

Report To: EXECUTIVE CABINET

Date: 20 June 2018

**Executive Member/
Reporting Officer:** Cllr Bill Fairfoull – Executive Member (Performance and Finance)
Tom Wilkinson – Assistant Director of Finance

Subject: FUTURE PROVISION OF PROCUREMENT SUPPORT

Report Summary: This reports sets out a business case, based on the HM Treasury’s 5 case model, to enter into a strategic shared procurement service with STAR procurement, as a fourth and equal member.

The business case has been informed by the outcome and findings of the recent review of the Council’s procurement arrangements by STAR procurement, who were commissioned by the Council in October 2017.

The scope of the STAR commission was to review the operational arrangements and propose a long term strategic solution for the Council’s procurement function.

STAR procurement are a shared procurement service between Stockport, Trafford and Rochdale Councils, who each own an equal share in the operation, which is hosted by Trafford Council.

The Council has for a number of years operated a decentralised procurement function coordinated through a hub and spoke arrangement. Over a period of time the impact of austerity has seen procurement roles being restructured and merged with other roles within directorates and at the same time the central team has diminished in size to the extent that there is currently only one member of staff from the original procurement team. Furthermore there are no Chartered Institute of Procurement and Supply (CIPS) qualified staff within the Council directly responsible for procurement, which represents a risk in relation to compliance with EU Legislation and the efficiency of its procurement activities.

STAR procurement has a track record of delivering cashable procurement savings for its partner organisations. The business case points to on-going savings of £1m a year each year, which will form a key plank of the delivery of the Council’s Medium Term Financial Plan.

A more streamlined procurement service will reduce the need for procurement waivers as procurement will be conducted on a more strategic and proactive basis than currently meaning few waivers and greater value for money.

Recommendations: That following consideration of the business case for the future provision of procurement services at Tameside MBC that Executive Cabinet RECOMMEND for APPROVAL by Council the preferred option of partnership approach to deliver the Council’s procurement function, delivered via STAR procurement as a Shared Service on the following basis:

- 1) SUBJECT to Full Council, and existing STAR Councils’ ratification, Tameside join STAR procurement as a fourth and equal member in the shared service.

- 2) the carry forward of £150k of Financial Management underspend from the 2017/18 financial year into 2018/19 to provide sufficient budget to cover the costs of implementation of the shared service;
- 3) a £55k contribution to STAR's reserves to provide working capital as a fourth and equal member, to be funded from the Council's own reserves;
- 4) that the first £150k of savings achieved from the delivery of procurement savings are utilised to establish the necessary recurrent base budget to fund the Council's contribution to STAR membership in 2019/20;
- 5) NOTE the business case that prudently predicts the delivery of annual recurred savings of £1m per annum.
- 6) an extension to the existing arrangements to a maximum cost of £120k to August 2018 to be met from existing budgets.
- 7) That Cllr Fairfoull, the Executive Member (Finance and Performance) be appointed as the Council's representative on the STAR Joint Committee and Tom Wilkinson, the Assistant Director (Finance) be appointed to the STAR Board.

Links to Community Strategy:

A strategic and effective procurement approach, would support maximising the wellbeing of people in the borough, support economic growth, increase self-sufficiency of individuals and families and help protect the most vulnerable in the borough. This would facilitate direction of scarce resources being utilised effectively for the good of the Borough, assisting releasing budgetary savings being allocated in accordance with the Community Strategy.

Policy Implications:

Budget is allocated in accordance with Council Policy.

**Financial Implications:
(Authorised by the Section 151 Officer)**

Section 3 of the main body of the report sets out the financial case for entering into the shared service arrangement with STAR. However, the direct financial implications of the preferred option are summarised as:

| | 2018/19 £K | 2019/20 £K |
|------------------------|---------------|---------------|
| Base Budget | 250 | 250 |
| Carry Forward | 150 | 0 |
| Cost | 374 | 435 |
| Shortfall / (Surplus) | -26 | 185 |
| Transfer from Reserves | 55 | 0 |

As summarised in section 3 making the financial case, it is requested that the Council agree to increase the procurement budget by £185k per annum from 2019/20. It is proposed that this is funded from the first tranche of the estimated £1m of savings that the service is expected to deliver.

In addition there is the requirement that to ensure parity with the other members of STAR that the Council contribute £55k to be held in STAR's reserves to allow the flexible management of the shared service arrangement.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

The Council has a statutory duty to deliver efficient and effective services and to achieve value for money. In order to help derive our VFM indicators for the Procurement function, there are some key questions that reflect a modern, value for money Procurement function:

- Is the Procurement function / model used by the organisation cost effective and appropriate?
- Does the Procurement effectively support the delivery of the organisation's strategic objectives?
- Are Procurement processes operated in an efficient, timely and effective manner? (which minimise risk and maximise impact)
- Does Procurement effectively understand the requirements of the demand and business requirements for goods and services?
- Does Procurement have a good understanding of markets and effectively manage suppliers?
- Is appropriate use made of technology to support the organisation's procurement activity to achieve efficient and effective delivery?
- Is Procurement effectively supporting the organisation in achieving cost reduction?
- Is corporate social responsibility a serious consideration in the procurement of goods and services including sustainability and ethical procurement?
- Are end users satisfied with the services provided by Procurement?

There is no prescription or government guidance as to how a procurement function is set up in terms of the structure or model the organisation uses just that an organisation adopts the right practices to secure the best possible outcomes. This report proposes an approach to procurement that would best place the Council to be in a position to respond to the question whether our procurement arrangements provide best value for money and how we should change to achieve this whether this is through increased centralisation, greater collaboration or other options such as shared services and outsourcing with a recommendation to an approach used by other GM authorities which is delivering results. If approved transparent, robust and regular performance monitoring should be put in place to enable the Council to hold the shared Council to account through the joint committee and for that to be fed back through the Council's Cabinet.

Risk Management:

Risk of Legal challenge if the Council procurement processes are not carried out correctly under Public Contract Regulations 2015, which apart from expose us to a Legal Breach it could also lead to costly retendering processes and potential service failure if adequate contracts are not in place. This has serious implication to our organisational reputation also.

Failure to properly manage and monitor the Council's budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on reserves, which will reduce the resources available for future investment.

