

PROCUREMENT SHARED SERVICE PROPOSAL**EXECUTIVE MEMBER:** Cllr N Williams**LEAD OFFICER:** Mrs S Borwick**REPORT AUTHOR:** Mr C A Lloyd

Summary: This report presents Members with a proposal for a shared Procurement Service which has been endorsed by the Cumbria Local Authority Strategic Board as part of a Cumbria wide initiative.

Recommendation: That Executive:

- a). Approves the Report and Appendix A.
- b). Approves the initial funding of up to £4,000 from contingencies.

Impact on delivering the Corporate Plan: The proposals will improve efficiency, both in the cost of procurement and in staff time, and in terms of choice, and will provide better control and monitoring of spending, and contribute positively to e-gov targets.

Impact on other statutory objectives (e.g. crime & disorder, LA21): None

Financial and human resource implications: The proposal is self funding and shows a surplus of income over expenditure. Further work will be required to reach a detailed conclusion with a target date of December 2006. Funding to be from Contingencies, The balance of Contingencies prior to any report on this Agenda being approved is £37,627.

Project & Risk Management: Project Management principles are used for this initiative.

Key Decision Status

- **Financial:** None

- **Ward:** None

Other Ward Implications: None

1. INTRODUCTION

1.1. A detailed report was taken to the Executive on 25 09 06 seeking approval to join the IDeA Marketplace. Members agreed to support the proposal in principle on the basis that all other group members joined as well.

- 1.2. Since that report matters have progressed. In accordance with the Shared Service Agenda, a Report from the Cumbria Procurement Initiative was put before the Cumbria Local Authority Strategic Board which comprises the group authority Chief Executives. It is noted that the CLASB does not have any delegated authority to make decisions.
- 1.3. The report endorsed by CLASB is attached at Appendix A. To summarise the report makes a case for a joint procurement service to be hosted by one authority. The matter is to proceed immediately to assemble all necessary details and establish a Business Case with a break point in December when each authority has to decide if it is either 'in' or 'out' of the shared service.
- 1.4. There are cost implications in two phases: up to £4,000 is required by each District Authority to fund activity up to the December break point. Beyond that the cost has not yet been confirmed but a bid has been made for this Council as part of the annual bidding process for £25,000 per annum for the next three to five years to enable progress to be made should the Council decide to opt to joint the shared service. Savings will be made to offset the expenditure.
- 1.5. Executive is reminded of the composition of the Cumbria Procurement Initiative, a consortium of local authorities linked to the North West Centre of Excellence, Procurement Workstream, and which comprises the following District Councils and Cumbria County Council:

Allerdale Borough Council
Barrow Borough Council
Carlisle City Council
Copeland Borough Council
Eden District Council
South Lakeland District Council

- 1.6. The proposal to join the IDeA market place was described in the previous report, it would be used by procurement representatives in all Service units and project managers dealing with larger contracts:
 - 1.6.1. The marketplace provides access to a wide range of products (provided in competition) – when enquiries are made options are available for selection of cheapest product, preferred supplier, geographical location, size of company. etc.
 - 1.6.2. The existing Council suppliers will also be lodged with the marketplace to enable the Council to continue to place orders with these suppliers.
 - 1.6.3. The marketplace does offer the opportunity for procurement to regulate the suppliers used by the procurement representatives in the various Service Units. In time this will enable streamlining by establishing with procurement reps agreed products and limiting ordering to these.
 - 1.6.4. The marketplace will facilitate monitoring of the purchasing activity, amounts, products, costs etc., and quickly identify any purchasing not made through the marketplace.
 - 1.6.5. Present arrangement is for all purchasing to be through Cumbria Supplies, but this will be enhanced through use of the IDeA marketplace with a full range of options and controls. This briefly means that all purchasing (existing suppliers and new suppliers) can be directed through the marketplace.

1.6.6. Provision exists for encouraging local suppliers to join the marketplace, this could well enhance their opportunities for increasing trade.

1.7. The initial 6 month trial period will not be sufficiently long to implement all our aspirations and/or full control but is expected to be sufficient to confirm the benefits of using the marketplace and establish clarification of the way forward. It will also line up the Councils so that if a joint procurement section is established all will be working with a common system.

2. CONCLUSIONS

2.1. Executive is asked to note the contents of this report and to approve the funding of up to £4,000 for the first stage to the December break point.

List of Appendices

Appendix A CLASB Cover Paper

Relevant documents:

Procurement electronic folder and files
CLASB Business case
CLASB PID
CLASB Summary

List of Consultees:

Corporate Team

Procurement Shared Service

Business Case and PID

CCPSB recommends CLASB accept the principle of a shared service for procurement on the basis of the attached case.

In particular CCPSB recommends that the project should proceed immediately as outlined in the attached Project Initiation Document (PID) (subject only to any authority other than the County Council wishing to be considered to host the service, in which case a formal decision on this matter will need to be incorporated into the project plan).

Implications:

1. **Commitment**

No final commitment is made by any authority to 'sign up' to the service until the December 'break point' shown in the plan when full information will be available. However commitment is now needed on some resource for the first stages of implementation.

2. **Financial**

- the cost of implementation is estimated as a maximum of £145,000.
- the amount to be spent by the December Go/No Go point will be less than this total, estimated maximum £100,000.
- the North West Centre of Excellence has agreed to make a contribution of £50,000 to this transformational project.
- the remaining £95,000 of implementation costs (say £50,000 maximum before December) will be funded in line with the principles already agreed by CLASB.
- for budget and approval purposes CCPSB recommend that a basis of 50% County and 50% districts (districts then split pro rata to population) is used. This could be fine tuned on an activity/output basis in due course.
- in practice this means that the maximum commitment before the December decision point is £25,000 for the County and an average of £4,000 per district.

3. **Start-up**

CCPSB recognises that individual authorities will not at this stage have made budgetary provision for this expenditure. However, to keep to the April 2007 go-live date CCPSB recommends that the project commences immediately on the basis that NWCE money is available, recognising that there is a potential liability to repay NWCE if the project fails to start.

To mitigate this risk, CCPSB recommends that the project team ensures that as far as possible early activities are structured to provide continuing benefit in the event of the fallback position of continuing informal collaboration

4. **Internal Costs**

Participating authorities (before December) will incur internal costs in terms of participation in the Project Board and the provision and analysis of information – this is likely to be at a level similar to that required during preparation of the business case to date.

5. **Specific Actions**

Each CLASB member organisation will need to

- nominate to the Project Board
- nominate appropriate representation at the Benefits Realisation event on 19th October
- ensure all possible actions are being taken to implement the IDeA Marketplace in their own council (except in the case of Barrow where special circumstances apply)
- Put in place whatever internal consultation and approvals will be necessary to ‘sign up’ or reject the option formally in December.
- Consider whether they wish to make staff available for both the implementation phase and thereafter (in lieu of financial contribution).

There is an action for CLASB is to schedule the December ‘review’ and also to commission the more comprehensive review in 18-24 months to consider whether it would be sensible to extend the scope of the service to a fuller shared procurement activity. At this point for example CLASB might wish to set targets for the proportion of total procurement carried out by the shared service.