

WIRRAL COUNCIL

CABINET

23 JULY 2009

REPORT OF DIRECTOR OF FINANCE

MERSEYSIDE PROCUREMENT COLLABORATION

1. EXECUTIVE SUMMARY

- 1.1. The report provides a summary of progress made by the Merseyside Procurement Collaboration and seeks authority to continue the work via partner contributions.

2. BACKGROUND

- 2.1. Collaboration and the sharing of services to provide cost reductions and better overall outcomes can take different forms. Considerable early progress has been made by the Procurement Collaboration. What has been established remains relatively fragile given the time it has been in place. Continued success necessitates a core programme team and recognition from partner organisations and individuals of the commitment required.
- 2.2. The Merseyside Procurement Collaboration currently includes, Halton; Knowsley; Liverpool; Merseytravel; Mersey Fire and Rescue; Sefton; St Helens and Wirral. Developed originally as one of the sub regional procurement hubs in the North West within the Centre of Excellence arrangements it has since been incorporated within the work of the Merseyside Improvement and Efficiency Partnership. The priorities of the latter are aligned to the North West Improvement and Efficiency Partnership (NWIEP), from which it receives Government funding.
- 2.3. The current arrangement has developed as a partnership of choice and that element of choice and a strong commitment to the shared programme of work will continue to be fundamental to the development and success of the collaboration.
- 2.4. The 'virtual' hub arrangement operates via a lead position from Knowsley MBC and a funded programme resource. Progress to date has also required a commitment and input from the independently operating partner procurement teams.

- 2.5.. The programme and core staffing resource of £62,000 was originally funded from the NW Centre of Excellence. This funding was intended for the twelve month period to November 2008. Additional funds of £162,000 were made available from the sub regional allocation of the Merseyside Improvement and Efficiency Partnership for the twelve months commencing June 2008. Having established a broad set of project deliverables, the additional funding provided for an extension of employment for the project manager; support for research/administrative duties; an analysis of third party spend for partner organisations and the extension of e-procurement and training initiatives.

3. **PROGRESS**

- 3.1. Considerable progress has been made on all the project deliverables and key areas are highlighted below:

a. Cashable Savings

Cashable savings are one of the key deliverables of the procurement collaboration. The Government set a target of £4.7bn of savings achievable by local government in the three financial years commencing 2008-09. It is expected that 57% of that figure will be achieved from more efficient procurement. For the period 2008 – 2011 the Merseyside sub region has a saving target of £108m which is expected to be delivered from procurement. In the budget on 22 April 2009 the Chancellor of the Exchequer announced an increase of the £4.7bn to £5.5bn but no details are available as yet.

Based upon partner data, a figure of £20m has been submitted by the collaboration for projected procurement savings in the period for 2008-2011. The savings relate to procurement undertaken collaboratively at sub regional level; by partner organisations themselves (these may have been shared / adopted by other Merseyside partners); via the adoption of procurement available to the sector from other procurement sources, such as the Office of Government Commerce. Of this amount £8m can be directly attributed to the Merseyside Collaboration.

b. Procurement Map

Partners have mapped existing frameworks / contracts to a shared database itemising such information as total / annual value; start and finish dates. This shared contract register provides an insight into required procurement and the potential for collaborative exercises. It is being used to inform the workplans for the next two years. It will be situated on the Due North platform when that facility is implemented in partner authorities during coming months and in the NWIEP vault facility which can also be externally viewed by suppliers, including local businesses. This will allow potential suppliers to receive an alert when a tender is being advertised and for them to respond electronically.

c. Skills and Training Development

A comprehensive study of skills and training development has been undertaken. From this a Procurement Skills Framework has been proposed divided into nine broad knowledge areas with four progressive skills levels. There are opportunities to strengthen the collaboration, and provide development opportunities by seeking to deliver aspects of this by growing a training team from partner organisations.

d. Sustainable Procurement

An assessment of all partner positions against the Sustainable Government Flexible Framework has been undertaken and an action plan is being developed to ensure attainment of target levels by due dates. The Collaboration itself and in conjunction with the Sefton and Liverpool Enterprise Growth Initiative (SLEGI) are working with the voluntary, third sector and local businesses to provide guidance and identifying barriers, real and perceived, to engaging with public sector bodies.

e. Workplan/Development Plan

Plans have been formulated for the two forthcoming years, utilising the following:

- The procurement map for procurement needs identification, so that all procurements are undertaken collaboratively from the outset.
- Partner priorities and saving targets.
- Government and regional priorities.

4. FUTURE OF THE COLLABORATION

- 4.1. Considerable progress has been achieved in all areas of the current project. Relative to the other sub regional procurement hubs the Merseyside Collaboration is well placed. It is one of the few examples of a form of shared service in the sub region. There is a need for the partner organisations to continue to improve procurement activities, particularly in relation to the contribution that can be made to savings targets and the cost reductions that can be obtained via collaborative/shared working.
- 4.2. Progress can be further improved by strengthening the current arrangements. The staffing resources within the partner organisations need to be utilised more, albeit with a recognition of individual partner priorities. The recognition that collaboration is the norm rather than an added set of tasks needs to be embedded at both organisational and individual levels. Collaboration will be more successful between partners that are willing, fit and have the internal discipline to be able to deliver on commitment and promises.

