

Report of the Director of Resources

WELLAND PROCUREMENT UNIT

1 Purpose of report

To seek approval to join the Welland Procurement Partnership.

2 Executive summary

The Council has not been a party to any external procurement partnership for a few years since it left the Northamptonshire Procurement Partnership. A budget for procurement support has been retained in the meantime and it is proposed that this be utilised to join the Welland Procurement Partnership.

3 Appendices

Welland Procurement Unit proposal to BCW.

4 Proposed action:

4.1 The committee is invited to RESOLVE that officers seek membership of the Welland Procurement Unit.

5 Background

5.1 The Council has not been a member of an external procurement arrangement for a couple of years following its resignation from the Northamptonshire Procurement Partnership (NAPS) and that organisation's demise in 2011.

5.2 In the interim the budget for NAPS (£40,000) was retained and used for the acquisition of ad hoc procurement advice on service contracts or other major procurements. The budget was subsequently reduced in the spending reductions programme and now stands at £30,000 per annum.

5.3 Officers have been reviewing other methods of bringing appropriate support into the Council to assist in its procurement, and have had initial discussions with the Welland Procurement Unit. The Welland Procurement Unit is a subsidiary of the Welland Partnership. The latter organisation is a partnership of five councils across Leicestershire, Northamptonshire, Rutland and Lincolnshire.

5.4 The Welland Procurement Unit (WPU) is subsidiary to the Partnership and provides procurement services to five authorities, namely Melton (the host),

Rutland, East Northants, Blaby and Harborough. The five that use and manage the WPU are not the same five as those which form the Welland Partnership.

- 5.5. Joining the WPU will permit the Council to bring in a considerable degree of technical expertise for a reasonably modest cost. The WPU proposal is appended to the report and that provides more detail on what the Council would receive for its membership fee.
- 5.6 The cost of membership is £27,500 which can be funded from the £30,000 procurement budget.

6 Legal powers

The Council has the power to make administrative arrangements for the delivery of its services, and also to work jointly with other councils.

7 Financial and value for money implications

The cost of joining WPU is within the allocated budget. The Council spends in excess of £10 million per year on purchasing in various forms and it is important that good procurement advice is available to ensure that best value is obtained from that.

8 Risk analysis

This table needs to be completed for any report setting out a proposed course of action that entails risks at the outset of the project or if the risks change along the way.

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Poor procurement practice occurs	<ul style="list-style-type: none"> • The Council may be in breach of procurement law. • Higher prices are paid by the Council 	<ul style="list-style-type: none"> • High without professional procurement support. • Low with such support. • Poor contractual terms are achieved. 	

9 Implications for resources

Membership of WPU has no personnel or other resources implications (finance see above). Proper procurement advice will deliver better value for money across the council which will, in turn, ameliorate pressure on resources elsewhere.

10 Implications for stronger and safer communities

None arising from this report.

11 Implications for equalities

None arising from this report.

12 Author and contact officer

Richard Micklewright, Director of Resources.

13 Consultees

Chief Executive
Corporate Management Team

14 Background papers

**PROPOSAL TO THE
BOROUGH COUNCIL OF WELLINGBOROUGH**

**ON BEHALF OF THE
WELLAND PROCUREMENT UNIT**

**Tony Hall
Head of Welland Procurement
thall@melton.gov.uk
07768 915875**

March 2013

This proposal is written on the understanding that the Borough Council of Wellingborough and the Welland Procurement Unit wish to explore the prospect of the Council entering into an agreement with the Welland Partnership in order to receive a procurement service from the Unit. The purpose of this paper is to summarise the service which the Unit may offer.

The Welland Partnership

The Welland Partnership was formed in 2000 with the following councils in membership, as they still are today:

Rutland County Council	Unitary
East Northamptonshire	District
Harborough	District
Melton	Borough
South Kesteven	District

The purpose of the Partnership was originally to work together to access government funding which would otherwise not be available as these councils do not have high and widespread levels of deprivation. Funding was granted and as a result a network of market town portals was set up.

From 2004-2006 the councils assessed their respective services with the objective of developing shared services. As a result of this the Welland Procurement Unit was established in 2006, and the Welland Audit service was also created.

The five councils set up a Joint Committee structure in order to oversee the shared services. The Chief Executive and Leader of each member council constitute the Joint Committee, underlining commitment to these on-going initiatives.

Councils which are not members of the Welland Partnership may apply to take membership of any of the shared services, provided that there is capacity and appropriate synergy.

The Welland Procurement Unit

Summary

The Welland Procurement Unit:

- Has achieved cashable savings of £11,755,000 from 2006 to March 2013;
- Seeks to embed good procurement practice in member councils;
- Supports member councils' procurements, including the most complex;
- Strives to minimise procurement risk, especially legally enforceable remedies;
- Has excellent procurement networks across the region and beyond;
- Has director level representation from each member on its procurement board;
- Has three staff servicing four district/borough councils and one small unitary.

Savings

The Unit records and analyses cashable savings by council and by financial year.

