basis of six local authorities, due to the set up costs and likely return on investment.

- 3.1.4 However in order to progress procurement transformation on a sub-regional basis, two new individual projects have emerged out of the original Capita Business Case report. Both projects have been successful in securing funding from Welsh Government through the Regional Collaboration Fund.

The two projects are;

- The merger of DCC and FCC Corporate Procurement Units – in order to create a JCPU. The benefits are highlighted in this Business Case.
- The Three County Sub-regional Procurement Project - DCC, FCC and Gwynedd Council (GC) have set up a project to develop a detailed business case on the basis of a 'Three County Procurement Service, with category management being core to the proposed solution.

- 3.1.5 These projects are seen as complementary and logical steps in the procurement transformation journey.

- 3.1.6 The above projects and initiatives all have one thing in common – they are attempting to improve the capacity, capability and resilience of procurement in the region as well as within each Council. 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. The creation of the National Procurement Service by Welsh Government has already seen corporate procurement staff in Denbighshire leave to take up roles which attract higher salaries.

- 3.1.7 Across both Councils the majority of procurement and purchasing resources are based in teams within each Service Areas. Based on a recent procurement staff survey undertaken, it's estimated that 480 officers undertake various commissioning and procurement activities (280 in FCC & 200 in DCC). The 480 staff identified will not be in scope of this Business Case but will be considered as part of the Three County project.

## **3.2 Medium Term Financial Plans**

- 3.2.1 Both Councils are under significant pressure to make efficiency savings whilst continuing to drive improvements in a tough financial climate.



The table below shows at a high level the efficiency savings required to balance the medium term financial plans for both DCC and FCC.

Figure 1: Savings required in meeting Medium Term Financial Plans for DCC and FCC

Financial Year	DCC ( Efficiency Savings Required)	FCC (Efficiency Savings Required)
2014/15	£8.5m	£11.9m
2015/16	£6.0m	£9.0m
2016/17	£6.0m	£9.0m
<b>TOTAL</b>	<b>£20.5m</b>	<b>£29.9m</b>

3.2.3 Both Councils recognise that driving improvements and savings through procurement can significantly contribute to the overall financial efficiencies demanded by their MTFPs. Both Councils recognise the need to review the way procurement is carried out, hence the recognition that collaborative working across both Corporate Procurement Units is seen as a catalyst for driving further improvements. It's also recognised that the implementation of category management, which has been implemented across a number of Councils in the wider UK public sector, has the potential to deliver and unlock further cashable efficiencies.

3.2.4 The creation of the JCPU will allow both Councils to pilot the use of category management principles. This in turn will set the foundation for a wider review of procurement delivery involving the service departments and the potential wider category management implementation across all service areas.

### 3.3 Current Procurement spend and Corporate Procurement Unit Structures

3.3.1 DCC and FCC currently spends circa £99 million and £122 million respectively per year procuring goods, services and works (See Appendix 1).

3.3.2 Procurement improvements have already delivered major savings in both organisations, with a significant role being played by the individual CPUs. During the last three years, over £3m and £4m have been secured respectively, by DCC and FCC. It's recognised that in order to unlock greater efficiencies going forward that a more innovative approach to the procurement delivery model is required in order to further support the delivery of a combined total of £50m efficiency targets across both Councils over the next 3 years.

3.3.3 The current DCC Corporate Procurement Unit (see Appendix 3) consists of a small corporate procurement team of 5 x Procurement

professionals (MCIPS qualified) and 1 x Procurement Support Officer (position currently vacant). Two of the current MCIPS officers are on temporary fixed term contracts that are due to expire in May and July this year.

3.3.4 The current FCC Corporate Procurement Unit structure is attached at Appendix 4. The Head of Procurement post has remained vacant since 2010 with the Strategic Procurement Manager from DCC providing management support for the existing team of 2 x Procurement Professionals (MCIPS qualified) and 2 x Procurement Support Officers.

### **3.4 Current Corporate Procurement Unit's Roles and Responsibilities**

3.4.1 Both Councils have in place a corporate procurement function, which undertakes the following common roles and responsibilities:

#### **3.4.2 Policy**

- Provide advice on legislation and regulatory framework policies, that impact on procurement e.g. Contract Procedure Rules and European Procurement Directives.
- Develop, maintain and implement the Council's Corporate Procurement Strategy.
- Implement the Wales Procurement Policy Statement objectives as developed by Welsh Government.
- Develop and promote guidance reflecting procurement best practice.

#### **3.4.3 Day-to-day management**

- Implement and manage all corporate contracts.
- Champion procurement in the Council.
- Provide the strategic lead covering all procurement activities.
- Work with service areas to identify opportunities for co-ordination and co-operation.
- Co-ordinate initiatives aimed at improving purchasing power and lowering prices.
- Lead on corporate procurement initiatives and projects (e.g. e-procurement and joint procurement initiatives with other organisations).

- Undertake performance measurement, monitoring and comparison of the procurement function as well as suppliers or contractors.
- Carry out procurement research and Intelligence (including market intelligence).

#### **3.4.4 Advice**

- Advise and support service areas on the preparation of tender and pre-qualification documents including drafting specifications and terms and conditions.
- Develop and deliver a corporate procurement training programme.
- Develop and produce clear, user-friendly guidance and information on procurement rules and best practice.
- Develop, maintain and disseminate through regular communication procurement best practice.

#### **3.4.5 Compliance**

- Develop corporate systems and performance indicators to monitor the supply of goods and services to the Council.
- Ensure that agreed procurement processes are adhered to including the Contract Procedure Rules and the European Procurement Directives.
- Develop, promote and maintain supply chain management solutions including promoting best practice in relation to approved list management; supplier/contractor appraisals; supplier/contractor monitoring.
- Analyse trends and expenditure to identify areas for improved co-ordination of purchasing.
- Produce an annual report on procurement activity, expenditure and savings for corporate contracts.
- Support internal audit, legal services and s151 officers.
- Ensure corporate procurement standards across all Service Areas.

#### **3.4.6 Liaison**

- Represent the Council on external procurement related bodies e.g. Welsh Purchasing Consortium.

- Liaise and manage relationships with other public sector purchasing bodies and external consortia to explore potential benefits of co-ordinated procurement and market intelligence.
  - Provide a central link between the Council and the supply / provider market including voluntary and statutory agencies.
- 3.5 It's anticipated that the core deliverables of the JCPU would remain as described above. However a new way of working would be introduced by creating a Procurement Business Partner approach to deliver improved support to individual service areas as well as implementing category management principles.

#### **4. NEED FOR CHANGE**

- 4.1 As outlined above, both organisations have significant savings targets to meet in order to deliver their respective medium term financial plans. It is anticipated that through working together to establish a JCPU, the ability to contribute to meet the targets will be strengthened.
- 4.2 It is apparent that the Corporate Procurement Unit's roles and responsibilities outlined in the section above are being duplicated across both Councils on a day to-day basis, resulting in massive duplication of effort. Both units have severe capacity issues in trying to deliver against a common procurement agenda. The approval of this business case will cut across the duplication of effort and streamline processes and roles in order to realise capacity to deliver further cashable and process efficiencies.
- 4.3 A recent PwC survey of Local Authority Chief Executives in UK identified that changing support services, and reviewing and improving existing procurement service delivery were two of the three approaches expected to contribute most to savings over the next two years. The approach outlined in this business case supports this view.
- 4.4 The past few years have seen an increase in demand for procurement support and advice from services, particularly in dealing with complex legal and compliance requirements and advising on innovative approaches to procurement and commissioning. This increase demand and expectation has put considerable pressure on existing Units to deliver from a capacity perspective, often resulting in the Units being reactive rather than proactive in their support.
- 4.5 The demand to deliver strategic procurement initiatives e.g. implementation of e-procurement solutions alongside the implementation of the Welsh Procurement Policy has also increased the workload of both CPUs resulting in further capacity reduction to deliver against an ever increasing workload.

