



Report to: Cabinet

Subject: Joint Procurement Scrutiny Review

Date: 6 September 2012

Author: Councillor Paul Hughes

Purpose of the Report

To present the final report and recommendations of the Joint Procurement Scrutiny Review Group

1. Background

The Performance Review Scrutiny Committee established a scrutiny review in October 2011 to examine current procurement arrangements to ensure they provide cost savings for the authority and to consider if further possible joint procurement arrangements could be developed to secure additional savings. The review group held two meetings and received comprehensive information regarding the methods used for identification of goods and services that would be suitable for joint procurement or shared service arrangements, current collaborative contracts and framework agreements and the savings made as a consequence.

The review sought to establish:

- to what extent joint procurement arrangements already exist and with whom
- how these arrangements are developed
- how beneficial are such arrangements and what problems can occur
- what scope is there to extend arrangements into other areas of purchasing
- what scope is there to extend shared service arrangements
- is purchasing standardised across the authority.

The review received briefings from the responsible Corporate Director and the Procurement Officer.

2. Information

To make the spending on goods and services more efficient and deliver value for money local authorities can enter into partnership with other councils to jointly purchase goods and services. Joint or collaborative procurement essentially involves a procurement exercise being run by two or more authorities at the end of which each authority enters into a separate contract with the contractor. Advantages of these arrangements include:

- savings by producing economies of scale
- operating cost effectively by avoiding duplication of procurement activities
- pooling of different skills and expertise between authorities

Potential collaborative procurement arrangements are identified by the Procurement Officer in collaboration with relevant departments. After considering whether to proceed individually or collaborate with other authorities consideration will be given to using existing framework agreements that can be 'piggy backed' on to. Piggybacking occurs when a local authority negotiates a contract where other local authorities can set up a contract with the winning supplier, during the timeframe of the original contract, if they consider the conditions favourable. Thus the piggybacking authority does not have to carry out their own tender exercise. If no such framework exists then new agreements to procure collaboratively can be developed.

Gedling Borough Council's Procurement Officer is a member of the Nottinghamshire Procurement Forum. The other members of the forum are Nottingham City Council, Nottinghamshire County Council, all the Nottinghamshire Borough Councils, Bolsover and North East Derbyshire District Councils, Chesterfield Borough Council, Nottinghamshire Police Authority and the Coal Authority. The forum meets every 6 weeks. The forum shares information on future procurement projects or contract expiry dates with a view to collaboration.

Currently there is a range of collaborative contracts and framework agreements utilised by the authority: **Appendix 1**. When the current contracts or frameworks expire they will again be renegotiated in collaboration with other partners. Recurring arrangements may be for a two, three or four year period and are reviewed on an annual basis. One off arrangements are used for commodities or services that are unique and are not going to happen again. In addition to the contracts in Appendix 1 the authority is also considering entering arrangements for buying fuel, converting property and the single occupancy tax project on an East Midlands basis.

Appendix 2 presents examples of the savings accruing from the use of framework agreements or working in collaboration with other authorities. Some of these contracts and agreements have been operating for a number of years, for example, the refuse vehicle collaboration commenced in 2006. The savings shown are those

made when Gedling Borough Council first moved to a collaboration or framework agreement. Annual savings for some areas are easy to calculate, for example, where there are lump sum spends, as for insurance. However, for other areas it depends on the quantity purchased, as in refuse vehicles. The use of frameworks and collaborative contracts also produces non cashable savings as money is saved by not having to undertake a lengthy procurement processes.

Procurement thresholds have to be considered when working in collaboration with other authorities. European Procurement Law has a threshold of £173,934.00 for the awarding of contracts for goods and services. The threshold relates to the aggregated value for the life of the contract and requires that contracts of this size have to be advertised throughout the EU so that all firms of member states can have the opportunity to submit tenders. This prolongs the procurement process.

Central Government is trying to encourage the use of small and medium enterprises by more extensive advertising of all government opportunities, encouraging the use of local suppliers, social enterprises and the public. The Localism Act 2011 under the Community Right to Challenge enables, community groups, parish councils and local authority employees the right to submit an “expression of interest” in taking over and running a local service. The Public Services (Social Values) Act 2012 puts a requirement on local authorities to consider the economic, social and environment of an area when commissioning work or procuring goods and services. These two pieces of legislation may prolong the procurement process as more extensive advertising could attract a greater take up by suppliers. This may disadvantage smaller local suppliers as wider advertising usually attracts larger firms.

Procuring across departments is coordinated and the majority of goods and services are purchased from the preferred supplier. It is possible to purchase from other suppliers but the systems in place would require that a new supplier would have to be set up for payment. There are mechanisms that restrict purchasing of contract and exceptions are tracked and monitored.