Access to Information

The background papers relating to this report can be inspected by contacting the report writer, Tom Wilkinson, Assistant Director (Finance) by:



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BUSINESS CASE FOR THE FUTURE PROVISION OF PROCUREMENT SUPPORT

1. STRATEGIC CASE

Introduction

- 1.1 The Council currently spends more than £500m a year in delivering services to its residents. Within this spend more than £300m is spent externally with over 4,000 third parties and suppliers, with more than 100,000 transactions. There has never been a more important time to ensure that this spend is spent efficiently maximising the benefits for Tameside residents.
- 1.2 Effective procurement is becoming increasingly important from all public sector bodies and brings significant benefits to the organisation, residents and local businesses, as well as ensuring regulatory compliance and financial efficiencies.
- 1.3 The Local Government Association (LGA) set out a National Procurement Strategy in 2014, which aimed to deliver outcomes in four main areas:
 - Making Savings
 - Supporting Local Businesses
 - Demonstrating Leadership
 - Delivering Modernisation

Current procurement arrangements at Tameside

- 1.4 The Council has traditionally operated a decentralised procurement services through a hub and spoke model that comprises a small corporate team, based within Financial Management, facilitating compliance, with much of the procurement activity being delivered by staff based within Directorates.
- 1.5 Over a period of time the impact of austerity has seen procurement roles being restructured and merged with other roles within directorates and at the same time the central team has diminished in size to the extent that there is currently only one member of staff from the original procurement team. Furthermore there are no professionally qualified (CIPS) procurement staff directly employed to manage procurement by the Council.
- 1.6 There are therefore concerns that the Council may not be obtaining the best possible outcomes from its procurement activities, or be at risk of non compliance with statutory procurement legislation. Following a review of the Financial Management service, provision was made to conduct a more in depth review of the corporate procurement resources and practices to establish a service that was modern, proactive and relevant to the challenges facing the Council.
- 1.7 An Executive Decision was made on 1 October 2017, to commission a review of the Council's procurement activities by external procurement experts. Expressions of interest were asked from a number of suppliers to conduct this review. In November 2017, STAR procurement was appointed to undertake this work. This report summarises the review and sets out the preferred option for the future direction of procurement delivery at Tameside.

Findings from the STAR review

- 1.8 The key headlines from the review are:
 - There was insufficient strategic overview of spend;
 - The contracts register was incomplete, therefore significant savings opportunities have been missed;
 - There is limited social value and local market spend;
 - There is little early market engagement and supplier support;
 - Non-experts are leading often complex procurements, resulting in risks and poor use of resources;
 - Spending is being incurred without procurement;

- The routes to market chosen may not be giving the best options to the Council;
- A number of expired contracts exist;
- Collaboration opportunities are not being maximised;
- There is a firefighting approach that is not strategic or proactive;
- Poor/weak contract management
- Risk of non-compliance with our own Corporate Procurement Rules (CPRs) as well as serious risk of breach of Public Contract Regulations 2015.

1.9 In addition the report highlights a number of areas where some quick wins can be made, specifically in relation to mobile phones, insurance, agency fees, street lighting and energy.

Options for the delivery of procurement at Tameside MBC

1.10 The work done by STAR has considered 5 main options which are summarised as:

- Do nothing
- Resource our own Procurement Team
- Centralise the Procurement function and resource.
- Outsource to the Private Sector
- Find a Public Sector Partner

1.11 The full options paper that has been produced by STAR is presented in **Appendix 1** and should be read in conjunction with this proposal. Fundamentally, it sets out that procurement plays a role when done effectively in terms of improvement of service delivery:

- cost effective outcomes in service delivery;
- can be used as a mechanism to challenge the status quo of current service delivery;
- releases savings;
- improves supply chains, including a focus on local spend/economic growth investment;
- proves best value and protects against financial loss.

1.12 The main risks faced by the Council are in relation to compliance around its current procurement approach. This could bring potential legal challenge to letting of contracts, non-compliance with EU legislation and potential costly retendering processes. These are real risks as the Council operate with 'non-procurement' officers being responsible for undertaking key procurements without the skill set required.

1.13 However, there are a number of opportunities being in our current situation, in that the Council could use this review to take a strategic leadership and whole organisational approach to procurement and from this deliver significant savings.

1.14 The advantages and disadvantages of each option are summarised below:

Table 1 - Option 1 - Do Nothing

| Advantages | Disadvantages |
|------------------------|---|
| No investment required | Not addressing any of the risks |
| No change required | Not taking advantage of the opportunities available |
| | Missed savings |
| | High risks still exist |
| | Limited collaboration |
| | Not supporting the GM devolution agenda |
| | No resilience or future proofing |
| | High risk of legal challenge |

Table 2 - Option 2 - Resource the existing procurement arrangements

| Advantages | Disadvantages |
|---|--|
| Relatively simple and quick to implement | Council isn't large enough to warrant a true category management approach |
| Can develop internal capabilities and some resilience | Recruitment would be required and it is a difficult market in which to recruit qualified and experienced professionals – may have to employ a number of temps or contractors |
| | Would still require strategic leadership and management, which comes at a cost |
| | Extensive training programme and continuous improvement programme required |
| | Long term investment required |
| | Would not resolve all the risks identified |
| | Change would be slow and difficult to change embedded cultures |

Table 3 – Option – Centralise and Resource

| Advantages | Disadvantages |
|--|--|
| Provide independence and challenge to service areas | Council isn't large enough to warrant a true category management approach |
| Provides greater control of spend and procurement activity | Would require a Council-wide re-structure which will take time and possibly Trade Union issues |
| Can develop internal capabilities | Recruitment would be required and it is a difficult market in which to recruit qualified and experienced professionals - may have to employ a number of temps or contractors |
| | Would require strategic leadership and management and capacity, which comes at a cost |
| | Extensive training programme and continuous improvement programme required |
| | Long term investment required |
| | Would not resolve all the risks identified |

Table 4 - Option 4 – Outsource

| Advantages | Disadvantages |
|--|--|
| Pass some of the operational risks to the private sector | Negative press and PR of an outsourcing contract |
| Initially can deliver cost savings | Trade Union may challenge this and lead HR issues |
| There are a number of potential suppliers in the market | A number of other Authorities have tested the approach and brought back in-house |
| Would suit operational procurement but unlikely to be able to provide strategic support and leadership | Public sector procurement expertise is often lacking in the private sector outsourcing companies |
| This would release non cashable savings in terms of releasing work capacity from existing staff members enabling them to focus more time on front line service | Land and expand – initial savings will often be eroded by additional activity and costs that have not been accounted for |

| | |
|----------|---|
| delivery | |
| | Due to the risks in the current procurement activity and set up, the costs of outsourcing are likely to be high to account for the transfer of risk |
| | Highly skilled procurement professional would be required to run the procurement of the outsourcing contract |
| | Ongoing contract management role will be required and invested in |
| | May lead to a loss of control over the procurement function |
| | Need to develop a strategic vision and plan before outsourcing process can be started |
| | Collaboration and increased GM activity unlikely as private sector less willing to engage in collaborative approaches |

Table 5 - Option 5 - Partner with Other Public Sector Organisation(s)

| Advantages | Disadvantages |
|---|--|
| Increased commercial advantage and bargaining power through collaboration | Possible TUPE issues, although would be to another Local Authority with similar employment rights and pension arrangements |
| Shared leadership/management costs | This will take time and investment to implement e.g. set up costs will be required |
| Resilience and retention of staff and sharing of resources and expertise | Legal and HR advice required |
| Can manage peaks and troughs in workloads effectively | Need to ensure that all procurement activity is mapped so there are no gaps in provision i.e. clear roles and responsibilities |
| Implementation of a Category Manager approach. | Loss of full sovereignty over the procurement function |
| A strategic and proactive approach to procurement will be adopted | Technology requirements will need to be understood and implemented |
| This would release non cashable savings in terms of releasing work capacity from existing staff members enabling them to focus more time on front line service delivery | |
| Supports the GM Devolution agenda | |
| Robust governance and accountability can be implemented | |
| Performance managed and outcomes reported | |
| Standardised processes and procedures to ensure consistent approach for both internal and external stakeholders | |
| Value added activity can take place to deliver greater procurement worth and outcomes | |
| Existing shared service models for procurement have already been established in Greater Manchester and have proven to be highly successful | |