- 4.6 At both Councils the initial tranche of savings identified from “low hanging fruit” have now been delivered across most of the categories and further savings will be more difficult to realise and are likely to require service re-design, use of different commercial models to provide services, a stronger focus on how we manage our major suppliers and increased partnership working with others to leverage our spend. Working in partnership across both Councils will position both Councils in a strengthened position to move forward.
- 4.7 Both DCC and FCC have experienced difficulty in recruiting and retaining high quality procurement staff due to the high demand in both the private and public sector job markets against a limited supply pool. Both have invested internally in increasing the number of procurement staff. Establishing a JCPU will create a very attractive organisational model that should further strengthen staff retention. A JCPU will also create a resilient organisational structure, better able to manage resource demands across the two organisations.
- 4.8 Without ongoing improvements in the procurement approach and a real focus on sharing and building on best practice, developing shared category plans, and on joint contract management of our major supplier relationships, there is a likely to be a gradual reduction in the savings that can be achieved through retendering activities alone. Working together towards a more integrated function will, over time, strengthen the ability to manage common areas of major spend, shared suppliers and markets, and consolidate the resource structure.
- 4.9 The proposed changes will enable greater influence and control over the supplier market and provide for more effective and efficient procurement whilst not forgetting the socially responsible procurement agenda. It will also encourage and set up a greater collaborative approach to purchasing decision making which will unlock cost savings by consolidating purchases through economies of scale and more coherent procurement activities.
- 4.10 With a combined larger team of professional procurement staff, both Councils have greater resilience and increased capacity, avoiding duplication of effort as well as creating improved procurement capability by sharing information and an enhanced procurement knowledge base.

## **5. PROCUREMENT VISION**

- 5.1 Flintshire has made a great deal of progress over the past couple of years with joint management arrangements in improving procurement practice, Adopting an approach of simplification, standardisation and automation for procurement across the organisation . This has resulted in significant levels of process and spends efficiencies. It recognises it now needs to make a step change if it is to deliver procurement transformation and greater savings.

- 5.2 Denbighshire, whilst having more stability within its procurement structure with a more experienced corporate procurement team, is now at a place where more focussed partnership working can help increase general resource capacity and to leverage even greater savings.
- 5.3 Building upon this context the shared procurement vision of both Councils can be summarized by the following three key objectives:
- to implement a shared, skilled and excellent JCPU that ensures the required support for the two organisations and individual services in delivering corporate and service objectives and efficiency targets.
  - to maximise procurement savings for the benefit of the residents and businesses of Denbighshire and Flintshire.
  - to develop professional capacity and resilience to create a top performing procurement team, delivering organisational benefit and personal professional development for the team.
- 5.4 The core principles underpinning the joint working will be:
- A desire to deliver high quality cost effective services
  - A strong ethos of commercial skills supporting public value
  - Determining the right procurement solution through the introduction of effective category management principles
  - A shared cultural fit.
- 5.5 The shared cultural fit, is crucial and, whilst intangible, has been evident from the early stages of this project. Early officer and senior management engagement meetings have been extremely constructive. In work so far, officers from both DCC and FCC have demonstrated a strong desire to learn from one another, and share ideas and learning. The cultural fit has been evident across both the organisations e.g. common e-procurement solutions that will create a good foundation on which to build and develop the JCPU working arrangements.

## **6. PROCUREMENT SERVICE DEVELOPMENT MODEL**

- 6.1 As indicated earlier in this document the creation of a JPCU is seen as the first phase of a Procurement Transformation journey for both Councils, which will develop and evolve in a series of stages over time.
- 6.2 The indicative stages of the procurement transformation are described below:
- Stage 1 - Approve and implement the merger of both Corporate Procurement Units in order to establish a JCPU as per this Business Case.

- Stage 2- Individual Council's to review their current procurement activities involving the potential re-design of the way procurement is carried out, by reviewing how procurement is undertaken in service areas. This currently involves circa 480 officers across both Councils. This stage could see the introduction of formal category management approach per individual Council.
- Stage 3 - Move towards a genuinely shared resource model (i.e. shared category management teams as well as shared Corporate Procurement Units), either involving DCC and FCC or DCC, FCC and Gwynedd CC.

6.3 Both organisations recognise that across the wider public sector in the UK the principle of clustering of procurement expertise, and the development of category specific 'procurement hubs' is beginning to be explored. Both Denbighshire and Flintshire are involved in these emerging discussions through the 3 County Procurement Project, and expect that over the next 6 – 12 months it is likely these will become more active. Denbighshire and Flintshire have strong ambitions to drive and lead the regional direction for procurement, and the creation of the joint procurement arrangements between the two organisations will ensure that both are well placed to do so, especially in light of further collaboration expectation by Welsh Government.

## **7. TARGET OPERATING MODEL - OPTIONS APPRAISAL**

A short list of five viable options has been considered which can be summarised below:

- Do Nothing
- Expansion of individual Corporate Procurement Units in both Councils
- Outsourcing of the Service
- Private Sector Partnership
- Public Sector Partnership

### **7.1 Option 1 - Do Nothing**

#### **7.1.1 Brief Description**

This option, Do nothing means that there would be no change to the current offering between both DCC and FCC. Corporate Procurement Unit operational delivery would remain contained within each Council with the exception of the DCC Strategic Procurement Manager who could potentially still work across both Councils.

#### **7.1.2 Cost Comparison**

- There would be no change to the cost of delivery, unless FCC needed to appoint a full time Head of Procurement, which would cost an additional £50,000.

### 7.1.3 **Time Comparison**

- There would be no impact on timescales since no changes would be made.

### 7.1.4 **Quality Comparison**

- The same quality of procurement service would be delivered, but resource capacity would still be an issue.
- The use of the DCC Strategic Procurement Manager across both Council would be difficult to continue due to individual councils' procurement vision and expectations.

### 7.1.5 **Benefits Comparison**

- The benefits realised would see no change, with very limited scope for additional benefits.

### 7.1.6 **Recommendation**

- This is not an option and is discounted, since it does not deliver any further procurement transformation and does not give additional capacity and capability to deliver smarter procurement and align with the vision and core principles.

## 7.2 **Option 2 - Expansion of Individual Corporate Procurement Units in both Councils**

### 7.2.1 **Brief Description**

- This option would require both DCC and FCC to invest individually in expanding their current individual Corporate Procurement Units to the same level as option 5 in order to provide a more robust and fit for purpose service.

### 7.2.2 **Costs Comparison**

- This option would require additional investment in both Councils in order to recruit extra procurement resources in order to provide a "fit for purpose" corporate procurement function. It's estimated that for each Council to recruit five additional resources the cost would be £170,000 each for both DCC and FCC.



- The increased number of staff could be scaled down but even an increase of one per authority would have a greater cost than the recommended option.

### 7.2.3 Time Comparison

- This option could be achieved in a timely manner, provided there was professional procurement staff available who wished to apply for positions.

### 7.2.4 Quality Comparison

- This option would deliver additional capacity, capability and resilience to the current Corporate Procurement Units. However, there would still be duplication of effort across both Corporate Procurement Units.

### 7.2.5 Benefits Comparison

- The benefits arising from this option would be similar to creating a JCPU in terms of capacity, but not providing the benefits of greater collaboration.

