



Lincolnshire Shared Services Partnership

Procurement Shared Service Detailed Business Case

Version: 1.0

Together we are stronger

Executive Summary

This is a detailed business case for a shared procurement service for local authorities in Lincolnshire. It builds on work carried out as part of the Strategic Outline Case (SOC) and Outline Business Case. A synopsis of the Outline Business Case can be found in Appendix A.

The objectives of the shared procurement service are:

Efficiency

- Releasing efficiencies to reinvest in front line services
- Modernising processes and systems to develop a standardised approach and a better customer experience

Capacity

- Providing greater capacity and wider capability within procurement
- Improving recruitment and retention of procurement staff

Markets

- Maximising supplier relationships (getting the best from suppliers)
- Increasing competition innovation and choice (encouraging more suppliers)

The Procurement workstream is an important contributor to the wider success of the Shared Services programme. As the first fast-track workstream it is useful establishing the principles and mechanisms for business case development. It will also provide a "proof of concept" for pan-Lincolnshire shared service; building trust and confidence in the ability of a joint team to provide effective

services across all partners, contributing towards each of the six objectives of the wider programme.

Good procurement is critical to the cost effective discharge of a local authority's function. It supports an authority's objectives and quality of service delivered, through ensuring the right goods and services are provided at the best possible cost. It also plays an important role in stimulating and maintaining local economies. The total spend covered by the scope of this workstream is £194 million, and a conservative estimate indicates that savings at least of 1.3% of this figure should be achieved.

The proposal is that by joining together to form a shared procurement service councils in Lincolnshire could eventually secure cash savings on purchasing costs of at least £2.546 million a year, with a further £660,000 process efficiency savings per year. The forecast net savings (after costs have been taken into account) for the first five years is £4.993 million, which gives a return on investment of 190% over that period. The return on investment for the fifth year and subsequent years is forecast at nearly 300%. (All figures are in 2007/08 prices). The returns are profiled over a five year period (with the first year consisting of three months following set up) and should break even in year 3.

In addition there will be many other benefits: streamlining policies and procedures which will generate further efficiency gains; developing and stimulating local markets; developing, attracting and retaining high calibre staff and ensuring procurement supports wider corporate objectives such as sustainability and economic development.

The proposal is that the existing County Council function is expanded by ten additional staff, some of whom would be based within District Councils and some of whom would be centrally located. A new approach to procurement will be introduced, taking a more holistic view of a particular category of spend (such as

construction, or vehicles for example) and looking for opportunities arising from a variety of techniques including aggregation, removal of duplication, standardisation of specifications or streamlining processes. The corporate team will work closely with regional and national experts and pathfinders to maximise the advantages for Lincolnshire. The success of the function will be measured by performance against a number of strategic targets.

The cost for the service is estimated at £1,041 million per year, with a further £148,000 as set up costs. There are a number of ways of sharing these costs across partner authorities, and the preferred option is one which ensures all partners have a similar return for their investment and which takes into account the relative size of an authority. The recommendation is that the County Council will pay 73% of the running costs and the District Councils will each contribute £15,000 fixed fee, with a variable element based on forecast savings per authority. Set up costs are recommended to be allocated at £45,000 to the County Council and £15,000 per district.

In terms of affordability, Lincolnshire authorities are currently spending nearly £600,000 on staff costs alone. The additional £450,000 required to set up the new unit will be repaid within the second full year of operation, and will generate a return of 300% per year when the work programme is fully implemented. As such this is an invest to save project: it is difficult to see how similar efficiencies will be achieved within the timescales with the current capacity.

The service would be hosted by the County Council and its main offices would be in Lincoln. Procurement officers would be both category managers and have a liaison role with partners. A partner would see not only their liaison officer, but all of the category managers according to their requirements. There will also be a major projects officer who will provide expertise for major projects, supplemented by ESPO, and a business analyst, who will examine supplier spend data to highlight areas for focus.

The work of the shared service will be overseen by a governing board, made up of representatives from each authority. This board will be responsible for agreeing the work programme for the unit. They will also set the strategic targets and measure performance against them. Overall democratic accountability will be managed by a Member Management Board, consisting of an elected Member from each partner authority.

The proposal is that authorities who opt into the shared service would do so for a minimum initial period of three years whilst the unit becomes established and is able to demonstrate its worth. Following that time authorities could withdraw, giving 12 months notice.

It is hoped that implementation will begin in September 2007, with the unit "going live" from 1 January 2008.

