

Subject: Future Provision of the Council's Procurement Function

**Report to: ELT – 3 June 2019
Policy and Resources Committee – 11 June 2019**

Report by: Finance Director and Strategic Director

SUMMARY:

This report considers and presents for approval the future provision of the procurement service for the Council to be provided by South Norfolk District Council, initially until May 2020, with the option to extend for a further two years. The proposal will provide greater resilience for the procurement function and will include access to a team of procurement professionals and a wider range of skills.

RECOMMENDATIONS

- 1. That Policy and Resource approve under section 113 Local Government Act 1972 the proposal for South Norfolk Council to undertake the Council's procurement function up to May 2022 subject to a formal agreement being put in place between the parties;**
- 2. That a agreement be developed between Great Yarmouth Borough Council and South Norfolk Council to support the proposal with authority being delegated to the Finance Director and the Monitoring Officer (acting jointly) to determine and sign the terms of the agreement.**

1. BACKGROUND

- 1.1. The Council's procurement function is currently provided by an external specialist via a contract that is charged via a daily rate. This is currently via one individual and the council is now seeking a longer-term more sustainable solution to provide resilience.
- 1.2. The level of procurement activity varies across the council. The number of days utilized over the past two years has been between 45 and 60 days per annum. The nature of the advice and support ranges from day to day procurement enquiries to more strategic advice in relation to significant procurement projects. Based on past usage the anticipated annual future demand is likely to be in the region of 40-60 days.
- 1.3. ELT have considered proposals from two Local Authorities to provide procurement support to the Council and this report is now recommending a more formal arrangement to provide the procurement support moving forward.

2. OPERATING MODEL

- 2.1. A council can undertake its procurement function in a number of different ways. The council could establish its own procurement function and employ an office direct. This would likely mean employing a part time officer, with the associated challenges of recruiting someone suitably qualified and lacking resilience in the role when they are not at work.
- 2.2. Using a different operating model for the function can provide opportunity for greater resilience in the function, access to a wider range of specialist skills, provide greater flexibility and create opportunities for obtaining greater value for money.

2.3. The following outlines the objectives from the changes to the provision of procurement services:

- greater resilience in the function – ensuring the reliance on one single individual is reduced
- access to a wider range of specialist skills – creating opportunities to be able to access skills through a wider range of procurement staff e.g. experience on complex capital projects, market analysis and market engagement
- greater flexibility – creating opportunities for greater access to procurement staff and the provision of additional services such as training
- opportunities for greater value for money – seeking to drive better value for money by reducing the overall cost of the service and/or identifying clearer opportunities to generate savings through procurement projects

2.4. With a view to achieving these benefits the council informally sought interest from other local councils to examine the benefits they could provide in undertaking this function and meeting the councils' needs.

3. CORE PROCUREMENT PRINCIPLES

3.1. To deliver an effective procurement function the council developed a brief stating it would be seeking any future provider to work in line with the following principles:

- Ensuring all procurement activity is legally compliant and following OJEU regulations
- Enabling procurement activity to be undertaken in a timely manner to meet business requirements
- Taking a commercial approach by seeking improved efficiency or better value for money through all future procurement activity
- Adding value to procurement activity through contract terms, additional service features and robust negotiation
- Ensuring all procurement is underpinned by sound governance, effective process, administration and record keeping

3.2. To enable potential suppliers to understand the council's specific needs the following requirements were articulated in the brief:

- Specifications and market engagement – the council may require procurement input, including legal advice, on the development or shaping of specifications to enable it to clearly outline its requirements.
- Sourcing options – on more challenging procurement activities the council will require advice on the viability of sourcing options, for example, to transfer providers, set up a joint venture company, outsource or share services with another organisation.
- Going to market – the council requires support on managing the overall process of going to the market for services, goods and projects including managing the procurement process, developing the tender, managing any pre-qualification process, evaluating suppliers, supporting any negotiation process and maintaining procurement documentation.
- Liaison with Legal and Contract Managers – the council requires support to liaise with our legal function in the preparation, development and award of the contract and support the hand over to a Contract Manager.

