

PAPER NO. 6

REPORT TO THE EXECUTIVE MEETING OF 25th MARCH

Meeting: Executive
Date: 25th March 2013
Subject: **Harborough District Council and the Welland Procurement Unit Partnership**
Report of: **Jonathan Ward-Langman, Service Manager, Commissioning Portfolio Holder:** **Councillor Grahame Spendlove-Mason**
Status: **Decision**

1. Purpose of the Report

- 1.1 To consider future arrangements for procurement at Harborough District Council; to report on a comprehensive review of the Council's procurement needs and of services provided by the Welland Procurement Unit (WPU), both current and planned; to seek approval for withdrawal from the Welland Procurement Unit partnership.

2. Recommendations:

R 2.1 That Harborough District Council withdraws from the Welland Procurement Unit (WPU) partnership;

R 2.2 That the Council establishes new procurement arrangements.

3. Summary of Reasons for the Recommendations

- 3.1. The decision to recommend withdrawal from the WPU partnership follows a comprehensive review of HDC procurement needs and WPU activity. This review has been undertaken as part of the work to develop the Commissioning and Procurement Strategy that will be brought to the Executive or Full Council for consideration in the near future and which is currently being reviewed by a Scrutiny Group. The main factors in determining that continued subscription to the Unit is no longer in the interests of the Council are as follows:
- 3.2. In house commissioning capacity
HDC has recruited a service manager for commissioning; this post represents sufficient resource for most of the Council's procurement requirements. The appointment also offers an opportunity to integrate all aspects of commissioning and procurement, from strategic commissioning to routine purchasing, within HDC, and to achieve considerable efficiency by doing so.
- 3.3. The development of shared services and partnerships

Harborough District Council's procurement requirements are changing as a result of the development of shared services and, in particular, shared service arrangements with Councils that are not members of the WPU partnership: for example, procurement relating to Revenues and Benefits will now be undertaken by HBBC under the delegation that has established the shared service. Similarly, any procurement relating to the Customer Call Centre will be undertaken in future by Charnwood Borough Council. The emergence of the Leicestershire Together commissioning model offers important opportunities for HDC, and, since most of the member councils are not members of the WPU partnership, it is likely that other sources of procurement support will be used.

3.4. The potential for more efficient use of Framework agreements

It is important that framework agreements are used judiciously if they are to secure value for money. This requires assessment of whether they meet operational needs effectively as well as judgements about cost; a decision was made, for example, that HDC should not sign up to the renegotiated agreement with Comensura for agency staff ('MSTAR') as it would have prevented the Council from using trusted local personnel agencies that have proved reliable and flexible (and which recruit locally). The appointment of a Commissioning Manager means that framework agreements can be accessed without external procurement support.

3.5. Alternative sources of procurement support

The Eastern Shires Purchasing Organisation ('ESPO') is able to provide procurement support, if required, for more complex commissioning activities; payment for this support can be negotiated as and when necessary and based on a single charge or hourly rates. This is likely to prove considerably less costly than subscription to the WPU (see below).

3.6. Limitations to joint procurement outside shared service arrangements

The ambition to undertake more joint procurement was one reason for the creation of the WPU; this has not been realised because, in practice, contract terms do not often coincide.

3.7. WPU workload

A significant proportion of the WPU procurement projects are carried out on behalf of Rutland County Council and relate to areas of responsibility not relevant to HDC (such as social care, education and highways maintenance). Whilst the Unit's workload has clearly grown in recent years, this appears to have been largely due to an increase in procurement undertaken on behalf of Rutland.

3.8. The Cost of WPU membership

HDC currently pays approximately £30,000 p.a. for the services provided by the WPU. It is unlikely that the level of support provided to HDC by WPU in recent years could realistically be said to equate to more than 50 days' work per annum, representing a cost of about £600 per day. The maximum level of procurement support required by HDC in future will be in the region of 20 days per annum and that this could be comfortably managed within the workload of

the Commissioning Manager post. On the basis of these estimates the current arrangement would represent a potential cost to the Council of £1500 per day for WPU support and this does not represent good value for money. There is no suggestion that the work undertaken by the Unit on the Council's behalf has been unsatisfactory. HDC has made limited use of the service simply because it has not been an appropriate means of obtaining procurement support; the developments outlined above mean that the potential value of the Unit's services to HDC will diminish further.

