

Appendix A

Meeting:	Executive
Date:	22nd April 2014
Subject:	Procurement of Specialist Professional Services
Report of:	Cllr Maurice Jones Deputy Leader and Executive Member for Corporate Resources.
Summary:	The report proposes to implement a contract for the supply of specialist professional services which is available through the North East Procurement Organisation framework.

Advising Officer:	Deb Clarke, Director of Improvement and Corporate Services
Contact Officer:	Paul Meigh, Chief Procurement Officer
Public/Exempt:	Public but with an exempt appendix under category number 3 "information relating to the financial or business affairs of any particular person (including the authority holding that information)".
Wards Affected:	All
Function of:	Executive
Key Decision	Yes
Reason for urgency/ exemption from call-in (if appropriate)	N/A

CORPORATE IMPLICATIONS

Financial:

1. The estimated total value for the contract is £4m per annum funded through existing revenue/capital budgets.
2. This change in the introduction of a new supplier will contribute to the delivery of the £1m procurement efficiency target as part of Medium Term Financial Plan 2014/15.

Legal:

3. The Council has no specific contract for spend in this area (although some of the spend in this sector has been managed for CBC by Carlyle Managed Solutions under a separate Agreement). This represents a new approach to the procurement of specialist professional services by Central Bedfordshire Council.

4. The value of this contract means that any contract award is subject to the European Procurement Directive and the Public Contract Regulations. In this instance, those requirements are met by a framework. The annual value of the contract exceeds £500K and therefore the expenditure must be approved by the Executive before Central Bedfordshire Council can award.

Risk Management:

5. The Council has an on going requirement for the supply of specialist professional services. The risks associated with not progressing this route are as follows:
 - Procurement efficiencies targets in the medium term Financial Plan will not be achieved.
 - Alternative procurement for the service would need to be progressed resulting in:
 - Risks to service delivery and defer potential savings.
 - Inability to deliver priorities outlined in The Medium Term Plan: Delivering Your Priorities for Central Bedfordshire 2012 – 2016.
 - Greater risk of a lack of compliance to appropriate and auditable processes.
6. Risk have been considered and addressed with Directorates and if the recommended option is adopted, the following risks will also need to be managed:
 - Change management risks.
 - Adverse impact on the existing supply chain.
 - Lack of engagement from suppliers.
 - Lack of engagement from service areas with revised processes.

Staffing (including Trades Unions):

7. No direct staffing implications. The Council has a continued requirement for the supply of specialist professional services.
8. The proposed changes includes a gatekeeper approach which will also ensure employees have access to relevant job opportunities and that the use of specialist professional service providers are used appropriately, is managed and in accordance with relevant legislation.
9. It's expected the gatekeeper would be the same individual managing the temporary staff contract. The purpose of the gatekeeper is to ensure that specialist professional services are properly sourced and that where there is in-house capability that this is used first. Also that spend only occurs when necessary.
10. The gatekeeper will also provide the day to contract management, invoice approval and will be the first point of contact for departments including dealing service issues. The role includes internal system administration and with training capability. To ensure benefits realisation, the role will gather management information and data and also deal with FOI responses for example. Should disputes arise from suppliers the gatekeeper provides a point of contact for their issue escalation.

Equalities/Human Rights:

11. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
12. Consideration is always given to the requirements of equality legislation as part of local authorities' procurement practices. There are no adverse equalities impacts associated with this proposal.

Public Health

13. This contract will provide a corporate wide service that would be used by the public health service at Central Bedfordshire Council.

Community Safety:

14. Not Applicable.

Sustainability:

15. Not Applicable.

Procurement:

16. The framework contract for specialist professional services is available through North East Purchasing Organisation (NEPO). A contract can be awarded directly under the framework contract to the single provider NEPRO. The framework has been tendered in accordance with the Council's Corporate Procurement Rules. The Council's Code of Procurement Governance provides that the Executive must approve expenditure before commencing any procurement over £500,000 per annum. The annual costs of the contract/s exceed that threshold. The procurement team are actively supporting this process.

Overview and Scrutiny:

17. This matter has been considered by Corporate Resources Overview and Scrutiny Committee on 08 April 2014.

RECOMMENDATION(S):**The Executive is recommended to:**

1. Approve the implementation of the NEPO framework contract for the neutral provision of specialist professional services.
2. Delegate authority to award the contract to the Director of Improvement and Corporate Services in consultation with the Executive Member for Corporate Resource, following presentations to assess organisational fit and best value.

