

PER 293
FOR DECISION
WARD(S): ALL

PERSONNEL COMMITTEE

26 SEPTEMBER 2016

CABINET

19 OCTOBER 2016

REQUEST FOR THE CREATION OF A PROCUREMENT OFFICER POST

REPORT OF THE CORPORATE DIRECTOR (PROFESSIONAL SERVICES)

Contact Officer: JOSEPH HOLMES Tel No: 01962 848220

RECENT REFERENCES:

IPG (SH)3 - Update on agreed response to Recommendations, 28 July 2016

OS139 – Annex 2 – Independent Review on Silver Hill

EXECUTIVE SUMMARY:

The purpose of this report is to allow for the creation of a new post on the establishment of 1 FTE for a strategic procurement officer.

The Council faces a number of drivers to both improve the efficiency and effectiveness of its procurement activity as well as to respond to changing procurement legislation and external reports.

Officers have undertaken a review of the different options available to deliver a procurement function that supports the key drivers facing the Council.

RECOMMENDATIONS:To Personnel Committee

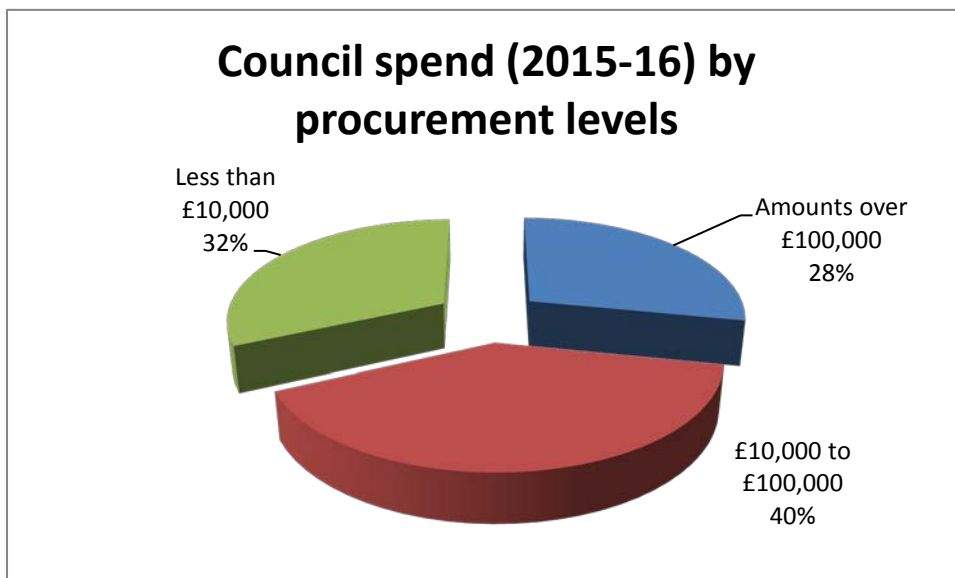
- 1 That Personnel Committee approve the increase in establishment of 1 FTE for this post.

To Cabinet

- 2 That Cabinet approve the increased Employee budget requirement of £29k in 2016/17 (6 months, mid-point Grade 8) - see Appendix B, to be funded from savings in the Employee budget.
- 3 That Cabinet note the inclusion of the post in the 2017/18 budget setting process – see Appendix B.

PERSONNEL COMMITTEE26 SEPTEMBER 2016CABINET19 OCTOBER 2016REQUEST FOR THE CREATION OF A PROCUREMENT OFFICER POSTREPORT OF THE CORPORATE DIRECTOR (PROFESSIONAL SERVICES)DETAIL:1 Introduction

- 1.1 The Council spends significant sums of money every year through its procurement of goods and services. In the current financial climate of declining funding from Central Government, it is more important than ever to ensure that the Council achieves the very best value for money possible.
- 1.2 At present, the Council does not have a dedicated procurement resource to act as a specialist champion who both advises on procurement strategy and undertakes spend analysis to improve the efficiency and effectiveness of the Council's procurement.



- 1.3 The Independent Review on Silver Hill (February 2016) also highlighted the need to ensure that there is effective procurement expertise to assist the Council, and the latest recommendation tracker to the IPG on Silver Hill shows an ambition to establish a procurement specialist post.

- 1.4 Currently, procurement advice is achieved through a combination of finance and legal expertise within the existing services, or through external advisors where appropriate.
- 1.5 As well as the above, there are a variety of other drivers for change, including changes to procurement regulations. In light of the vote to leave the European Union held in June 2016, there is likely to be a significant amount of changes depending on the outcome of negotiations between the British Government and the EU.



