

## **PROCUREMENT INITIATIVE**

**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 improving and consolidating procurement within the Council as part of a Cumbria wide initiative.

**Recommendation:** That Executive:  
a). Approves the proposal to join the IDeA Market Place.  
b). Agrees to the funding proposals identified at heading 4, on the basis that overall savings will accrue over the three year period and beyond.

**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 Business plan demonstrates that the proposal is self funding and shows a surplus of income over expenditure. Initial funding of £25,979 will be required in 2006/7 to be provided from the major projects fund, currently standing at £xx.

**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. Copeland is a member 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

- 1.2. The group is focussed on identifying practical ways in which improvements and efficiencies to procurement processes can be introduced within the member councils, independently or on a co-ordinated basis.
- 1.3. The activities of the group are reported to the Cumbria Local Authority Strategic Board which is currently considering a range of joint service provision issues including procurement. There is a need for Copeland to contribute towards these joint initiatives, and this proposal will support the above processes.
- 1.4. Recently through grant from the NWCE the Cumbria Councils have provided 2004/5 spend details to a company called Spikes Cavel. This company has an online observatory where these statistics can be viewed in a range of ways for each Council or for all subscribing Councils. This enables us to understand exactly how much is spent with suppliers by each Council and jointly across the region, and demonstrates how dependent local small businesses may be on local authority purchasing.
- 1.5. The group has also investigated a range of options that would facilitate purchasing, generating savings by providing the best possible prices, and streamlining the Council processes to generate economies
- 1.6. Care has been taken to ensure that services available from local businesses will not be prejudiced by taking these opportunities. The Council will ensure that all current suppliers and interested parties are advised of any proposed changes that may affect them, and through the IDeA, will actually help some of our suppliers providing an introduction to on-line working and an opportunity to find business elsewhere.
- 1.7. The potential effect on Cumbria Supplies has been considered (Cumbria County council is a member of the CPI and Cumbria Contract Services representative attends meetings, and it is noted that Cumbria Supplies in turn use Hertfordshire CC).
- 1.8. Following a number of presentations the group decided that the market place system offering the most benefit was the IDeA Market Place.
- 1.9. It is important to note that one of the National Procurement Strategy Targets for District Councils is to have access to a Marketplace. The ability of Copeland to meet these targets will demonstrate that this council is serious about achieving value for money and maximizing use of resources, both of which will contribute positively to how our performance is judged.
- 1.10. The C P I has received a presentation from Easington, a small District Council with many similar economic and social issues to Copeland, the IDeA marketplace has been implemented very successfully, and the authority has offered advice and assistance to any new members of the marketplace.

## **2. CONTRACT STANDING ORDERS**

- 2.1. The clauses in the Council Contract Standing Orders are repeated here for information. The IDeA marketplace is considered to be a 'consortium or similar body'. It is expected that larger contracts will remain to be procured on an individual basis, although advice and assistance is available for these from the IDeA.

### **“Tenders invited by a Consortium**

4.13 Competitive prices tenders or quotations need not be invited in accordance with those Contract Standing Orders where they have been invited by or on behalf of any consortium or similar body to which the Council is affiliated or connected or is a Member, where such invitation has been in accordance with the method normally adopted by such body.

4.14 Where prices tenders or quotations are invited by an employee of this Council, on behalf of any such consortium or similar body, the seeking, delivering, opening and acceptance of any such prices tenders or quotations shall comply with the provisions of these Contract Standing Orders unless they are inconsistent with the method by which tenders or quotations are dealt with by the said consortium or other body provided that any EC tendering legislation is followed.”

## **3. IDEA MARKET PLACE**

- 3.1. IDeA: marketplace is a partnership between e-government Solutions (EGS) and the IDeA to deliver local government's own electronic world-class procurement system and electronic trading environment.
- 3.2. IDeA: marketplace dramatically saves time and money for participating councils. Being 2005 compliant, IDeA: marketplace can quickly e-enable suppliers large and small, providing up-to-the-minute financial control information and total supply chain transparency.
- 3.3. Since its launch, IDeA: marketplace has already become the largest UK local government marketplace - and already supports local authorities trading with existing suppliers and leveraging their combined purchasing power to save money.
- 3.4. Built around unique procurement technology designed specifically for public sector buyers, IDeA: marketplace uses a system which was the first completely Java-based public sector procurement application, the first e-Procurement platform to develop and demonstrate a working Public Key Infrastructure (PKI)-secured system and the first e-Procurement platform to include an Extensible Markup Language (XML)-based supplier network technology.
- 3.5. IDeA: marketplace's second generation marketplace architecture supports groups of public sector agencies working together to share systems in a way that reduces costs for agencies and suppliers alike - and supports collaborative change management, maximising the chance of 'making change stick'.
- 3.6. The support services and technologies help ensure that IDeA: marketplace is deployed in a way that helps councils achieve their unique priorities and range from strategy and implementation planning to solution customisation, integration, training and change management through to supplier enablement services, content management, punchout integration and benefits tracking.
- 3.7. Now established as the leading provider through its market share, presence and the number of successful collaborative implementations. The IDeA place at the forefront of this sector was

underlined by the recent National e-Procurement Project (NePP) review of current Marketplace providers, which confirmed IDeA: marketplace as the most user friendly, and the one with the best understanding of local government.

