

## **FUTURE ARRANGEMENTS FOR PROCUREMENT SERVICES**

**EXECUTIVE MEMBER:** Councillor Gillian Troughton  
**LEAD OFFICER:** Darienne Law – Head of Corporate Resources  
**REPORT AUTHOR:** Darienne Law – Head of Corporate Resources

### **WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS?**

Efficient procurement of goods and services will contribute to value for money provision of services to residents.

### **WHY HAS THIS REPORT COME TO THE EXECUTIVE? (eg Key Decision, Policy recommendation for Full Council, at request of Council,etc.)**

#### **RECOMMENDATIONS:**

Members are asked to:-

- a. Agree to purchase procurement support from Cumbria County Council authorising the Head of Corporate Resources to set up an initial two year fixed term contract and defined service specification for a procurement service.
- b. Note the relevant roles of the procurement service, managers and heads of service as prescribed in Contracts Standing Orders.
- c. Agree to set up a CBC contracts and procurement network to manage and monitor the work and provide feedback as the arrangement develops.
- d. Agree to the review of the contracts register and creation of a forward programme plan for all contracts classified according to the Kraljic classification scheme

## **1. INTRODUCTION**

- 1.1 The council's procurement officer left her post in May 2011 and since then the position has been vacant. Since then the contracts and property manager has been overseeing and advising on strategic procurements on a risk based approach. This arrangement is unsustainable as a future model, partly due to the workload and also the C&P manager is due to retire in Dec 2011.

- 1.2 Accordingly Copeland Borough Council approached Cumbria County Council to see if they could take over the procurement role under a service contract arrangement for 2 years..
- 1.3 Procurement skills and knowledge are scarce and CCC is developing a Cumbria centre of excellence approach which should provide resilience and offer longer term efficiencies through economies of scale and increased purchasing power or “leverage”.
- 1.4 The key drivers and proposed benefits from this arrangement are as follows:
  - To establish a more robust procurement service fully able to meet increasingly complex demands (overcoming recruitment and retention problems), through contracting with a county unit of a critical mass;
  - To increase the range of procurement advisory services (and access to specialist services, with possible additional leverage savings as the number of county wide contracts increases - Efficient procurement in Cumbria (EPIC)).
- 1.5 This provides an opportunity for improved resilience, independence and improved staff training and development, strengthening the role and position of procurement advice and the opportunity to operate a critical mass.
- 1.6 The potential impact upon other services within the Council from adopting the service specification/working arrangements will need to be agreed as part of the implementation stage.
- 1.7 Due diligence is a formal phase of contract negotiation whereby both (or all) parties undertake a process to test and verify their understanding of the contract and commitments to be entered into. A good due diligence process will enable parties to conclude a contract with a good understanding of the basis on which the contract is to be let and full awareness of resource implications and commitments. Conversely, failure to undertake due diligence may result in a failure to conclude a contract, or failure during the life of the contract.
- 1.8 Discussions have taken place over the past several months between both Councils, in relation to the County Council providing a procurement service to Copeland. Subsequently, a degree of due diligence was undertaken by the County Council’s Strategic & Commercial Procurement Unit in order to assess the benefits and the risks involved in relation to the types of procurement/commissioning work and associated volumes and expenditure over the next two years.

- 1.9 The County Council having completed its due diligence work has indicated its willingness to provide a procurement service to Copeland Borough Council.
- 1.10 This report seeks authority to enter into this agreement and also provides CBC assessment of the risks and benefits of the proposed arrangement

## **2. PROPOSALS**

- 2.1 It is proposed that the County Council would provide a procurement advisory service, based on receipt of an agreed budget from Copeland for a two year period. The budget would total around £27,555 pa.
- 2.2 Part of a wider team of procurement expertise the benefits which should be provided include resilience and also professional support and access to advice
- Opportunities for additional savings on leveraged contracts.
  - Access to a wider range of professional advice on strategic procurements.
- 2.3 The procurement activity associated with Copeland would be aligned to Copeland's Constitution and Contract Procedure Rules.
- 2.4 The key elements of the service to be provided under the service specification are:-
- Copeland pay CCC fixed fee per annum over the two year SLA period: (£27,555pa.)
  - CCC to undertake the services as stated within the agreed job profile
  - CCC to support for the list of over 20 contracts currently identified, plus agreed further ones to give an indicative number per annum (with some flexibility on this).
  - Use of IDeA marketplace during 2011/12, then review potential for Copeland to join CCC portal beyond first year (includes set-up assistance by CCC, including advice on but not cost of any new link required to financial management system)
  - Use of Chest Portal, My Tenders portal using Copeland Pre Qualification Questionnaires.
  - CCC supports to ensure Copeland Contract Procedure Rules are complied with, via quarterly checks on the council spend (jointly with Copeland's Corporate Services/Finance teams).
  - Limited further procurement assistance and reporting by CCC, as per agreed scope some limited support to strategic procurements will be covered with additional support available which can be purchased as required.