- 1.6 To address the lack of in-house capacity, this paper seeks to establish a new post as a procurement specialist officer, at an expected grade of **8 subject to Job Evaluation review**. Other options have been considered, and these are detailed in appendix A. The difficulty with many of these are that the current arrangements through other Councils or the private sector would not provide enough local support and would continue to run the risk that expertise is not embedded within the Council.

- 1.7 To assist the Council in developing the Job Description / person specification as well as providing a summary report on spend analysis and initial areas to best target the new resource, the Council has engaged a Local Government Association (LGA) productivity advisor at no net cost to the Council. This should enable the Council to learn from best practice elsewhere in ensuring that the person recruited is best able to deliver against the key drivers for the role.
- 1.8 It is proposed that the post would sit within the finance function to complement the work of the existing service, and to provide some resilience and sharing of knowledge within the finance service.

OTHER CONSIDERATIONS:

2 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 2.1 Assist in making the Council more efficient through better use of procurement to reduce costs.

3 RESOURCE IMPLICATIONS:

- 3.1 This post would increase the establishment by 1 FTE and (if a grade 8) would have a full cost of £54k - £64k per annum at 2016/17 rates. The prorated cost in the current year of up to £29k will be funded from savings elsewhere in the Employee budget. The full year cost will be included in the 2017-18 budget setting process – see Appendix B.

4 RISK MANAGEMENT ISSUES

- 4.1 The establishment of this post will have risk management benefits. This will provide a clearer structure on procurement guidance to the Council as a whole.

BACKGROUND DOCUMENTS:

IPG (SH)3 - Update on agreed response to Recommendations, 28 July 2016

APPENDICES:

Appendix A – summary of options

Appendix B – Financial appraisal

Appendix A

	Options:	Brief description	Solves/Pro's	Issues/Con's	Cost	Summary
1	Do nothing	Not an option due to changes in legislation on e-tendering	nothing	all	nil	Not an option as it does not meet new procurement legislation
2	Recruit one or more senior procurement specialists	Recruit a new permanent procurement officer with experience in procurement including current procurement legislation and delivering options appraisals, economic and financial modelling, (possibility to share with another Council)	Additional resource with specialist expertise	Finding the right person with the right expertise (procurement and financial). Increases permanent headcount/ salary bill; consider effect of possible devolution. Monitoring and motivating individual to succeed.	Estimate £60k plus on costs pa per individual; less for administrative level.	Could solve resource and skills shortage. Will not solve the e-tendering requirement.

	Options:	Brief description	Solves/Pro's	Issues/Con's	Cost	Summary
3a	Cluster with HIOWPP	Three service level options: 1. as is for renewal of HIOWPP existing frameworks.	Still have access to current HIOWPP shared frameworks and renewal of when they expire.	No platform for additional cost reductions/efficiencies. Does not solve resource requirement for major projects.	currently work collaboratively at no cost/recharge	WCC are already part of the Hampshire and Isle of Wight (HIOWPP) Procurement Partnership with shared frameworks, this would ensure continuity and no more. Would still require a solution for e-tendering legislation and a solution for major project resource and internal procurement audit.
3b	Cluster with HIOWPP	Three service level options: Option 2. includes option 1 plus pay as you go tenders.	Still have access to current HIOWPP shared frameworks and renewal of when they expire. Plus platform for compliant e-tendering of OJEU contracts.	Additional cost. No platform for additional cost reductions/efficiencies. Does not solve resource requirement for major projects.	TBA, £ schedule of rates per tender.	WCC are already part of the Hampshire and Isle of Wight (HIOWPP) Procurement Partnership with shared frameworks, this would ensure continuity plus provides a platform for EU compliant OJEU tenders. Would still require a solution for major project resource and internal procurement audit..

	Options:	Brief description	Solves/Pro's	Issues/Con's	Cost	Summary
3c	Cluster with HIOWPP	Three service level options:3. full tender solution with procurement support.	Should solve e-tendering and transparency issues (this needs further investigation). Should generate cost reductions. Support may be limited to the procurement process and not cover the options appraisals and financial modelling requirements of major projects.	WCC officers would need to work with Cluster lead. Some WCC central point of contact/support may be required.	TBA, option 3 cost sharing across councils - estimated cost to each council 1.5-2 FTE plus some central support/management at WCC. May also still incur South East Business Portal costs below as	HIOWPP have similar issues and needs to WCC. There are some strong Councils offering to act as Cluster Leads. Both Councils currently use the South East Business Portal platform for tenders only. Quick Quotes are available but not currently used. Will require Officers to work with the cluster lead and some change to the way WCC tender. WCC are already part of the Hampshire and Isle of Wight (HIOWPP) Procurement Partnership with shared frameworks. A resilient solution from an existing set up.

