

WIRRAL COUNCIL

CABINET

2 FEBRUARY 2012

SUBJECT:	PROCUREMENT EFFICIENCIES
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This is a progress report on procurement activity undertaken in 2011-12. The aim is to deliver £2m procurement efficiency savings per annum. A further policy option was agreed in the 2011-12 budget; to achieve £0.5m through a review of the top-50 contracts, progress on which is reported elsewhere on this agenda. This report shows progress against the combined target of £2.5m and identifies possible procurement savings for 2012-13.

2.0 RECOMMENDATIONS

- 2.1 That Cabinet notes the procurement activity undertaken in 2011-12.
- 2.2. That a procurement saving of £140,000 in Regeneration, Housing and Planning delivered in 2011-12 be replaced by the release of reserves and provisions.
- 2.3. That estimated procurement savings of £1.2m for 2012-13 be agreed.
- 2.4. That estimated savings of £1.6m from the alternative commissioning of services in Adult Social Services be agreed.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 Cabinet requested an update on the impact of procurement activity in 2011-12 and the savings arising from it. Cabinet also requested an assessment of the potential savings that might arise from procurement activity in 2012-13.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 This report provides a summary of the financial impact of procurement contracts that are over £10,000 in value. It excludes minor contracts which are not subject to the same degree of scrutiny and procedural control. It also excludes one-off capital schemes and contracts where the savings accrue to the Pension Fund the Insurance Fund and Schools as these do not have a direct impact on the General Fund.
- 4.2 Also considered out of scope in this exercise are the grants to the voluntary, community and faith sectors. These total £11,346,812 and are subject to a separate commissioning exercise.

- 4.3 The approach to procurement has matured over recent years and with the revision of the Corporate Procurement Strategy agreed by Cabinet on 2 June 2011 a more robust system is now in place. All purchases over £10,000 should now be supported by the Procurement Unit. The revised Contract Procedure Rules have strengthened the governance arrangements as they relate to procurement. However there are still improvements that can be made and opportunities will be identified as part of the change programme. There maybe potential for savings from aggregating the many smaller purchases and managing these centrally by the Procurement Unit. However there is insufficient capacity in the Unit to accommodate this function at this time, without additional investment.
- 4.4 It is also believed that there maybe scope to exploit new ways of tendering such as including 'affordability' and 'innovation' clauses in all new tenders to maximise cost reductions. This will require more sophisticated market and supply chain management practices which could be incorporated into the Procurement Unit. Consideration will be given to moving to a category management structure with greater specialisms in the Procurement Unit.
- 4.5 The information provided in this report, shows the procurement outcomes achieved in 2011-12. It also shows where the Procurement Unit has identified savings potential for 2012-13. As a general rule the proposal is to set a target of an average 5% reduction in contracts that are due to be tendered in 2012-13. This has been the average reduction in contract value achieved by the Procurement Unit since its inception. In some cases where there is compelling evidence through a more detailed understanding of the market this target may be more or less than 5%.
- 4.6 The total value of procurement savings reported in this paper for 2011-12 is estimated at £12,522,223. This is broken down in the Appendix by Department and contract type.
- 4.7 £10m of this relates to the market management projects within Adult Social Services which involved the reduction in fees for residential and nursing home care, respite care and personal support. These were also connected to the re-provision of a range of in-house services including respite, re-ablement support and supported living.
- 4.8 Discounting the previously agreed policy options in 2011-12 this shows the total value of procurement outcomes to be £2.5m. The amount attributable to the review of Top-50 contracts is £422,400, as reported elsewhere on this agenda. The Departmental summary is as follows:-

	Total Efficiency 2011-12 £	Efficiency Slip to 2012-13 £	Contracts 2012-13 £
Adult Social Services	10,176,714	150,000	1,626,150
Children & Young People	221,734	-	248,250
Technical Services	199,746	48,750	745,226

Finance	78,664	-	74,509
Law HR & AM	701,641	533,000	33,195
RH&P	252,400	-	-
Corporate Contracts	891,324	422,591	115,409
TOTAL	12,522,223	1,154,341	2,842,739

4.9 Not all the procurement savings have been delivered in the current financial year. The total value of procurement savings that could have a financial impact in 2012-13 is £3,997,080. As £1,154,341 relates to procurement activity undertaken in 2011-12 this leaves an additional estimate for 2012-13 totalling £2,842,739. This may be supplemented by the findings of the PwC review.

4.10 The report shows that the combined efficiency targets for 2011-12 (£2m procurement efficiency, and £0.5m Top-50 Contract reviews) will be met. However they will not be fully implemented in 2011-12. £2.8m could be considered as the procurement efficiency target in 2012-13.