Currently Gedling Borough Council shares a Procurement Officer and a Housing Strategy Officer with Rushcliffe Borough Council, and an Estates Manager with Rushcliffe Borough Council and Newark and Sherwood District Council. Shortly office accommodation will be shared with the Health Authority and the Police. These are classed as being a shared service and are separate from any joint procurement arrangements. Shared services take place across different partner organisations and typically services will operate under a service level agreement, with one council providing the operation for the other.

Service areas within the authority have been considered for potential sharing arrangements and categorised into suitability dependent on the strategic importance and the potential benefits that would accrue: **Appendix 3**

- some services are kept within the authority but use collaborative purchasing for their supplies and services. These are generally services that are low cost and which provide value for money
- other services have a strategic importance and require an understanding of the locality requiring local knowledge and understanding of issues
- it is necessary to keep some core services that are of direct interest to the borough requiring local knowledge. These are relatively small services and cost required to draw up shared service agreements would outweigh the savings. However collaboration for professional help for some of these service areas currently exists
- a range of services that could be outsourced are kept under review
- there is a raft of services which are small in cost and given the size of the service it would not be cost effective to negotiate arrangements, however consideration would be given should another authority approach the Borough.

3. Conclusion

Procuring or commissioning work collaboratively is extensively used by the authority and the work undertaken by the procurement officer underpins this. Systems and processes are in place to consider potential future areas for collaborative procurement and shared services and the review group concluded that that current activity is very effective and delivers cost savings and efficiencies.

Recommendations:

- 1. The mechanisms in place to assess the potential for sharing service and collaborative procurement continue to be monitored by the Procurement Officer for possible cost savings.**
- 2. The Procurement Officer should develop guidelines detailing the criteria to be used when considering items that could be considered for joint procurement with other authorities.**
- 3. Information and guidance regarding the savings made from collaboration and framework arrangements is made available to relevant staff, who should be encouraged to consider the use of joint procurement arrangements when purchasing large items.**
- 4. Consideration should be given to the resilience of carrying this work forward should there be any changes in personnel.**

5. A further review to consider the procurement policy of the authority be included in the work programme for the Performance Committee.

The scrutiny review received very comprehensive information provided by Mark Kimberley, Corporate Director and David Haynes the Procurement Officer. Members would like to thank them for their informative and useful contribution.

Draft Scope

Scrutiny committee:	Performance
Working Group:	Joint Procurement
Chair of group:	Councillor Paul Hughes
Working group members:	Councillors Paling, B Andrews Tomlinson
Portfolio holder/s:	

(1) Scope

Why this review is being undertaken

(List the specific outcomes – **S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**ime bound)

To review current procurement arrangements to ensure they provide cost savings for the authority and to explore further joint procurement arrangements to secure additional cost savings.”

Aims

Aim	Corporate Values
	1. A caring and fair Council that treats customers, residents, partners and staff well
	2. A listening Council that listens to and involves the people it serves
	3. An ambitious Council one that is never satisfied and constantly

	hungry for improvement
	4. A responsive Council that is sensitive to different needs and acts accordingly
To develop current procurement arrangements and generate cost savings for the authority.	5. An efficient Council that is responsible ; that avoids waste and makes the most of what it has

(2) Timetable

The review will commence in:	May 2012
Milestones:	
The review will report in:	August
Committee dates:	To be established
Frequency of meetings:	Monthly Two evidence gathering meetings plus a concluding one to establish recommendations

(3) Information gathering and consultees

The working group has requested the following information:

Establish the extent to which joint procurements arrangements exist?
 How much this saves the authority?
 What other areas have been explored?
 What scope is there to extend arrangements into other areas of purchasing
 Have any shared services agreements been considered?
 Is purchasing standardised across the authority – is there central purchasing or preferred suppliers for some items.

What are the main questions to be asked and of what parties?

Mark Kimberley Corporate Director
 Mark Lane Service Manager Customer Services and IT

What arrangements currently exist? Who are they with?
 How were these arrangements developed?
 How beneficial are these arrangements
 What problems can occur?
 Have any other categories been explored?
 Are there any other joint procurements arrangements that could be developed
 Within the authority are procurement arrangements standardised to take advantage

of discounts for purchasing in bulk.

The working group will be inviting the following persons/organisations to one or more meetings to help with the review:

Mark Kimberley Corporate Director
Mark Lane Service Manager Customer Services and IT

Visits

The working group might need to consider a visit to:

None identified but as the review progresses if relevant will be arranged.

(4) How the community will be consulted, informed and involved

The working group wishes to consult through:

Contacts Magazine
Web site

Inclusion of member of the public

(5) Equality of opportunity

The following Equality impact Assessment method will be applied

None obvious but will be kept under review

(6) Resources

The working group is supported by:

Members Services Officer
Members Services Manager

(6) How the effectiveness of the review will be measured

(Review date to be included in Scrutiny Forward Plan)

Develop recommendations that identify how joint procurement agreements can benefit the authority and suggest areas to extend arrangements that generate cost savings for the authority