

NORTH LINCOLNSHIRE COUNCIL/NORTH EAST LINCOLNSHIRE COUNCIL

**JOINT COMMITTEE FOR SHARED SERVICES
BETWEEN NORTH LINCOLNSHIRE AND
NORTH EAST LINCOLNSHIRE COUNCILS**

PROCUREMENT SHARED SERVICE

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider the proposed structure for the procurement shared service between North Lincolnshire Council and North East Lincolnshire Council.
- 1.2 The key points are:
- Full consultation has taken place with all in-scope staff and unions
 - The proposed structure meets the requirements of the shared services programme
 - The structure will deliver the procurement vision previously resolved by the joint committee on 3 January 2016

2. BACKGROUND INFORMATION

- 2.1 The shared back office services initiative between North and North East Lincolnshire Councils has developed out of the need to provide efficient and effective support services at minimum cost in order to protect frontline services to local people across Northern Lincolnshire.
- 2.2 Procurement Alliance North & North East Lincolnshire - PANNEL - was launched on 1 April 2006 as one of the first procurement shared services in the local government sector.
- 2.3 Its primary aim was "*to deliver better value from procurement through existing resources*". The initiative recognised the significant range of synergies that existed between NLC and NELC at that time, including:
- similar level of procurement spend and profile
 - similar supply base
 - same key procurement and finance systems
 - symmetry of small strategically focused procurement teams
 - strong support from staff for integrated working
 - shared challenges creating a positive strategic fit

2.4 The specific outcomes sought from the shared service included:

- improved savings through economies of scale and joint procurement
- streamlined and joint processes and systems
- streamlined and joint policy and governance frameworks
- improved resilience and business continuity capabilities
- shared skills, expertise and learning
- improved staff development and retention

2.5 For a number of years the unit operated effectively with progress reports provided to both councils' cabinets at annual intervals evidencing a wide range of significant financial and non financial outcomes through collaborative working, including:

- extensive range of joint procurements spanning key categories of spend
- achievement of procurement savings targets c. £1m p.a.
- joint procurement strategy and contract procedure rules
- shared policy framework e.g., social value, sustainability
- shared systems: SCMS/YorTender/ProSpend
- shared guide for suppliers
- shared category management model
- creation of "Buy4 Northern Lincolnshire"
- development of centres of specialist expertise, skills and knowledge
- improved service resilience and business continuity

2.6 The team's efforts were recognised at regional and national level, including:

2009 Winner - LGY&H Yorkshire & Humber Transforming Through Efficiency
2009 Highly Commended – Third Sector Compact Awards
2008 Finalist - LGC Procurement Award
2008 Finalist - MJ Awards Best Use of Resources

2.7 In recent years a number of changes have impacted the model, notably the creation of a centralised commissioning and procurement structure at NELC and management and other associated staffing changes at NLC.

2.8 Despite these challenges the arrangement has continued and significant outcomes are still being realised demonstrating the strength of the relationship, the value of the benefits it delivers and the general cogence of the original business case. Latterly the service has shaped its operations around a modern commercial category management model with specific category managers managing portfolios of procurements across both councils in common areas such as transport, fleet, agency staff and office solutions.

2.9 Recent reorganisation of corporate functions at NELC alongside the wider NELC/NLC shared services programme have presented opportunities to review and re-launch the procurement shared service. Accordingly an enhanced vision has been produced, informed by the strategic objectives of the wider programme.

2.10 The enhanced vision for the procurement shared service widens and extends the previously agreed scope to:

- build on the success and significant progress made over the last 10 years
- engender a true “one team - one service” ethos
- rebrand as “The Procurement People” in line with the commercial sub-branding model attached to Northern Lincolnshire Business Connect
- embed category management as a business partnering based functional delivery model
- enhance commercial trading capabilities to provide investment in skills, training and additional capacity
- improve linkages with commissioning strategy, initiatives and programmes

2.11 The proposed new single service structure for delivering this enhanced vision is shown at appendix A.

2.12 Job descriptions and job profiles have been aligned across both councils. Confirmed grades have been included and used in the service costings and supporting savings analysis.

3. **OPTIONS FOR CONSIDERATION**

3.1 To consider and approve the structure set out in appendix A.

3.2 Reject the structure set out in appendix A.

4. **ANALYSIS OF OPTIONS**

4.1 The proposed structure set out in appendix A has been designed to deliver the enhanced vision for the procurement service. It has been subject to consultation with staff and unions and considered and agreed by the shared services officer board.

4.2 To not approve the proposed structure set out in appendix A will potentially result in delays to the implementation of the procurement shared service and a subsequent delay in operational preparations to deliver a fully integrated service to both councils by 1 July 2016.

5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 The focus of the new vision is to ensure that the procurement service continues to deliver best practice supporting the delivery of significant cash-releasing savings from a combined annual procurement spend of £260m.

5.2 No significant change is expected to the service’s cost base as a result of the new structure. No changes to staffing numbers will occur; as detailed in paragraph 5.1 the objective is to enhance the team’s capacity for realising strategic level cost saving outcomes across both councils.

- 5.3 The ratio of staff costs to savings generated through better procurement is approximately 1:7 - for every £1 spent on procurement resource, £6.84 is returned as a cashable saving - the highest payback ratio benchmarked in the Yorkshire & Humber region.
- 5.4 The shared service will continue to occupy the office accommodation they use at present but with changed configuration. Agile working principles will be employed wherever possible to ensure both councils are serviced efficiently.

6. **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT**

- 6.1 An Integrated Impact Assessment for the proposed shared services has been carried out and no adverse issues were highlighted.
- 6.2 Potential impacts will continue to be explored and monitored via the shared services programme risk register.

7. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTEREST DECLARED**

- 7.1 Discussions have taken place with management, staff and trade unions.
- 7.2 No conflicts of interest have been declared.

8. **RECOMMENDATIONS**

- 8.1 That the procurement shared service structure as set out in appendix A is approved.

REPORT FROM THE SHARED SERVICES BOARD

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Background Papers used in the preparation of this report

Joint Committee Report 3 January 2016

Procurement Shared Service Structure