<i>Reason for Recommendation(s):</i>	<i>So that the Council can continue to source specialist professional services, as required, in a new and more commercially compliant way for the period of the framework which ends on 16th September 2015 and with the option to extend for a period of up to a further year. This will contribute to the delivery of Medium Term Financial Plan 2014/15.</i>
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Executive Summary

18. The Council has a continued requirement for the supply of specialist professional services.

It is evident that despite overall reductions in spending on specialist professional services, there is still a need at CBC to source such work, with such professionals bringing a wealth of expert advice, knowledge and capability which may not be available in-house or would be expensive and/or inappropriate to retain on a permanent basis. Example procurements have included:

- Service reviews
- Gypsy travellers – needs assessment.
- Adult social care assessment.
- Strategic housing market assessment.
- Land study
- Specialist planning advice

19. As part of the Medium Term Financial Plan 2014/15 an efficiency target of £1m has been assigned to procurement activity. As part of this £155k is to be delivered through efficiencies generated via spend on specialist professional services.

20. Alternative procurement options have been explored including the creation and use of traditional frameworks.

21. Based on the financials gains and the outcome of a full risk assessment exercise, the recommendation is to call off from the NEP framework and implement the full NEPRO model with an implementation roll out immediately following Executive Approval.

Background

22. In September 2012, NEPO (North East Purchasing Organisation) awarded a single-source (Neutral Vendor) contract for the supply of Specialist Professional Services (SPS). That solution is called “NEPRO”.
23. The contract is available to all public sector bodies across the UK via associate membership of NEPO. Bath & North East Somerset Council are an associate member.

24. Since launching in January 2013 ,the following Council's have taken up the NEPRO solution:
- South Tyneside
 - Northumberland County
 - Durham County
 - Wirral
 - Cheshire East
 - Liverpool City
 - Bedford Borough
 - Herefordshire
 - London Borough of Havering
 - Bath & North East Somerset
25. The LGA have also partnered with NEPRO as their recommended compliant route for members to procure professional services / consultants in the Adult Social Care field.
26. The volume of spend on specialist professional services exceeded £3.6M in 12/13. This level of spend has continued through 13/14 and the requirement for services of this type is expected to continue in 14/15 and beyond.
27. Some of the spend in this sector has been managed for CBC by Carlisle Managed Solutions (CMS) acting as a neutral vendor under a separate Agreement. The renewal of the CMS service requirement is the subject of a separate paper which also provides the opportunity to consider the full range of spend related to specialist professional services.
28. NEPRO is a Neutral Vendor model to centrally and compliantly procure, contract and performance manage specialist professional services. It is the only model of its kind currently available via call-off to the public sector.
29. It is evident that despite overall reductions in spending on specialist professional services , there is still a need at CBC to source such work, with such professionals bringing a wealth of expert advice, knowledge and capability which may not be available in-house or would be expensive and/or inappropriate to retain on a permanent basis.

Options Considered

30. There are currently three recognised models of SPS providers available and identifiable; these being:
 - Multi-disciplined professional service and /or consultancy organisations that offer a wide range of specialisations at strategic, operational and tactical levels of service delivery and organisational with a global presence.
 - SMEs specialising in a particular market sector or field of expertise.
 - Stand-alone or Sole Trader SPS agencies focus on specialist and technical consultancy and professional advice around a particular field, function or industry.
31. In 2012 the North East Procurement Organisation ('NEPO') developed a procurement strategy for Specialist Professional Services on behalf of its members and the wider public sector work (the Pro 5).
32. Many options were considered, from traditional frameworks (ESPO or Consultancy 1), Dynamic Purchasing Systems through to fully managed service providers and each area was assessed on its own merits. The conclusion was that a Neutral vendor, service led approach with enabling technology, was the best option for managing this complex category.
33. The Neutral Vendor model has been use successful at CBC for managing agency spend. Prior to the Pro5 group recommended a Neutral Vendor partner, a robust market test was conducted, including an open call for interest and a series of supplier engagement sessions. The Pro 5 met with significant players within the field including Matrix SCM, Comensura and Adecco Beeline and all suppliers had differing levels of maturity within the field – from simple concepts through to advanced models (either in theory or practice). After a thorough selection process NEPRO were awarded the contract by NEPO in September 2012 after an OJEU compliant competitive tender process.
34. In adopting the NEPO model which selected NEPRO the Neutral Vendor partner (NEPRO) would act as a single point interface between CBC and the supply base and offers many benefits, for example:
 - A reduction in administrative processes, supported for instance by channelling activity via a central web based application.
 - Improved transparency, reporting and audit of all activity associated with professional and consultancy services.
 - Efficiency savings through the elimination of transactional activity resulting in the volume of invoices and processes being minimised as contact and contracts sits with one vendor.
 - Quick, simple and compliant procurement processes for all values of spend.
 - Use of a single monthly invoice paid to NEPRO who are then responsible for fee distribution.
 - Improved capacity in procurement as the need to utilise traditional procurement methods is reduced allowing increased focus on key priorities.
 - Increased exposure to, and use of, local SMEs.
 - Ensure IR35 compliance