3.9. WPU savings

The Unit reports savings of approximately £625,000 per annum that have been achieved for HDC through its activities. Of this sum, more than 75% relates to the waste management contract; the remainder has largely been achieved through the use of framework agreements. The method of calculating savings employed by the WPU assumes that all savings can be exclusively attributed to procurement activity and does not take into account the following:

- Some savings actually arise from initial decisions to outsource services and from decisions to reduce budgets prior to procurement.
- Some savings result from competition within markets.
- Some savings should more accurately be attributed to the establishment of framework agreements.
- Some savings result from changes in working practices which reduce consumption and costs.
- Where operational staff are involved in procurement, the contribution that their professional expertise and efforts makes to savings is not included.

Although costs are obviously determined by market conditions, the savings currently identified by the WPU will be maintained if HDC withdraws from the partnership; there are strong grounds for confidence in the potential for in house procurement to deliver greater savings.

3.10. Conclusion

Withdrawal from the Welland Procurement partnership would offer a direct saving to the Council and allow increased flexibility in accessing appropriate procurement support. It would represent a saving of approximately £30,000 per annum from the actual date of withdrawal and it may be possible to achieve savings more quickly.

It is also anticipated that additional savings will be identified through commissioning in house; for example, there is potential to renegotiate some current large contracts; there is potential to commission different goods and services (for example, through the development of more 'paperless' and remote working); the Council may, in some cases, be able to achieve greater

efficiency through procurement outside framework agreements; and there is potential to make savings through new shared service agreements and effective management of existing arrangements. The Commissioning Plan that will be presented alongside the Commissioning Strategy will include targets for savings to be realised through more effective commissioning and these will be reported to members through an agreed process.

HDC will be able to access framework agreements and conduct tenders where appropriate through its in house capacity; none of the procurement savings currently identified will be lost. It should also be possible to make commissioning and procurement less onerous for operational managers by integrating processes within the Council.

4. Impact on Communities

4.1. None; the recommendation will have no direct impact on Council services.

5. Key Facts

5.1. The Welland Procurement Unit was established in 2007 by the Welland Partnership; the Welland Partnership was formed in February 2000 and comprises five neighbouring local authorities: East Northamptonshire District Council, Melton Borough Council, South Kesteven District Council, Harborough District Council and Rutland County Council. The Welland partnership was awarded Sub Regional Strategic Partnership (SSP) status by the East Midlands Development Agency in February 2002, though it is unclear whether this status remains valid following the abolition of that body. Most of the Partnership's work has related to tourism and the development of local market towns, though it has also sought to access external funding through collaboration.

5.2. The Welland Procurement Unit is one of two shared services developed by the Welland partnership; the other is the Welland Internal Audit Unit which is not affected by the proposal to withdraw from the Procurement Partnership.

5.3. The Welland Procurement Unit currently provides services to East Northamptonshire District Council, Melton Borough Council, Blaby District Council, Harborough District Council and Rutland County Council. South Kesteven District Council has never been part of the Procurement Partnership; Oadby and Wigston Borough Council received services from the WPU until 2012 when it withdrew.

5.4. It is possible that the withdrawal of HDC from The Welland Procurement Unit partnership will have implications for the other member councils since it will mean that costs of the unit will be shared between four, rather than five members; however the volume of work planned on behalf of the four is probably equivalent to the Unit's current capacity. Indeed the most recent report on the Unit to the Welland Partnership noted that 'the Unit will be stretched throughout 2013'. Since very little of the work anticipated in the report relates to Harborough District Council, it follows that it will be in the interests of the other partner councils that the Unit continues to function, albeit that their costs will rise since they will be shared by fewer councils.

