

Annual Review Collaborative Procurement Unit 2018-19

BACKGROUND

- 1 The Collaborative Procurement Unit (the “CPU”) was established on 1 July 2014. It is a collaboration between Denbighshire CC and Flintshire CC. The original 3 years agreement has been renewed by each council for another 5 years.
- 2 The structure of the CPU is set out in Appendix 1 (reflecting the redundancy of the Strategic Procurement Business Partner in 2018/2019 financial year). Services provided by the CPU are set out in Appendix 2.
- 3 The CPU is part of the Legal, HR and Democratic Service at DCC, which is the host authority.
- 4 The Legal and Procurement Operations Manager manages a team of Procurement Business Partners and Procurement/Legal Support Officers whose duties are to ensure that all third party spend is commissioned and procured in accordance with each Council’s Procurement Strategy (the “Strategy”). Each Council has its own Strategy but the current versions are the same document. There is a specific section below on the Strategy.
- 5 The annual spend data for Denbighshire CC is set out below:
 - Total spend for goods services and works - £131,861,104
 - Amount of spend for Denbighshire businesses within the total spend for DCC - £43,126,045 (33%)
 - Amount of spend for third sector within the total spend for DCC - £9,168,522 (7%)
 - Amount of spend for third sector in Denbighshire within the total spend for DCC - £2,606,022 (6%)
5. The annual spend data for Flintshire CC is set out below
 - Total spend for goods services and works – £197,714,082
 - Amount of spend for Flintshire businesses within the total spend for FCC - £51,090,377 (26%)
 - Amount of spend for third sector within the total spend for FCC - £12,536,784 (6%)
 - Amount of spend for third sector in Flintshire within the total spend for FCC - £2,677,401 (5%)

PROCUREMENT STRATEGY

- 6 The Strategy was approved by each Council in 2016 to
 - a) Have a clear approach as to how each Council undertakes its procurement activities and
 - b) Adopt the principles of the Welsh Procurement Policy Statement and obligations placed upon it by the Future Generations Act, the Social Services and Well Being Act and Procurement Legislation.

- 7 The general principles contained within the Strategy are:
 - a) An integrated procurement strategy setting out the vision and objectives in relation to all third party delivered goods, services and works.
 - b) A 'one-council' approach recognising the importance of the CPU working in partnership with Services throughout the Council.
 - c) ensuring due compliance and consideration of the Public Contracts Regulations, Welsh Government Procurement Policy, the Council's Contract Procedure Rules, and other associated legislative requirements.
 - d) Considers how the Council can actively improve the economic, social, environmental and cultural wellbeing of the local area in accordance with the sustainable development principles

- 8 An Action Plan had been developed as part of the Strategy. The Action Plan has now been completed.

- 9 An updated procurement strategy is being drafted and will be adopted in 2019-2020 following an internal consultation and subsequent approval by Cabinet. The changes to Strategy cover a change in emphasis away from the use of external frameworks and a change to each Council's use of frameworks set up by the National Procurement Service, enhanced local supplier opportunities and reference to local policies and initiatives. KPIs have also been updated (see next section). The revised strategy will also include the Council's commitments under the Ethical Procurement Code.

KEY PERFORMANCE INDICATORS

10. The Legal and Procurement Manager has undertaken a review of the KPIs in place in August 2017, and has revised the KPIs after discussions with Joint Procurement Board and Strategic Planning at DCC. The new KPIs are fewer in number and relate to each Council's Corporate Plan/objectives. Some KPI's are carried forward and a target has been set for these. For the new KPI's, benchmark data is being collected and will be used to set targets in future years.
11. Appendix 3 contains the yearly figures for the KPIs. There has been a drop in the number of contracts (value over £25,000 up to £1m) where community benefits have been obtained. Flintshire CC has been re-examining its policies on the

achievement of community benefits/social value and the transition from one approach to another is believed to have impacted on delivery. FCC approved its Social Value Strategy in April 2019, and DCC is looking at setting up a Community Benefits Hub (subject to funding and project approval from Corporate Projects Board and CET). Performance is therefore expected to improve during 19/20.

