

NORTH LINCOLNSHIRE COUNCIL
CABINET

**ANNUAL JOINT NLC/NELC JOINT PROCUREMENT UNIT UPDATE
& PROCUREMENT STRATEGY 2008 – 2011**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider an update on the progress made by the joint NLC/NELC procurement unit over the last 12 months and to approve an updated procurement strategy for the period 2008 - 2011.
- 1.2 The key points in this report are:
- Procurement is now recognised and firmly established as a key strategic function underpinning all of the council's activities and essential for achieving value for money, service improvement and demonstrating effective use of resources under CPA.
 - The joint NLC/NELC unit has made significant progress over the last 12 months, which has been recognised regionally and nationally. Key highlights are set out in this report.
 - In order to build on this progress and to provide a clear forward direction, an updated procurement strategy has been produced for the period 2008 - 2011.
 - The joint NLC/NELC strategy brings the previously separate NLC and NELC procurement strategies into full alignment, supporting the attainment of the shared vision and the objectives set for the joint unit.

2. BACKGROUND INFORMATION

- 2.1 Procurement is now firmly established as a key strategic corporate function underpinning all of the council's activities and influencing the value it obtains from the £100m spent every year on supplies, services and works.
- 2.2 This development has been recognised by the Audit Commission who have rated our procurement arrangements as "strong" under the Comprehensive Performance Assessment. Our strategic procurement capability is increasingly considered as a key test of our ability to demonstrate value for money and effective use of resources. We also recognise that effective procurement is essential for delivering high quality and affordable services and can help drive service improvement and transformation, supporting the attainment of the council's vision and priorities.

- 2.3 Over the last 12 months the joint unit, which was established in April 2006, has continued to develop with a broad range of achievements evidenced, including:
- Achieving savings of £1m for NLC and £0.6m for NELC in 2007/8 (the council has achieved over £5m of savings since 2002)
 - Finalists in the Society of Procurement Officers, Local Government Chronicle and Municipal Journal Awards
 - Regional procurement shared services “show-case”
 - First councils in the region to establish a targeted 3 year programme of efficiency led procurement projects covering the CSR07 period
 - Leading regional involvement in a national ICT electronic reverse auction
 - Achieving national exemplar case study status for procuring from the third-sector (LINKs project) and innovative procurement of education services in the Government’s recent White Paper: *Back on Track*
- 2.4 In order to establish a clearer identity for the team regionally and nationally and to distinguish it from other collaborative local authority/public sector procurement hubs, such as *Procurement Lincolnshire*, the Joint Strategic Procurement Unit has recently been re-designated: *Procurement Alliance North & North East Lincolnshire (PANNEL)*.
- 2.5 Following the termination of their business transformation project, NELC have given a very clear and explicit commitment to the continuing development of the alliance. NELC have agreed to build additional capacity by investing in a number of new posts in return for us continuing to provide the strategic and operational lead through an integrated structure, as envisaged and set out in the original business case.
- 2.6 The integrated team structure comprises the following commitments from each council:
- NLC Funded Posts**
- 1 fte Strategic Procurement & VfM Manager
 - 1 fte Principal Procurement Advisor
 - 1 fte Senior Procurement Advisor
 - 1 fte eProcurement Development Officer
 - 0.5 fte Secretary & Support Officer
- NELC Funded Posts**
- 1 fte Principal Procurement Adviser (New – replaces Procurement Manager)
 - 1.5 fte Senior Procurement Adviser (1 fte New)
 - 1 fte Procurement Analyst (New)
 - 2 fte Procurement Advisor (1 fte New)
 - + Admin & eProcurement support via corporate business support/finance
- 2.7 An ambitious and challenging vision for the alliance has been determined to deliver a further step change in performance: one integrated team delivering world-class procurement that empowers services and schools to achieve outstanding value, outcomes & success across North & North East Lincolnshire

- 2.8 To deliver the vision the previously separate (but substantially aligned) NLC and NELC procurement strategies have been combined into a single fully aligned joint strategy.
- 2.9 A three-year business plan has been produced to deliver the strategy and the efficiencies required under the government's comprehensive spending review (CSR07). The plan is set out as an appendix to the strategy. Approximately 60% of the required efficiencies under CSR07 are expected to come from smarter procurement. To that end the plan contains an ambitious programme of strategically targeted and efficiency led projects. Analysis has revealed that efficiencies of c. £7.6m are potentially realisable across both councils over the next three years.

2.10 The principal development priorities are:

- Successfully deliver key organisational projects such as waste disposal, baths hall, sports academy and Building Schools for Future;
- Achieve further cashable savings of £3.8m for each council over the next three years, procuring jointly or collaboratively wherever possible and advantageous;
- Fully exploit electronic commerce technologies, specifically:
 - completing the roll out of eProcurement council-wide
 - completing the roll out of electronic tendering
 - consider the benefits of the national eMarketplace for schools (OPEN); and
 - utilising electronic auction technologies where advantage
- Develop a strategic procurement solution for the delivery of the capital programme together with partnering frameworks for property repair & maintenance services;
- Continue to develop our small/medium business and third sector engagement programme to further enhance the diversity and competitiveness of our mixed economy supply base; and
- Delivering sustainability and diversity through procurement in support of the council's priorities and community strategy objectives.

3. **OPTIONS FOR CONSIDERATION**

3.1 **Option One:** Terminate the arrangement and reject the joint strategy.

Option Two: Terminate the arrangement but collaborate on procurement projects wherever possible.

Option Three: Continue with the arrangement with endorsement of both councils investment in the integrated structure and proposed joint strategy.

4. **ANALYSIS OF OPTIONS**

- 4.1 **Option One:** The investment made over the last 24 months would be lost. There is no basis on which this option could be supported.
Option Two: This is a viable option, however it would result in some considerable loss of the investment made over the last 24 months together with the benefits associated with a single unit operation.
Option Three: The progress detailed above illustrates that the arrangement is both effective and delivers benefits beyond those achievable through separate council specific teams and traditional project collaboration. Endorsement of the joint strategy would provide clarity and certainty of both direction and priorities.
5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**
- 5.1 The financial implications are described in the main body of the report.
6. **OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**
- 6.1 The updated procurement strategy will assist the council in ensuring that its procurement practices and policies comply with legal requirements and best practice in respect of diversity, environmental issues and risk management.
7. **OUTCOMES OF CONSULTATION**
- 7.1 The strategy and business plan has been considered and agreed by the Strategic Procurement Group, which comprises representatives from the council's key procuring services. Consultation has also taken place across leading procurers at NELC. NELC's cabinet will consider the strategy in August. A small number of minor changes to the strategy are envisaged prior to its submission to NELC's cabinet to reflect their latest procurement spend information i.e. financial year 2007/8 (currently unavailable). A copy of the strategy has been made available for viewing in group offices.
8. **RECOMMENDATIONS**
- 8.1 That the progress of the joint team over the last year is noted.
8.2 That the procurement strategy for 2008 - 2011 is considered and approved.
8.3 That an update on progress with implementing the strategy and the alliance's performance is submitted to Cabinet in September 2009.

SERVICE DIRECTOR FINANCE

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Background Papers used in the preparation of this report:
Procurement Strategy 2007 – 9 & Supporting Cabinet Report