### 7.2.6 Recommendation

- This is discounted, since the costs of implementation would be far greater for both Councils, since both Authorities would need to invest in additional resources and would be competing against each other in trying to recruit in a very restricted procurement job marketplace.

## 7.3 Option 3 - Outsourcing of the Service

### 7.3.1 Brief Description

- This option would require both DCC and FCC to individually or jointly consider outsourcing its corporate procurement function to a private sector provider.

### 7.3.2 Costs Comparison

- This option would probably cost more to implement, since an outsourced partner would be paying higher employee costs than currently paid within both Corporate Procurement Units, although TUPE of current staffing would be applicable.

### 7.3.3 Time Comparison

This option could take considerably longer to implement, since the appointment of an outsourced partner would need to go through a full OJEU procurement tender process, which could take up 6-9 months, as well as TUPE implications.

### 7.3.4 Quality Comparison

- This option could potentially deliver additional capacity, capability and resilience to the procurement function, and there would not be duplication of effort across both Corporate Procurement Units, if the service was outsourced jointly. However, there would be a high risk that a private sector outsourcing partner would be highly focussed on driving costs down to the detriment of economic and social procurement policy.

### 7.3.5 Benefits Comparison

- The benefits arising from this option are unclear, since there are limited examples of where this approach has been undertaken.

### 7.3.6 Recommendation

- This option is discounted. The outsourcing of the corporate procurement function in the local government sector is currently relatively underdeveloped and we have not identified any examples where procurement has been fully and successfully outsourced. There are outsourcing examples in the broader public sector, although these are also limited, with the use of DHL to provide clinical supplies to the NHS being one of the best known. On the basis that there is currently a lack of a suitably developed private sector supplier market then this option is discounted.

## 7.4 Option 4 - Private Sector Partnership

### 7.4.1 Brief Description

- This option would involve a private sector provider working in partnership with existing in house Corporate Procurement Unit resources. There is a range of private sector firms who offer procurement support on a consultancy basis and these could be used to support an internally led improvement plan,

### 7.4.2 Costs Comparison

- This option would probably cost more to implement, since the Private Sector Partner would be paying higher employee costs

than currently paid within both Corporate Procurement Units .For example the cost of consultants typically would be at c £750 - £1,000 per day. These costs and risks could be mitigated to some extent by using a payment by results arrangement ,where fees would be contingent on achieving agreed savings targets and/ or are paid as a percentage of savings achieved, however it may be difficult to be clear what additional savings have been as the result of the private sector partner's intervention.

#### 7.4.3 **Time Comparison**

- This option could take longer to implement, since the appointment of a Private Sector Partner would need to go through a full OJEU procurement tender process, which could take between 6-9 months.

#### 7.4.4 **Quality Comparison**

- This option could potentially deliver additional capacity, capability and resilience to the procurement function, and there would not be duplication of effort across both Corporate Procurement Units, if the service was delivered jointly.

#### 7.4.5 **Benefits Comparison**

- The benefits arising from this option on face value could be attractive, since it would mean the best of both worlds with public sector procurement resources working alongside a private sector partner.

#### 7.4.6 **Recommendation**

- This option is discounted. Following initial market dialogue with several Private Sector Partners, the favoured model was based on a service fee rather than on a gain share model. The service fee considerations would be typically on consultancy day rates which would far exceed the costs of employing additional staff directly or by partnering with another public sector partner.

### 7.5 **Option 5 - Public Sector Partnership**

#### 7.5.1 **Brief Description**

- This option would involve seeking another public sector organisation (preferably within same sector) that would be willing to enter into a public sector partnership with each other in delivering common procurement improvement.

## 7.5.2 Costs Comparison

- This option would be the most cost effective in comparison to the other options excluding Option 1. The estimated additional costs of merging both Corporate Procurement Unit teams in year 1 would be £28, 578 to increase permanent capacity and the re-alignment of salary grade differences between DCC and FCC procurement staff. Other costs would be ICT related in order to ensure joint team members could access shared files, emails etc across both Councils.

## 7.5.3 Time Comparison

- This option would be similar in timescales to the other options, since it would involve staff consultations and could be delivered after a 90 day staff consultation period.

## 7.5.4 Quality Comparison

This option provides the greatest opportunity to improve the quality of the service being delivered by bringing together specific Welsh public sector procurement knowledge and skills that is sensitive to the Welsh Government procurement policy landscape and direction, as well as understanding the Welsh local government sector and the individual Councils in particular.

## 7.5.5 Benefits Comparison

This option has the potential to deliver the following benefits:

- opportunities to develop and strengthen the management of key supply markets through working jointly e.g. Common supplier spend is circa £92m.
- to significantly up-skill procurement and commercial resources, capacity and competency across both authorities through joint training and development plans, sharing scarce resources and offering better career progression.
- to standardise terms and conditions and, where it is in line with commissioning requirements, specifications and performance measures for a range of categories.
- to create additional capacity in order to deliver more efficient contract management and driving down cost throughout the supply chain.
- to standardise procurement processes and in doing so remove duplication of effort including developing joint Contract Procedure Rules and other guidance / codes of practice, sharing and adopting common best practice across categories.
- to leverage spend of both organisations to deliver increased savings through economies of scale and to support wider

social, economic and environmental targets, and sharing existing best practise.

- to create greater access to skills where individual Councils have identified gaps in its current capacity and capability which are likely to accelerate delivery of improvements / savings.

A more detailed list of additional benefits arising from this option is included in section 9.0 of this document.

## **8. CONCLUSION AND RECOMMENDATIONS**

8.1 The recommended option is Option 5 (Public Sector Partnership) since it provides the greatest opportunities for procurement improvements. It's affordable and it provides the best cultural fit. It is recommended that the creation of a Joint Corporate Procurement Unit (JCPU) between DCC and FCC is progressed at pace, with the staff hosted and employed by DCC, with a formal Service Level Agreement being in place to ensure FCC receives the required service that meets organisational and service requirements and corporate improvements objectives.

8.2 There are risks associated with all of the options considered. The initial high level risks identified are:

- Partnership risks – cultural fit, agreement of shared objectives, communication and ownership at senior officer and member level – these can be mitigated through the proposed Joint Management Board and the other measures set out in the joint business case.
- Capacity – In reality we believe that this option presents the lowest risk to both individual Councils, since the capacity issues could be addressed through either recruitment of additional resource or by the management of the work programme of the Joint Unit through the Joint Management Board.
- Financial Risks – If the JCPU arrangement itself would fail any financial loss would be minimal with the service being disbanded and staff that had been transferred, transferring back to their original Authority as part of the Service Level Agreement, but the main impact would be the slowing down the speed of change of procurement improvements and delivery of efficiency savings.

## **9.0 JCPU – COMMERCIAL AND FINANCIAL CASE**

9.1 This section presents the commercial and financial case, which considers how each Council would contribute to, and benefit from, the preferred option, and the operational delivery of the new Joint Unit.

## 9.2 Target Operating Model (TOM)

9.2.1 The new proposed Target Operating Model is shown in Appendix 5; this will form an integral part of the consultation with staff and trade unions before the final structure is confirmed. The proposed TOM will involve a straight merger of both existing Corporate Procurement Units, involving a flat structure including the following:

- 1 x Strategic Procurement Manager (Grade 13)
- 5 x Senior Procurement Officers (Grade 9)
- 4 x Procurement Officers (Grade 6)

The new structure will create a JCPU consisting of a total of 10 staff, compared to 6 staff and 4 staff respectively in DCC and FCC currently.