6. Legal Issues

- 6.1. Legal advice has been sought from an external solicitor as the Head of Legal and Democratic Services post is shared with Melton Borough Council resulting in a conflict of interests; it has been confirmed that the Council will be required to give an extended period of notice (expiring on March 31st 2015). HDC indicated its intention to withdraw from the partnership to the other members of the Welland Partnership at a meeting of its main board (the Joint Committee) on March 5th; formal notice of withdrawal will be required subject to approval of the recommendation of this report.
- 6.2. Negotiations with other members of the partnership will be necessary to agree the detailed terms of withdrawal, including payments during the notice period. It is possible that the Partnership will be terminated by the other members as a result of the withdrawal of HDC, but this is unlikely as the WPU appears to meet the procurement needs of the four councils and offers them value for money (because their needs are very different to those of HDC).
- 6.3. If a decision to end the Welland Procurement Unit entirely was taken, HDC might be exposed to some liability, including TUPE, but this is also unlikely: the agreement is designed to allow any winding up of the partnership to be managed without incurring excessive costs. Moreover, the workload anticipated by the Unit suggests that the other partner councils would need to make alternative arrangements for procurement (such as establishing their own in house provision) and this would imply the creation of new posts to which any staff made redundant might be entitled to transfer under TUPE.

7. Resource Issues

- 7.1. None; the Council has already invested in a service manager, commissioning post. The saving of £30,000 p.a. realised through withdrawal from the WPU partnership will partially offset this. The timing of the savings remains to be determined: the service level agreement appears to require negotiation of the work to be undertaken by the Welland Procurement Unit and payments made by Councils using its services. HDC will submit a project brief to indicate its requirements (which will be minimal in any event) and seek to pay a contribution commensurate with this. If this is accepted by the other partners, it is possible that most of the savings against the current budget of £30,000 will accrue during 2013-14 (and continue during 2014-15) but this is subject to negotiation.
- 7.2. The Unit current employs 2.6 F.T.E. staff; HDC has contractual responsibilities to these officers under the agreement, but in practice, the key factor will be the decision of the remaining partner councils. The staffing capacity is probably equivalent to those council's requirements.
- 7.3. HDC will request some support from the Welland Procurement Unit during 2013-14; this will be required primarily to complete outstanding projects and to ensure a smooth transition.
- 7.4. Whilst there is some uncertainty about the implications of the recommended decision, this can only be resolved once negotiations with the partnership are instigated; members will be informed of progress.

8. Equality Impact Assessment Implications/Outcomes

8.1. None

9. Impact on the Organisation

9.1. Better integration of commissioning and procurement within HDC and improvements in efficiency as a result. Other partnership work (including shared services) will not be affected by withdrawal from the Welland Procurement Unit; in practice, our use of the Unit's services has been limited over recent years and most of the Council's procurement needs are already met from other resources.

10. Community Safety Implications

10.1. None

11. Carbon Management Implications

11.1. None

12. Risk Management Implications

12.1. None; the level of risk associated with procurement will not be affected as the Council's statutory and regulatory obligations will be unchanged and the need to ensure value for money will remain just as important. The HDC Commissioning Strategy, Commissioning Plan, and Statement of Required Practice for Procurement will provide a framework for the management of risks associated with procurement.

12.2. The current arrangement with Welland Procurement Unit carries a risk that the Council's resources will not secure value for money. There are also risks associated with the use of external procurement: there is a strong possibility that the Council's operational needs will not be effectively integrated with procurement activity, a risk that savings will not be identified through changes in processes because of the focus on procurement rather than practice and a reliance on the resilience of an external provider that is relatively lightly staffed and working at full capacity delivering services to other partners.

13. Consultation

13.1. Service managers involved in procurement activity at HDC have been consulted and have expressed support for the report's recommendations; no concerns have been raised about withdrawal from the Welland Procurement Unit partnership. Councillors Rook and Spendlove-Mason, as Leader of the Council and responsible Portfolio Holder, have also been consulted and have expressed support for the recommendation.

14. Options Considered

14.1. The option of continued membership of the Welland Procurement Unit partnership was fully considered; it offered no significant benefits and did not offer value for money.

15. Background Papers

15.1. None

Previous report(s): None

Information Issued Under Sensitive Issue Procedure: No

Ward Members Notified: Not Applicable

Appendices: None