Preferred Option

- 1.15 The preferred option is Option 5 to partner with another public sector organisation, which clearly has the most advantages and least disadvantages. There are two main options to consider in the delivery of this partnership:
- a) Seek to join STAR as a fourth and equal partner;
 - b) Seek an arrangement with another Council(s) and build a joint capacity.
- 1.16 Option 5 a) and joining STAR procurement is the most straightforward choice. STAR is a jointed owned shared service between Stockport, Trafford and Rochdale Councils, hosted by Trafford. Each member is an equal partner and commits the same budget each year for the delivery of procurement services. They have standardised and aligned their processes and have a well-established, experienced team who have already been on an integration journey which has been operating over four years.
- 1.17 STAR is also well respected within the GM arena and is commissioned by other GM authorities, including the GMCA, to lead complex and multi-partner procurements across local authorities and Clinical Commissioning Groups. STAR have a number of commissions with other public sector partners delivering to 11 SLAs and generate considerable income for such services which supports a sustainable business model.
- 1.18 Agreement would need to be sought from the 3 current STAR members for Tameside to join STAR. STAR have developed their business plan and a key work stream in Growth which allows them to seek expansion options to deliver further resilience, increase economies of scale and enable a more efficient service offer overall. As the anticipated timescale for approval for STAR partners as well as Tameside will bring a possible commencement towards the latter end of 2018, it is envisaged that STAR will be commissioned to undertake a 'mobilisation phase' where STAR will commence alignment of processes and practices, directly support procurement improvement and drive change and delivery improvement ahead of a formal Shared Service arrangement.
- 1.19 STAR already have a track record of delivery and have delivered over £19.8m of recurrent budget savings during the last 4 years across the three partners, or over £1m per annum on average each. Their additional target for 2018/19 for the three partners is £4.8m and this will be increased if Tameside join the Shared Service. In 2017/18 STAR had a cashable savings target of £4.2m which has been exceeded. These figures have been audited and represent savings that can be removed from budgets to contribute to the setting of a balanced budget in each of the member authorities.
- 1.20 Option 5 b) would face similar challenges to Options 3 and 4, in that it would take time and capacity to find a partner and build a service from scratch. The economies of scale would be unlikely to be achieved in the same way as becoming a fourth member of an already established organisation. It would also mean potentially being in competition with STAR for attracting the best procurement talent and skill sets, potentially destabilising both arrangements.

2 ECONOMIC CASE

Cost Benefit Analysis

- 2.1 The main purpose of the Economic Case is to demonstrate that the proposal optimises public value, by identifying and appraising a wide range of realistic and achievable options. The pros and cons of the options have been covered in the Strategic Case in section 1. The assessment of the relative cost benefit analysis is covered in this section.

- 2.2 The cost benefit analysis needs to look at the options over a number of years. The preferred option of a shared service arrangement with STAR as a fourth equal member is a permanent proposal, however, it would be sensible to consider the economic rationale over a 6 year time horizon, incorporating 5 full financial years, as the different options will require different mobilisation approaches.
- 2.3 The analysis is based on the information that STAR have provided about the level of savings that are likely to be achievable. The assumptions have then been adjusted to factor in a prudent assessment of likely benefits. The track record of STAR has been such that they have generated audited savings of £19.8m over the last 4 years across the 3 member authorities, or £1.6m per annum per member. The latest achieved savings for 2017/18 was £4.4m, or on average £1.5m per member, with a target of £1.6m on average per member for 2018/19.
- 2.4 The analysis for this business case factors in some prudence and assumes potential savings possible from an enhanced procurement function of £1.25m per annum. Each option then factors in a probability of achieving this amount under each scenario, in order to factor in more prudence and to allow for some of the savings identified not being fully cashable. It is important to acknowledge that procurement occurs when spend is required i.e. new contracts or renewal therefore savings will not be delivered precisely year on year to a set target but over a number of years. STAR can evidence that they have exceeded all targets and the total savings can be divided across the 3 partners to illustrate the 'art of the possible'.

Option 1 – Do nothing

- 2.5 This option will do little to improve the compliance of procurement or generate any additional benefits. This is illustrated in Table 6.

Table 6 - Option 1 - Do nothing

| Financial Year | Costs | Additional Benefits | Probability of Benefits arising | Estimated Benefits Achieved | Net (Cost)/ Benefit | Cum (Cost)/ Benefit |
|----------------|-------|---------------------|---------------------------------|-----------------------------|---------------------|---------------------|
| | £000 | £000 | % | £000 | £000 | £000 |
| 2018/19 | 250 | 729 | 0% | 0 | -250 | -250 |
| 2019/20 | 250 | 1,250 | 0% | 0 | -250 | -500 |
| 2020/21 | 250 | 1,250 | 0% | 0 | -250 | -750 |
| 2021/22 | 250 | 1,250 | 0% | 0 | -250 | -1,000 |
| 2022/23 | 250 | 1,250 | 0% | 0 | -250 | -1,250 |
| 2023/24 | 250 | 1,250 | 0% | 0 | -250 | -1,500 |

- 2.6 The current budget allocated to procurement held within the Financial Management budget is £250k per annum. The do nothing option would not result in any additional benefits arising and would continue to cost the Council each year, resulting in a cumulative cost of £1.5m over the next 6 financial years.

Options 2 and 3 – Resource (and/or) Centralise

- 2.7 Options 2 and 3 would involve having to invest in a number of new adequately qualified and experienced posts to deliver the capacity required to ensure compliance and start to deliver the savings possible. Benchmarking with other authorities who of similar size who have well-functioning procurement functions would have at least 9 dedicated staff, including a manager, category managers and procurement officers. Table 7 illustrates the indicative resource requirements of these options.

Table 7 - Staffing / resource assumptions

| | Grade | FTE | Annual Cost £ |
|--|-------|----------|----------------|
| Manager | SUM3 | 1 | 77,500 |
| Category Managers – 3 posts (£35K-40K) | J | 3 | 162,500 |
| Procurement Officers – 4 posts (£28-30K) | G | 4 | 158,500 |
| Trainees/Apprentice post – 1 post (£20K) | C | 1 | 26,500 |
| Sub-total | | 9 | 425,000 |
| Training/Materials/Equipment | | | 25,000 |
| Total Cost | | | 450,000 |

- 2.8 The mobilisation of this resource will take time with the majority of the first year or so being to review and refresh policies, train the rest of the organisation and embed a new model of procurement. Realistically staff would not be able to be recruited until the autumn 2018. It is therefore unlikely that the full potential savings and efficiencies will be realised immediately. Tables 8 and 9 summarises the expected return on the investment of these options.

