

REPORT TO COUNCIL

REPORT OF: STRATEGIC DIRECTOR

REPORT NO. SD15

DATE: 1st October 2007

TITLE:	Lincolnshire shared services procurement arrangements
FORWARD PLAN ITEM:	Yes
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	March 2007
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Policy framework proposal

COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	Councillor Mrs Spencer -Gregson Portfolio Holder Resources and Assets	
CORPORATE PRIORITY:	Use of Resources	
CRIME AND DISORDER IMPLICATIONS:	None	
FREEDOM OF INFORMATION ACT IMPLICATIONS:	This report is available via the local democracy link on the Council's website www.southkesteven.gov.uk	
INITIAL EQUALITY IMPACT ASSESSMENT	Carried out and appended to report? Not Applicable	Full impact assessment required? No

BACKGROUND PAPERS:	None other than published papers.
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1. INTRODUCTION

- 1.1 The 8 local authorities in Lincolnshire have formed a Shared Services Partnership in order to improve service delivery to customers and achieve efficiency savings.
- A programme of work has been prepared and the Partnership will explore opportunities for greater collaboration around 10 services as Phase 1 of the Programme.
- The first of the 10 work streams to reach a conclusion is Procurement and on the basis of the information contained within the detailed business case for this service area, the Leaders and Chief Executives of all 8 authorities agreed to support the establishment of a Lincolnshire Joint Procurement Unit to be hosted by Lincolnshire County Council.

2. RECOMMENDATIONS

2.1	The Cabinet approves an in principle 3 year commitment to participate in the Lincolnshire Joint Procurement Unit.
2.2	Requests that the revised budget for 2007/8 reflects the pro-rata contribution to the unit and appropriate allocation is made in the subsequent three year budget projections.
2.3	The Cabinet receives a verbal update at the meeting on the clarification of the proposed relevant legal and governance arrangements and subject to the outcome of this update recommends to Council entering into an appropriate agreement with Lincolnshire County Council as to deliver a shared procurement service.

3. DETAILS OF REPORT **Background**

- 3.1 Procurement is one of the 10 services chosen within Phase 1 of the Shared Services Programme developed by the Lincolnshire Shared Services Partnership
- 3.2 At its meeting on the 19th July 2007, the Leaders and Chief Executive of all 8 partner authorities provided their commitment to participate in a Lincolnshire Joint Procurement Unit. The details of the staffing

structure of the unit, the governance arrangements, together with costs and benefits realisation are all set out in the Detailed Business Case

- 3.3 An Executive Summary of the Detailed Business Case for Procurement is attached to this report. Members who wish to read the full business case can obtain a copy through the LSSP internet site.
www.n-kesteven.gov.uk/lssp.
- 3.4 The Detailed Business Case assumes a joint unit costing around £1 million per annum, this provides for 10 additional staff to support District procurement activities. The document also identifies estimated efficiency savings of £5 million for the Partnership in the first 5 years. This figure could increase to £8 million or £11 million, if further purchasing efficiencies of 0.5% or 1% were achieved.
- 3.5 The preferred model identified within the detailed business case is for the County Council to host the new unit and the costs to be shared amongst the County and district partners on the basis of a fixed annual fee of £15,000, with an additional variable fee based upon the savings delivered by the unit. In adopting the cost allocation model, it has to be accepted by partners that they will underwrite any shortfall between the cost of the unit and the income received from partners.

4. FINANCIAL IMPLICATIONS

- 4.1 Based upon the operating model, it is estimated that the cost to this Council for joining the joint unit would be approximately £31,000 per annum. There would also be an additional one off cost to set up this new unit amounting to approximately £15,000 this is an equal split of the total one off set up costs. It is anticipated that the new unit will commence operations in January 2008.
- 4.3 The Council has a strategic procurement post in its establishment. The post is currently vacant. Had the previous post holder still been working for the Council they would have been transferred over to the new unit under TUPE arrangements. The existing budget for Procurement equates to £62,000 of which circa £40,000 (including oncosts and travel) relates to the procurement post. In terms of base budget the service charge for joining the unit will represent a saving for the Council. This will equate to approximately £30,000 per annum (this does not take account of the initial one off set costs of £14,750 and assumes that the current supplies and services budget of £19,000 will be met by the Council's contribution to Shared Service Procurement unit).

- 4.4 The Detailed Business Case modelled South Kesteven District Council's current controllable in relation to procurement activities and from this evaluated projected savings within categories of expenditure over the next five years. It is important to note that profiling of the savings may well alter as the unit begins to develop; however, initial projections for the first three full years are £22,824 (08/09), £25,483 (09/10) and £5,681 (10/11) a total of £53,998. If the projected figure for 2011/12 is also included the total five year saving could equate to £67,747.
- 4.5 The projected potential savings relate purely to those savings generated from procuring goods and services. These will be supplemented by reducing the reliance the Council has on consultants for procurement exercises and reducing the number of transactions the Council undertakes i.e. using electronic delivery channels and simply reducing the number of invoices it pays.
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5. LEGAL ISSUES AND GOVERNANCE

- 5.1 Partners are being asked to commit to these new procurement arrangements for an initial 3 year period, after this period exit criteria allow for an Authority to withdraw from the partnership by giving 12 months notice.
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- 5.2 It is anticipated that Governance arrangements for the new partnership will be delivered through a board which will have a member delegate from each partner authority. The board, supported by an officer group will agree the business plan for the new unit and monitor performance. Further detailed arrangements for governance are currently being developed. Initially the Detailed Business Case recommended a "Joint Delivery Model" approach which delegated functions to another Authority, namely the County Council, this approach is currently being explored as to its suitability and the detail of this approach or alternatives will be provided for members to consider in due course, a verbal update will be provided at the meeting .

7. COMMENTS OF SECTION 151 OFFICER

The Business case identifies an annual saving for the Council of approximately £30,000 per annum. However, it should be noted that this does not take account of the initial one off set costs of £14,750 and assumes that the current supplies and services budget of

£19,000 will be met by the Council's contribution to Shared Service Procurement unit, the Service Manager Assets and Facilities will confirm this position as part of the budget preparation process.

With regard to the governance arrangements members will need to be satisfied that these are satisfactory. At the time of writing the report, these have not been clarified, once details are known, I will advise members of any governance issues which may need to be addressed.

8. COMMENTS OF MONITORING OFFICER

The Council's contract procedures allow for procurement through a nominated delegated authority. Where this is the case, the procurement process will be carried out in accordance with the Contract Procedure Rules for that lead authority. The delegation of the procurement process will have to be made by Council as soon as a legal entity has been established for delivery of the shared service.

9. CONTACT OFFICERS

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