



Overview and Scrutiny Committee
14 November 2012

Procurement Partnership with East Sussex County Council

Purpose of the report: The purpose of this report is to provide an update of progress to date in establishing a Procurement Partnership between Surrey County Council and East Sussex County Council.

Introduction:

1. The purpose of this report is to provide an update to Members on the progress made in establishing and operating a Procurement Partnership with East Sussex County Council.
2. The report provides a summary of progress to date, including milestones achieved, and next steps.

Background

3. As outlined in detail in the report and business case brought to Lead Member and Deputy Leader in February of this year, the benefits of entering into a partnership arrangement with ESCC are:
 - a. The opportunity to leverage our external spend with another County Council. It is anticipated that this will open up opportunities to procure jointly where that is the best option and manage jointly the major suppliers that we both use. This will provide additional savings to support our Medium Term Financial Plans.
 - b. The procurement partnership model will strengthen our current procurement capacity and capability by building a stronger and more resilient team. This will be a unique procurement arrangement in local government which will improve the recruitment and retention issues that we face and provide greater career and development opportunities for our staff.

- c. It will position SCC at the forefront of the regional procurement discussions as this will be the first procurement partnership model in the SE7. It will allow SCC to shape the regional picture in the future to ensure we are able to take advantage of further opportunities as they arise.

Progress to date

4. Since member approval was gained at Surrey County Council, a number of milestones have been achieved, and activities have been undertaken to increase the readiness of both organisations to work together in partnership, through a category management approach, in order to deliver the objectives described above.
5. It should be noted that it is still early in the development of the procurement partnership arrangements, and the milestones described below reflect the current stage of the partnership.

Milestones achieved

6. Senior procurement capacity from Surrey County Council has been shared with East Sussex County Council since April 2012, and forecasted income for this financial year from the arrangement is approximately £130k. Two senior officers from Surrey operate in East Sussex on average three days per week. This has allowed informal networks to be developed between the procurement teams more quickly than otherwise would have been possible, and has enabled other wider opportunities for joint working between the two organisations to be identified and explored.
7. Formal approval for the partnership arrangements was required from both the Corporate Leadership Team and Cabinet at East Sussex County Council, and this was gained in July 2012. For East Sussex the recommendation to adopt a Procurement Partnership with Surrey County Council was made as part of a larger review of the organisations' corporate functions, and is now recognised as one of the strands of their overall improvement and efficiency programme.
8. Under the leadership of Surrey County Council senior officers, the procurement service at East Sussex County Council has been restructured, including a formal staff consultation process and the creation of a new structure and job descriptions. This has created a structure that is broadly similar to that at Surrey County Council – and will create a more resilient procurement capacity across both organisations. The new structure will also enable a move towards a more common and shared resource and more effective joint working, and was therefore a critical first step for the partnership and for East Sussex to strengthen their approach to procurement. This process was launched in August and completed in early October 2012. The restructuring and centralisation of the procurement function at East Sussex has been one of the major activities delivered over the last four months.

9. Work commenced in May to move towards more common systems and reporting structures for procurement spend. This work is ongoing, and so far has led to common spend and supplier classification in SAP to allow for easier reporting. Work is also underway to move towards a common e-tendering solution to drive efficiencies both internally, and to make bidding for contracts at both East Sussex and Surrey County Councils easier and simpler for suppliers.
10. The formal governance arrangements for the Procurement Partnership have also been established. A Joint Working Agreement has been signed by both parties and describes the relationship between the two organisations. The Partnership Oversight Group, a senior officer meeting attended by two Corporate Directors from each local authority and intended to provide direction and accountability for the partnership, has also met with further quarterly meetings in place for the next year.
11. During this time, opportunities for joint procurement projects have been identified across a range of categories, including Adults Social Care, Highways and IT. So far this has led to a range of active projects and the identification of forecasted savings of £500k for 2012/13 and a further £2m in 2013/14. These projects provide the initial set of efficiencies that are being driven through the partnership.
12. An example of the type of procurement initiative that the teams are working on across both local authorities is the review and retendering of the contract for SAP support. Officers from both procurement and IT in Surrey and East Sussex are working together to explore the opportunity to create a common development path and move to a single contract for SAP support which will drive down costs and allow for further joint working.
13. Further opportunities and savings projects will be reported back to the Partnership Oversight Group in January 2013, with an update brought back to Overview and Scrutiny Committee in February.

Conclusions:

14. Although relatively early in establishing the arrangements, progress is being made in developing the Procurement Partnership, and the last six months have seen key components put in place to allow ongoing success.
15. The focus of the partnership, and of both Procurement functions is now turning to further identification of savings opportunities and ensuring that these are integrated into the budget planning process. Spend in Children's services and Property will be looked at next across the 2 Councils to identify further opportunities.

Financial and value for money implications

16. It should be noted that East Sussex County Council spends in excess of £350m annually and Surrey County Council has an annual revenue spend of approx £680m. Both organisations have a medium term

financial plan in which procurement activities are contributing to the overall savings being delivered.

Equalities Implications

17. This report does not have any direct equalities implications. The commissioning of services, and awarding of contracts will continue to be subject to individual equality impact assessments (EIAs) as appropriate. Any development of procurement strategies and relevant policies for both ESCC and SCC will also be subject to EIAs as required and responsibility for these will remain with the individual local authority.

Risk Management Implications

18. Any risks associated with the projects being delivered through the partnership will be managed appropriately. The Partnership Oversight Group provides overall governance, including risk management and will in particular monitor the resources being shared across the two organisations to ensure that these are driving the expected benefits.

Implications for the Council's Priorities or Community Strategy/Local Area Agreement Targets

19. None

Recommendations:

- (a) That the Committee notes the progress of the Procurement Partnership with East Sussex.
- (b) That officers return in February 2013 with a further update on progress.

Next steps:

Officers will continue to work in partnership with their respective teams at East Sussex on the projects already identified in Adults, IT and Highways to deliver the estimated savings.

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Sources/background papers:

Report to the Overview & Scrutiny Committee on 20th Jan 2012