- CCC full presence at Whitehaven not essential – 1 to 2 days per week physical presence at Whitehaven through use of procurement ‘surgeries’, plus email/telephone availability remainder of week (to be reviewed/amended over time).
  - CCC backup cover to Copeland to cover illness, holidays etc
  - Copeland ability to access CCC Procurement team specialist knowledge, generally through the designated CCC. Copeland Contract Officer post.
  - Hot desk to be provided by Copeland and access to its intranet (security/acceptable use policies to be signed)
  - CCC and Copeland to agree the written service level agreement, which will include a simple termination clause.
- 2.5 Governance arrangements would be finalised, in detail, between Conway Stewart, Senior Manager responsible for Strategic Procurement, CCC, and Darienne Law, Head of Corporate Services, Copeland Borough Council, and would encompass service/performance review (based on time, cost and quality of service), escalation and refresh arrangements.
- 2.6 Contract negotiations and Management for key “Leverage “ based contracts such as electricity, stationery etc. – and during the life of the arrangement with CCC we will look to migrate as many of our current contracts across to this list to take advantage of the leverage discounts and possible savings this may offer.
- 2.7 The County Council have analysed our contract register and the current identified spend is estimated to be in the region of £665k per annum. See Appendix 1 for procurement spend by Copeland Borough Council). Approximately half of the twenty plus procurements/commissions could be delivered through the County Council’s existing contract arrangements, (see those underlined in Appendix 1), thereby enabling them to manage this workload more efficiently and effectively, whilst also seeking to re-negotiate aggregated spend with their current providers.

### **3. ALTERNATIVE OPTIONS TO BE CONSIDERED**

- 3.1 The service could be provided in house but given that the proposals provide wider benefits than those a single post could achieve the contract arrangement is proposed.

### **4. CONCLUSIONS**

- 4.1 The contract with Cumbria County Council, to provide Copeland with a procurement advisory service, would provide a robust arrangement, with

the scope for improved performance with the potential for longer term savings through leverage discounts through bulk purchasing.

- 4.2 The Executive is recommended to approve this proposal.

## **5. STATUTORY OFFICER COMMENTS**

- 5.1 The Monitoring Officer's comments are:

Other than concluding a contract with CCC no legal issues arise from the report. The Council has power to engage external contractors to facilitate its procurement process. Individual contracts to be let under the new arrangements will still be required to comply with contract procedure rules and, if above a certain threshold, the Public Contracts Regulations 2006.

- 5.2 The Section 151 Officer's comments are:

The section 151 comments are included in the report.

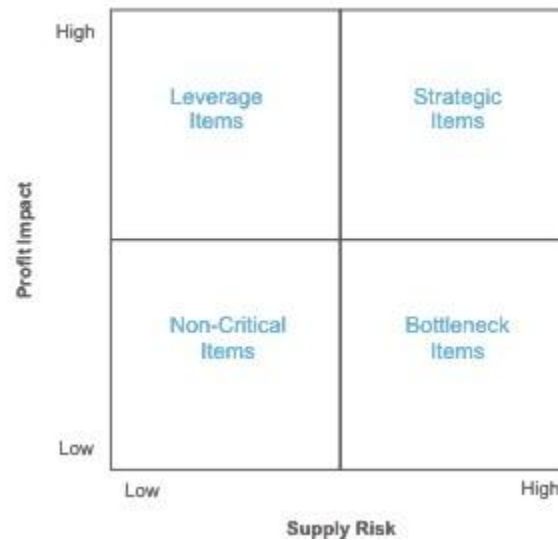
- 5.3 EIA Comments

The proposals in themselves do not affect any groups with protected characteristics. The procurement policies that are used to set out the decision framework for the new work will be Copeland Borough Councils policies which include consideration of equality issues alongside the wish to procure intelligently so as not to disadvantage local business.

## **6. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

- 6.1 As with any change in provider of a service the relevant roles of each party need to be clearly understood and adhered to. Currently CBC project managers involved in procurement received both advice to strategic procurements and also in some cases significant administrative support during the process. This has been on a grace and favour basis, partly to manage the risks due to the limited knowledge and experience of project managers in conducting procurement exercises.
- 6.2 It is proposed that in order to get the best value and efficient operation in future all contracts are classified according to the Kraljic Portfolio Purchasing Model.

