

Report to Cabinet

25th January 2018

By the Cabinet Member for Finance & Assets

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt

Procurement Shared Service – Future Delivery Model

Executive Summary

The existing procurement service was established in 2010 and operates as a joint working arrangement with Horsham, Crawley and Mid Sussex Councils combining resources into one team working across the three authorities. The existing arrangement is due for renewal on 31st March 2018 and therefore a review of how best to deliver procurement in the future has been undertaken.

The purpose of this report is to present Members with recommendations resulting from the review of future delivery models for the procurement service.

Recommendations

The Cabinet is recommended to:

- a) Approve the delegation of the provision of its procurement services to Crawley Borough Council from 1st April 2018 under Section 101 of the Local Government Act 1972.
- b) Agree to the provision of services under an Inter-Authority Agreement for a minimum period of four years from 1st April 2018 to 31st March 2022.
- c) Delegate authority to the Legal Services Manager to agree the terms of the Inter-Authority Agreement which reflects the principles outlined in the report.
- d) Note the staffing arrangements including the TUPE transfer of staff.

Reasons for Recommendations

The current joint working arrangement is due for renewal on 31st March 2018 and therefore there is a need for Members to agree how procurement services will be provided in the future. The recommended approach assists in delivering process efficiencies, creates equality in staff terms and conditions and makes the management of the team less complex.

Background Papers

None

Wards affected:

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Background Information

1 Introduction and Background

- 1.1 On 6th April 2010 Crawley, Horsham and Mid Sussex entered into a joint working arrangement which saw existing procurement resources forming one team and being shared across the three authorities. Both Crawley and Horsham continued to manage and employ their own procurement staff and retained their own procurement budgets. The benefits of the joint working arrangement were to create greater capacity within the team to support the increasing work programme demands, developing skills and knowledge amongst the team, making cashable savings through more collaborative procurement projects and making efficiencies by avoiding duplication and creating common policies and procedures.
- 1.2 Since then the service has delivered numerous projects and contributed to savings of in excess of £3,826,000.00¹. These projects include EU tenders, local tenders and accessing framework agreements, leading on collaborative procurement projects and a wide range of policy, legislative and strategic projects which benefit each of the authorities for example working with SMEs and local suppliers to educate them on procurement processes via training events and Meet the Buyers, and developing policies on key areas such as Social Value and Employment and Skills in procurement.
- 1.3 The team are responsible for developing the internal procurement rules and guidance documentation that meets the requirements of EU legislation, undertaking spend analysis to identify future opportunities and areas of risk, and delivering training across the councils. The team also perform a contract management role for a number of collaborative corporate contracts and support departments in the management of key contracts as and when required.
- 1.4 The Joint Procurement Board, governs the shared procurement service via an informal agreement and is made up of a representative from each of the authorities. Horsham District Council became the 'lead' authority taking responsibility for the payments made between the authorities and acting as IT lead. Both Horsham and Crawley provide desk space for the team who work between the two sites. The teams' presence at Mid Sussex is on an ad hoc basis as and when required for attendance at meetings.
- 1.5 The current structure of the team consists of a Procurement Manager, two Procurement Officers and a Project Support Officer. Benchmarked against other comparable procurement teams, the number of staff within the shared services is generally comparable or less. The budget for 17/18 was set at £194,912.57. The current payment mechanism is a percentage split with Crawley and Horsham both paying 35% of the costs and Mid Sussex 30%.
- 1.6 When the joint arrangement was set up in 2010 it was considered that in the long term the desirable position would be to have one authority acting as lead,

¹ These savings are based on either one-off savings compared with budget or the estimated cost. For contracts longer than one year the saving is for year 1 only. There was a period of time during 2015/16 where savings were not recorded. Horsham's proportion of savings is £1,137,769.00

employing all staff and providing procurement services on behalf of the other two authorities as it was felt that this would create efficiencies, avoid duplication and gives equality to staff. However this has never been achieved, although recognised that if the opportunity ever presented itself then it would be explored further.

- 1.7 With the existing service provision due for renewal on 31st March 2018 and with two of the staff employed by Horsham District Council on temporary contracts it is an opportune time to make decisions on the future delivery of procurement services. The Procurement Officer employed by Horsham left the Council on 22nd December 2017, the post is now vacant. The Project Support Officer's contract ends in June 2018. The other two staff (Procurement Manager and Procurement Officer) are employed by Crawley Borough Council on a permanent basis allowing Crawley to explore becoming the lead authority.

2 Relevant Council policy

- 2.1 The proposed model supports the delivery of the Corporate Plan priority area 1 vi) efficiency – great value services – shared services.