PROCUREMENT ACTIVITY FOR CONTRACTS VALUED OVER £25,000 AND COLLABORATIVE PROCUREMENTS

12. Appendix 4 contains the details of the number of contracts awarded via a procurement process .It does not contain specific details about contracts awarded under the transport DPS for DCC and FCC nor call-off contracts under frameworks set up by either Council nor contracts awarded after an exception report.
14. Whilst the two Councils have agreed a collaborative approach to procurement, in practice, this has been difficult to achieve. Appendix 5 contains details of the collaborative procurements completed, in progress and those being discussed. The reason for not pursuing a collaborative procurement usually relate to different timings, different requirements or differing approaches to the procurement process. Reasons are stated in Appendix 5. It has been agreed that regular reports will be made to Chief Officers/Heads of Service so that they can see and influence the number of collaborative contracts actually being agreed.

SAVINGS

15. Appendix 6 contains the savings document agreed by Strategic Performance, Procurement/Legal Services and Finance, and which has been agreed by the Chief Executive at DCC and the Chief Officer Governance for FCC. This was an action from the 2018 Audit report into CPU.
16. Discussions are on-going across each Council as to how the savings figures will be collated and reported.
17. A spreadsheet is kept recording anticipated savings expected at contract award. It also identifies projects where a tender cost exceeds the estimated budget. The top 7 of savings is set out below:

Contract Description	Description of Savings	Estimated Value (over contract period)
Supply of lanterns for the highway (FCC)	Cost below budget following a fully	£432,323 total

	compliant procurement process	
Insurance cover (DCC)	Cost below budget following a fully compliant procurement process	£900,000
Average speed cameras (DCC)	Cost below budget following a fully compliant procurement process	£90,000
Renewal of school roof (FCC)	Cost below budget following a fully compliant procurement process	£61,400
Ventilation system Unity House (FCC)	Cost below budget following a fully compliant procurement process	£101,913
Re-wire Hawarden Records Office (FCC)	Cost below budget following a fully compliant procurement process	£57,070
Telephony maintenance (FCC)	Cost below budget following a fully compliant procurement process	£50,794

SPEND ANALYSIS

18. The annual spend across Services for each Council is attached in Appendix 7.
19. There are sums which have not been allocated across Services. This is because entries have either not been coded on P2P or are coded incorrectly and cannot be assigned to a Service. These non-allocated sums are a substantial proportion of the total spend for each Council.
20. Data is processed via Atamis spend analytics software made available and fully funded by Welsh Government.
21. An improvement in spend analysis is required to help improve Service planning for the re tender of expiring contracts, reduce the number of direct awards or extensions and identify similar spend across Services which can be amalgamated rather than undertaken separately by individual Services.

LOCAL AND ETHICAL SUPPLY CHAINS

22. All tender exercises are advertised on the Sell2Wales website and local SMEs are encouraged to register on the site by Services, and also when requests are received direct from suppliers. The use of local companies is built into the tender award criteria within legislative constraints in the form of quality considerations that are proportionate to the contract.
23. Amount of spend for Denbighshire businesses within the total spend for DCC - £43,126,045 (33%). Amount of spend for Flintshire businesses within the total spend for FCC - £51,090,377 (26%).
24. Contracts are broken down into smaller 'lots' of work where possible to allow SMEs to compete and sub contract opportunities are promoted, where possible in supply chains.
25. FCC has adopted the Welsh Government's Ethical Code of Employment in Supply Chains and an action plan is being implemented. DCC are taking a report to Cabinet in June 2019 recommending that the Code is adopted in Denbighshire. The action plan sets out the steps to be taken to implement the Code and how to imbed the principles into procedures and documentation.
26. The use of frameworks as the preferred procurement route is considered more carefully now, as it is likely that national frameworks, even those across Wales, exclude local suppliers. In addition, DCC and FCC have set up some of their own frameworks as an alternative to using national frameworks, and local suppliers have been encouraged to apply to be awarded a place on the framework. Both Councils have set up separate dynamic purchasing systems for their integrated transport services, which focus on local suppliers for local routes, and which allow new suppliers to apply to be appointed to the DPS during its lifetime.