In order to ensure the new structure will be fit for purpose there will be a need to address the 2 x Senior Procurement Officer positions which are currently temporary positions in DCC. It is deemed critical that these two positions are retained within the service in order to maintain sufficient resource capacity and capability to drive procurement improvements and efficiency savings.

9.2.2 Its proposed that the new JCPU will be hosted by DCC and all officers in the new Joint Unit will be employed by DCC. This will involve the current FCC Corporate Procurement Unit employees being transferred and incorporated into the proposed new structure. However, the newly formed JCPU will operate on a virtual basis, with officers having the facility to work across both Councils. In the short-term it's anticipated that FCC staff will primarily remain based in County Hall, Mold and DCC staff will be primarily based in County Hall, Ruthin.

9.2.3 As part of the design principles for creating the TOM it has been agreed that the harmonisation of salary grades would need to be achieved in order to avoid the new structure being "two tiered" with officers working in similar roles but on different grades. As a result of this approach, all transferring staff from FCC will benefit and be allocated a higher salary grade.

9.2.4 The JCPU resources will be allocated to ensure a presence in each Council and resources will be based at each Council, albeit not necessarily the same officers each day. The officers will work closely with individual service areas but will also be available to provide on-site professional advice, guidance and support. The JCPU will also continue to review the length of time officers spend at each participating authority to ensure it provides the best possible level of service.

9.2.5 It is envisaged that some staff will adopt remote working techniques and will need to access systems from multiple locations. The JCPU will use the Proactis e-sourcing solution which is a web-based e-Tendering

system; however, an ICT work stream has been established to ensure access to shared network files, emails, etc. regardless of location.

- 9.2.6 The whole JCPU team will come together every two weeks for team briefings, work planning and supervision, administration and other shared activities.
- 9.2.7 The new JCPU will adopt a “Procurement Business Partner” approach as well as piloting the use of category management techniques. Under this new way of working the combined procurement spend will be split into market facing categories e.g. construction, social care, transport etc (see Appendix 1) and each individual officer will be allocated individual categories to oversee, with clear efficiency targets set against each category which in turn will link into individual performance appraisals.
- 9.2.8 This approach will ensure greater individual knowledge of the supplier market in each category of spend area, and also allow individuals to work with specific service areas on a “Partner” basis, strengthening communication and collaboration with individual services.
- 9.2.9 Each team member in the JCPU will also take the lead on specific strategic procurement work under the following general headings:
- Compliance and Regulation
  - Contract Management and Supplier Relationship Management
  - Procurement Policy
  - E-procurement

### 9.3 FINANCIAL CASE

This section presents the financial case, which considers the costs, benefits and practical financial arrangements for the preferred option:

#### 9.3.1 Indicative Costs

9.3.1.1 The core budget provision for the current individual Corporate Procurement Units across both Councils is £ 153,137 (DCC) and £170,262 (FCC) respectively. The combined current core budget available is £323,399.

The total maximum costs of operating the new JCPU, is estimated to be £370,591 which is projected in Year 5 (See Appendix 6).

It's estimated that the maximum additional annual costs, associated with the implementation of the JCPU will be £47,192 in Year 5.

In order to put these additional merger costs into context, If DCC and FCC were inclined to enhance their individual Corporate Procurement Units to the same staffing levels that would be created by the JCPU, it would cost each

Council in the region of £170,000 per annum to establish a similar set up on an individual Council basis.

In order to share the total merger costs on an equitable basis it's proposed that the costs are split based on the % of the total combined procurement spend percentage for each Council. This equates to 45% (DCC) and 55% (FCC) respectively. (See Appendix 6)

### 9.3.2 Indicative Benefits

#### 9.3.2.1 Financial Benefits

The spend analysis table at Appendix 1 shows the combined total procurement spend of both Councils on a per category of spend basis for the 2012/13 financial year.

The combined total procurement spend is £222m. Combining spend significantly increases the efficiency opportunities through economies of scale.

Based on the introduction of a "Procurement Partner" approach and the introduction of high level category management principles, It is estimated that efficiencies of circa **£2.9m for DCC and £3.6m for FCC** could be realised based on the total procurement spend (see Appendix 1).

The 3% savings calculations have been calculated on improvements targets which are deemed consistent with other such business cases. However, within this business case the 3% savings will be realised through the combination of:

- improved demand management
- smarter procurement from tendering and negotiation
- cost avoidance.

Taking into account that not all the £222m procurement spend is revenue funding since the above figure includes capital, schools, HRA, Grants etc, then the estimated efficiencies which relate to revenue budgets, which are deemed influencable and directly cashable is circa **£1.0m for DCC and £2.0m for FCC**. (See Appendix 2)

#### 9.3.2.2 Common Suppliers

Based on further spend analysis in relation to assessing how many suppliers are common across both Councils i.e. used by both DCC & FCC, there are 1,126 suppliers that jointly account for £92.8million spend, which equates to 42% of the total combined spend.

A joint approach to the management of these key supplier relationships will form the basis for further efficiency savings opportunities through



benchmarking pricing and by negotiating further efficiencies with common suppliers. It would not be unreasonable to assume that based on the level of spend with these common suppliers that an additional **£100,000 savings** could be realised.

### 9.3.2.2 **Non- Financial Benefits**

In addition to the financial benefits detailed above, there are also non-financial benefits that will be realised:

- Both authorities have identified a need for an increased commercial focus throughout their organisations. Working together will ensure that best practise can be developed and shared.
- An opportunity to develop and strengthen our ability to manage key supply markets through working jointly (e.g. taking a common approach to managing key strategic suppliers
- Significantly up-skill the JCPU by joint-working and mentoring
- Standardise procurement processes, including Contract Procedure Rules and other guidance / codes of practice, sharing and adopting common best practice across categories;
- Reduced duplication of effort through a professional service; and increased operational agility as well as greater resilience to staffing capacity and retention
- Reduced process costs and risks by eliminating duplicated activities e.g. recording and monitoring of efficiency savings. This is task is currently undertaken by two officers across DCC and FCC.
- Improved “customer service” to individual services
- Speedier delivery of strategic corporate priorities and procurement policy initiatives
- More joined up thinking and engagement between the technical/ service areas and the commercial / procurement areas;
- Move away from reactive short term focus with regard to supplier and market development and management to a proactive approach;
- Improvement in contract compliance and contract performance data
- Help services to deliver better service outcomes through smarter procurement & commissioning.

- Facilitate the achievement of the commissioning and procurement priorities particularly regeneration & economic development and encouragement of SME's and Third Sector involvement.
- The creation of the JCPU and further phased development of the procurement model will be highly innovative and this will be recognised within the sector and beyond. Both Councils will be positively associated with modern and efficient working.

### 9.3.2.3 **Additional Contract Legal Support Capacity (for information not part of business case)**

The creation of the JCPU will no doubt result in greater compliance with the procurement legal regulatory framework. Consequently, it has been recognised that in order to compliment the joint working across procurement officers, that more joint-collaborative working is also required across contract solicitors in both Councils in order to ensure that contracts entered into are robust, fit for purpose and compliant.

Currently, both Councils have limited contract solicitor capacity, therefore in order to attempt to address this issue; agreement in principle has been secured from both Head of Legal Services in both DCC and FCC to jointly fund an additional Contract Solicitor post.

The creation of the new Contract Solicitor post which will be hosted and employed by DCC will not only provide much needed legal specialist expertise but will also ensure contracts that are procured will be compliant, fit for purpose and robust and appropriate to the level of risk.

