

# Procurement Shared Services

## Service Statement 2018 - 2021

Service Director: Barry Scarr

Head of Service: Teresa Palmer

Lead Member: Councillor Nick Oliver

March 2018

# **Procurement Shared Service**

## **Service purpose and functions**

### **Purpose:**

Procurement has a key role in ensuring that the Councils non-pay spend with external third parties is subject to best value by following the appropriate local and national regulations, and ensuring the commercial contracts the Council enters into with are fit for purpose.

The Council is part of a Procurement Shared Service with Northumberland County Council and Northumbria Healthcare NHS Foundation Trust which is governed by a collaborative agreement. The shared objectives of the procurement service are:

- To deliver a value adding sustainable professional procurement service
- To maximise collaborative spend and saving opportunities
- To increase economic benefits for Northumberland

The Procurement function within the Council also has responsibility for energy management and a small Commercial team considering income generation opportunities

### **Primary functions:**

#### **Procurement**

- To prepare and deliver the annual procurement workplans for both stakeholders as agreed at the Procurement Shared Service Board
- To ensure cost improvement initiatives and value for money is considered across all areas of non-pay spend under the influence of procurement
- To work with Finance departments to ensure benefits are realised.
- To ensure all procurement activity is in accordance with the Council's Finance and Contract Rules
- Maintain a central contracts register
- Undertake competitive tendering in accordance with the Public Contract Regulations 2015, and local tendering and quotations in accordance with local rules
- Process electronic requisitions and convert to compliant Purchase Orders
- Undertake spend analytics to understand non-pay spend opportunities, and work with commissioners to identify cost improvement and/or ensure compliance with procurement regulations
- Chair directorate/Business Unit Procurement Spend Focus Groups

- Maintain electronic catalogues to support end user requisitioning
- Provide professional advice and guidance on procurement related matters to the Council and its subsidiaries, Northumbria Healthcare NHS Foundation Trust and its subsidiaries, and Active Northumberland
- Implement the NHS national procurement agenda and the NHS Trust Procurement Transformation Plan
- Provide mandatory procurement training for budget holders
- Provide contract management guidance and training for appropriate officers
- Support local economies by the inclusion of economic, environmental and social value in all Council contracts where appropriate and improving access for SME and the voluntary sector to do business with the public sector

### **Energy Management:**

- Management of council estate of utility meters (gas, water and electricity)
- Bill validation for all utilities
- Contract management of the utilities contracts with an annual value of £9.5m
- Delivery of the Schools Energy SLA (123 schools)
- Responsible for meter exchange programme
- Maintaining utility meter records on database management system - systemslink
- Bid for funding to support fuel poverty programmes.
- Maintain the solar panel installations portfolio
- Maintain the Ground Source Heat Pump installations portfolio
- Maintain the Biomass heating installations installations portfolio
- Responsible for the meter readings and associated collection of Feed In Tariff and Renewable Heat Incentive income
- Develop business case for the retrofit of renewable energy solutions within Council assets that attract government incentives, and can return a positive financial NPV.

### **Commercial Team**

- To investigate opportunities for income generation and prepare the associated

## **Service Parameters**

### **Key Service Facts and Figures 2017/18**

- 72 procurement projects undertaken above £50,000 with a total contract value over the term of the contract of £100,539,729
- 134 competitive procurement quotations undertaken below £50,000
- 71,824 requisitions processed, with a value of £221,654,337
- 59,632 Purchase Orders despatched
- 161 active contracts on the central contracts register with a contract value

over the terms of the contracts of £867,221,701

- The Council traded with 3,905 Suppliers, of which 1,232 were locally based
- Maintenance of 10 e-Catalogues with a total of 55,052 e-Catalogue lines
- 65 Procurement exemptions approved with a value of £5.75m
- Management of council estate of 1,997 utility meters (gas, water and electricity)
- Contract management and bill validation of the utilities contracts with an annual value of £9.5m
- Manage 123 Schools energy meter portfolio
- Maintain the 1346 solar panel installations on council assets
- Maintain the 9 Ground Source Heat Pump installations on council assets
- Maintain the 4 Biomass heating installations on council assets
- Meter readings and associated collection of Feed In Tariff and Renewable Heat Incentive income for 1,369 accounts, which delivers circ £700k of income annually

