

REPORT TO:	Executive Board
REPORT NO:	HF/33/13
DATE:	9 July 2013
LEAD MEMBER:	Councillor Malcolm King OBE (Policy, Finance, Performance and Governance)
CONTACT OFFICER:	Paul Tharme (Tel: 292750)
SUBJECT:	Update Report - The National Procurement Service
WARD:	N/A

1. PURPOSE OF THE REPORT

To consider the progress made by the National Procurement Service (NPS) against the expected timescales set out in the initial Business Case.

2. EXECUTIVE SUMMARY

2.1 The Council's Membership of the NPS, subject to certain caveats, was agreed by the Executive Board (HF/47/12) on 11 December 2012. The Executive Board requested the following reports be presented for consideration.

ii a) The NPS's progress against expected timescales (July 2013)

ii b) The details of the Partnership Agreement which will include the terms and conditions of the Council's membership of the NPS (when available)

2.2 The NPS Project Manager has produced a response to each of the caveats submitted by Wrexham CBC, (Appendix 1). These provide assurances in most cases and confirm also the safeguard that the Council has not entered into any legally binding agreement and may withdraw from the NPS at any stage.

2.3 A further update report will be presented to the Executive Board once the Customer Charter which sets out the expectations on both members and the NPS has been issued.

Progress against Expected Timescales

- 2.4 All activities are currently on schedule and the NPS is expected to go live in November 2013 in accordance with the original Business Plan timescales.
- 2.5 Over 70 Local Authorities, Local Health Boards, Universities, Colleges, Fire and Police authorities have now signed up to join the NPS.
- 2.6 The funding arrangements for the NPS have been finalised and the new service will be hosted by the Welsh Government.
- 2.7 A project team and project plan has been created with four work-streams covering People, Projects and Processes, Communication and Governance.
- 2.8 A set of operating principles have been agreed which includes developing strategies that will have a positive impact on the Welsh economy.
- 2.9 Opportunities to secure short term savings prior to November 2013 are being investigated. These will roll-over into the NPS once it starts operations.
- 2.10 Actions to look more closely at the economic impact and potential opportunities to develop the Welsh supply chain are in progress. Supplier briefing events are scheduled for September and there will be regular press briefings.

3 RECOMMENDATIONS

- 3.1 That the Executive Board notes the report.**
- 3.2 That the Executive Board receives the following reports which set out:**
 - a) the NPS's progress against expected timescales (November 2013)**
 - b) the details of the Partnership Agreement which will include the terms and conditions of the Council's membership of the NPS (when available)**

REASONS FOR RECOMMENDATIONS

- (i) Membership of the NPS, subject to certain caveats, was agreed by the Executive Board on 11 December 2012 (HF/47/12) and as part of the Compact Agreement on 6 March 2012 (CLF/07/12).
- (ii) The NPS Business Case highlights strong improvement outcomes and financial benefits for Wrexham.
- (iii) Membership will demonstrate a commitment to the principles of achieving procurement savings for common and repetitive spend.
- (iv) The Executive Board can assess the financial and operational impact of any delay in the NPS becoming operational.
- (v) The Executive Board can fully assess the legal, financial and economic risks of entering into membership of the NPS and how these risks are mitigated.

4. BACKGROUND INFORMATION

- 4.1 The National Procurement Service (NPS) is a Welsh Government initiative which forms part of the Procurement work programme. Membership of the NPS was part of the Compact Agreement agreed by the Executive Board on 6 March 2012 (CLF/07/12). This was subject to a number of caveats which included:
- a) "All collaboration must have a sound business case highlighting strong improvement outcomes and/or financial benefits for Wrexham."
 - b) "No collaboration should undermine the ability of the democratically elected Council to best represent the interests of Wrexham."
- 4.2 The Council's Membership of the NPS, subject to a number of caveats, was agreed by the Executive Board on 11 December 2012. These are listed in Appendix 1 along with the NPS Project Manager's response.
- 4.3 This provides assurances in most cases and also confirms the safeguard that the Council has not entered into any legally binding agreement and may withdraw from the NPS at any stage.
- 4.4 An update report will be presented to the Executive Board once the Customer Charter which sets out the expectations on both members and the NPS has been issued

Progress against Expected Timescales

- 4.5 Over 70 organisations have signed up to the NPS. This exceeds the assumptions made in the Business Case and all Local Authorities, Local Health Boards, Universities, Colleges, Fire and Police authorities have now joined the NPS.
- 4.6 Funding arrangements for the NPS have been finalised and the independent recommendation for the new service to be hosted by the Welsh Government has been endorsed by Ministers and a Written Statement was issued on 12th March 2013.
- 4.7 A project team is reporting progress to an NPS Implementation Board chaired by the Director of Finance and Procurement at the Welsh Government with delegation from Jon House, the Chief Executive of Cardiff Council and Chair of the Public Service Leadership Group (PSLG) Procurement Board.
- 4.8 A project plan has been created with four work-streams covering People, Projects and Processes, Communication and Governance. Activities are currently on schedule and the NPS is expected to go live in November 2013. The NPS project recently had an internal Gateway review and received an Amber status with positive comments on the planning and concept of the project with good customer buy-in.
- 4.9 Work is underway to develop an initial project pipeline and work plan for the NPS including early wins which will generate savings. From the spend analysis completed to date the Project Team consider that there are a significantly greater number of opportunities for efficiencies than in the original business case. There are considerable opportunities for supply rationalisation, consolidation, and volume leverage and process efficiencies.