With the regular emergence of case law relating to contracting, the new post will ensure that the JCPU and service officers are made aware of new legislation affecting procurement as well giving more appropriate legal support on more innovative and complex procurement projects.

Finally, with an ever increasing risk of supplier legal challenges to tender award decisions, accessibility to enhanced contract legal support will ensure both Councils are able to robustly defend any claims that may arise in respect of aggrieved suppliers seeking financial damages in respect of alleged non-compliance within procurement processes.

### 9.3.2.4 **Economic, Environmental and Social Benefits**

An important consideration for the new JCPU will be the issue of local spend and community benefits.

A more collaborative approach will also improve relations with the local SME business community, by providing a single source of information for businesses across both Councils

.A single source of contact for suppliers reduces their frustration and confusion regarding public procurement procedures. Also, central procurement control helps to ensure the fair and equitable treatment of all suppliers and can proactively support the social, economic and environmental agendas.

Increased staffing capacity will also help provide more training for local SME's and greater support for events such as Meet the Buyer days, as well as delivering against individual corporate priorities e.g. DCC Economic and Community Ambition Strategy

The new "Procurement Partner" approach with service areas will allow for greater opportunities with regard to improved procurement planning. This in turn will allow earlier considerations of social, economic and environmental benefits to be delivered as part of forthcoming procurement projects.

Currently, these benefits are not being realised to the full potential due to procurement officers not having sufficient capacity to ensure service area officers consider these benefits in a timely manner when procuring.

The design and set up of the new Joint Unit should be able to evidence a commitment to the following key areas:

- engage effectively with suppliers through market days,
- pre-procurement dialogue,
- provide transparent feedback,
- making suppliers aware of trading opportunities and securing their input and expertise.
- engage with the Chamber of Commerce and the Federation of Small Businesses, voluntary sector representatives and other representative trade and industry bodies.
- seek feedback from suppliers and use this learning to further improve procurement processes.

#### 9.2.2.5 **Staff Benefits**

There are also a number of staff benefits that will be derived from the merger of both Corporate Procurement Units:

- career progression opportunities
- improved personal development by allowing staff to engage in new procurement techniques
- professionalise the function
- provide the infrastructure for staff to work more flexibly across the two counties
- achieve parity in terms of job responsibilities, pay and reward e.g. some of the FCC staff will see their salary grades improve through harmonisation of the pay grades as a result of the staff transfer

- allow for agile and flexible working
- allow for staff to embrace in more innovative procurement techniques e.g. category management
- allow for staff to be given greater opportunities to be coached and mentored and develop new skills as a result of access to a wider pool of procurement expertise.

#### 9.2.2.6 **Benefits Realisation**

Capturing the benefits is critical in the new operating model, since the focus will be on further developing the opportunities through potential collaborative savings.

It is proposed that action plans for delivery of these savings will be completed within three months after implementation of the JCPU, at which stage it will be clearer which categories will provide the greatest return and will therefore be prioritised for collaboration. Details of these opportunities will be presented to the Joint Management Board for agreement.

Parallel to the identification of saving opportunities, there will be a requirement to establish an agreed model of benefits tracking to ensure that all collaborative activity benefits are realised and captured. DCC have developed an approach to identifying, tracking and reporting benefits. It is recommended that this system is reviewed in terms of being fit for purpose and scalable for use by the JCPU.

This would accomplish a number of objectives:

- clearly show the amount of benefits to be realised through the identified savings opportunities
- clearly show timescales for the expected realisation of benefits
- demonstrate how each benefit would be achieved
- show accountability for collaborative efficiency targets against each Council
- provide clear visibility of whether benefits are on target to be realised as expected, enabling the joint management board to make key decisions

A robust benefits model which provides management information that is timely, accurate and consistent will be critical to the successful delivery of savings.

## 10. **HUMAN RESOURCES AND EMPLOYEE IMPLICATIONS**

10.1 In total there will be 10 current procurement staff affected by the creation of the JCPU.

10.2 Whilst it's recognised that the current structures across both Councils are not identical, it is anticipated that a newly created joint-structure will broadly align the current roles.

### 10.3 **Staff Transfer**

10.3.1 Its proposed that DCC will become the host and employing Authority for the JCPU. The current 4 x FCC staff would transfer over to DCC and be appointed into a new organisational structure, with no detriment to their current employment terms and conditions. It's also proposed that FCC staff salary grades would be harmonised with existing DCC staff salary grades for similar procurement roles. This process would ensure that the creation of a two-tier staff pay structure is avoided.

10.3.2 In the event that the JCPU is disbanded in the future, an exit strategy provision will be included within the Service Level Agreement.

### 10.4 **Skills**

10.4.1 Both DCC and FCC have a commitment to the professional development of their staff, and through working together it is anticipated that the procurement staff in both organisations can benefit from a joint skill development and training plan as well as opportunities for formal mentoring and coaching, especially the current procurement support staff.

10.4.2 All staff in the new JCPU will be given not only an opportunity to put into practice category management skills and techniques, but also be given an opportunity to be "Subject Matter Leads", on strategic procurement strands e.g. Community Benefits, Contract Management etc. This approach will ensure staff is exposed to strategic and operational procurement activities.

## 11. **PROJECT MANAGEMENT CASE**

This section presents the project management case, which considers the practicalities of implementing the preferred option.

### 11.1 **Governance**

The collaboration will be underpinned by a formal Service Level Agreement which will set out the extent of delegation from each council and associated support service infrastructure.

Governance will operate on various levels, in the normal way, but three key aspects will be paramount:

(a) Agreement by respective individual Cabinets and Chief Officer Teams of the general procurement strategy approach and annual service business plan

(b) Routine reporting, liaison and, where necessary, conflict resolution, with a "Joint Management Board". This will comprise as a minimum the respective lead Head of Service for Procurement in both Councils. The Management Board will also be responsible for agreeing and monitoring performance against the strategic targets, benefits realisation and the work programme delivery of the Unit.

(c) An agreed cycle of regular formal performance reporting to the respective: Cabinet, Chief Officer Management Teams and Scrutiny processes.

(d) Clearly, events and emergencies can result in client demands for changes of planned activity during the year. The presumption is that the JCPU will resolve resource versus work conflicts in a professional manner – but with the Joint Management Board in a position to help resolve such conflicts also.

(e) The Strategic Procurement Manager will be empowered to make decisions to enable day to day delivery of the service to meet the agreed priorities of the participating authorities within agreed resources.

(f) DCC will be the "host and employing authority" for the JCPU and will therefore be responsible for the day to day management of "pay and rations" for all staff.

(g) In terms of legal structures, the working presumption in the short term is that the JCPU will not have separate incorporated status, but rather will be a 'virtual' arrangement in the sense that staff will be employed and hosted by DCC and a shared Service Level Agreement will be put in place between both Councils. However, the development of the SLA will be undertaken by DCC Legal Services in consultation with FCC.

(h) One of the immediate priorities will be to try and agree a consensus of the respective Contract Procedure Rules etc. to ensure sensible alignment with new ways of working.

(i) Although tendering activities may be coordinated and, where appropriate, completed as a single process, both Councils will still enter into contractual arrangements in their own name. As such neither party will take on any contractual liabilities for the other in relation to any external supplier agreements.

(j) Day to day staffing and line management will be undertaken by DCC under the management of the Head of Finance and Assets. The Strategic Procurement Manager for the Joint Unit will continue to be employed directly by DCC but will have an additional reporting line into the Chief Officer (Governance) at FCC.