4.3. Collaborative effort will continue to be aligned with individual partner priorities and incorporate the nationally recognised common work areas associated with smarter procurement. Broadly the latter are as follows:

- **Obtaining improved value for money.** This will not just be obtained by targeted savings from aggregating demand requirements but by a range of improvements in efficiency and effectiveness, including avoiding unnecessary purchases; better engagement with suppliers and supplier management; avoiding duplication and improved benefits tracking.
- **Socially responsible procurement,** sustainable procurement as it relates to social, economic and environmental issues is not a new requirement but can be seen as good practice.
- **Recognition of the contribution procurement can make to regeneration.** Working with SME's, social enterprises, voluntary and community sector suppliers and local suppliers will support local regeneration strategies.

4.4. These three broad priority areas have been included in a draft strategy. This and a workplan of procurement to be undertaken during the next two years have been presented to the Merseyside Directors of Finance (MDOF) which under the Merseyside Improvement and Efficiency Partnership is the parent group for the collaboration.

4.5. It has been essential for the progress to date to have a dedicated core programme resource to help drive and deliver the workplan. Although it is proposed to keep this resource to a minimum this is predicated upon an increased work contribution from within the partner organisations. This is proposed, not just with minimising costs in mind, but, the other potential benefits such as an increasing shared ownership of the work and outcomes.

4.6. The staffing and associated resource proposals thus differ from the current, as follows:

<u>Current</u>	<u>Cost</u> £	<u>Proposed</u>	<u>Cost</u> £
Project Manager	57,604	Programme Manage	53,935
Research Officer	34,523	Programme Support Officer	21,880
Administrative Support		Support Expenses	<u>3,000</u>
Support Expenses	<u>4,200</u>		
	96,327		78,815

4.7. The indication was that sub regional funding would not be available for the years 2009/10 and 2010/11. Therefore the costings above together with a proposal to share the annual cost for a period of two years was reported to the MDOF and agreed in principle, subject to approval by each partner organisation.

- 4.8. The proposed partner contributions are based upon an equalisation of local authority contributions and a reflection of the different partner responsibilities and procurement needs. Merseyside Police Authority has indicated a wish to join the collaboration and has been included as follows.

<u>Partner</u>	<u>£</u>
Merseyside Fire and Rescue	3,000
Merseyside Police Authority	3,000
Merseytravel	3,000
6 Local Authorities (each)	<u>11,135</u>
	<u>78,810</u>

If approved the above represents an annual contribution for the next two years, adjustable for inflation.

- 4.9. Since the original preparation of the contributory funding proposal the Merseyside Improvement and Efficiency Partnership, in conjunction with the North West Improvement and Efficiency Partnership have announced priorities and indicative funding streams for the next two years. Recognising the continued importance and the particular role procurement can make with regards to savings requirements the initial indications are that an indicative sum of £164,000 per annum has been reserved for procurement activities. The funds will be available for a wide variety of procurement related activities, including construction and health and social care. Procurement in those areas can amount to 40% of overall spend with external suppliers for the Merseyside partners and areas of spend not generally contained within the remits of the partner procurement teams.
- 4.10. The retention of a small dedicated core staffing resource to develop and drive the work of the collaboration was seen as a minimum resource. Funding by partner organisations as proposed provides for a small “invest to save” application demonstrating commitment and ownership. A bid for funds to the Merseyside Improvement and Efficiency Partnership for a proportion of available funds will focus on the necessary additional resources to progress the work successfully, including training, awareness raising and additional one-off projects.

5. FINANCIAL AND STAFFING IMPLICATIONS

- 5.1. External funding to date of £224,000 has contributed to the collaboration registering some £20m in savings. Savings are retained by partner organisations
- 5.2. The direct cost to the Council, for the partner contribution would be £11,135 for each of the next two years. The cost would be met from the Efficiency Investment Budget.

5.3. The programme support function is at present delivered by two Knowsley staff on a shared basis. Continuation of this arrangement would aid continuity and retain the experience gained. The Programme Manger role is subject to a recruitment exercise. To provide a level of certainty both for the partnership, in terms of its direction, and to attract suitable candidates a two year fixed term contract is proposed which would require a similar time commitment from partners.

6. LOCAL MEMBER SUPPORT IMPLICATIONS

6.1. There are no specific implications arising out of this report.

7. LOCAL AGENDA 21 STATEMENT

7.1. There are no specific implications arising out of this report.

8. PLANNING IMPLICATIONS

8.1. There are no specific implications arising out of this report.

9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1. There are no specific implications arising out of this report.

10. COMMUNITY SAFETY IMPLICATIONS

10.1. There are no specific implications arising out of this report.

11. HUMAN RIGHTS IMPLICATIONS

11.1. There are no specific implications arising out of this report.

12. BACKGROUND PAPERS

12.1. None were used in the preparation of this report.

13. RECOMMENDATIONS

13.1. That Cabinet note the progress to date of the Merseyside Procurement Collaboration.

13.2. That Cabinet agree to continue with the Merseyside Procurement Collaboration.

13.3. That Cabinet agree a contribution of £11,135 to be funded from the Efficiency Investment Budget.

IAN COLEMAN
DIRECTOR OF FINANCE