- 4.10 Recruitment of the NPS staff is well underway. The post of Head of the NPS has been advertised externally and an appointment should be made in July. Posts for the Heads of Category and the Category managers and officers have been advertised externally and assessment centres will be held across Wales during June and July.
- 4.11 Actions are also being taken to look more closely at the economic impact and potential opportunities. A Customer Charter which sets out how the NPS will work in practice will be issued in due course. A further report will be presented to the Executive Board at that time.
- 4.12 Existing consortia contracts e.g. Government procurement Service (GPS) and when these would move into the NPS has been considered. Value Wales will be meeting with GPS in June to discuss this.
- 4.13 The NPS is an important development that will not only secure much needed efficiencies but it will also help develop opportunities for local supply chains. It is planned that supplier briefing events be held in September and there will be regular press briefings.
- 4.14 A set of operating principles have been agreed which includes developing strategies that will have a positive impact on the Welsh economy.
- 4.15 The Procurement Board has agreed that a 0.5% levy be applied to all new NPS contracts from when it becomes operational. This will finance the NPS' operating costs and will reduce the risk that the NPS fails to become self-funding from Year 3.

NPS Supporting Information

- 4.16 The NPS model has delivered significant benefits to other devolved governments within the United Kingdom e.g. Procurement Scotland and the Irish National Procurement Service. It is a proven approach to maximising procurement benefits and is a model used in the majority of global private sector businesses.
- 4.17 The NPS will provide a strategic vehicle for the procurement of common and repetitive categories of goods and services at least 20% to 30% of what is bought is common across the Welsh public sector and is bought year on year. The following list shows most of the categories which are currently within the scope of the NPS:

ICT hardware & software	Consultancy	Utilities
Facilities Management Services	Catering and vending	Agency staff
Vehicle management	Legal support	Construction materials
Mail services	Clothing	Cleaning & janitorial

Benefits

- 4.18 The Finance Minister Jane Hutt said that “By procuring centrally through the NPS the public sector could save up to £25m a year. It will also free up the wider public sector to focus its resources on commissioning and procuring more efficiently the remaining 70-80% of public procurement spend”.
- 4.19 The benefits will fall into a number of categories as follows:-
 - a) Cashable savings achieved through reduced total cost of acquisition for the common and repetitive spend goods and services,

- b) Cost avoidance benefits delivered through the simplified procurement and increased compliance
- c) Opportunity to be gained by individual stakeholder organisations by redeploying their scarce resources onto higher risk more critical spend areas
- d) Developing the professionalism and capability of the procurement community in Wales.
- e) Positive impact on the Welsh economy by making it easier for suppliers to engage and transact with the Welsh public sector

Funding and liabilities

- 4.20 The NPS will be funded directly by the Welsh Government until it reaches maturity which is estimated to be in Year 3 (2016/17) of operation. The self funding rebate will commence once the NPS begins operations and income will be used to offset operating costs. The rebate will be the sole source of funding from 2017-18 onwards.
- 4.21 The Customer Charter will give further details as to the exit arrangements etc. The Welsh Government has agreed that there will be no contingent financial liabilities for the Council if the NPS fails within the five year commitment period or thereafter.

Governance

- 4.22 The NPS Board will exercise governance over the operations of the NPS. The Board will consist of a number of Chief Executives and senior managers from across the Welsh public sector and possibly, the Welsh Government Director General for Strategic Planning, Finance & Performance and/or Ministerial involvement during critical points throughout the life of the NPS e.g. senior review at 6/12/18 months.

Welsh Economy

- 4.23 The National Procurement Service will not only secure much needed efficiencies but will also help to develop opportunities for local supply chains.
- 4.24 Only 15% of the spend areas included within the NPS scope currently go to Welsh suppliers. The NPS creates an opportunity to improve links with economic development activity and strengthen Welsh supply chains in these areas as follows:
- The NPS will seek to leverage the procurement scale of the Welsh public sector, but also focus on influencing demand management and implementing best practice approaches;
 - The NPS will seek to develop strategies that will have a positive impact on the Welsh economy;
 - The positive impact that co-ordinated and common procurement could have on the Welsh economy and the development of the SME community within Wales;
 - Having a strategic vehicle to act on behalf of the Welsh public sector to procure as yet unknown new or innovative solutions in support of public service reform.