Table 8 - Options 2 – Resource

| Financial Year | Costs £000 | Additional Benefits £000 | Probability of Benefits arising % | Estimated Benefits Achieved £000 | Net (Cost)/ Benefit £000 | Cum (Cost)/ Benefit £000 |
|----------------|---------------|-----------------------------|--------------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| 2018/19* | 263 | 729 | 35% | 255 | -7 | -7 |
| 2019/20 | 450 | 1,250 | 40% | 500 | 50 | 43 |
| 2020/21 | 450 | 1,250 | 45% | 563 | 113 | 155 |
| 2021/22 | 450 | 1,250 | 50% | 625 | 175 | 330 |
| 2022/23 | 450 | 1,250 | 55% | 688 | 238 | 568 |
| 2023/24 | 450 | 1,250 | 60% | 750 | 300 | 868 |

* 7/12ths of the assumed costs and savings due to a part year implementation.

- 2.9 It has been assessed that if the Council were to resource the current decentralised model of delivery, it would take longer to establish, as it will be harder to coordinate the approach and departmental priorities would result in a more silo approach. It has therefore been assessed that the probability of achieving the full savings therefore starts low at around 35%, but steadily increases as the systems and procedures become embedded. Overall it is anticipated that this option could generate the Council almost £900k by 2023/24. It is also more likely that the Council does not comply with regulations and standing orders as spend may exceed limits on aggregate with this not being picked up due to the silo working.
- 2.10 Table 9, shows the benefits of a resourced centralised model, where it is assumed that a centralised approach results in a higher early probability of delivery of savings, starting at about a 45% chance that the full savings will be met. Overall it is anticipated that the benefit of centralising the procurement service and resourcing it would create a net benefit to the Council of more than £1.5m by 2023/24.

Table 9 - Option 3 - Centralise and Resource

| Financial Year | Costs | Additional Benefits | Probability of Benefits arising | Estimated Benefits Achieved | Net (Cost)/ Benefit | Cum (Cost)/ Benefit |
|----------------|-------|---------------------|---------------------------------|-----------------------------|---------------------|---------------------|
| | £000 | £000 | % | £000 | £000 | £000 |
| 2018/19* | 263 | 729 | 45% | 328 | 66 | 66 |
| 2019/20 | 450 | 1,250 | 50% | 625 | 175 | 241 |
| 2020/21 | 450 | 1,250 | 55% | 688 | 238 | 478 |
| 2021/22 | 450 | 1,250 | 60% | 750 | 300 | 778 |
| 2022/23 | 450 | 1,250 | 65% | 813 | 363 | 1,141 |
| 2023/24 | 450 | 1,250 | 70% | 875 | 425 | 1,566 |

* 7/12ths of the assumed costs and savings due to a part year implementation.

Option 4 – Outsourced Procurement Service

- 2.11 The benefits of the right outsourced model would be the existing management capacity and expertise around running a procurement function and the capacity to share this with an organisation geared up to running a procurement function. Based on market information the running costs are likely to be higher than an in house delivery due to the operators profit and risk margins. Strong contract management would also mean that the likelihood of successful initial delivery would be higher. Table 10 illustrates the potential benefits of this model. Again, it is likely that any outsourced model would not be able to be implemented until 2019 due to the procurement process that would have to take place.

Table 10 - Option 4 – Outsource

| Financial Year | Costs | Additional Benefits | Probability of Benefits arising | Estimated Benefits Achieved | Net (Cost)/ Benefit | Cum (Cost)/ Benefit |
|----------------|-------|---------------------|---------------------------------|-----------------------------|---------------------|---------------------|
| | £000 | £000 | % | £000 | £000 | £000 |
| 2018/19* | 292 | 729 | 45% | 328 | 36 | 36 |
| 2019/20 | 500 | 1,250 | 50% | 625 | 125 | 161 |
| 2020/21 | 500 | 1,250 | 55% | 688 | 188 | 349 |
| 2021/22 | 500 | 1,250 | 60% | 750 | 250 | 599 |
| 2022/23 | 500 | 1,250 | 60% | 750 | 250 | 849 |
| 2023/24 | 500 | 1,250 | 60% | 750 | 250 | 1,099 |

* 7/12ths of the assumed costs and savings due to a part year implementation.

- 2.12 It is anticipated that this model will delivery around £1.1m of benefits to the Council by 2023/24. However, there are a number of drawbacks with such a model and risks that benefits become eroded by changing priorities and inflexible contracts. There is some evidence that outsourcing can over commit and under deliver on target savings. Contact has been made with a nearby authority that outsourced its procurement service unsuccessfully and resorted to bringing back in house with few of the promised savings having being delivered.

Option 5 – Enter into Public Sector Partnership with STAR

- 2.13 This is the preferred option and it has been assessed that the benefits will greatly outweigh the costs of investment. It has been assumed that the start-up costs of this model would be greater than the other options, as STAR seek to mobilise quickly. The advantages of a ready working model and standardised local authority rules and regulations that have been proved to work, mean that it is assessed that there is a much higher probability of achieving the

benefits identified sooner than under any other approach. Table 11, illustrates the likely benefits of choosing STAR of over £3m by 2023/24.

- 2.14 The STAR proposal is to pay an annual rate of £435k per annum for the first three years of the arrangement before committing to lower this fee to around £395k per annum thereafter. In order to maximise the number of quick wins, it is also deemed sensible to invest slightly more upfront to embed the STAR systems and training across the organisation.

Table 11 - Option 5 - Shared Partnership with STAR

| Financial Year | Costs | Additional Benefits | Probability of Benefits arising | Estimated Benefits Achieved | Net (Cost)/ Benefit | Cum (Cost)/ Benefit |
|----------------|-------|---------------------|---------------------------------|-----------------------------|---------------------|---------------------|
| | £000 | £000 | % | £000 | £000 | £000 |
| 2018/19* | 374 | 729 | 75% | 547 | 173 | 173 |
| 2019/20 | 435 | 1,250 | 80% | 1,000 | 565 | 738 |
| 2020/21 | 435 | 1,250 | 80% | 1,000 | 565 | 1,303 |
| 2021/22** | 412 | 1,250 | 80% | 1,000 | 588 | 1,891 |
| 2022/23 | 395 | 1,250 | 80% | 1,000 | 605 | 2,496 |
| 2023/24 | 395 | 1,250 | 80% | 1,000 | 605 | 3,101 |

* 7/12ths of the assumed costs and savings due to a part year implementation. ** part year impact of reduced rate from 1 September 2021.

- 2.15 STAR have already done some deep dive work as part of their initial contract with the Council and have identified the areas of focus to enable a higher rate of success in delivering the savings required to contribute towards a balanced budget.