4.11 Cabinet on 8 December 2011 agreed that the £140,000 procurement saving on the Working Wirral project in 2011-12 should be reinvested in the project. The Director of Regeneration, Housing and Planning proposes to replace this budget saving by the release of a Regeneration, Housing and Planning reserve which will be included in a future report to the Cabinet.

4.12. The Director of Adult Social Services proposes to review how services are commissioned to deliver savings of £1.6m to replace the estimated procurement savings of £1.6m to be delivered from residential services and personal support.

5.0 RELEVANT RISKS

5.1 The options presented in this report follow the outcome of procurement and contract reviews in 2011-12. The contracts due for renewal in 2012-13 have not been subject to equality impact assessments at this stage.

6.0 OTHER OPTIONS CONSIDERED

6.1 No other options were considered in this report.

7.0 CONSULTATION

7.1 Consultation continues with all Departments and suppliers affected by these reviews. There is also ongoing consultation with other Councils in Merseyside to promote the adoption of collaborative contracts that increase the potential for savings through aggregation.

7.2 Some of the suggested procurement efficiency savings identified in this report may require consultation before they can be implemented.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no direct implications for voluntary, community and faith groups.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 The savings target agreed by Council is £2.5m in 2011-12.

10.0 LEGAL IMPLICATIONS

10.1 All procurement activity and subsequent price negotiations are conducted in strict accordance with contract procedure rules and European procurement directives.

11.0 EQUALITIES IMPLICATIONS

11.1 An equalities impact assessment is considered for all contracts that are tendered or reviewed. Where the impacts are considered material a full Equality Impact Assessment will need to be undertaken and reported to Cabinet when the policy decision is being made.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 All new contracts include a requirement for suppliers to consider their carbon impact and contribute to the delivery of the Council carbon reduction targets.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report

FNCE/11/12

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APPENDICES

REFERENCE MATERIAL

Corporate Procurement Strategy, Cabinet 2 June 2011

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet - Procurement Strategy	13 October 2011
Cabinet - Procurement Strategy	2 June 2011
Cabinet - Review of Contract Efficiencies	9 December 2010

Appendix 1 Procurement Outcomes

Contract	Cabinet Reference	Total Procurement Efficiency 2011-12 £	Efficiency Slipped Into 2012-13 £	Potential Procurement Efficiency 2012-13 £
Adult Social Services				
Residential Services	17 March 2011	4,462,000	-	800,000
Personal Support	17 March 2011	906,000	-	800,000
Respite Care	17 March 2011	2,285,750	-	-
Re-ablement Support	17 March 2011	762,314	-	-
Supported Living	17 March 2011	1,610,650	-	-
Assistive Technology	1 September 2011	150,000	150,000	-
Meals on Wheels	June 2013	-	-	26,150
Sub-Total DASS		10,176,714	150,000	1,626,150
Children & Young People				
Children's Advocacy	9 December 2010	-	-	3,100
Integrated Transport	9 December 2010	125,000	-	-
Frozen Foods	13 January 2011	65,405	-	-
Physical Activity	Delegated	14,029	-	-
Fruit & Vegetables	25 November 2010	17,300	-	-
Schools Fire Alarms	April 2012	-	-	1,550
Aiming Higher	1 October 2011	-	-	-
BME Family Support	April 2012	-	-	1,600
Early Intervention	April 2012	-	-	140,000
Children's Residential	April 2012	-	-	100,000
Foster Chair Panel	April 2012	-	-	2,000
Automotive Products	9 December 2010	-	-	-
Sub-Total CYPD		221,734	-	248,250

Contract	Cabinet Reference	Total Procurement Efficiency 2011-12 £	Efficiency Slipped Into 2012-13 £	Potential Procurement Efficiency 2012-13 £
Technical Services				
Parking Enforcement	2 September 2010	50,000	-	-
Graffiti Removal	9 December 2010	17,958	-	-
Highways Survey	Delegated	7,998	-	7,998
Variable Signs	Delegated	25,000	-	-
Pay & Display	Delegated	12,540	-	-
Floral Catering	3 November 2011	45,000	33,750	-
Floral Bar	April 2012	-	-	1,500
Floral Lights	April 2012	-	-	1,500
Winter Bureau	Delegated	3,000	-	-
Engineering Inspection	April 2012	-	-	7,500
Coastal Strategy	23 June 2011	11,000	-	-
Coring	Delegated	20,000	15,000	-
Construction Integrator	9 December 2010	7,250	-	3,750
Urban Traffic Control	August 2012	-	-	7,500
Vehicle/plant hire	June 2012	-	-	3,375
Wildflower planting	April 2012	-	-	2,103
Beach Patrol	April 2012	-	-	70,000
Waste Collection	April 2013	-	-	570,000
Parks & Countryside	3 November 2011	-	-	-
Street Lighting	April 2012	-	-	70,000
Highways Maintenance	April 2014	-	-	-
Sub-Total Technical Services		199,746	48,750	745,226