## 11.2 Project Management responsibilities

The implementation of this project will be managed using DCC Project Management methodology and the following arrangements will be put in place to ensure its successful development:

### 11.2.1 Project Board

A Project Board has been established with named Project Sponsors providing representation from each Council. The Project Sponsors are:

DCC- Head of Finance and Assets at Denbighshire Council  
FCC - Head of ICT and Customers at Flintshire Council

The Project Sponsors own the business case and are ultimately responsible and accountable for realising the benefits of the project to each organisation.

### 11.2.2 Project Manager

DCC has allocated a Project Manager who will agree, manage, and monitor against, the project plan, allocating work packages to individuals within the project team for completion.

### 11.2.3 Senior Users

The Senior User will be DCC Strategic Procurement Manager who will be responsible for making sure that the needs of the users are clearly and fully defined, for committing user resources, liaising between the user and the project team, and ensuring that the outcome meets the users' needs.

### 11.2.4 Project Team

In addition to the above, specialist representatives from both Councils including officers from procurement, HR, Legal and ICT will be included in the project team and allocated work streams accordingly.

## 12. RISK MANAGEMENT

Risk management arrangements will be crucial to ensure the implementation of the collaboration occurs as painlessly and swiftly as possible and that as many benefits as possible can be realised from the change.

### 12.1 Risks and Issues

A full list of Project Delivery Risks can be found in Appendix 7. Whilst some of the high impact risks remain, their likelihood is anticipated to diminish as commitment and understanding of the JCPU grows. Also, there is risk associated with failure to realise benefits that needs to be included, this risk

will be mitigated by agreement of the work programme by the Joint Management Board;

The work undertaken by the HR leads on the consultation process will help reduce the risks associated with the staffing of the JCPU.

The following risks and issues have been identified and will need to be managed through the Joint Management Board governance arrangements:

- culture - cultural fit at senior officer and procurement officer level has been a key pre-determinant of the creation of the Joint Unit, and this will need to be maintained as the Unit develops and modelled at all levels within the respective procurement communities.
- communication - co-ordination of communication and consistency of key messages will be managed through the Unit's governance arrangements and will be a key role for the Strategic Procurement Manager and the procurement officers within the new Unit.
- ownership at member and senior officer level - in the first instance this will be achieved through the signing off of the business case by both Councils, engagement in the Joint Management Board, and regular reporting to Cabinet, Scrutiny and Chief Officer Management Teams.
- level and timing of savings - the Joint Management Board will set clear targets both short and medium term for savings and other deliverables / key milestones, and these will be subject to regular progress reporting in order to manage expectations of both councils.
- HR local terms and conditions differentials between the two councils - this will be carefully and equitably managed through the development process with support from both HR services.
- capacity – the management of workload and expectations will need to be tightly controlled, to ensure benefits can be realised. The opportunities to maximise and consolidate the use of skill sets across both councils are recognised. However, the fact that a Joint Unit is created, will not address the potential risk that there will still remain capacity issues, since the Unit will still need to manage procurement spend across both Councils, albeit the development of the new Unit will allow greater opportunities for capacity to be increased by reducing duplication of effort.
- relationships with procurement officers within the individual service areas and other partners – the relationship will need to be carefully and positively managed especially in communicating with individual service areas as well as existing external partners.



## 13 **NEXT STEPS**

Strategically and operationally there are a number of initial activities which must occur in order for implementation planning to get underway in earnest.

### 13.1 **Strategic next steps**

In order to provide the environment in which an implementation team stands greatest chance of success, it will be necessary for both Councils to undertake the following actions:

- agree to the principle of creating the JCPU through the approval of this business case
- agree to the principle behind the cost allocation for the recurring and one off costs
- provide the required funding to develop and implement the required collaborative arrangements;
- empower the implementation team with a mandate to undertake operational activity across organisational boundaries.
- develop and agree the Service Level Agreement for the JCPU.

### 13.2 **Operational next steps**

Operationally, the implementation team face a number of challenges and will require input and support from the Project Sponsors in order to develop the new approach.

A number of joint workshops have already been held involving the procurement officers from both Councils. An on-going procurement alignment work plan has been developed jointly across both individual teams, with allocation of tasks being given to individual staff to develop jointly. It's anticipated that the initial key operational deliverables will include the following:

- creation of a Joint Management Board.
- document roles and responsibilities in order to ensure duplication of effort is minimised.
- develop a strong procurement work programme and procurement plan which will include:-
  - allocation of individual category spend profile to individual team members, so that category efficiency targets can be allocated to individuals
- develop a "Procurement Business Partner" approach, so specific service areas are allocated a lead procurement representative that understand their particular service challenges and vision and ensure continuity of procurement personnel to ensure the procurement support delivered is consistent.
- develop a common Corporate Procurement Strategy allowing for local variations.

- develop detailed category sourcing plans and procurement schedules in order to provide the supplier markets with advance notifications as well as ensuring resource capacity is managed.
- harmonise different processes, policies and procedures, deliverables will include central library of standard procurement documents and templates including standardised Contract Procedure Rules.
- review current contracts and suppliers and populate a joint contract register including a short-term plan for letting immediate contracts where common end dates exist.
- jointly implement and provide helpdesk support for the implementation of the Proactis e-sourcing solution across both Councils.
- undertake a joint full spend analysis to identify category spend and opportunities involving common suppliers.

Early work has already begun to explore the approach to standardising some of our processes and systems– sharing learning and ensuring both organisations are operating in the best possible way. This includes sharing the approaches to supplier data; with common classification codes to enable analysis of spend at greater detail to identify opportunities for savings.

A comparison of each contract register to identify common suppliers and contract expiry has also commenced, and this will further support the development and timing of shared category action plans.

Both organisations are well on the road to having a common approach for how technology can enhance the procurement process, and both Authorities have invested in a common e-procurement solution (Purchase-to-Pay and E-Sourcing) from Proactis. Currently, the Proactis e-sourcing solution is being implemented across both Councils via a joint implementation team.

Both authorities use Masterpeace as their core finance system and there are some quick wins to be achieved by FCC adopting the approach DCC has developed to access procurement spend data analysis using the MPOWER data warehouse solution. This would allow detailed category spend analysis to be undertaken across the combined spend. This in turn will allow category of spend areas to targeted for efficiency savings.

### 13.3 Timescales

Key Milestones	Completion Date
FCC – Cabinet approval of Business Case	10th May 2014
DCC – Cabinet approval of Business Case	23 <sup>rd</sup> May 2014
Development and signing of Service Level Agreement	15 <sup>th</sup> June 2014
Completion of procurement process review	1st September 2014
Joint Corporate Procurement Unit – Established	1 <sup>st</sup> July 2014