#### Summary of service resources at 1 April 2018:

Function	Number of FTE posts	Staffing expenditure	Non-staffing expenditure	Income	Capital investment
<b>Procurement Shared Service</b>	<b>25.99</b>	<b>1,323,510</b>	<b>119,960</b>	<b>(825,140)</b>	<b>-</b>
<b>Sourcing Team (non-shared service)</b>	<b>5.6</b>	<b>146,380</b>	<b>378,210</b>	<b>-</b>	<b>-</b>
<b>Commercial/Energy Team</b>	<b>6.0</b>	<b>259,130</b>	<b>(3,610)</b>	<b>(716,230)</b>	<b>-</b>
<b>Totals for Service</b>		<b>1,729,020</b>	<b>494,560</b>	<b>1,541,370</b>	<b>-</b>

## Contribution to the Corporate Plan

As a back-office function, the Procurement Shared Service does not have a direct impact on the achievement of the Council's strategic priorities, however professional procurement can support two of the key operating principles of **financial prudence and being resourceful**.

By working with commissioners, we can ensure value for money and appropriate commercial due diligence is undertaken for the contracts the Council enters into. Alongside helping investigate new opportunities, or alternative supply sources that could potentially change current service delivery models or generate commercial income.

As an early implementer of a cross public sector shared service delivery model with Northumbria Healthcare NHS Trust, the procurement service meets the key operating principle **to collaborate**.

## External Validation

There is no relevant body that conducts external inspections of Procurement Services for the Local Authority, however as this is a Shared Procurement Service with the NHS, the procurement service has an external inspection in September 2017 to assess against the Department of Health Standards of Procurement. The Shared Service successfully obtained level 1 accreditation and will be looking to achieve level 2 accreditation by November 2018.

During 2015/16 a suite of four audits were undertaken by Internal Audit:

- Assurance Mapping
- Governance Arrangements
- Core Systems Review
- Value for Money and Procurement Compliance

The outcome of all reports was significant assurance.

### Internal Validation

The Procurement shared service issues a quality assurance questionnaire to both the commissioner and the suppliers involved in the procurement process to understand where improvements can be made.

## Priorities for 2018 - 2021

Priority area	Key milestones
<b>1. Procurement Workplan</b> To ensure annual procurement workplans are delivered within the agreed timescales	<b>Six monthly Shared Procurement Board Meetings</b>
<b>2. Opportunity Assessment</b> Spend analytics for each directorate/business unit to inform 2019/20 and 2020/2021	<b>October to December 2018</b> <b>Continuous assessment</b>
<b>3. Review of Finance and Contract Rules</b> To review and update the finance and contract rules to reflect the new organisational structure	<b>October 2018</b>
<b>4. Deliver Contract Management Framework</b> Produce a contract management framework and associated training to ensure current and future contracts are performing as intended	<b>September 2018 and ongoing</b>
<b>5. Introduce Supplier Charter and Construction Charter</b> To support economic development in Northumberland	<b>Implement September 2018</b> <b>Review Oct 2019 and 2020 and 2021</b>
<b>5. Develop mandatory procurement training for budget holders</b> To ensure all budget holders undertake mandatory training on procurement governance and rules	<b>December/January 2019</b>
<b>6. Implementation of suite of local Key Performance Indicators</b> To inform operational productivity in key areas of procurement process.	<b>April/May 2018</b> <b>Ongoing monitoring</b>
<b>7. Progress with the SLA to deliver procurement services to Arch and Active Northumberland.</b> To provide procurement governance and professional procurement support via an SLA arrangement	<b>May/June 2018</b>
<b>8. Support the implementation of Oracle Cloud</b> The implementation of the procurement module of Oracle could and help commissioners transition seamlessly to the new platform	<b>September 2018</b>



## Performance framework

Measure	Outturn 2016-17	Outturn 2017-18	Target 2018-19	Target 2019-20	Target 2020-21
Number of NCC procurement activities undertaken (above £50k)	102	72	85	85	85
Number of NCC procurement activities undertaken (below £50)	101	134	147	161	161
Number of commercial suppliers trading with (%) as well	N/A	1,232	1,257	1,282	1,307
Value of PO expenditure with Local Companies (commercial)	70.17%	56.97%	TBC	TBC	TBC
Number of days to process NCC requisitions	N/A	TBC	80% within 3 days	80% within 3 days	80% within 3 days