35. NEPRO supports market led outcome based pricing, relying on well-defined briefs with outcomes, aims, objectives, deliverables and milestones formulated. NEPRO leads the implementation of processes and controls that will encourage a shift in attitude as to how, why and where CBC utilises Specialist Professionals.
36. The solution provides an alternative model to using traditional frameworks but the solution was not set up to compete with them. The key differences are highlighted in the table below:

NEPRO	Framework
Authority has a single contract with NEPRO which in turn contracts with the Suppliers.	Authority contracts with each Supplier often on their terms.
Can favour local SMEs and has no limit on accredited suppliers.	Suppliers are limited to those on the Framework.
Controls spend and therefore provides accurate MI.	Call off is for individual engagements only.
Can run mini-competitions without public sector restrictions.	Tender processes run by the Authority and can incur expensive cost especially for higher value procurements and particularly above OJEU.
Provides a system to govern demand, contract and performance management.	Frameworks do not offer this.
Payment for providers is subject to performance.	Payment terms are different for every contract and are often on rate card only.
Benchmarks data and drives savings by greater and more open competition, and demand management.	Frameworks offer increased value for money especially if mini-competitions are run, but on a piecemeal basis.

37. The benefit of a more proactive management regime to centrally procure, contract and performance manage specialist professional services has been shown to deliver financial savings in a range 7.5 –15%.

ISSUES:

Why do CBC need this approach? There are risks to which the Council is currently exposed:

38. **Business Case Process** – CBC currently has no corporate policy or procedure for the use of SPS apart from the procurement procedures, with many requests/ requirements not being visible at a senior level or having Director level sign-off.
39. **Spend data** – whilst the Council has better vision of spend, SPS may be included within a variety of cost headings, making it harder to achieve a full overview of activity.

- 40. **Performance Management** – there is currently no mandated process for managing the performance of SPS providers once appointed and poor performance may not be captured, with the risk of ultimately providers being paid whether or not they actually deliver.
- 41. **Scope creep** – this is currently dependent on local management of the contract with no comprehensive process to mitigate for this.
- 42. **Collaboration** - the Council has no formal means to collaborate with other regional authorities and share business cases, IP etc.
- 43. **IR35** - the Council contracts directly with many contractors via their Ltd companies. The Council is therefore putting itself at financial risk by enabling potential tax evasion. Many authorities have recently been caught out by this issue and it is a matter of “when not if”, unless mitigating action is taken. Using the NEPRO solution/ route to market, this issue would be mitigated against.
- 44. **Local providers** - there needs to be a compliant way to increase the use of local SMEs without breaking EU procurement laws.
- 45. **Spend** – needs to be reduced through a mixture of centralised demand management, supplier engagement and better overall control/management.

How can NEPRO specifically support this?

- 46. **Business Case Process** - NEPRO would provide a process and template policy and procedure documents for managing business cases and authorisations together with an automated governance system to centrally manage the process online.
- 47. **Compliance** – as NEPRO are a private sector organisation they are not subject to EU procurement rules. NEPRO can therefore manage direct appointments or run mini competitions as required and for any level of spend.
- 48. **Spend data** – NEPRO would perform a diagnostic as part of the implementation and as the spend would be centrally controlled, spend data will thereafter be available in real time.
- 49. **Performance Management** – the process requires all providers of services to the council to produce monthly highlight reports, before invoicing is approved. The NEPRO system automates this process but the overarching principle is that providers only get paid on the agreement that the outputs within the milestones as detailed in the original business case have been met.
- 50. **Scope creep** – suppliers only get paid for the work as was approved in the business case, with any additional work having to be approved in the same way.
- 51. **Collaboration** - the process captures business cases and outputs which can be shared amongst any authorities if appropriate.

52. **IR35** - All NEPRO contracts are for output based services not input driven interims. Providers are treated as consultants and not interim members of staff therefore mitigating this risk. Payment is on performance only.
53. **Local providers** - NEPRO can positively discriminate in favour of local SMEs and will engage in regional and local supplier engagement as part of their implementation. NEPRO can operate a tiered approach whereby, where possible, 3 quotes for each requirement are obtained from the local and (then) regional supplier base.
54. **Spend** – closer management / control over the appointment of providers will drive down spend by improving demand management (buying only what Council needs), and driving best value from suppliers.

In addition to the above NEPRO will drive efficiency savings by reducing back office costs and reducing risk for the Council.

Published spend data will show spend via NEPRO Ltd. NEPRO is perceived as a NEPO initiative who are a member of the Pro5.

Impact of Change

55. Moving the spend to a new supplier will have an associated 'cost of change' that will impact the Central Bedfordshire Council stakeholders and users. It is anticipated that the change in provider would require a three month implementation period.

Conclusion and Next Steps

In summary, the recommendation is:

1. To call off from the NEPO framework and implement the full NEPRO model with an implementation roll out immediately following Executive Approval.
2. Implement the mechanisms to deliver the agreed services and specified services.

Appendices:

Appendix B – Financial and other options (Exempt)

Background Papers: (open to public inspection) None