	Options:	Brief description	Solves/Pro's	Issues/Con's	Cost	Summary
4	Contract direct with South East Business Portal	South East Business Portal now own and run the SE Business Portal which holds WCC Contracts Register. They offer a full e-tendering software solution to procurement (sourcing and contract management) which is currently used locally by Basingstoke, Fareham, NFDC and Isle of Wight. It can be use for running quick quotes, benchmarking and tenders all electronically with a full audit trail.	e-tendering legislation. One central repository for all contracts enables better management information, collaboration opportunities, access to a wider supply market resulting in reduced spend.	<ol style="list-style-type: none"> 1. May require some change in process across the Council. 2. Requires central support 3. May not provide resource/skills required for major projects 4. Engineering and Transport Team (Chris Evans) use HCC frameworks on Intend system. 	Needs to be revisited - possible costs: South East Business Portal up to £20.5k over 4 years depending on service level selected. Plus admin/procurement support at WCC recommend 1.5 FTE Plus training. Offset by cost reductions on reduced contract spend.	Control stays with WCC. Meets all legislation and should help resolve issues above. Increased transparency. Better audit. Access to wider supply base (30k registered suppliers). Access to Electronic Quick Quotes - quick, transparent. Greater control over spend, lessen maverick spend. Assists with FOI. Efficient process for WCC and our suppliers. Compatible with other HIOWPP Councils. May not provide resource or skills required for major projects.

	Options:	Brief description	Solves/Pro's	Issues/Con's	Cost	Summary
5	set up own in-house e-tendering solution	write our own bespoke e-tendering system	could solve procurement issues but would need resourcing at the right levels.	time, cost, expertise etc.	expensive	There are suppliers specialising e.g. South East Business Portal, why recreate something which already exists. Would be hugely expensive, time-consuming and require expertise.
6	Contract with HCC to run WCC tenders	HCC could run our OJEU tenders on their Intend system for us to meet the forthcoming e-tendering legislation.	e-tendering legislation only. Frameworks currently used by Engineering and transport simplified by electronic process.	1. Only meets e-tendering legislation. 2. Does not solve transparency legislation. 3. no procurement review to drive cost reduction and compliant tenders.	£1500 year for licence and support with Intend plus daily rate to HCC to manage OJEU electronically.	Does not meet all WCC needs only e-tendering with additional cost.

	Options:	Brief description	Solves/Pro's	Issues/Con's	Cost	Summary
7	Contract with HCC for all procurement	HCC would use their current procurement system with Intend to run all WCC tenders, offering full procurement support to WCC officers during the process.	to be confirmed.	1. Requires change in process across the Council as we would be using a different system 2. Potential issue over major procurements, especially ones specific to a District Council.	to be identified if selected as an option to take forward.	HCC have different procurement needs to a district council, clustering with another district council with whom we already collaborate and have shared contracts should work better.
8	Use Civica Financials Contracts Module	Allows the creation of contracts which are linked to product selection, directing the user to contracted items with comparative pricing for contracted items.	Aids Contract Monitoring only.	Does not solve e-tendering or major project support. Not compatible with other Councils within the HIOWPP and thus does not assist with shared working/shared contracts.	tba	Does not appear to solve the current procurement legislation and adds little value to cost reduction and support on procurement.

	Options:	Brief description	Solves/Pro's	Issues/Con's	Cost	Summary
9	Contract with 3rd party supplier	Outsource the whole of the procurement process to e.g. Capita.	Overall end to end procurement process	1. Requires major change in process across the Council. 2. Control and responsibility moved outside the Council	no figures currently. Likely high cost.	Huge cultural change for WCC. Procurement is central to everything we do. Control moved outside the Council, would require monitoring.

APPENDIX B - PER293
Procurement Officer Post

Financial Year	Salary Incl. On-Costs									
	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21			
	6mths			Top of Grade						
Proposed Staff & Budget	Post	FTE	Grade	SCP	£	£	£	£	£	
	Procurement Officer	8	1.0000	8	52 mid pt.	29,097	60,277	62,436	64,682	66,576
			<u>1.0000</u>			<u>29,097</u>	<u>60,277</u>	<u>62,436</u>	<u>64,682</u>	<u>66,576</u>

TOTAL COST / (SAVING)					29,097	60,277	62,436	64,682	66,576
				Cumulative		89,374	151,810	216,492	283,068
				Payback Period in mths =		0.0			

Assumptions

Salary costs include on costs, with 1% year on year inflation increase, and incremental progression where applicable
 New post budgeted at mid point and assumed in WCC LGPS, unless stated otherwise