



REPORT TO: POLICY AND RESOURCES COMMITTEE

DATE: 25 JUNE 2009

REPORTING OFFICER: CORPORATE DIRECTOR (s151)

SUBJECT: PROCUREMENT SHARED SERVICE

WARDS AFFECTED: ALL

1.0 PURPOSE OF REPORT

- 1.1 To enable members to consider being part of a procurement shared service with Scarborough Borough Council and Selby District Council.

2.0 RECOMMENDATIONS

- 2.1 That Council is recommended to:
- (i) enter into a procurement shared service with Scarborough Borough Council and Selby District Council; and
 - (ii) that the financing of the contributions be met from operational reserves.

3.0 BACKGROUND

- 3.1 Local authorities have had direction from central government through the Local Government White Paper – “Strong and Prosperous Communities” October 2006 – to transform local government services by looking at new ways of working both with other local authorities and other service providers. In particular, local authorities are encouraged to explore the possibilities for shared service provision where more efficient ways of working can be achieved.
- 3.2 The National Procurement Strategy (NPS) for local government was launched in October 2003 by the Department of Communities and Local Government (formerly the ODPM) to provide a clearly defined roadmap with defined milestones for authorities to more effectively use procurement as a change agent in delivering business benefits and releasing funds for re-investment in front line services.
- 3.3 This launch of the National Procurement Strategy for Local Government was followed up by a second publication in 2005 called ‘Taking Stock’ which looked at the National Procurement Strategy one year on. This review looked at best practice achieved in Local Government procurement, outlining further opportunities through building leadership and capacity, via procuring in partnership, via electronic means and via stimulating the supplier markets.
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- 3.4 Linkages between procurement agendas and efficiency agendas were developed, resulting in the outputs from the Comprehensive Spending Review 2007 (CSR2007) setting a national target for Local Government procurement efficiencies of £2.80 billion (57% of the total 3% cashable targets of £4.90 billion).
- 3.5 A third and final report on the National Procurement Strategy (NPS) for Local Government, summarises the state of play and looks back at achievements over the three-year life of the Strategy. It concludes with recommendations on next steps in the light of the developing policy, in particular the Comprehensive Spending Review 2007 and the National Improvement and Efficiency Strategy.
- 3.6 In parallel with the launch of these national strategies the Department of Communities and Local Government initiated the establishment of nine Regional Centres of Procurement Excellence, now subsumed into the Regional Improvement & Efficiency Partnership (RIEP), to provide a regional focus for the NPS and a centre of knowledge and expertise to encourage and support authorities in working towards extending their collaborative efforts.
- 3.7 Four of the seven North Yorkshire District Councils (Hambleton, Richmondshire, Ryedale, and Selby), whilst partially addressing their individual procurement agendas through a range of interim solutions and stopgaps, have never fully delivered the complete suite of strategic and operational requirements expected from a procurement service. Scarborough is the only District Council currently with a Strategic Procurement unit in place.
- 3.8 The ability to evidence progress and compliance with the National Procurement Strategy milestones will influence future inspection (CAA) ratings for all Councils and therefore there is limited scope in adopting a “do nothing” option. In addition, there is a willingness and imperative for individual Councils to develop strategies for addressing the ongoing efficiency targets, particularly for “back office” activities, which are often closely aligned to procurement processes and decision-making
- 3.9 With the support of the Regional Centre for Excellence, a strategic level procurement support and enhanced procurement capacity has been provided by a range of consultants and procurement options.
- 3.10 Initially two consultants, based in the North Yorkshire sub region, supplied a level of support to six of the District and Borough Councils (Scarborough excluded, due to having already created their own procurement team). This resource whilst welcomed proved ineffective in respect of a ‘hands on’ support.
- 3.11 Following on from this initial arrangement, a contractual agreement was established in October 2006 with a private sector provider, who provided a bespoke solution in respect of specialist procurement services by delivering quality advice and guidance on all procurement matters. The delivery of this agreement was on the principles of Best Value, endeavouring to provide increases in procurement efficiencies in both procurement costs and streamlined procurement processes.
- 3.12 Having appraised this contractual agreement over the period in question, it was concluded that not all six Councils had effectively achieved their base line deliverables in terms of procurement efficiencies. The contract was structured so that costs would be shared equally, with any increases in costs, due to a Council leaving the agreement, then being picked up by all remaining parties.

- 3.13 RDC currently spends around £4m on goods and services on which it is believed improved practices could produce savings. Of this £4m a significant proportion is tied to existing contracts or service delivery, it is estimated that the addressable spend is therefore approximately £1.4m per annum.