3.8. Further information can be obtained from the IDeA: marketplace website.

## **COPELAND BUSINESS CASE**

3.9. In order to test the viability for all the councils involved the NWCE provided a resource to take us all through a procurement model business case that we could adapt for our own use. It was then agreed that all Councils would assemble business cases by the end of June 2006, and seek further approvals where they demonstrated a benefit.

3.10. A full Business Case has been prepared in North West Centre of Excellence format, this is available for inspection within the Business Development Section. There are fees to be paid to the Market place for the facilities offered, although these have been halved for collaborative take up. Please note that the costs assume that the Market Place will be taken up by the majority of councils, and that sufficient internal resources are deployed in each of them to undertake the change process.

3.11. In terms of efficiency savings through business process re-engineering, nothing has been included in the Business case for any further savings that may be available in this area.

3.12. The cost summary shows that over a three year period a saving of £45,889.00 at today's prices can be achieved by using the Market Place. This also shows that the savings generated are 93.35% price and 6.65% staff. Please refer to Appendix A for full details of figures and assumptions. A monitoring process would be established to demonstrate the progress made in achieving savings over the three years and beyond.

3.13. These savings are based on the Spikes Cavell figures which have been moderated to take account of changes in Council spend (Housing Stock Transfer, Outsourcing Leisure Services) and are if anything, are set at a relatively conservative level: should the proposal be corporately accepted and implemented throughout the Council, and the Council procurement Centre be adequately resourced it is expected that these figures will be improved upon. It is realistic and shows that whilst the initial start up costs outweigh savings in the first year, there are then progressive change thereafter, producing the surplus indicated. This would be expected to continue in future years, at least at a similar level.

3.14. The IDeA Market place provides a wide range of benefits for member authorities, including:

- Vastly streamlines existing Council procurement processes
- Available to all Service units
- Covers all types of orders, from consumables to large contracts
- Wide range of supplier prices gained in competition (National)
- When seeking commodities alternatives provided on screen
- Ability to include local suppliers onto market place (includes consultants and contractors)
- Ability to channel ALL orders through the market place
- Ability to limit numbers of individual users and their purchasing range
- Can provide check of spend against budgets
- Can provide analysis of spend for individual authorities and range of authorities

- Improves knowledge of total spend against each supplier
- Orders made electronically
- Consolidated monthly invoices can be provided
- Procurement staff can interrogate Council position at any time
- Range of additional advice, facilities, contracts, order conditions.
- Potential for e-tendering through marketplace.

<b>Summary</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>TOTAL</b>
<b>Costs</b> The following costs are based on achieving the minimum number of participants required in order to trigger subscription discounts.				
Total Costs	£ 34,763	£ 9,250	£ 9,250	£ 53,263
<b>Savings</b>				
Price savings	£ 7,320	£ 32,579	£ 57,386	£ 97,284
Time savings (ASSUMES SVGS IN STAFF TIME IN YEAR1)	£ 1,464	£ 2,501	£ 2,966	£ 6,930
<b>Total Savings</b>	£ 8,783	£ 35,079	£ 60,352	£ 104,214
<b>OVERALL SAVINGS</b>	<b>-£ 25,979</b>	<b>£ 25,829</b>	<b>£ 51,102</b>	<b>£ 50,952</b>
<b>NPV</b>				<b>£45,889.26</b>

#### 4. RESOURCES

- 4.1. The purpose of the Procurement Section within the Council is to provide a procurement function and to support other departments so that their staff can successfully procure.
- 4.2. This does not simply relate to purchase of consumable items but to the full range of procurement including contracts of varying size, from pens and pencils to a New Financial management System, or large project like the beacon refurbishment.
- 4.3. With a significant number of new staff there is a shortfall in knowledge of Council processes, procurement and project management and these are areas where demand has increased particularly from the Regeneration Service Unit, but also from leisure and Amenity services and Finance and Business Development.
- 4.4. Service Units each have nominated Procurers as contacts with the Procurement section, there would be training requirements for them should approval be given to move forward.
- 4.5. The current vacant post of procurement officer (12 month contract grade 4) has not been filled, although further recent advertisement has obtained an improved response, increasing the expectation that the post will be filled.

#### 5. CONCLUSIONS

- 5.1. The opportunity to join the IDeA Market Place provides the Council with an avenue to improve the ways in which it procures, widening the scope for making savings in purchases made, and saving staff time. The cost of setting up the Market Place is more than offset by the savings

expected to be achieved over the first three years of implementation, with continuing savings beyond.

- 5.2. This report seeks approvals outside the annual budget bidding process because it was not possible to plan the development and because it has occurred through recent developments. Parts of these benefits are linked to the joint approach provided through the Cumbria Procurement Initiative. Other member authorities are seeking approvals within the same timescales in order to keep momentum going and take advantage of the current IDeA offer.
- 5.3. Executive is asked to approve the proposal to join the IDeA Market place as described in this report, on the basis that a net saving over three years of £50,952 (net present value £45,889) will be achieved, with initial net outlay in year 1 of £25,979 to kick start the process, to be funded from the Major Projects Fund. This is on the basis that the IDeA figures based on a joint approach with other Cumbrian authorities is available.
- 5.4. Should Executive wish to defer implementation a new bid for funding this proposal in 2007/8, could be prepared as an alternative.

## **List of Appendices**

### **Appendix A List of Items Procured**

**Relevant documents:** Procurement electronic folder and files

**List of Consultees:** Corporate Team  
Councillor N Williams