Cashable savings are defined as a saving as a result of a contract, against the expenditure prior to the start of the new contract. That saving is captured for each year of the contract. Many of the procurements which are undertaken are for new or one-off activities and therefore no saving can be recorded.

In summary, the savings for all member councils combined from the opening of the Unit in 2006 to the end of March 2013 is £11,755,000. Contracts already in place will add a further £3,300,000 to that figure in 2013-14.

Savings will vary from council to council dependant on its size, its level of externalised spend and the point in the procurement cycle.

In all procurements we recognise that the savings are for the council and its budget holders, and that we act as a team with the appropriate service management and staff.

Embedding good procurement practice

The Unit drafts and / or reviews contract procedure rules, in order to maintain an appropriate balance between compliance, protection of the council and its staff, and workable practice. CPRs have recently been reviewed for both Melton and Rutland.

Deriving from the contract procedure rules, the Unit produces a procurement toolkit. The aim is to support and encourage officers to undertake those procurements which require quotations or tenders below the OJEU limit either independently or with a lighter touch from the Unit. All member councils require all OJEU's to be closely supported by the Unit.

In addition to the toolkit, procurement training is carried out as required. East Northamptonshire, for example, will have a tiered procurement training programme rolled out this year.

Supporting procurement activity

The Unit supports staff undertaking procurements as required and in accordance with their knowledge, training and confidence. There are particular areas, such as evaluation of tenders, where support is often appropriate.

The Unit has led a number of more complex procurements, including waste, recycling and street cleansing at both Harborough and East Northamptonshire, a new finance system for Rutland, a new college build at Rutland and procurement of a new leisure centre at East Northamptonshire (aborted at the last moment because of the economic situation).

The Unit is also a regional leader in collaborative insurance contracting, having taken 15 East Midlands councils to market, with savings totalling £9 million.

Compliance and risk

The work of the Unit is focussed on delivering value for money through good commercial judgment and processes which should avert successful challenges.

This means protecting the council, and also the officers and members who are involved in procurement activity.

There are times where a balance of risk needs to be struck, and the Unit gives advice on appropriate courses of action.

Larger procurements which fall under the OJEU regime confer legally enforceable rights of redress on unsuccessful bidders, so these processes need to be managed with great care. The Regulations are being revised so that more services will come under the full OJEU regime in the next 2 – 3 years, increasing the level of procurement risk which councils bear. The Unit will support such procurements closely.

Networks

Since the closure of the procurement arm of the Regional Improvement and Efficiency Partnership (RIEP) the region has had to find new ways to network and support the development of procurement across the region. Two groups undertake this work – one for counties and unitaries, and one for cities and districts.

The Head of the Unit sits on both groups as Welland has both unitary and district interests, and also chairs the Cities and Districts Group. This group has successfully bid for regional funding for procurement projects, has developed collaborative procurements, and is currently pressing the new managing director of ESPO to improve that organisation's culture and service.

Procurement networks are important. They give access to a wide range of specialist service and industry knowledge. They provide feedback on the efficacy of national and regional framework contracts. They alert us to opportunities to aggregate spend and to seek more competitive bids. They flag up new developments in approaching old problems.

Structure

The Welland Joint Committee is the formal body overseeing the shared services of procurement and audit.

The Welland Chief Executives working together help to facilitate good relationships between the Joint Committee and the shared services, and to explore opportunities for further shared services.

The Welland Procurement service is effectively managed by the Welland Procurement Board. This consists of a representative (typically at director / S151 level) from each participating council (whether Welland Partnership councils or not), and is currently chaired by the Chief Executive of Rutland.

The Board meets typically four times a year. Reports are presented on savings (from the high level to the individual saving per contract per council); on the activity being undertaken by the Unit, and on its planned procurement and training work.

Further reports will cover matters of national importance (e.g. changes to the legal framework, community right to challenge, social value), on the outcomes from the regional groups, and on other procurement matters of interest.

Each meeting receives a detailed activity report outlining the work undertaken for each council since the previous Board.

The Unit consists of three staff, each with substantial procurement experience in the public services. The lead council is Melton, although the staff operate from home in order to minimise unnecessary travel and to maximise efficiency.

Financing

The culture of the Welland Partnership is that each council should seek such support from the shared services as they deem appropriate. Consequently the financing of the procurement shared service is a simple arrangement whereby the gross budgeted expenditure of the Unit is shared equally between the participating councils.

The cost to each of the current member councils for 2013-14 is £27,550 each.

This simple system does away with the need for granular scrutiny of complex methodologies, which consumes scarce resources.

Membership

The membership of the procurement shared service has changed as circumstances have changed. The number of councils in membership has fluctuated between four and six, and is currently five:

Melton (Lead council)
Rutland
East Northamptonshire
Harborough
Blaby

Blaby is not a member of the Welland Partnership, but has taken the procurement service since 2008.

Harborough have given notice that they may withdraw from using the service as their procurement requirements are set to drop.

Councils leaving the shared service are required to give 18 months' notice.