4. PROPOSAL

4.1. South Norfolk produced a proposal to undertake the council's procurement function and through discussion and negotiation the council sought further added value and some

clarification on a number of specific points, including; the establishment of a clear procurement plan for 2019/20, review of the e-procurement system and the level of resilience within the South Norfolk service.

- 4.2. If the proposal is agreed, the council will review the current e-procurement system ahead of the current system provision end date in June 2020. There has been notable feedback on the existing system from both potential suppliers and staff.
- 4.3. In summary, South Norfolk is proposing to undertake the council's procurement function. This approach will provide the following benefits:
 - Access to a small team of procurement professionals – including an experienced Procurement Manager being allocated to focus on the council's procurement work and providing resilience in the event of staff absence through the wider team
 - Access to a wider range of skills - access to other members of the team for specialist advice and support
 - A more effective e-procurement portal.
- 4.4. South Norfolk will provide a dedicated officer to undertake procurement activity and providing support and an online presence. The arrangement will mirror the council's current arrangement for internal audit. The South Norfolk team has experience of a wide range of procurement activities including large-scale capital projects as well as more traditional service contracts.
- 4.4. South Norfolk will provide up to 45 days support annually. Any unallocated days will be carried forward to the next year. If additional support is required beyond the 45 days the council can purchase these either as one-off days or in 'blocks' to achieve better value for money. A small number of additional days will be used in 2019 to enable capacity to be dedicated to the development of the first annual procurement plan and training on the new Delta procurement system.
- 4.5. If the proposal is agreed, the council will establish a series of operational performance indicators. These will monitor value for money and savings achieved through procurement activity as well as operational delivery of the contract.

5. RISKS AND FINANCIAL IMPLICATIONS

- 5.1. The key risk will be in ensuring sufficient resource is dedicated to the council's procurement needs. This issue has been addressed within the proposal and will be a core part of the partnership agreement to manage expectations around the capacity available to the council. South Norfolk will also ensure there is an on-site presence throughout the year. There will be a need for active tracking of the take up of support to ensure this is managed effectively and the number of additional support days is not excessive. This will be monitored within the Finance function.
- 5.2. The council runs the risk, as it does with its current arrangements, of having to draw on considerably more resource than the 45 allotted days. For example, to deal with a number of large capital projects, where applicable the time can be allocated to projects and funded as part of the overall project costs. The agreement will allow the flexibility to acquire additional days but these would be limited and, where possible, planned sufficiently in advance. This issue will be partly addressed by developing a clear annual procurement

plan to plan the use of resources.

- 5.3. The council has a procurement service budget of £25,000 for 2019/20. The transfer of the function to South Norfolk should create opportunities to achieve better value for money through its procurement function.
- 5.4. There is an opportunity for savings through effective procurement and a more active approach to procurement will identify these savings through the development of an annual procurement plan.

6. LEGAL

- 6.1. Under Section 113 of the Local Government Act (1972) the council can arrange for the discharge of any of its functions by another other local authority. The council currently has arrangements of a similar nature to undertake other functions, for example, internal audit.
- 6.2. The council will need to draft a partnership agreement with South Norfolk Council to formalise the arrangements outlined in their proposal.
- 6.3. The council is keen to ensure any local authority discharging the council's procurement function follows the appropriate procurement legislation and regulations. This will be embedded within the partnership agreement.
- 6.4. It is proposed that the partnership agreement is framed over the next three years, up to May 2022, with the contract being awarded on a 1+1+1 basis (with annual reviews). This will enable opportunities to refine working arrangements and provide flexibility in the arrangement.

Area for consideration	Comment
Monitoring Officer Consultation:	TBC
Section 151 Officer Consultation:	Yes
Existing Council Policies:	No
Financial Implications:	Yes
Legal Implications (including human rights):	Yes
Risk Implications:	Yes
Equality Issues/EQIA assessment:	No
Crime & Disorder:	No
Every Child Matters:	No