Figure 1: Product Purchasing Classification Matrix



- 6.3 The contract register will need to be refreshed and updated on a quarterly basis, classifying them and identifying those contracts which will be aggregated into county arrangements (Leverage) and those which will require separate arrangements and most importantly those which are strategic and will require a higher level of procurement advice and what role the project manager will perform.
- 6.4 In addition a detailed forward plan will be required to programme manage the input from the County's procurement team. It is therefore proposed that a CBC contracts and procurement network is set up to manage and monitor the work and provide feedback as the arrangement develops.
- 6.5 Currently CBC utilises the IDEA Market place system a local government ecommerce platform to enable local authorities to trade with existing suppliers and leverage their combined purchasing power to save money.
- 6.6 In order to get the best value from the transfer of procurement support to county, we will need to consider and plan to access the County's e-procurement system. This work will require some development and integration as we move from Market place and a new link with our FMS Total system with Consilium.
- 6.7 This development work will need to be planned and any issues and risks considered. The county's portal is said to be versatile and to offer varying levels of visibility and interaction. It can be used as a standalone module with 'Browse only' access to view e-catalogues, as a procurement tool with potential interfacing to another financial package or as a fully integrated module of e5.

- 6.8 Efficient procurement in Cumbria ( a consortia) can be used via an view only access to the main contracts that county have already established which may offer additional savings.
- 6.9 To maximise these savings the implementation of integrated and streamlined systems is a key requirement and a risk for us. This will need to be managed as a project with support from finance, ICT and the county council through the SLA.
- 6.10 It should be noted that Procurement advice and support for Strategic Procurements are only included in respect of EU notices. The project manager's role will be key as an additional support from procurement service will be a matter for negotiation and may incur an additional cost depending on the scale of the project. In future these costs will need to be considered when a project is being agreed as part of its business case
- 6.11 In terms of future governance and service provision, the intention would be, wherever, and as soon practicable, to move as many of Copeland's contracts into Cumbria's and share the commercial benefits of these opportunities.
- 6.12 It is proposed that the Head of corporate resources is the contact with the county function and acts as both client officer and liaison point on strategic procurement.
- 6.13 Day to day coordination will be delivered by the County Councils allocated contracts officer.
- 6.14 With regard to contract performance, regular meetings with Copeland will be held in terms of quality of support; procurement project updates/timelines for the activities being tendered, in addition to agreement on the cash/non cashable benefits being delivered through such.
- 6.15 Furthermore, there would be regular procurement 'surgeries' in Copeland's offices with relevant staff, in relation to both arranging new contracts/commissions and providing procurement/commissioning and contract management advice, as requested by Copeland in the Service Level Agreement.
- 6.16 The portfolio holder for procurement will receive a six monthly update of the work of the procurement service against the forward plan and details in the service level agreement. Monitoring the risks and issues identified in the grid below.
- 6.17 Collectively, these will provide the performance evaluation framework.

## Risks and Issues to be Managed

Issue/Risk	Detail	Mitigation/Plan
System integration risks will be explored as part of the SLA negotiations	Potential 'Techie issue': relating to the e-proc technical architecture ie. ability/functionality for Copeland to either 'browse only' (visibility of catalogues) on the system, or, a 'purchase to pay' portal option (P2P) - allowing Copeland to not only view the catalogues but also create requisitions, complete authorization and goods receipt orders without funds checking etc	Continue with existing market place arrangement until integration work is complete
Additional support above the specified level will need to be paid for separately so	Strategic procurement support will be limited and significant pieces of advice will be separately costed.	good forward planning and participation in the contracts and procurement network will be essential
Contract management	<ul style="list-style-type: none"> <li>• Who is supervising who and what authority they have to do this</li> <li>• Dispute resolution mechanism</li> <li>• Fair exit provisions if things go wrong</li> </ul>	Will be explored and agreed as part of the SLA negotiations
Communications Issues	Potential confusion over the different Contract Procedure rules of two or more organizations if all Copeland tenders-and others- go on the Chest	Need to agree clear communication protocols and ensure contractors are aware of the contracting body.



		Role of the “dedicated” CBC contracts manager at CCC.
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## **7. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?**

- 7.1 During the life of the arrangement with CCC we will look to migrate as many of our current contracts across to this list to take advantage of the leverage discounts and possible savings this may offer.

### **List of Appendices**

Appendix 1 —2011/12 & 2012/13 *Classification of Procurement spend by Copeland Council.*

**List of Background Documents:** None

**Appendix 1** --2011/12 & 2012/13 *Classification of Procurement spend by Copeland Council.*

- Delivery of newspaper
- Licence and support consultancy
- Conservation services
- Treasury advice
- Printing and graphic design
- Life extension of St. Bees promenade
- MFD's
- M3 public protection database
- Vodafone
- Occupational health services
- Wheeled bins
- Refurb of waste containers
- Kerbside boxes
- Litter/dog bins
- Sweeper brushes
- Green waste composting
- Maintenance of footway and festive lighting
- Housing tender
- Fire and security alarm maintenance
- Valuation support services
- Residents Panel
- Opinion survey

- Discussion pack