3 FINANCIAL CASE

Revenue Budget Implications

- 3.1 The recurrent budget held within Financial Management to support the delivery of procurement is £250k. The annual cost of being a full member of STAR is set at £435k per annum, meaning a shortfall of £185k per annum within existing budgets.
- 3.2 However, the purpose of a well-run and effective procurement service is to deliver on going savings and efficiencies that are greater than the initial investment. The track record of STAR has been to deliver savings for the three members of almost £19.8m over the last four years. Their target of £4.2m (£1.4m on average per member) for 2017/18 has been exceeded and the targeted savings for 2018/19 has been increased to £4.8m (£1.6m on average per member).
- 3.3 Given the history of procurement at Tameside MBC and the key headlines from the review, it is likely that there will be significant quick wins for Tameside which will result in savings in excess of the average being achieved by existing members.
- 3.4 The membership fee will become payable when the Council joins the partnership, in September 2018. This means that a part year charge will be due of around £254k (7/12ths of the £435k annual fee) for the 2018/19 financial year.
- 3.5 In order to join STAR and maintain equity it will be necessary to align the share of reserves held by STAR on behalf of the member organisations. This is likely to be £55k per member. Tameside will therefore have to contribute this amount on joining. The reserves will be held by STAR as a cushion and allow a degree of discretion around investments and act to smooth any year to year fluctuations in resources without recourse to partners.

- 3.6 In addition to this, it is acknowledged that significant mobilisation will be required if early successes will be delivered. These include a review of financial regulations and standing orders, procurement training for key staff and recruitment. This has been estimated at £120k and is backed up by a detailed implementation plan. It is therefore proposed that in order to establish the necessary recurrent revenue budget of £374k in 2018/19 and £435k in 2019/20, that the first tranche of savings identified (£185k) are used to establish this new base budget in 2019/20. The 2018/19 additional costs can be initially accommodated from the existing base budget plus £124k of budget carried forward from 2017/18 relating to the underspent procurement budget.
- 3.7 All future savings (estimated at £1m per annum) would be available for the Council to use to balance its budget or invest in front line services.
- 3.8 Table 12 illustrates the expected payments for the first 5 years to 2023/24 of the arrangement and a prudent assessment of the savings due. As the Council would be joining a partnership, which is relatively low risk now that it has been established, the existing partners have requested 3 years of fees at the existing rate, after 3 years Tameside will contribute the lower rate of £395k per annum and be fully aligned with the founder members. The actual financial year effect has been modelled in Table 12 and shows that cumulative savings of £5.1m can be expected over the 6 years to 2024.

Table 12 – Annual Revenue Budget Implications of Option 5 - STAR

| | Annual Fee | TMBC Part Year | Cont'n to STAR Reserves | Implementation phase | Total in year cost | New Savings | Cum've Savings |
|---------|------------|----------------|-------------------------|----------------------|--------------------|-------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 2018/19 | 435 | 254 | 55 | 120 | 429 | 118 | 118 |
| 2019/20 | 435 | 435 | 0 | 0 | 435 | 1,000 | 1,118 |
| 2020/21 | 435 | 435 | 0 | 0 | 435 | 1,000 | 2,118 |
| 2021/22 | 395 | 412 | 0 | 0 | 412 | 1,000 | 3,118 |
| 2022/23 | 395 | 395 | 0 | 0 | 395 | 1,000 | 4,118 |
| 2023/24 | 395 | 395 | 0 | 0 | 395 | 1,000 | 5,118 |

- 3.9 Table 13 compares the options and impact on the annual revenue budget of each of the options. The partnership with STAR clearly illustrates the Financial Case for choosing this option.

Table 13 – Budget Impact of Options 1 to 5

| | Full Year Benefits | | | | |
|------------------------------------|--------------------|---------------------|---------------------------------|-----------------------|---------------------|
| | Costs | Additional Benefits | Probability of Benefits arising | Est Benefits Achieved | Net (Cost)/ Benefit |
| | £000 | £000 | % | £000 | £000 |
| Option 1 - do nothing | 250 | 1,250 | 0% | - | -250 |
| Option 2 – Resource | 450 | 1,250 | 50% | 625 | 175 |
| Option 3 - Centralise and Resource | 450 | 1,250 | 55% | 688 | 238 |
| Option 4 – Outsource | 500 | 1,250 | 55% | 688 | 188 |
| Option 5 - Partner with STAR | 435 | 1,250 | 80% | 1,000 | 565 |

4 COMMERCIAL CASE

Delivery options and implications

- 4.1 The commercial case considered the deliverability of the options, which in this case vary due to the different approaches being considered, and are summarised in the next section.

Option 1 – Do nothing

- 4.2 This is clearly the most straightforward option, but as outlined in Section 1, this exposes the Council to the most risk and delivers the fewest rewards in terms of unlocking the financial benefits of a high quality procurement function. The risks around compliance are already significant and the Council is potentially exposed to challenge on its existing procurement activity. The current situation also creates a lot of “failure demand” with legal and financial management services becoming involved in dealing with routine procurement matters whilst not having the capacity to protect the organisation. The do nothing option is not an option the Council can or should take.

Options 2 and 3 – Resource (and/or) Centralise

- 4.3 Both these options would require a similar level of human resource. Job descriptions and the job evaluation of these would be required and a recruitment process be entered into. This would need to be led by the Assistant Director (Finance) who has overall responsibility for the provision of the procurement service.
- 4.4 There would therefore be a huge amount of senior management time taken up in the development of the new procurement team, detracting from other areas of business development and wider budgetary and regulatory challenges. The decentralised option would require a greater involvement from Directorate managers and the terms of reference of how a decentralised model of delivery would have to be developed.
- 4.5 A centralised model would require the appointment of the procurement manager in the first instance. Current market rates suggest that this would be in the region of a Service Unit Manager grade 3 (£60-65k per annum). Procurement managers in Greater Manchester are in short supply and the size of the task of recruiting, growing and embedding a new team to deliver a new procurement service would require a skill set that it unlikely to be readily available. Demand for such individuals is high and there would be retention risks as other Councils and public sector bodies also seek to recruit within this tight market.
- 4.6 The delivery of these options would therefore be challenging and the likelihood of achieving the full benefits of a good procurement service quickly would be greatly diminished by resourcing in house.

Option 4 – Outsource

- 4.7 Outsourcing would require a lengthy procurement process to be undertaken. The likely costs would be in the region of £500k per annum and would be above EU procurement thresholds. A detailed specification would be required to be produced and close contract management would be necessary.
- 4.8 Once appointed, the preferred bidder would have to mobilise and recruit a workforce and there would be no guarantee of instant success as the supplier familiarises themselves with the Tameside systems and processes.
- 4.9 The Council would also have to revise its own standing orders and financial regulations for the supplier to work within. There is also an underdeveloped market for third party suppliers of procurement services in the public sector and there is a risk that a suitable supplier may not be found. Research into a nearby authority which outsourced its procurement showed that few savings were delivered and larger and growing costs were incurred, cumulating in the service being brought back in house.

