



POLICY AND RESOURCES SCRUTINY COMMITTEE – 13TH NOVEMBER 2012

SUBJECT: NATIONAL PROCUREMENT SERVICES (NPS) FOR WALES

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to advise Members on the current status of the Welsh Government's proposal for a National Procurement Services and to make recommendations on the Authority's future involvement in response to the Welsh Government invitation to join.

2. SUMMARY

- 2.1 Public Sector Procurement in Wales has been subject to much change in recent years. For many including Caerphilly the function has moved from an operational devolved activity to a strategically lead central function with standard operating practices.
- 2.2 With the current economic climate, expectations are high on what Public Sector procurement can deliver for Wales. The whole Public Sector continues to face the challenge of unprecedented budgetary pressure at a time when public services remain critical for our most vulnerable citizens.
- 2.3 The Welsh Public Sector spends one third of its budget on external goods and services. This equated to some £4.3 billion per year.
- 2.4 Procurement has once again been highlighted as a function that can impact and influence economic factors within Wales if used correctly.

3. THE REPORT

- 3.1 During the past 2 years, Procurement in Wales has been subject to close scrutiny and many reviews.
- 3.2 All reviews, 'Buying Smarter in Tougher Times' 2010, Simpson Report and the McClelland Review 2012 have a common theme in relation to the Procurement of Common & Repetitive Spend.
- 3.3 It is reported that the Public Sectors currently spends at least 20 – 30% on products and services which are classed as Common & Repetitive.
- 3.4 The principle of a National Procurement Service model is reported to have delivered significant benefits to other devolved governments with the United Kingdom.

- 3.5 It is widely acknowledged that the existing procurement capability is stretched and in many areas sparse, therefore; a sensible approach is a more collaborative approach. The proposal for a Welsh Governments National Procurement Service in Wales is attached in **Appendix A**.
- 3.6 The Authority already has strong collaborative links within the Welsh Purchasing Consortium and County Borough Supplies. Although the Authority recognises the benefits of collaboration it must also recognize the tensions and issues that 'on block' collaboration can bring.
- 3.7 A key challenge is local supply chain development and social and economic return as a result of effective and controlled spend.
- 3.8 The Authority has recently taken a decision to withdraw from some collaborative opportunities for high risk areas such as food due to the risk to local supply chain, quality and good services provisions.
- 3.9 The balance between spending wisely to secure maximum value against controlled manage procurement with social and economic return is a tight rope. Therefore, consideration to join a Welsh National Procurement Services as advocated by Welsh Government must be considered in content to the maturity of Caerphilly CBC Procurement function.

4. CONSIDERATIONS

- 4.1 Caerphilly CBC already has a well developed procurement operational model which is seen as best practice.
- 4.2 Caerphilly CBC manages non payroll third party spend via the Proactis eProcurement system. Payment detail is also uploaded to Spikes Cavell on a regular basis, which provides a detailed analysis of the Authority's spend data, classifying it and presenting it in various industry standard category formats. This is then used to inform analysis of what and where we spend by category, supplier and directorate across the organisation - a highly effective way of reviewing spend patterns.
- 4.3 If the Authority joins the NPS in its entirety how that decision impact on the service provision going forward and our local supply chains. The amount of influence and control the authority will maintain over its commodities managed by the NPS is not fully understood, therefore it is wise to be cautious with area of high spend, high risk.
- 4.4 The Authority needs to consider is there a need for both NPS and a Welsh Purchasing Consortium (WPC) and the impact on other collaboratives such as County Borough Supplies (CBS).

5. EQUALITIES IMPLICATIONS

- 5.1 This report is for information purposes, so the Council's EqIA process does not need to be applied.

6. FINANCIAL IMPLICATIONS

- 6.1 It is proposed that an investment of £2.4 million per annum be made to develop a NPS in Wales. It is proposed that Welsh Government will centrally fund the NPS for 3 years (2016/2017) after this date the model to switch to a self funding rebate model from 2017/2018 onwards.

7. PERSONNEL IMPLICATIONS

- 7.1 The staffing implications for the development of a NPS are currently unknown. There is a possibility that some staff may have TUPE rights in relation to the commodity areas suggested as Common and Repetitive.

8. CONSULTATION

- 8.1 Officers have been consulted on the content of the report and views have been reflected within the report.

9. RECOMMENDATIONS

- 9.1 That the Authority commits to the development of the NPS.

- 9.2 That the Authority agrees to use NPS contracts for the following commodity areas which equates to approximately 10 – 15% of our spend:

- Information Communication and Technology
- Utilities
- Facilities and Management Services
- Human Resources
- Consultancy
- Healthcare
- Construction Materials (Outside the WHQS)
- Furniture and Soft Furnishings
- Mail Services
- Clothing

- 9.3 That the Authority continues with its own Procurement Strategy outside of the NPS for the following commodities, which again equates to less than 10% of our spend:

- Vehicle Management
- Catering
- Legal Services
- Construction Material associated with WHQS
- Stationary – as long as the Joint Supplies is in existence
- Cleaning and Janitorial – as long as the Joint Supplies is in existence
- Educational Supplies – as long as the Joint Supplies is in existence

- 9.4 That Officers review the future of the Welsh Purchasing Consortium (WPC) and County Borough Supplies (CBS) and report back to Members with a clear recommendation for future working.

- 9.5 That Officers confirm commitment to the NPS by date for the commodities agreed above.

10. STATUTORY POWER

- 10.1 Local Government Act 1972 and 2000.

Author: Elizabeth Lucas, Head of Procurement, lucasej@caerphilly.gov.uk
Consultees: Nicole Scammell, Head of Corporate Finance, scammn@caerphilly.gov.uk
Nigel Barnett, Deputy Chief Executive, barnen@caerphilly.gov.uk
Cllr Keith Reynolds, Cabinet Member for Corporate Services,
reynokv@caerphilly.gov.uk
Cllr David Hardacre, Cabinet Member for Performance and Asset Management,
hardadt@caerphilly.gov.uk

Background Papers:

Procurement Review Files (contains recent review)
Procurement KPI File
Procurement Spikes Observatory Database
NPS Full Business Case (available in the Members Library)

Appendices:

Appendix A Proposal for a Welsh Governments National Procurement Service in Wales
Appendix B NPS Invitation to Join