4.0 POLICY CONTEXT

- 4.1 The proposals are in line with current Council policy.

5.0 REPORT

- 5.1 RDC whilst being a moderately low value spend authority has scope to improve both its current procurement practices as well as provide improved value for money in contracts. With this in mind officers have engaged in discussions with Scarborough Borough Council, Hambleton District Council, Richmondshire District Council and Selby District Council with the aim of establishing a shared service to deliver improvement and value to the authorities as a whole.
- 5.2 Both Richmond and Hambleton with their new shared management structure have existing capacity invested in employees who have specific procurement expertise and have therefore decided not to proceed with the proposal at this time.
- 5.3 Ryedale needs to make improvements in its procurement practices. Whilst value is achieved little use of framework agreements is made and current procurement practices are paper based with officer time engaged with supplier and tendered evaluation.
- 5.4 The Regional Centre for Excellence introduced, for the benefit of all 22 Yorkshire and Humber Councils, a Supplier and Contract Management System (SCMS). This is a procurement website designed to give (suppliers, contractors, consultants, service providers, etc.) the information needed so that trading/procurement can be conducted more easily with the Councils in the region. This facilitates electronic tendering and pre qualification of tenderers. It also enables competent contractors to access tenders and works for all Authorities in the region and would therefore be of benefit to Ryedale businesses.
- 5.5 Improvement in procurement practices will not be at the expense of local suppliers and sustainable procurement is an area where further policy work is required.
- 5.6 It is envisaged that there will be joint contracting for certain goods and services where benefits of economies of scale can be achieved. The expertise gained from the shared service will also benefit the Council's capital spend and improve the timeliness of delivery and make savings as well as potentially reduce the need for outside consultancy support.
- 5.7 It is unrealistic to assume that all spend will be addressable through the shared service. The estimated addressable spend for Ryedale is £1.4m and savings of 5% are through to be achievable through this. This saving would equate to approximately £70,000. Clearly this will not be achievable instantly and there will therefore be the need for the Council to commit funds early into the shared service. Members will be aware that procurement savings were identified in the 2009/2010 budget, to date progress on meeting these saving has proved difficult due to capacity issues.

- 5.8 As stated Scarborough have an established procurement resource with qualified experienced staff. This staffing will be supplemented with an additional experienced officer to be recruited and based at Selby, servicing both Selby and Ryedale with an on site presence. Work planned includes:
- Review of Existing Procurement strategies
 - Identification and categorisation of suppliers
 - Implementation of Supplier and Contract Management System
 - Review of existing regional framework contracts and application to individual Authorities.
 - Organise and participate in meet the buyer days with partner organisation
 - Identify and publish a RDC procurement plan and timetable
 - Review capacity of local suppliers potential to deliver framework contracts
- 5.9 The cost to Ryedale of involvement in the shared service will be £24,000 per annum. The cost to Selby will be £35,000 and Scarborough £73,000. These figures are based on relative spend. Any surplus on the shared service will be allocated to the partners.
- 5.10 An application has been made to the RIEP for pump prime funding of £10,000 to assist with the project.

6.0 OPTIONS

- 6.1 The Council needs to invest time and create capacity to improve its performance in procuring goods and services, do nothing is not an option.
- 6.2 The shared service provides experienced qualified staff to support the Council activities and make improvement at a moderately low cost. It is envisaged that once established and improvement to procedures and processes are made the savings will comfortably exceed the cost of involvement in the shared service.
- 6.3 An alternative to the Council would be to consider its own recruitment and employment of support. This option would be at a higher cost and such a recruitment of suitable experienced individuals could be problematic and would have little service resilience.

7.0 FINANCIAL IMPLICATIONS

- 7.1 It is proposed that the cost in the initial years be met from operational reserves.

8.0 RISK ASSESSMENT

- 8.1 The significant risk is that the savings from the shared service do not cover the cost of membership of the shared service. Whilst there are no guarantees prudent estimates of savings through the implementation of improved practices and use of existing systems and framework contracts following an initial review of RDC spend mitigates this risk.

9.0 LEGAL IMPLICATIONS

- 9.1 A formal legal agreement is being drafted for the shared service in line with existing shared services and partnerships in which Ryedale is involved.

10.0 CONCLUSION

- 10.1 The shared service is an opportunity for Ryedale District Council to make improvements to its procurement practices and make ongoing savings for the Authority for a moderate initial investment.

OFFICER CONTACT: Please contact Paul Cresswell if you require any further information on the contents of this report. The officer can be contacted at Ryedale House, Malton telephone number 01653 600666 ext.214 or e-mail Paul.cresswell@ryedale.gov.uk.