HORIZON PROJECTS/CONTRACTS DUE FOR RENEWAL

27. Until recently, contracts have not been pushed through to the contract management module of the e procurement system. This means that there is no centralised point for contracts to be stored and monitored. This has now started to happen, but it is a Service responsibility to monitor contracts and complete tasks in the contract management module, and whilst CPU can prompt and chase, the onus is on Services to undertake contract management and monitoring. This means there is no accurate and centralised point which records contracts and their end date. Preparing for a procurement to start prior to the expiry of a contract relies upon the Service or CPU being aware that a contract is due to expire.
28. Lack of contract management processes means that some procurement planning is done late requiring a rushed procurement, or some contracts miss an expiry date and require an exception or variation form to ensure service continuity. Contract management is currently being reviewed in DCC as part of the Support Service Review.

REGIONAL PROJECTS

29. There are some regional projects on-going, but this type of activity is slowing down. There may be an upsurge as the Welsh Local Government Association propose a National/Regional approach to procurement in Wales, in the wake of the review of the National Procurement Service. This is still being discussed and is at draft proposal stage.
30. Current regional procurement projects relate to the Domiciliary Care Framework and the Learning Disability Transformation (audit of strategic plan).

NATIONAL PROCUREMENT SERVICE

31. The Councils continue to consider the National Procurement Service Frameworks (£xx million spend directed via NPS Frameworks in 2018/19) and will continue to procure from them where sourcing strategies evidence provision of value for money requirements against the Council's needs. The breakdown of spend against Service area is contained in Appendix 8.
32. As mentioned above, there is a current review on going around the National Procurement Service. Active engagement to the current and ongoing review of the National Procurement Service (and Value Wales) will ensure that any developments potentially having influence on the way that the Councils operate are considered and discussed at a Regional/National level.

BUDGET

33. Details of the budget for CPU are set out in Appendix 9. In 2018/19 one post was made redundant due to budget savings at DCC. This will be operative from 6 April 2019.

AUDIT REPORT PROGRESS

34. There continues to be progress against the actions from the 2018 Audit report. Appendix 10 contains the updated report which went to Corporate Governance Committee at DCC on 5 June. The Audit report gives a follow up score of medium assurance, with some tasks outstanding, but the majority have been completed. It indicates the direction of travel for CPU as "up".

Appendix 1 Structure of CPU



Procurement
Structure april 2019

Appendix 2

Services offered by CPU

CPU provides the following services to DCC and FCC:

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 respective Corporate Procurement Strategies.
- Implement the Wales Procurement Policy Statement objectives as developed by Welsh Government.
- Develop and promote guidance reflecting procurement best practice.

Day-to-day Management of Procurement Matters

- Champion procurement in the Councils.
- 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).
- Report on spend across Services.
- Report on savings achieved through the procurement process.

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 for each Partner.
- 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.

Appendix 3

KPIs



DCC&FCC KPI Data
18.19.xlsx

Schedule 4 Contracts Awarded by Directorate



DCC.FCC
Procurement by Dep

Appendix 5 Collaborative Procurements



Collaborative
Procurements Recor

Appendix 6

Savings methodology



Procurement
Efficiency Savings M

Appendix 7

Spend Analysis



DCC.FCC Spend by
SVC Area 18.19 (002)

Appendix 8

Budget



FCCPROCUREMENT
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Please note if this document has a wider circulation than Procurement Board, this appendix needs to be redacted to remove personal information

Appendix 9 Use of NPS Frameworks



NPS Tracker with Spend.xlsx

Appendix 10

Audit Update Report



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