

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 15 JULY 2014**

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

SUBJECT: **3 COUNTY REGIONAL PROCUREMENT PROJECT**

1.00 **PURPOSE OF REPORT**

1.01 For Cabinet to consider and agree the final business case for the 3 County Procurement Project between Flintshire, Denbighshire and Gwynedd County Councils.

2.00 **BACKGROUND**

2.01 At its meeting on 17th September, 2013 Cabinet agreed to support the 3 County Procurement Project to introduce category management in to the 3 Councils, subject to a final business case being agreed.

3.00 **CONSIDERATIONS**

3.01 The 3 County Procurement Project was agreed by the North Wales Leadership Board last year. A bid was submitted to Welsh Government Regional Collaboration Fund for funding of the project. The bid was successful.

3.02 The Institute for Competition and Procurement Service at Bangor University were commissioned to develop the final business case; this is attached at Appendix 1.

3.03 The development of the business case has included the involvement of Procurement staff from the 3 Councils and senior management from several service areas. Workshops were held, questionnaires undertaken and the recommendations reflect the outcomes and results from this exercise.

3.04 The business case, which is available in the Members' Library and on the website, has been agreed by the project board and by Cabinets at Denbighshire and Gwynedd.

3.05 The business case demonstrates how a category management approach to procurement implemented across the 3 Councils could realise major procurement improvements and savings for each Council, supported eventually by a procurement support service which is already in place for Flintshire and Denbighshire.

3.06 The business case recommends a model for a shared service across the 3 Councils. However recognising the major change management implications of a shared service, as a first stage each Council will independently but in a coordinated standard manner implement category management locally prior to moving to a regional shared service with shared implementation support.

3.07 In summary the benefits of implementing category management in this way are:-

- Identification and delivery of procurement savings per individual category of spend – across the 3 Councils in 2012/13 we procured £384 million of goods and services in total, some of the larger spend areas £86 million on social care, £100 million on construction, £26 million on public transport.
- An estimate of potential savings across the 3 Councils of £2.7 million in year 2 rising to £9.2 million in year 5 if we were to implement regional category management.
- Economies of scale when collaborating across spend areas.
- Enhanced procurement capability within the procurement function and across the organisation.
- Reduced costs of procurement through reducing process and staff; from the questionnaires 244 employees across Flintshire are involved in procurement and aggregating their time spent this represents 74 FTE's equating to £2.9 million in salary costs.
- Improvements in procurement planning and demand management.
- Ensuring category purchases are co-ordinated both locally and regionally.
- The project is scalable allowing other partners to join the project at a later date.

3.08 The business case recommends a direction of travel for procurement within the 3 Councils. The next stage will be to engage a commercial category manager partner to develop the category management system for the 3 Councils, and to develop a full implementation plan. It is envisaged that the first stages of implementation will be in early 2015. The remaining Councils in the region have the option to enter the consortium at a later date.

4.00 RECOMMENDATIONS

4.01 Cabinet to endorse the final business case for the 3 County Procurement Project and for the project to move to implementation stage.

4.02 Regular progress reports are provided to Cabinet, the next being in the autumn.

5.00 FINANCIAL IMPLICATIONS

5.01 The project costs are being met from the Welsh Government Regional Collaboration Fund.

5.02 Estimated savings are set out in 3.07 above and detailed further in the Final Business Case.

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 None directly from this report but potential for reduction in employees engaged in procurement activities once category management has been implemented.

10.00 CONSULTATION REQUIRED

10.01 Full consultation will continue with the procurement team and service based employees engaged in procurement activities.

11.00 CONSULTATION UNDERTAKEN

11.01 Workshops held and questionnaires undertaken with all employees involved in procurement and senior management. All six Councils were involved in the previous work on the project and were given the option to enter into an agreement.

12.00 APPENDICES

12.01 None.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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