Contract	Cabinet Reference	Total Procurement Efficiency 2011-12 £	Efficiency Slipped Into 2012-13 £	Potential Procurement Efficiency 2012-13 £
Finance				
Oracle (Domestic)	9 December 2010	2,921	-	-
Telecoms	27 May 2010	32,499	-	-
Project Management	Delegated	5,425	-	-
IT Disposal	Delegated	3,600	-	-
IT Hardware	9 December 2010	-	-	50,000
Oracle (E-Business)	Delegated	22,917	-	-
Card Payment	Delegated	7,212	-	-
Governance & Proxy	MPF	-	-	-
European Equity	MPF	-	-	-
Investment Adviser	MPF	-	-	-
FI Fund Manager	MPF	-	-	-
Data Back-up	December 2012	-	-	500
Internet Feed	June 2012	-	-	-
Civil Litigation	Insurance Fund	-	-	-
Property Adviser	MPF	-	-	-
Actuarial Services	MPF	-	-	-
Web Procedures	April 2012	-	-	2,500
Global Custody	MPF	-	-	-
Corporate Banking	April 2012	-	-	2,500
Printing Overflow	January 2012	-	-	500
PCI-DSS	9 December 2010	4,090	-	-
Library Books	April 2012	-	-	14,859
Cash Collection	April 2012	-	-	3,650
UK Equity	MPF	-	-	-
Sub-Total Finance		78,664	-	74,509

Contract	Cabinet Reference	Total Procurement Efficiency 2011-12 £	Efficiency Slipped Into 2012-13 £	Potential Procurement Efficiency 2012-13 £
Law, Human Resources & Asset Management				
Fire equipment	9 December 2010			4,620
Automatic Meter Reader	15 April 2010	258,000	258,000	0
Lifting Appliances	17 November 2010	7,950	0	0
Washroom Services	Delegated	4,858	0	0
Corporate Training	January 2012	200,000	150,000	0
Occupational Health	17 August 2011	85,000	85,000	0
Legal Services	April 2012	7,500	0	22,500
Retirement Planning	April 2012	0	0	200
Removals Service	April 2012	0	0	4,000
HR/Payroll System	15 October 2009	80,000	40,000	0
Schedule of Rates	9 December 2010	58,333	-	-
Victim Support	June 2012	-	-	1,875
Sub-Total LHRAM		701,641	533,000	33,195
Regeneration, Housing and Planning				
Loft & Cavity Insulation	22 July 2010	112,400	-	-
Working Wirral	13 January 2011	140,000	-	-
Sub-Total RH&P		252,400	-	-

Contract	Cabinet Reference	Total Procurement Efficiency 2011-12 £	Efficiency Slipped Into 2012-13 £	Potential Procurement Efficiency 2012-13 £
Corporate Contracts				
Agency Staff	9 December 2010	300,400	130,000	-
Stationery	14 October 2010	177,000	-	15,000
Cleaning Materials	April 2012	-	-	15,000
Photocopiers & MFD	January 2012	100,000	75,000	-
Business Consultancy	13 October 2011	200,000	150,000	-
Mobile Phones	OGC Framework	67,591	67,591	-
Work Wear	8 December 2011	13,000	-	-
Market Research	Delegated	-	-	2,150
Citizens Advice	April 2012	-	-	13,000
Voluntary sector support	April 2012	-	-	5,150
Protective Equipment	April 2012	-	-	3,900
Clinical Waste	April 2012	-	-	4,000
Office Furniture	April 2012	-	-	5,000
White Goods	June 2012	-	-	1,500
Safety Equipment	April 2012	-	-	2,500
Motor Insurance	April 2012	-	-	-
Vehicle Leases	July 2012	-	-	5,000
Water Coolers	May 2012	-	-	1,042
Financial Leases	October 2012	-	-	4,167
Milk, bread etc	August 2012	-	-	10,000
Electricity	OGC Framework	-	-	10,000
Gas	OGC Framework	-	-	18,000
Advertising	July 2010	33,333	-	-
Sub-Total Corporate		891,324	422,591	115,409
Council Total		12,522,223	1,154,341	2,842,739