

TRAFFORD COUNCIL

Report to: Executive
Date: 23 September 2013
Report for: Approval
Report of: Executive Member for Finance and the Director of Finance

Report Title

Procurement Collaboration with Stockport and Rochdale Councils.

Summary

1. To provide information on the Strategic Procurement project that has evolved into a proposed Shared Procurement Service and collaboration between Stockport, Trafford and Rochdale Councils.
2. To provide information on the proposed governance arrangements for the Shared Procurement Service. This would include the establishment of a Joint Executive Committee to delegate authority to the collaboration.
3. To provide information on the proposed new operating model and arrangements to transfer staff from Stockport and Rochdale into Trafford Council as host Authority under TUPE.

Recommendation(s)

1. To agree to the establishment of a shared procurement service across Stockport Trafford and Rochdale Councils to be hosted by Trafford Council.
2. To agree to the legal governance arrangements as set out in the report that will support the delivery of the Shared Service and provide delegated authority to the Procurement Service to operate across the three locations.
3. To note and approve the arrangements by which staff will transfer to the new Procurement Unit including the circumstances whereby staff would transfer to Trafford Council under TUPE and to approve the commencement of formal consultation with staff and trade unions on the proposals.

Contact person for access to background papers and further information:

Name: Ian Duncan
Extension: 1886

Background Papers: None

Background

1. In view of the considerable financial challenges facing local government the AGMA Improvement and Efficiency Programme reviewed the potential for various services to make savings through collaborative working. Procurement was identified as an area that could offer such savings.
2. Following this, a project was initiated in November 2011 with the aim to “*develop and deliver a strategic procurement unit and centre of excellence in line with an agreed service delivery model across participating authorities.*” The main objective was to establish a unified procurement service which could deliver substantial savings. To achieve this, participating councils would need to reorganise and transform their procurement functions into a shared service arrangement to create a unified team, whilst adopting a category management model to increase professional capacity, expertise and support.
3. A great deal of work has been carried out subsequently by Trafford, Stockport and Rochdale Councils and has culminated in the proposal for the three authorities to form a shared procurement service, to be hosted by Trafford Council.

Benefits to Trafford Council

4. The benefits expected from a joint approach include:
 - Improved, more efficient use of resources;
 - Increased, collective expertise and resilience;
 - Economies of scale through aggregated demand and joint market management;
 - Enhanced value for money;
 - Reduced tendering costs.
5. The extent of the benefit will vary across the three authorities according to their current approach to procurement. In Trafford we have previously invested in additional professional resources to establish the centralised procurement team to drive through financial savings across all directorates. The creation of a strategic procurement unit will result in economies of scale and our share of the cost of the new unit will be less than the current team cost. The other two councils are starting from a different base point and will therefore be required to make an additional financial investment and the savings they will secure will be greater by comparison to those which Trafford Council will achieve.

Financial and Human Resource Implications

6. Initially the cost of the Strategic Procurement Unit will be shared equally between the participant authorities. The draft structure for the unit is estimated to cost approximately £468k each. This compares to the current cost of £732k, thereby producing a saving in the order of £264k. This in excess of the amount of £175k included in the medium term financial plan.
7. The actual cost will be firmed up when consultation has been completed and the work plan has been agreed and resourced.
8. Staff from the three councils will need to be consulted and it is intended that a 30 day consultation will commence in early October. The final structure of the Unit cannot be agreed until this consultation has been completed. However it is the intention to recruit

to the Director post of the Unit as soon as each council has given their approval to proceed with the creation this shared procurement service.

9. As the proposal is for Trafford to host the Unit, it will mean all staff will become employees of Trafford Council. Depending on the outcome of consultation and how the new establishment is appointed to, some staff from Stockport and Rochdale may transfer with their existing terms and conditions protected under TUPE. Discussions are ongoing with the two authorities regarding an indemnity to Trafford in relation to transfer costs.

Governance

10. Different legal structures for creation of the Strategic Procurement have been considered and the recommended approach is for a Joint Executive Committee to be established by the three authorities. This will allow Members of each Council to oversee the work programme and it is proposed one Member from each authority is appointed to the Committee at the appropriate time.
11. The collaboration will be underpinned by a formal inter authority agreement which will set out matters such as: sharing arrangements for costs and liabilities; extent of delegation from each Council; accommodation, support services etc.; withdrawal from the Committee.
12. The Committee will be responsible for agreeing and monitoring performance against the strategic targets, benefits realisation and the work programme of the service. The Committee will be supported by the Director of the Unit who will produce the required management information in order for the Committee to agree and monitor
13. There will be a need to review working towards a consistent scheme of delegation and contract procedure rules across all three councils to ensure the Strategic Procurement Unit operates within each of the Council's constitutions.

Synergies with AGMA Procurement Hub

14. The AGMA Procurement Hub is funded by the AGMA member authorities and associates. The business case for the Hub revolves around facilitating efficiencies from collaboration across the entire group of AGMA. The AGMA Procurement Hub has independent resource to support the member authorities to achieve their savings albeit they are employed by Trafford Council as the host authority.
15. The fundamental difference between AGMA and the proposed Strategic Procurement Hub is around facilitation. The Hub will continue to operate in parallel with the Unit in exploring and facilitating opportunities whilst the Procurement Unit will be the delivery arm and will realise these opportunities for the three authorities. The Unit is expected to provide efficiencies from joint procurement between, in the first instance, the three authorities and where appropriate it will join Hub activities, as is currently the case for each individual authority.

Relationship to Policy Framework/Corporate Priorities	Collaboration across three local authorities that helps support the delivery of low council tax and value for money through more effective procurement arrangements.
Financial implications	The Council will be responsible for all outgoings of the proposed new Strategic Procurement Unit. The cost of the Unit will be shared equally by the three participating councils. It is anticipated that the collaboration will result of savings of £264k compared to the existing cost of the procurement function.
Legal Implications:	Joint Executive Committee will oversee all decisions of the Shared Service. Inter authority agreement will be required in order to establish the operating arrangements for the new Strategic Procurement Unit.
Equality/Diversity Implications	None arising out of this report.
Sustainability Implications	None arising out of this report.
Staffing/E-Government/Asset Management Implications	A revised organisational structure has been developed with new job roles. Full consultation will take place with staff and trade unions. Staff will move to the new arrangements and the implementation strategy will form part of the consultation arrangements.
Risk Management Implications	A risk register has formed part of the overall project management with all risks categorised and mitigations highlighted.
Health and Wellbeing implications	None
Health and Safety Implications	None

Other Options

The Council could decide against joining the joint procurement unit. This would mean the planned savings and efficiencies would not be realised.

Consultation

A 30 day period of consultation with affected staff will be carried out.

Reasons for Recommendation

The creation of a collaborative approach in Procurement will bring significant financial and reputational benefits to the participating authorities. It will enable greater influence over the market and will provide for more effective control over the spending of limited resources.

The proposed service delivery model allows for other interested partners to join the Strategic Procurement Unit at a later stage.

Key Decision (as defined in the Constitution): Yes
If Key Decision, has 28-day notice been given? Yes

Finance Officer Clearance (type in initials).....ID.....
Legal Officer Clearance (type in initials).....JL.....

[CORPORATE] DIRECTOR'S SIGNATURE (electronic).....
To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.