Option 5 – Enter into a Public Sector Partnership with STAR

- 4.10 The advantages of joining the STAR shared service is that STAR can bring their experience of delivering the service the Council requires within similar neighbouring councils. They have the experience of the pitfalls and barriers that would be faced by developing an in house service.
- 4.11 There is an off the shelf package that will allow the procurement activity of Tameside to be aligned with that of the other three STAR members. STAR have a track record of delivery and an established and experienced workforce that can be deployed immediately. A nominated manager has already been identified and has been working closely with Tameside as part of the review work that was commissioned.
- 4.12 STAR have their own business plan and available capacity to deliver the expansion of their service, providing them, and therefore Tameside as a fourth member, with the economies of scale to continue to deliver a proactive and high quality procurement service in the dynamic environment that Councils are facing.
- 4.13 The joining of an existing shared service removes the need to enter into a lengthy procurement process and can be agreed through the normal governance processes of the member Councils. As an equal member, the Council will have representation on the Board of STAR and an Executive Member will sit on the STAR Joint Committee to enable all four partners to be held to account collectively, with all four member Councils represented equally. All gains and risks are shared equally. The growth of STAR will improve sustainability and drive further effectiveness from efficiency.
- 4.14 There are standardised specifications and plans in place for the delivery of services and expectations are clearly set out in the partnership agreements, making performance management and reporting straightforward, transparent and accountable.
- 4.15 STAR have already established a number of measures that capture the outputs and outcomes beyond the cashable savings, and have an established measurement and verification process for cashable savings. This demonstrates the added value for STAR partners.
- 4.16 There would be no TUPE considerations as there are currently no procurement staff that would meet the requirements of STAR currently employed by the Council.

Implementation timescales

- 4.17 Should Executive Cabinet agree, discussions with STAR about implementation and the governance required mean that a launch date of September 2018 is possible. The outline implementation timetable is:
- 28 July 2018 – Final STAR Council to ratify Tameside joining as fourth member
 - July - August 2018 – implementation phase
 - September 2018 – become fourth member of STAR Procurement

5 MANAGEMENT CASE

Delivery of the shared service

- 5.1 The management case sets out the how the preferred option will be best delivered. The delivery of shared service, in partnership with STAR, is the most straightforward option because it has already been achieved by the founding members. There are existing implementation plans that the original members developed and these have been refined and developed for the additional of a fourth partner, with all the learning points and difficulties taken into account.

- 5.2 A project plan will be drawn up based on the work already delivered. Existing STAR expansion plans and recruitment is already taking place. STAR are prioritising the on boarding of Tameside as it is the next key stage of their own business plan and they have already created the capacity to enable this to be delivered.
- 5.3 Parallel work is taking place within the Council to refine the financial regulations and standing orders with a view to align them with the STAR Councils to ensure a common framework under which to conduct procurement activity. This will aid the resilience that will be created by joining STAR and allow all STAR employees to be able to advise all member Councils as they operate to the same rules and regulations, processes and practices.
- 5.4 The full project plan for implementation will be provided and reported to the Council's Executive Board and the STAR Joint Committee, with clear outputs and milestones being agreed by all partners at the outset.
- 5.5 The mobilisation phase preceding the formal start date will allow the alignment of processes and practices as well as direct hands-on support to instigate immediate improvement, and deliver quick wins. There will be a change management work stream as the expansion of STAR into a four partner shared service will require a whole organisational commitment to working differently for the benefits of all.
- 5.6 A risk register will be established for this on boarding of Tameside as a fourth partner and all risks will be reported by exception to STAR's Board and Joint Committee.
- 5.7 All staffing resources and new recruitment will be employed or contracted to Trafford MBC, the host council for STAR Shared Service. All staff engaged will operate under the leadership of the Director for STAR and a nominated senior officer will be allocated to lead the integration. All operations will align consistently and seamlessly to function as one service.
- 5.8 STAR will update the Inter-Authority Agreement to reflect this creation of a four partner entity, with all targets and measures being updated to reflect four partners. This will be provided to Board and Joint Committee for sign off and monitoring. The IAA will reflect this new arrangement and will describe both growth and exit of partners. All contractual arrangements will be vetted by both STAR Legal and the Tameside Legal Team
- 5.9 Cycles of reporting and monitoring will be agreed by Board and Joint Committee in advance of commencement. This integration of a fourth partner will be recorded as a standing agenda item for the duration of the first year.
- 5.10 There will be a contingency established on a reserve account that can be utilised to support additional resources to ensure the creation of the four partner entity forms and performs seamlessly. As the monitoring by exception will be formally managed via the Board and Joint Committee, a contingency plan isn't required at this stage.

Exit Arrangements

- 5.11 Whilst it is expected that the proposed shared service will be a success for the Council, over time priorities and circumstances change. Within the terms of the shared service agreement there will be provision to allow an orderly exit of the arrangement if desired with the necessary provisions to ensure that all parties are protected.

6 RECOMMENDATIONS

- 6.1 As set out on the front of the report.



TAMESIDE PROCUREMENT REVIEW

PHASE 2 REPORT OPTIONS APPRAISAL

FEBRUARY 2018

1. INTRODUCTION

1.1 Stage 1 Activity

STAR Procurement was commissioned by Tameside Council in November 2017 to provide strategic and operational support.

STAR Procurement undertook extensive stakeholder engagement and interviewed key personnel across Tameside. These sessions enabled very honest and open discussions, with consistency in key themes and concerns. This was an extensive piece of work to understand the position across all of Tameside Council and involved:

- ★ Interviews with 34 stakeholders
- ★ Visiting 11 different office locations within Tameside
- ★ Involvement of 9 STAR staff
- ★ Interviews have included Council service managers as well as representatives at the CCG and Pension Fund
- ★ A wide selection of stakeholders at different levels within Tameside and all Directorates

A copy of the Stage 1 Report is included at Appendix 1.

1.2 Stage 2 Activity

The outcomes of the stage 1 report have been discussed with Tameside Senior Leadership Team and key stakeholders. This stage 2 report provides a number of options for the future have been identified and assessed on how these could be delivered for Tameside and advantages and disadvantages of each option.

Other activity is being undertaken as part of the stage 2 activity, and this is set out in section 5.1 of this report, and will be reported on separately.

2. OPPORTUNITIES & RISK

2.1: Principles of an effective procurement function

We have reviewed the opportunities and risks using STAR Procurement's five key objectives.

This has been done to ensure that the review is holistic in its approach and reflects all the aspects that make an effective procurement function in any organisation.

The objectives very much reflect and support the four principles of the LGA Procurement Strategy for Local Government.

The five STAR objectives are:



Commercial: Creating savings and reducing spending is key to an effective procurement service. Procurement should deliver value for money and maximise outcomes. There is no one way to deliver savings or reduce costs; so a wide range of approaches are needed along with the additional "procurement worth" that comes with a strategic approach to procurement.

Communities: Procurement can play a critical role in improving the lives of the people in Tameside and Greater Manchester. Your communities include residents, and businesses, as well as voluntary, community, and social enterprise (VCSEs) sectors. Key activity in this area should be about strengthening local and SME spend as well as embracing Social Value in all procurement, where relevant and proportionate, to ensure that all businesses we contract with are supporting your local communities and adding value beyond their contractual requirement.

Collaboration: In light of GM Devolution, collaboration is becoming increasingly important aspect of procurement activity. Collaboration can help to deliver efficiencies and value for money, but can also support local markets and suppliers. Collaborative approaches can help to shape the market and deliver better outcomes for communities in Tameside as well as Greater Manchester.

Compliance: Procurement operates in a regulatory environment and the implications of not complying with Regulations can be significant. The Law is

designed to support procurement to operate in a way which is fair, transparent, and proportionate. Robust data analysis can support procurement to ensure that procurement activity is managed, planned, monitored, and reported, as well as to informing the strategic procurement approach.