3 Details

- 3.1 The recommended future arrangement would see Horsham and Mid Sussex Councils delegate the provision of procurement services to Crawley Borough Council. Both Horsham and Mid Sussex would pay an agreed annual contract sum to Crawley for the provision of services. An Inter-Authority Agreement would be drawn up to ensure that any potential risks are shared, for example, redundancy, pensions, exceptional costs etc.
- 3.2 The operational governance arrangements would remain as the current model with a senior officer from each of the authorities forming a Joint Procurement Board which oversees the work programme and monitors progress.
- 3.3 The Budget would continue to be calculated on the percentage split of the total cost of the service split between each of the authorities with Crawley and Horsham paying 35% of the costs and Mid Sussex 30%. It is proposed that this will be reviewed after two years.
- 3.4 The recommendation would make management of the service less complex, easier to communicate and would benefit from ensuring performance management, appraisals, and training and development are consistent across the team. Budget management and monitoring will also be easier, avoids duplication, and will require less input from each of the authorities finance teams working out recharges and rebates.
- 3.4 Whilst the Horsham Project Support Officer is currently employed on a temporary contract their role will in effect continue albeit being employed by a different authority so their role would be entitled to a TUPE type transfer to Crawley and will be made permanent. HR teams in both Crawley and Horsham have been consulted on this. The Horsham Procurement Officer post became vacant in December and will therefore be advertised and directly employed by Crawley on a permanent basis.

- 3.5 On a day to day basis little else will change under the arrangement. There will still be a requirement to have both Crawley and Horsham IT infrastructure and desk space in order to support these authorities effectively. The team will work with the IT departments to develop a more effective and streamlined technical solution for the team.
- 3.6 The review of the service also looked at the structure of the team and the future work programme requirements. The team have taken on additional responsibility for ensuring compliance with the transparency agenda reporting requirements and the development and management of Contracts Registers as well as ensuring compliance with the 2015 Procurement Regulations to ensure all procurement processes are electronic by October 2018. This has increased the burden on the team which is currently struggling to cope with the work programme due to the volume of procurement projects currently underway and resourcing issues.
- 3.7 In order to support the additional workload it is proposed to employ an Apprentice in order to increase capacity within the team and help deliver the additional legislative responsibilities the team is tasked with. The role would be responsible for assisting in developing effective mechanisms and systems for recording contract information, compiling contracts registers, and ensuring compliance with the transparency reporting requirements.
- 3.8 An Apprentice would benefit from a wide range of learning experiences to aid the completion of a business administration or procurement apprenticeship, in a supportive team environment. Whilst employing an apprentice does require significant supervision and support, particularly initially, it could be a good development opportunity for one of the procurement officers and assists with succession planning. The additional cost of this post would be spread across the three authorities for a two year fixed term. Both Crawley and Mid Sussex management teams have supported this approach and have agreed to contribute to the funding of this post.

4 Next Steps

- 4.1 If approved there are a number of actions to take forward to ensure the new service delivery model is effective from 1st April 2018. This includes; full formal consultation with staff, development of an Inter-Authority Partnership Agreement, recruitment to the vacant post of Procurement Officer at Crawley Borough Council, and a TUPE type transfer of the Project Support Officer from Horsham to Crawley.

5 Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1 To date consultation has taken place with the Joint Procurement Board (Horsham Director of Resources, Crawley Head of Partnership Services and Mid Sussex Head of Finance). The proposals have been presented to Crawley Corporate Management Team and Portfolio Holder, and Horsham's Senior Leadership Team. All consultees supported the proposed approach. Informal consultation has also taken place with all staff within the team. Crawley Borough Council will be taking a report to Cabinet on 10th January 2018.

- 5.2 **Finance and Assets Policy Development Advisory Group** will be consulted on this matter on 8th January 2018.
- 5.2 The Monitoring Officer and the Director of Corporate Resources have been consulted on the proposals and have had input into the report and proposals.
- 5.3 The Human Resources & Organisational Development Manager has been consulted and is aware of the TUPE requirements.

6 Other Courses of Action Considered but Rejected

- 6.1 The Joint Procurement Board considered maintaining the current service provision as is with the staff employed by Horsham District Council moving onto permanent contracts, however, the benefits of the proposed future delivery model were deemed more beneficial.

7 Resource Consequences

- 7.1 A provisional budget based on this model has been developed by Crawley Borough Council. Horsham will pay a fee equating to 35% of the total cost of delivering the service annually. Any savings (or overspend) will be shared between the authorities. There is an additional projected cost of up to a maximum of £7,000 for Horsham District Council's contribution towards an Apprentice.
- 7.2 The proposed model will mean that Horsham District Council no longer have any staff on the establishment for this service. Horsham will still have a requirement to provide necessary IT equipment in order that officers can work effectively while on site and remotely.
- 7.3 The Project Support Officer will be entitled to transfer to Crawley under a TUPE type transfer. The HR & OD Manager has been consulted on the proposals. Full staff consultation for the minimum 30 day period will commence following Cabinet approval.

8 Legal Consequences

- 8.1 The Council will be entering into a partnership arrangement whereby the provision of procurement services is delegated to Crawley Borough Council under Section 101 of the Local Government Act 1972.
- 8.2 Under Section 101 of The Local Government Act 1972 a Council may arrange for the discharge of its functions to another Authority. Section 9EA of The Local Government Act 2000 and Regulation 5(2)(a) of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 enables Cabinet to delegate the discharge of one of its executive functions to another authority. Procurement services are by default an executive function.

9 Risk Assessment

- 9.1 There are no medium or high risks associated with the proposed approach.

10 Other Considerations

- 10.1 There is no significant impact caused by these proposals, however, the approach will ensure that all staff are subject to the same terms and conditions of employment which assist in creating greater equality within the team.