Appendix 1 - TOTAL PROCUREMENT SPEND

Authority

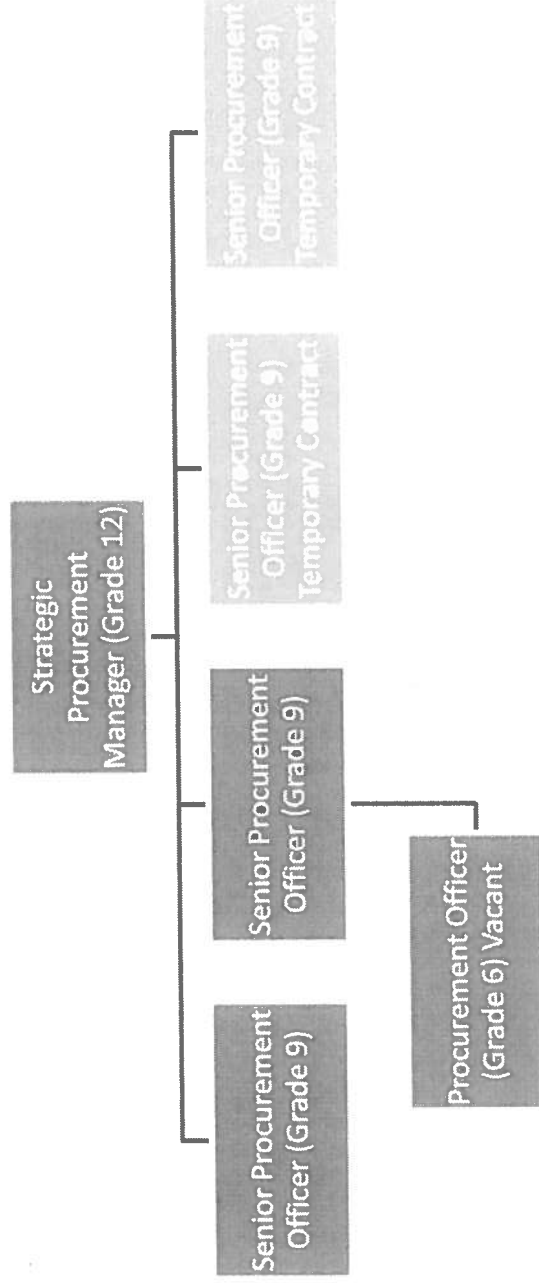
Sum of LINE NET

	DCC Spend	FCC Spend	Grand Total Spend	FCC-Demand Management Savings (1%)	FCC-Smarter Procurement Savings (1%)	FCC-Cont Avoidance Savings (1%)	DCC Total Procurement Savings	FCC Total Procurement Savings
Preclass Level 1	25,907,580	29,421,824	55,329,404	259,076	294,218	294,218	777,227	882,655
Construction	25,907,580	28,613,659	54,521,239	255,858	286,137	286,137	767,574	858,410
Social Community Care	6,825,137	8,894,222	15,719,359	68,251	88,942	88,942	204,754	266,827
Public Transport	4,956,514	5,409,059	10,365,574	49,565	54,091	54,091	148,695	162,272
Information Communication Technology	3,855,815	6,198,250	10,054,065	38,558	61,983	61,983	185,674	185,948
Utilities	3,738,312	4,924,439	8,662,750	37,383	49,244	49,244	147,733	147,733
Uncategorised	3,265,938	4,964,660	8,230,598	32,659	49,647	49,647	97,978	148,940
Education	2,164,619	5,180,601	7,345,220	21,646	51,806	51,806	64,938	155,418
Construction Materials	2,669,158	4,597,916	7,267,074	26,692	45,979	45,979	80,075	137,937
Human Resources	2,651,213	3,870,208	6,521,421	26,512	38,702	38,702	80,075	116,106
Vehicle Management	1,853,276	3,705,797	5,559,073	18,533	37,058	37,058	93,598	111,174
Financial Services	3,631,916	1,936,317	5,568,233	36,219	19,362	19,362	15,362	58,087
Environmental Services	2,832,000	2,886,709	5,718,709	28,320	28,967	28,967	28,967	86,501
Facilities & Management Services	1,679,453	2,898,195	4,577,648	16,795	16,795	16,795	50,384	85,746
Catering	1,680,570	1,461,783	3,142,353	16,806	16,806	16,806	14,618	43,853
Healthcare	1,657,829	799,068	2,456,897	16,578	7,391	7,391	49,735	22,172
Highway Equipment & Materials	763,181	1,287,859	2,051,040	7,632	12,879	12,879	22,895	38,636
Consultancy	678,647	883,321	1,561,968	6,786	8,833	8,833	20,359	26,500
Cleaning & Janitorial	623,347	544,277	1,167,624	6,233	5,443	5,443	18,700	16,378
Mail Services	596,367	454,940	1,051,307	5,964	4,549	4,549	17,891	13,648
Arts & Leisure Services	413,468	528,074	941,542	4,135	5,281	5,281	12,404	15,842
Legal Services	357,408	547,010	899,418	3,574	5,470	5,470	10,572	16,410
Furniture & Soft Furnishings	215,673	649,802	865,475	2,157	6,498	6,498	6,470	19,494
Street & Traffic Management	252,130	612,256	864,386	2,521	6,123	6,123	6,123	18,388
Sports & Playground Equipment & Maintenance	370,885	444,411	815,296	3,709	4,444	4,444	4,444	13,332
Stationery	472,161	249,053	721,215	4,722	2,491	2,491	11,127	7,472
Horticultural	343,731	170,889	514,620	3,437	1,706	1,706	14,165	19,494
Housing Management	106,521	346,056	452,577	1,065	3,461	3,461	10,312	3,618
Clothing	301,831	75,415	377,246	3,018	754	754	9,055	2,262
Domestic Goods	104,101	161,594	265,695	1,041	1,616	1,616	3,123	4,848
Health & Safety	8,780	169	8,949	88	3	3	203	8
Cemetery & Crematorium	99,548,375	322,577,523	422,125,898	995,484	1,225,775	1,225,775	2,986,451	3,677,328
<b>Grand Total</b>				<b>88</b>	<b>88</b>	<b>88</b>	<b>88</b>	<b>88</b>