Champions: It is important that procurement is championed and supported within an organisation. By promoting the benefits of procurement, sharing good practice and ensuring that the successes are promoted, procurement can be viewed as a vehicle for change and an enabler for Council change programmes.

2.2 Key Opportunities and Risks for Tameside

The following table provides a summary of what we consider to be the significant one for each objective. This is supported by a more detail analysis included in the Stage 1 Report (Appendix 1).

| Objective | Opportunities | Risks |
|---------------|---|---|
| Commercial | Savings opportunities can be identified through spend analysis including quick wins. Stage 2 will provide a deep dive into this analysis in order to produce more detailed areas identified for consideration/action | Spend data not readily available or used by services. Although the data is produced, it is not circulated to the service areas, and not used to inform procurement decisions either operationally or strategically as a tool across the whole organisation. |
| Communities | There are some examples where good Social Value responses have been received from suppliers, when the Council have proactively pushed social value in the market pre-tender | Social Value viewed as an 'add-on' or 'nice to have' without any understanding of the real benefits it can deliver. There is no real commitment from the organisation to maximise Social Value through procurement or a clear understanding by officers. |
| Collaboration | Some collaboration, as in partner to partner or across GM is happening but on an ad hoc basis not planned in a strategic way. Integration with CCG/Council feels progressive and the CCG officers seem to have a robust way of working. | No overarching awareness of what departments are procuring and from which suppliers meaning opportunities for collaboration between service areas and aggregation of requirements is not taking place, this is high risk and could also bring better value/savings. Only focusing on improvement internally, will mean that significant savings working collaboratively with wider partners will be missed. |

| Objective | Opportunities | Risks |
|------------|---|---|
| Compliance | <p>Legal Services procurement support/advice is valued and utilised throughout the Council but this doesn't ensure compliance or hold a strategic view of the whole organisational procurement activity to safeguard against risk. Although strong, it feels too 'heavy-handed' and irregular and is fulfilling a role that professional procurement support would provide. There are limited pockets of procurement activity that seem to have some control and compliance, but we have not tested this. We have presented an assumed statement based on the knowledge gained in interviews. This will be tested in Stage 2.</p> | <p>Contracts Register is far from complete and therefore Data Transparency Code is not being met. The CR only contains 119 entries, where STAR CR has over 4000 across 3 Councils.</p> |
| Champions | <p>There have been some key advocates for change and improvement identified within the Council, who could be used to support innovation and improvement in procurement. There is a willingness to improve, almost desperation of wanting help to improve/be compliant.</p> | <p>Procurement is not strategic or proactive and instead provides a 'firefighting' role that is dispersed across the organisation. 'self-help' approach. No key officer at a senior level 'owns' procurement. It needs commitment from the top.</p> |

3. RATIONALE FOR CHANGE

3.1: The Importance of Procurement

Procurement in Local Government has never been more important than it is today. An effective strategic procurement function is critical to ensuring that best value is being obtained and that the maximum possible outcomes for our communities are achieved.

- ★ Public procurement is about improving the delivery and cost effectiveness of quality public services to citizens
- ★ Procurement can be a mechanism to challenge current service arrangements and find new models for service delivery
- ★ Savings realised through better procurement can be channelled back into priority services
- ★ Procurement can achieve additional added value benefits to residents through effective use of supply chains
- ★ Ensures that we deliver best value
- ★ Procurement professionalism and planning can help prevent financial loss to the Council and support our services and reputation

3.2 National Context for Change

The LGA National Procurement Strategy for Local Government¹ was launched in 2014, and reviewed 2017. This strategy sets out a vision for Local Government procurement and encourages all councils in England to engage with the delivery of outcomes in four key areas.

- ★ **Making Savings** – including category management, partnership and collaboration, contract and supplier engagement, performance and transparency, risk and fraud management, and demand management
- ★ **Supporting Local Economies** – including economic, environmental and social value, improving access for small and medium enterprises (SMEs) and voluntary, community and social enterprises (VCSEs)
- ★ **Demonstrating Leadership** – including single cohesive voice, commitment from the top, commissioning, and procurement training.
- ★ **Modernisation** – including commercialisation, supplier innovation, using technology, and EU directives.

¹ <https://www.local.gov.uk/national-procurement-strategy>

3.3: Local Context for Change

The Opportunities and Risk Assessment undertaken at Stage 1, clearly demonstrates there is a need to change the way procurement is led, managed and implemented at Tameside Council. Change is required in order to reduce the risks to Tameside Council and also to maximise the opportunities and savings potential.

In order to deliver this strategic leadership and a Council-wide approach is required to drive forward improvements and secure 'buy-in' from the whole organisation. It also requires dedicated professional procurement support to ensure procurement is delivered compliantly, robustly and collaboratively across the organisation.



4. Options Appraisal

This options appraisal identifies a number of different delivery model options that can be explored and evaluated. This then provides the opportunity for Tameside Council to make an informed and evidence based decision on how to deliver their procurement service in the future.

For each delivery model option the relative advantages and disadvantages are set out. The options include the current way in which the service is delivered – the 'Do Nothing' option.



4.1 Option 1 – Current Operation/Do Nothing

In undertaking an options appraisal it is important to consider the advantages and disadvantages of the do nothing or the current operation. This option is therefore to continue with a devolved procurement function which delegates procurement activity to the individual service areas. The Corporate Procurement function would remain with minimal staff, providing systems support and signposting to documentation and advice.

| Advantages | Disadvantages |
|------------------------|---|
| No investment required | Not addressing any of the risks |
| No change required | Not taking advantage of the opportunities available |

| | |
|--|---|
| | Missed savings |
| | High risks still exist |
| | Limited collaboration |
| | Not supporting the GM devolution agenda |
| | No resilience or future proofing |
| | High risk of legal challenge |

4.2 Option 2 - Resource

This option is to continue with a devolved procurement function with procurement activity delegated to the individual service areas. The Corporate Procurement function would continue to provide systems support and signposting to documentation, but further investment in resources would allow the team to provide more professional advice and support to services.

| Advantages | Disadvantages |
|---|--|
| Relatively simple and quick to implement | Council isn't large enough to warrant a true category management approach |
| Can develop internal capabilities and some resilience | Recruitment would be required and it is a difficult market in which to recruit qualified and experienced professionals – may have to employ a number of temps or contractors |
| | Would still require strategic leadership and management, which comes at a cost |
| | Extensive training programme and continuous improvement programme required |
| | Long term investment required |
| | Would not resolve all the risks identified |
| | Change would be slow and difficult to change embedded cultures |

4.3 Option 3 – Centralise & Resource

The 'centralise' option is the bringing together of all the Council's procurement activity into one centralised team. A Council-wide service re-design would need to be undertaken to centralise the procurement support. The centralised team would then have the responsibility for leading strategic procurement and delivering operational procurement functions to the entire Council. Additional resources would be required to deliver this option, both in the short term to deliver the service re-design and also in the long term to ensure future sustainability.

| Advantages | Disadvantages |
|---|---|
| Provide independence and challenge to service areas | Council isn't large enough to warrant a true category management approach |

| | |
|--|--|
| Provides greater control of spend and procurement activity | Would require a Council-wide re-structure which will take time and possibly Trade Union issues |
| Can develop internal capabilities | Recruitment would be required and it is a difficult market in which to recruit qualified and experienced professionals - may have to employ a number of temps or contractors |
| | Would require strategic leadership and management, which comes at a cost |
| | Extensive training programme and continuous improvement programme required |
| | Long term investment required |
| | Would not resolve all the risks identified |

Example of Required Resource and Grading:

Head of Procurement (£55-65K average range) total: £65,000

Category Managers – 3 posts (£35K-40K average range) total: £120,000

Procurement Officers – 4 posts (£28-30K average range) total: £120,000

Trainees/Apprentice post – 1 post (£20K average range) total: £20,000

Budget estimate based on average salary and structure recommendation: £325,000 plus on costs @ 25% (estimate) total: £404,250 staffing costs – running costs would need to be accounted for also. Leadership and management would be required from more senior officers. This model allows an appropriate resource to develop internal support central service.

