

<b>Report To:</b>	<b>CABINET</b>	<b>Date:</b>	<b>21 JULY 2020</b>
<b>Heading:</b>	<b>CONTRACT FOR PROCUREMENT SERVICES</b>		
<b>Portfolio Holder:</b>	<b>COUNCILLOR R. MADDEN, PORTFOLIO HOLDER FOR FINANCE AND RESOURCES</b>		
<b>Ward/s:</b>	<b>N/A</b>		
<b>Key Decision:</b>	<b>YES</b>		
<b>Subject to Call-In:</b>	<b>YES</b>		

### **Purpose of Report**

The reports seeks approval of the Contract for Procurement Services supplied by Nottingham City Council.

### **Recommendation(s)**

- 1. That the Cabinet approve the costs and scope of service for the Contract for Procurement Services to be supplied by Nottingham City Council.**
- 2. To delegate authority to the Director of Resources and Business Transformation to negotiate and agree a Service Level Agreement (SLA) with representatives of Nottingham City Council for the provision of procurement services to Ashfield in line with the details contained in the report.**
- 3. To delegate authority to the Director of Legal and Governance to finalise legal elements of the contract.**

### **Reasons for Recommendation(s)**

Nottingham City Council (NCC) currently provide procurement services to Ashfield District Council, a decision taken by Cabinet on 15 March 2018. The scope of the service requiring approval is a formalisation of that service in contract, currently delivered under a Memorandum of Understanding. Further, changes to the cost of the service have increased by £13,250 per annum and the gain-share element previously agreed has been eliminated.

### **Alternative Options Considered**

*(with reasons why not adopted)*

1. Insource the function – the structural costs of insourcing the procurement service would far outweigh the costs of the services delivered currently by NCC.

2. Procure a different partner for procurement services – NCC currently provide a very good service to Ashfield, and this contract is a formalisation of that service and relationship. Ashfield has enjoyed very good levels of service and has achieved significant benefits as a result; therefore, there is no appetite to change provider.

## **Detailed Information**

### **Previous Cabinet Decision**

On 15 March 2018, Cabinet approved a change to the procurement service, terminating the service delivered by Bassetlaw District Council in favour of a service delivered by Nottingham City Council (NCC).

The decision taken in 2018 had three specific elements:

1. The term of the agreement would be three years, with 12 months' notice by either party to terminate.
2. A flat fee of £35,000 per annum for the service.
3. A gainsharing agreement of 10% for cashable savings to NCC. This performance related pay would be payable on cashable savings, i.e. spend reductions (savings) to existing budgets, and not on obtaining the lowest cost for products/services where the service/product has not been acquired before.

For the reasons set out below, authority is sought to change elements 2 and 3 and to formalise the arrangement in a contract on the terms set out below (replacing the Memorandum of Understanding which has been in place in the interim while full terms were agreed).

### **Performance of the service**

The table below outlines the achievements of the NCC procurement service on Ashfield's behalf in the year 2019/20:

<b>2019/20</b>	<b>Value</b>	<b>Number of Contracts</b>
Contracts Awarded	£4,117,760.31	37
Procurement in progress	£42,829,000.00	11
Future procurement	£53,252,286.04	28
Spend Avoidance	£602,990.60	N/A
Cashable savings per annum	£6,447.90	N/A
Local Spend	£1,524,342.15	17

The overwhelming opinion of Officers is that NCC provides a high quality service and continues to deliver added-value.

### **Changes to Financial Arrangements**

The new financial arrangement requiring approval is a flat fee of £50,000 per annum for the service with no gain-share being payable in any case. There is no change to the duration of the agreement.

The gain share (i.e. cashable savings) element proved difficult to realise as a result of the large degree of transformation that has occurred with procurement activity over the last two years. New services procured were not a like-for-like replacement and therefore did not qualify for gain share, despite significant levels of spend avoidance being achieved as noted in the table above (£602k in 19/20).

For clarity, the £602k of benefits have still accrued to Ashfield, but did not qualify for the gain share agreement.

Currently Ashfield have approximately 2 Full-time equivalents working on our behalf at NCC across a number of aspects of procurement with this number flexing upwards when required. The cost for Ashfield to provide the same level of service internally is estimated to be in excess of £150,000 per year TCE (total cost of employment). Therefore, the cost, despite the increase continues to provide value for money.

### The Scope of the Agreement

The agreed scope of the agreement has developed over the last two years. Whilst broadly similar in principle, certain elements are now detailed after both NCC and Ashfield have benefited from the experience of working together. This scope is described below:

#### A. Strategy

- Investigate opportunities for income generation via concession contracts
- Supporting Ashfield to improve the lives of residents through utilising social value measures where relevant within tenders
- Access to the increased buying power of a unitary authority for a range of goods, services and works to help reduce cost
- Align and support department sourcing strategies with the Council's procurement strategy
- Ensure the Council's strategy is referenced and supported in all procurement activity

#### B. Management Information - Monthly procurement reports to identify:

- Savings
- Spend commitments
- Procurement activity
- Social Value outcomes
- Transparency reporting

#### C. Operational - Administering tender from start to award of contract including, but not limited to:

- Support to ensure specifications are appropriate for the requirement
- Completing tender documentation in line with legislation
- Identifying the best way to procure the services
- Supporting the development of tender evaluation
- Criteria for award – price/quality most economically advantageous tender
- Co-ordinating responses to questions from suppliers
- Co-ordinating tender evaluation
- Developing and sending award letters and all other letters related to the tender
- Preparation of contracts pack for legal
- Foundation living wage included in tenders where appropriate
- Compliance with regulations – PCR2015, Contract Procedure Rules and project specific when required
- Procurement option appraisals as and when required

- Quarterly review meetings as a minimum with accounts manager
- Soft market testing as and when required
- Quarterly meetings with legal services
- Supplier engagement – market intelligence
- Transparency obligations are met – publishing opportunities and awards

**D. Resources**

- Access to a team of procurement specialists ensuring tenders are managed by individuals with relevant experience
- Procurement training
- Review of existing procurement information and processes
- Weekly drop-in sessions
- Due North support (an online procurement portal)
- Forward plan support

**Implications**

**Corporate Plan:** The Corporate Plan recognises the importance of a strong and professional procurement service to deliver savings and sustainability.

**Legal:**

Ashfield District Council and Nottingham City Council are local authorities for the purposes of the Local Government Act 1972 and best value authorities for the purposes of the Local Government Act 1999. Pursuant to the Local Authority (Goods and Services) Act 1970, Local Authorities may provide services for other public authorities. The proposed arrangement will be established pursuant to the 1970 Act.

**Finance:**

Budget Area	Implication
General Fund – Revenue Budget	There will be an increase in costs to the revenue Budget of £13,250 per year to be funded from the General Reserve in 2020/21 and incorporated into the refresh of the MTFs for future years.
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

**Risk:**

Risk	Mitigation

**Human Resources:** There are no HR implications

**Environmental/Sustainability:** There are no Environmental/Sustainability implications

**Equalities:** There are no Equalities implications

**Other Implications:** None

**Reason(s) for Urgency**

Not applicable

**Reason(s) for Exemption**

Not applicable

**Background Papers**

*(if applicable)*

**Report Author and Contact Officer**

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