

North Essex Procurement Hub

Operations, item 4

Committee: Operations

Agenda Item

Date: 23 March 2006

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Title: NORTH ESSEX PROCUREMENT HUB

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Item for
decision

Summary

The document deals with a proposal for a Procurement Hub for North Essex, providing day to day procurement advice and expertise to the Council.

Recommendations

The Committee agree to enter into a 3 year agreement for a North Essex Procurement Hub subject to satisfactory ongoing negotiations.

Background Papers

Impact

Communication/Consultation	Framework contracts negotiated as part of the Hub will need to be used by UDC, and therefore communication will be carried out to ensure staff know how to use the Hub for efficient procurement practice
Community Safety	No specific implications
Equalities	There are no specific equalities implications. Any arising from procurement practice will be addressed within the Hub.
Finance	Considerable savings are expected from the use of framework agreements negotiated by the Hub. The Hub is expected to be self funded within 3 years. An application has also been made to the Regional Centre of Excellence for funding.
Human Rights	There are no specific human rights implications. Any arising from procurement practice will be addressed within the Hub.
Legal implications	There are no specific legal implications. Any legal issues arising from procurement practice will be addressed within the Hub as well as by use of UDC expertise.

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Ward-specific impacts	All
Workforce/Workplace	UDC will gain skilled professional expertise via the Hub on a scale which would not be affordable within the current establishment

Situation

- 1 The requirements of Gershon, CPA, the National Procurement Strategy, and revised European regulations are prompting most authorities to review their in-house arrangements for letting and managing contracts. At the same time, it is not always cost effective to create procurement departments in all councils, and this is a problem which has faced Uttlesford for some time.
- 2 The council is a member of the Procurement Agency for Essex, and to date the PAE has been successful in achieving its original goals to:
 - Promote and unblock ‘efficiency’ and ‘collaboration’ across Essex local government organisations
 - Provide procurement support, advice and guidance to its members
 - Achieve economies of scale and better value through joint working and contracting
- 3 The PAE has proved a successful model which other parts of the country are now aiming to emulate.
- 4 However, there has been identified a need for a much higher strategic and operational day to day procurement support than the PAE can currently deliver, and it is to this end that discussions between PAE members and the Chief Executives of Castle Point, Colchester, Maldon, Tendring, Braintree and ourselves have proposed a Procurement Hub for North Essex.

Role of the Procurement Hub

- 5 The day to day services proposed to be undertaken by the Procurement Hub include:
 - Managing and carrying out all aspects of the procurement function with regard to managing existing, and letting new framework agreements/contracts for works, supplies and services.
 - Providing advice and guidance on obtaining quotations for goods and services, including sourcing suppliers. In the case of quotations for higher spend items, eg above £7,500, offering to undertake the procurement on behalf of each member.
 - Analysing the spend of each member Authority from information provided by the PAE, to ensure that adequate and competitive supply arrangements are in place

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- Where supply arrangements are in place, ensuring their use, and eliminating 'off contract' spend
- Identifying areas within the Hub where joint working/contracting will drive down costs, and/or increase efficiencies
- Providing day to day consultancy and guidance on all aspects of procurement, contract law, including EU competition law and the new EU Directives
- Having a regular 'presence' at each member of the Hub's premises, either on an ad hoc basis or by prior arrangement, eg procurement surgeries
- Attendance at all meetings which have a 'procurement' dimension and ensuring that the role of procurement is recognised and implemented into all major projects at their inception
- Involvement in all service reviews, particularly in the areas of 'compare and compete' and in particular, involvement in 'process bench marking' and pricing comparisons
- Regular progress reports to member boards, on progress and achievements, and success in meeting agreed service level agreements. This would include a report on savings to date, both in terms of cash and efficiency (Gershon).

Proposal

- 6 The proposal being made to Castle Point, Colchester, Maldon, Tendring and Uttlesford is to:
 - Jointly fund the cost of operating a shared procurement function (Hub) serving six district councils predominantly in North Essex. The Hub has the potential to become **self funding** within 3 years
 - That the service will be based on an individual and specific service level, agreed with each member Council to provide **day to day** procurement support and act as a gateway into PAE strategic and county wide collaborative projects
 - The running costs be shared **proportionately**, based on a combination of the individual service level agreement, the amount of influenceable spend at each particular council and a proportional contribution to overheads
 - That the resource will operate from within Braintree District Council's premises, by Braintree District Council staff, and be run for the benefit of all member councils
 - That an initial **3 year** commitment be sought from each member Council (as is the current case with PAE membership)
 - That it will be a requirement of each member of the Hub to give a minimum of twelve months notice of intention to withdraw from the agreement

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Cost

- 7 Initial indications are that the framework agreements/contracts could generate enough income to sustain the Hub and allow it to become self financing. When this occurs the intention would be to use additional income to reduce members' subscriptions to the PAE, with the longer term aim of making the PAE totally self financing.
- 8 Recent experience of a framework agreement let by Braintree on behalf of the PAE indicates that more spend would come from outside of the Hub than from within it. This would then generate more income for the Hub itself.

Indicative Costs			
	Year 1	Year 2	Year 3
	£	£	£
Estimated total cost of Hub	314000	328000	342000
Worst case scenario – assuming no income – contribution from UDC	24000	25000	26000
Estimated performance of Hub – target levels of income	100000	200000	342000
Net cost to UDC – assuming targeted income levels	16400	9800	0

Funding

- 9 Potential funding has been sought from the Regional Centre of Excellence East towards the cost of establishing the Hub.

Next Steps

- 10 Negotiations are currently ongoing on the membership of the Hub – with Braintree, Maldon and Colchester already signed up in principle. A meeting is currently being arranged to discuss the service level agreement. Braintree are currently starting recruitment for the additional procurement specialists required for the Hub.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Insufficient capacity and expertise to run effective contract	High	High	UDC does not have dedicated procurement staff in place to carry out day to day procurement

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letting and management in-house			activities. This is currently mitigated by using the expertise of the PAE, Braintree DC and other authorities as and when necessary. However, this does not provide a day to day service.
The North Essex Procurement Hub does not generate enough income to self fund its activities	Low	High	Braintree has been negotiating competitive framework contracts much in demand by other authorities. The Hub would actively 'refresh' any contracts becoming uncompetitive, and it is therefore thought unlikely that the Hub would only generate a small income.