Weaknesses: recruitment of appropriate qualified and experienced staff, retention, time to recruit and embed a central service. No 'off the shelf' model of operations. Leadership of change management across the whole organisation would be required. Time to develop would be 3-4 years. No collaboration with partner (limited). Only focussing on improvement internally, significant savings can be delivered by working collaboratively with wider partners.

4.4 Option 4 - Outsource

Local Authorities have the power to 'outsource' provision of services to private or third sector organisations under section 135 of the Local Government Act 1972. Due to the current devolved delivery model in Tameside, in order to deliver this and make it appealing to the market, a process of centralising the procurement function would first need to be undertaken before outsourcing options could be considered.

Advantages

Disadvantages

| | |
|--|---|
| Pass some of the operational risks to the private sector | Negative press and PR of an outsourcing contract |
| Initially can deliver cost savings | Trade Union may challenge this and lead HR issues |
| There are a number of potential suppliers in the market | A number of other Authorities have tested the approach and brought back in-house |
| Would suit operational procurement but unlikely to be able to provide strategic support and leadership | Public sector procurement expertise is often lacking in the private sector outsourcing companies |
| | Land and expand – initial savings will often be eroded by additional activity and costs that have not been accounted for |
| | Due to the risks in the current procurement activity and set up, the costs of outsourcing are likely to be high to account for the transfer of risk |
| | Highly skilled procurement professional would be required to run the procurement of the outsourcing contract |
| | Ongoing contract management role will be required and invested in |
| | May lead to a loss of control over the procurement function |
| | Need to develop a strategic vision and plan before outsourcing process can be started |
| | Collaboration and increased GM activity unlikely as private sector less willing to engage in collaborative approaches |

4.5 Option 5 - Partner with Other Public Sector Organisation(s)

This option would be for Tameside Council to partner with another public sector organisation(s) to deliver their procurement service together. This would involve partnership working between the organisation, including the sharing of staff and other resources, and working collaboratively on shared outcomes.

The option could be a partnership agreement between councils and/or the development of a 'shared service' with staff and service delivery responsibility transferred to the shared service. Tameside Council could consider joining an existing shared service or establishing a new shared service.

| Advantages | Disadvantages |
|---|---|
| Increased commercial advantage and bargaining power through collaboration | Possible TUPE issues, although would be to another Local Authority with similar |

| | |
|--|--|
| | employment rights and pension arrangements |
| Shared leadership/management costs | This will take time and investment to implement e.g. set up costs will be required |
| Resilience and retention of staff and sharing of resources and expertise | Legal and HR advice required |
| Can manage peaks and troughs in workloads effectively | Need to ensure that all procurement activity is mapped so there are no gaps in provision i.e. clear roles and responsibilities |
| Implementation of a Category Manager approach | Loss of full sovereignty over the procurement function |
| A strategic and proactive approach to procurement will be adopted | Technology requirements will need to be understood and implemented |
| Supports the GM Devolution agenda | |
| Robust governance and accountability can be implemented | |
| Performance managed and outcomes reported | |
| Standardised processes and procedures to ensure consistent approach for both internal and external stakeholders | |
| Value added activity can take place to deliver greater procurement worth and outcomes | |
| Existing shared service models for procurement have already been established in Greater Manchester and have proven to be highly successful | |

5. NEXT STEPS

5.1: Next Steps for STAR Procurement

As part of the delivery of the Stage 2 work for Tameside Council, additional work to complement this options appraisal has been agreed.

One of the key activities is a 'deep dive' into three key areas. For these areas, there will be robust spend analysis, risks assessment and compliance review, as well as identifying quick wins and options for the future.

These work areas were agreed with SLT to ensure each directorate could benefit. The 'deep dive areas' are:

- ★ Children's
- ★ IT
- ★ Waste (Supplies and Services) or Parking & Civil Enforcement

Alongside this, STAR Procurement has also provided advice to key services on urgent procurement matters and procurement options including:

| Stage 1 | Outcome: | Stage 2 | Outcome: |
|---|--|--------------------------------------|---|
| Office removals | Compliant framework identified with direct award option to fit tight timescales | Further support on the Carillion BCP | |
| Oxygen early payment meetings | Provided support at meeting and experience from previous discussions with Oxygen | Café concession in new building | Supporting soft market testing and developed procurement plan for future stages. Provided examples of ones done previously. |
| Coffee shop concession in Council buildings | Provided rationale for concession contract and procurement options | Alcohol and beers contract | Provided details of AGMA contract and call off options. |
| Legal services framework for insurance claims | Provided details from existing AGMA contract and contact details | OJEU notices - guidance | Provided clarification on definitions regarding National identification |

| | | | Number |
|--|---|--|--|
| Bailiff services | Provided option to use Rotherham framework and the call off methods that can be used | Parking enforcement | Meeting is being arranged to discuss |
| Weed killer and associated products | Provided compliant framework option and explained call-off options available. Possible savings opportunity if review existing specification | Bus Lane enforcement | Meeting is being arranged to discuss |
| High level discussions on Children Services savings opportunities | Initial discussions taken place on the 'Art of the Possible' and what has been done with STAR Authorities | Food & catering Contracts | Meeting w/c 26 th February to discuss immediate and future options |
| Supported the development of a contingency plan for the Carillion contract | Discussions took place on future options | Exchequer services – business rates maximisation and single person discounts | Provided details of Manchester framework option and offered to support soft market testing |
| | | Top –up Funding for LEAP | Provided details of what has been actioned for Rochdale Council |

5.2: Next Steps for Tameside Council

The information contained in this report will support Tameside Council to establish their next steps in their procurement change programme. The options appraisal will help facilitate discussion and evaluation of the possible future delivery model options. These options could be assess under the following themes:

- ★ **Desirability** - the degree to which each option meets the strategic objectives and priorities
- ★ **Viability** - the degree to which each option is financially viable and sustainable
- ★ **Feasibility** - the degree to which each option can be implemented

This leads to a final recommendation about the preferred delivery model which can then be taken forward to the business case. Timescales then need to be developed to seek formal approval/resource planning in order to establish the chosen model.