

Report to Cabinet

Subject: Shared Service for Procurement Services

Date: 6 April 2017

Author: Deputy Chief Executive & Director of Finance

Wards Affected

Borough-wide.

Purpose

To provide Members with a proposal to enter into a shared service arrangement for the provision of procurement services with the Nottinghamshire and Derbyshire Procurement Unit (NDPU) hosted by Bassetlaw District Council.

Key Decision

This is not a Key Decision.

Background

- 1.1 The Council currently has an arrangement with Rushcliffe Borough Council for the provision of a procurement advice service. Rushcliffe currently employs a full-time Procurement Officer, and his time and cost is split 50:50 with Gedling.
- 1.2 In November 2016, notice was given to the Council that this arrangement would cease as the officer concerned was returning to a full-time position at Rushcliffe. There are therefore no TUPE considerations for Gedling.
- 1.3 Whilst initial consideration was given to not recruiting another procurement officer, the Council would face a significantly increased risk of legal challenge, caused by non-procurement specialists undertaking contract work, and not abiding by the EU Public Contract Regulations 2015. In addition to this, potential efficiencies could be missed due to poor procurement and contract management, and officers not having the expertise to utilise framework arrangements and not achieving best value.

Proposal

- 2.1 There is a lot of evidence of local authorities sharing procurement resources, for example North East Derbyshire and Bolsover District Councils have joined up with a local NHS Trust, and Procurement

Lincolnshire is a shared service arrangement between eight local authorities.

- 2.2 The Local Government Act 1972, the Local Government Act 2000 and regulations made thereunder, provide Local Authorities with the power to make arrangements for the joint discharge of executive functions between Local Authorities. The proposal is to join in with the Bassetlaw consortium (known as the Nottinghamshire and Derbyshire Procurement Unit - NDPU). Its membership is Bassetlaw District Council, Ashfield District Council, Mansfield District Council, and Erewash Borough Council and if agreed, Gedling Borough Council. The procurement service will be carried out jointly with the other authorities in the Consortium with Bassetlaw acting as the lead authority.
- 2.3 As smaller sized councils, there will be opportunities to benefit from economies of scale as a lot of contracts are common across authorities. The purpose of the NDPU is to be a shared resource for the provision of procurement services for those bodies signed up to the joint agreement.
- 2.4 The NDPU operates under a Service Level Agreement, and it provides a comprehensive analysis of the roles, responsibilities and obligations. Fortnightly on-site clinics (plus direct access by Skype, telephone, e-mail) will be held to determine the upcoming procurement needs, and then a full tender support process will be deployed for each contract. Service Managers will continue to have responsibilities for tender specifications and evaluation criteria within the realms of legal requirements.
- 2.5 It is seen as important that the liaison between in-house services and the Shared procurement unit (NDPU) is conducted in an effective and efficient manner. To facilitate this, the Service Manager – Financial Services will manage the new day-to-day arrangements.
- 2.6 There is also a Joint Procurement Board which requires a senior officer from each authority to be delegated by the Executive to sit on the Board. The Board will make strategic decisions on the operation of the NDPU, and oversees and monitors the Unit's activities.
- 2.7 The arrangements will be subject to an annual review, and there is provision to withdraw given twelve-months' notice from either side following the initial five year period that expires in 2019. This is deemed to be reasonable given the need to adjust staffing levels if the membership of the Unit changes.
- 2.8 The service provided might not be as comprehensive as an 'on demand' permanent post, however, this is mitigated by a detailed Service Level Agreement, and the knowledge and expertise of a wider team.
- 2.9 Effective procurement is essential in controlling costs given the current financial situation, and the opportunities that the shared service will provide are:
 - A central reference point for procurement;

- A central resource for procurement expertise;
- A co-ordinated approach to procurement decisions across the five councils;
- Advice on National and Local Framework Contracts for goods and services;
- Support for the enforcement of Council Standing Orders and contract terms and conditions;
- Enhancement of procurement skills and knowledge across the Council.

Alternative Options

- 3.1 The options available to Gedling would be to not retain specialist procurement advice and accept the risk of a legal challenge arising from inappropriate procurement activity, or to join another authority/shared arrangement. The first option is not advised due to the risk of challenge and the size of the financial penalty that could be awarded, coupled with the lack of potential efficiencies. The second option is a possibility, but it would primarily be with the City or the County Council, and their focus is very much on the high costs of adult social care and highways.
- 3.2 A further option is to recruit our own in-house procurement officer. This would be acceptable, but the cost of employing an officer would be much greater than the current proposal, and inter-council working may still be a problem resulting in a lack of efficiencies.

Financial Implications

- 4.1 The annual cost of the existing arrangement with Rushcliffe is £21,900. The annual cost of the new arrangements will be £36,000, but officers are confident that this will be recouped through better procurement processes, wider advertising of tender opportunities, and economies of scale.
- 4.2 It is worth noting that the annual contribution to the unit is based on open-book principles and if savings are made then there will either be a redistribution back to the constituent authorities or a surplus will be carried forward into the following year which will reduce the contribution needed.

Appendices

- 5 None.

Background Papers

- 6 None.

Recommendations

THAT:

- a) The Cabinet agrees to the proposal to enter into a shared service arrangement for the provision of procurement services via the Nottinghamshire and Derbyshire Procurement Unit (NDPU) hosted by Bassetlaw District Council.
- b) That the Deputy Chief Executive and Director of Finance be authorised to represent Gedling Borough Council on the Joint Procurement Board as part of the shared service arrangement.

Reasons for Recommendations

To ensure that an efficient procurement service is provided to Council employees and that all relevant legislation and guidance is followed.

To ensure the Council are represented on the Joint Procurement Board who make strategic decisions about the operation of the Joint Procurement Unit and monitor the Unit's performance.