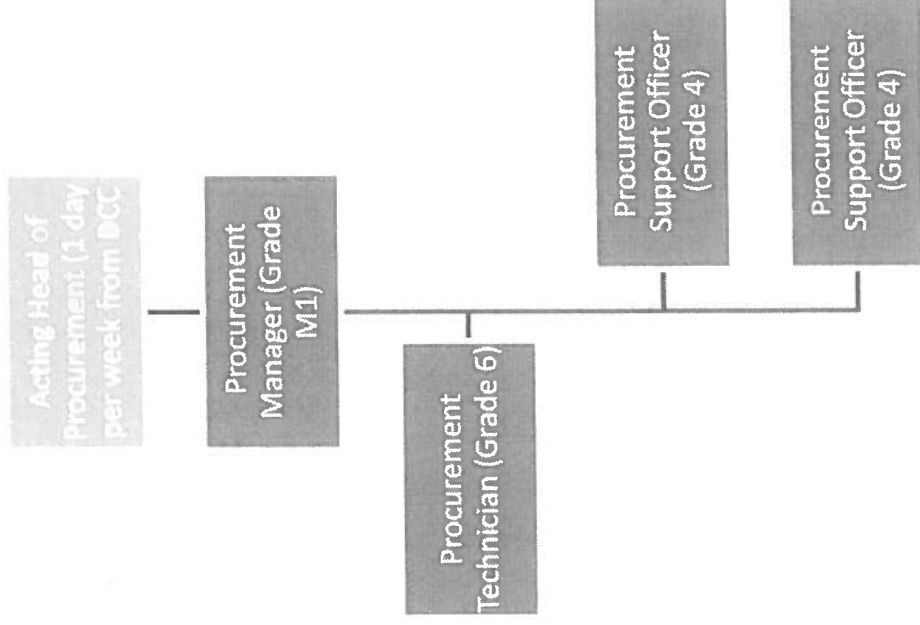
### Appendix 3

# Current DCC Corporate Procurement Unit Structure



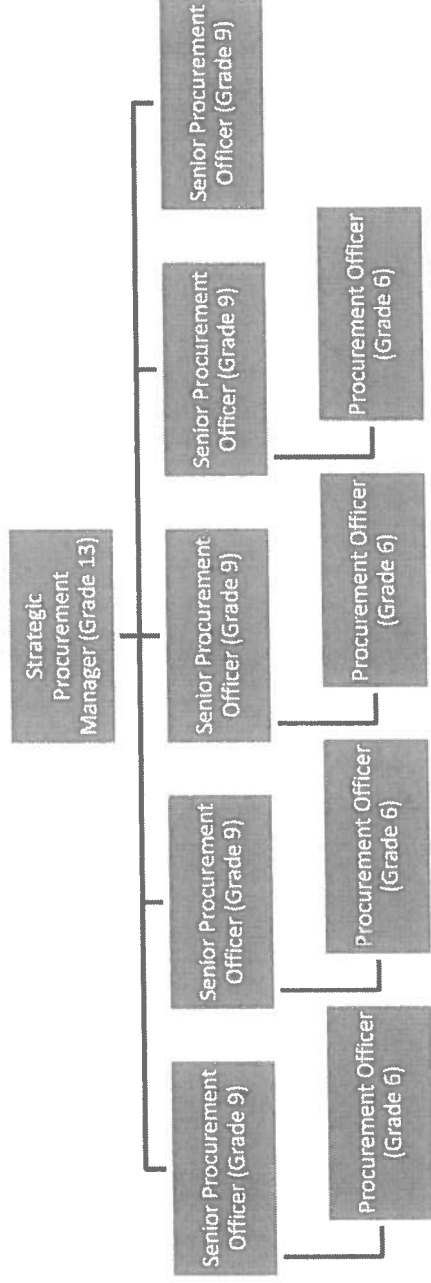
Appendix 4

# Current FCC Corporate Procurement Unit Structure



## Appendix 5

# New Joint DCC/FCC Corporate Procurement Unit Structure



## Appendix 6

### Projected JCPU costs

	14/15	15/16	16/17	17/18	18/19
	£	£	£	£	£
<u>Current staffing structure costs:</u>					
Grade 13 x 1	58,522	60,211	60,211	60,211	60,211
Grade 9 x 3	124,637	125,853	125,853	125,853	125,853
Grade 6 x 4	112,961	115,631	118,466	121,445	124,472
<b>Total Employee costs</b>	<b>296,120</b>	<b>301,695</b>	<b>304,530</b>	<b>307,509</b>	<b>310,536</b>
Training costs (12/13)	315	315	315	315	315
Mileage & travel costs (12/13)	6,475	6,475	6,475	6,475	6,475
Supplies & Services (12/13)	9,302	9,302	9,302	9,302	9,302
<b>Total Current Recurring costs</b>	<b>312,212</b>	<b>317,787</b>	<b>320,622</b>	<b>323,601</b>	<b>326,628</b>
<u>Additional staffing costs:</u>					
Grade 9 x 1	37,753	38,561	39,604	40,735	41,951
Grade 9 x 1 (Funded by Matrix contract mgr post by 3 county HR)	0	0	0	0	0
Mileage, travel, office costs (based on 12/13 costs above)	2,012	2,012	2,012	2,012	2,012
<b>Total Employee costs</b>	<b>39,765</b>	<b>40,573</b>	<b>41,616</b>	<b>42,747</b>	<b>43,963</b>
<b>Total Recurring Costs (Current &amp; Additional)</b>	<b>351,977</b>	<b>358,360</b>	<b>362,238</b>	<b>366,348</b>	<b>370,591</b>
<u>One-off Costs</u>					
ICT Merger Costs e.g. Laptops etc	15,000	0	0	0	0
	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL MERGER COSTS (RECURRING &amp; ONE-OFF)</b>	<b>366,977</b>	<b>358,360</b>	<b>362,238</b>	<b>366,348</b>	<b>370,591</b>
<b>TOTAL CURRENT CORE BUDGET (DCC &amp; FCC)</b>	<b>323,399</b>	<b>323,399</b>	<b>323,399</b>	<b>323,399</b>	<b>323,399</b>
<b>ADDITIONAL DIRECT COSTS OF MERGER OVER ABOVE CORE BUDGET</b>	<b>43,578</b>	<b>34,961</b>	<b>38,839</b>	<b>42,949</b>	<b>47,192</b>
<u>COST ALLOCATION AND BUDGET PRESSURES</u>					
<u>Denbighshire</u>					
45% allocation of costs	165,139	161,262	163,007	164,856	166,766
E-sourcing maintenance (DCC 15/16+)	0	10,200	10,200	10,200	10,200
<b>TOTAL PROJECTED COSTS</b>	<b>165,139</b>	<b>171,462</b>	<b>173,207</b>	<b>175,056</b>	<b>176,966</b>
Budget:	153,137	153,137	153,137	153,137	153,137
Pressure:	-12,002	-18,325	-20,070	-21,919	-23,829
<u>Flintshire</u>					
55% allocation of costs	201,837	197,098	199,231	201,491	203,825
E-sourcing maintenance ( FCC 17/18+)	0	0	0	10,200	10,200
<b>TOTAL PROJECTED COSTS</b>	<b>201,837</b>	<b>197,098</b>	<b>199,231</b>	<b>211,691</b>	<b>214,025</b>
Budget:	170,262	170,262	170,262	170,262	170,262
Pressure:	-31,575	-26,836	-28,969	-41,429	-43,763



# Risk Register

ROYG Status	Risk Number	Date Last Reviewed	Title	Description	Mitigating Action	Risk Owners	Trend	Active	Project Name
E4	00001	04/03/2014	Change Management	A risk that the staff at either or both councils are resistant to the proposed merger	Full consultation, engagement and involvement in the project as it progresses. Keep well communicated and listen to their issues and objections	Keith Amos, Arwel Staples	Better	Yes	FCC and DCC Joint Strategic Procurement Service
D2	00002	04/03/2014	Accommodation and Property	There is a possibility that there is either a lack of appropriate accommodation, or staff are unwilling to work at a new location	Liaise with Terry Marland. Keep updated re proposed DCC project regarding formalising hot desk arrangements throughout DCC buildings (May 2014).	Terry Marland, Keith Amos	Same	Yes	FCC and DCC Joint Strategic Procurement Service
D2	00003	28/02/2014	ICT Infrastructure	Collaboration of two councils systems may not be feasible and extensive workarounds may be required	DCC and FCC ICT teams working together to establish infrastructure and system requirements. Solutions identified in Jan 2014 based on a the same setup as emergency planning joint team and minimal workarounds are required	Roy Kewley	Better	Yes	FCC and DCC Joint Strategic Procurement Service
D4	00004	04/03/2014	Staff may not wish to transfer to new organisation		Consultation from an early stage, regular involvement of all effected staff and open discussions	Hilary Evans	Better	No	FCC and DCC Joint Strategic Procurement Service
D4	00005	04/03/2014	Lack of resources to implement	Potential lack of resource at project and service level to implement requirements within specified timescales.	Closely monitor and review project plan and milestone schedule to ensure all activities remain achievable and that other threats/risks have suitable remedial actions recorded	Keith Amos	Same	Yes	FCC and DCC Joint Strategic Procurement Service
E2	00006	04/03/2014	Staff 'Formal' Consultation delays	Untimely commencement of staff communication will result in a delay to implementation.	Full engagement with HR and other services to ensure some state of readiness for the consultation to commence. Consultation commenced October 2013 with formal one to ones scheduled in April/May.	Keith Amos, Hilary Evans	Better	No	FCC and DCC Joint Strategic Procurement Service
C2	00007	09/01/2014	Public Services Commission announcement	PSC will have an impact on the new service provided. The outcome of the review will determine the strategic alignment of procurement	Will be determined upon publication of the review	Arwel Staples	Same	Yes	FCC and DCC Joint Strategic Procurement Service