- 4.25 The potential impact on the regional, local economy is a factor that will have to be managed by the NPS Board / host organisation on an ongoing basis. This would be assisted by each tender opportunity giving consideration to the impact / opportunities for regional / local economies as well as the overall Welsh economy.
- 4.26 **Policy Framework** – Joining the NPS is in accordance with the Council Plan Strategic Themes in respect of Economy and the Corporate Theme of Organisation.
- 4.27 **Budget** – The NPS will be centrally funded directly by the Welsh Government until it reaches a point of maturity, estimated to be in Year 3 (2016/17) of operation. This will be supported by a self funding rebate. It is proposed that the NPS is fully funded by the self funding rebate from 2017-18 onwards.
- 4.28 The Welsh Government has confirmed that there will be no contingent financial liabilities for the Council if the NPS fails within the five year commitment period or thereafter.
- 4.29 **Legal** – There are no legal restrictions to prevent the council from agreeing to join the NPS. No legally binding agreement has been required from Wrexham Council and therefore it would be legally possible for it to withdraw at any stage. A full review of the Customer Charter will be undertaken once it becomes available.
- 4.30 **Staffing** – There are no direct staffing implications as a result of this report.
- 4.31 **Equality/Human Rights** – There are no issues for the Council at this stage. It will be for Welsh Government to ensure that an appropriate equality impact assessment of the proposed NPS is carried out in accordance with its duties under the Equality Act 2010 before the NPS is established.
- 4.32 **Risks** – The NPS business case includes a number of risks. Some of these would impact upon the council e.g. cash releasing benefits not being achieved and there being a perceived negative impact on local economy due to national procurement strategies being implemented. Mitigating controls have been listed for each risk.
- 4.33 In terms of the Council, membership of the NPS may result in the following risks:
- a) Contracts do not offer value for money for the council.
 - b) National framework contracts may restrict the ability of local companies to tender for business successfully.

5. CONSULTATION

- 5.1 The Welsh Government has undertaken a consultation exercise across the Welsh public sector.

6. EVALUATION OF OPTIONS

- 6.1 **Option 1** - Join the NPS and demonstrate commitment to the Welsh Government's objective of providing a strategic vehicle for the procurement of common categories of goods and services that are procured across the Welsh public sector.

6.2 **Option 2** - Adopt an ad-hoc approach to procurement and participate in collaborative arrangements as required.

7. SCRUTINY COMMITTEE COMMENTS

7.1 This report has not been considered by a Scrutiny Committee.

BACKGROUND PAPERS	LOCATION	WEBSITE INFO.
Review: Maximising the Impact of Welsh Government Procurement Policy	Welsh Government	http://wales.gov.uk/about/cabinet/cabinetstatements/2012/procurement1/?lang=en
Press Release – 12 March 2013	Welsh Government	http://wales.gov.uk/newsroom/improvingpublicservices/2013/7177541/?lang=en

Welsh Government (NPS Project Manager's) response to Caveats is shown in italics

(i) That the Council agrees to join the NPS on the following basis:

- a) An up-front five year commitment on the assumption that the NPS is centrally funded by the Welsh Government until it reaches a point of maturity; estimated in Year 3 of operation (2016/17), at which point it is expected that the funding switches to a self-funding rebate for each organisation from 2017-18 onwards

“The Ministers' Written Statement of 12th March confirms the level of funding that Welsh Government is putting into the NPS and that after this point the NPS is expected to move to a self-funding model through supplier rebate to fund the NPS.”

- b) The Council reserves the right to withdraw from the NPS after three years if key KPI's such as an agreed level of savings or the number of contracts have not been materially delivered. This would be without financial penalty or any financial liability arising from the withdrawal.

“No legally binding agreement has been required from Wrexham Council and therefore it would be legally possible for it to withdraw at any stage.

However, this is not necessarily in the spirit of the agreement with NPS. Setting up the NPS is a substantial service innovation and commitment by the Welsh Government, which needs to be given the right space in which to deliver the benefits for public sector organisations in Wales.”

- c) The Welsh Government agrees that there will be no contingent financial liabilities for the Council if the NPS fails within the five year commitment period or thereafter.

“Yes, this is the case.”

- d) The council will embrace an agreed management information approach where transparency and a robust category management culture drive optimum benefits across the scope of the NPS.

“Thank you.”

- e) The council will fully commit to using the contracts created by the NPS. Any opt out from those contracts will be justified to the NPS Board in advance of the tender process commencing. This will ensure the NPS's success and not dilute the benefits for other members. The NPS will reserve the right to exclude an organisation that makes excessive use of this exemption clause.

No response

- f) In accordance with the Executive Board agreement to the National Compact (CLF/07/12), the collaboration should not undermine the ability of the democratically elected Council to best represent the interests of Wrexham.

“It does not”.

- g) The NPS Board agrees to consider the impact / opportunities for regional / local economies during each tender opportunity and to produce regular reports which outline the effect of the NPS on the Wrexham / North Wales economies.

“The Ministers' statements have made clear that economic impact for Wales as a whole will form part of the considerations and reporting.”

- h) The Council reserves the right to review its position in terms of joining the NPS once it has sight of the partnership agreement referred to in paragraph 4.29.

“The intention is to issue a Customer Charter that makes the expectations on both members and the NPS clear.”