

Procure to Pay Brief for Support Services OSP – March 2011

In 2009, the Plymouth City Council Procure to Pay (P2P) Lean Strategy was approved by CMT.

A process review was undertaken looking at sourcing, buying and payment processes each of which are interrelated. The whole process review enabled a re-engineering approach which will generate substantial efficiencies as detailed below:

Based on 2009/10 spend of £141M

- £66M was on-contract (controlled)
- £75M was off-contract spend (uncontrolled)

By saving just 5% of the uncontrolled spend (£75M) the Council could realise savings of £3.75M pa

Initially there were 323 staff across the Council authorised to raise requisitions and a further 396 staff using Corporate Purchasing Cards

The proposal is for a Buyer Section – initially with 8 Buyers at D Grade

- By implementing this projected efficiencies over next 3 years are:
 - Invoice Centralisation - £0.3M
 - Procurement Process - £0.1M
 - Staff savings £0.85M across Council
 - Cross refer to Business Support and Admin cross-Council efficiencies
 - Negotiation Process
 - Yr 1 £0.4M
 - Yr 2 £0.9M
 - Yr 3 £3.8M
 - Total £5.1M
 - Total - £6.4M over 3 years

Background – Where We Were

- No vendor management control: many creditors and suppliers were duplicated, unaccredited and not preferred.
- Many suppliers did not have suitable insurance or accreditations.
- Contract Standing Orders were not in line with appropriate procurement legislation.
- Invoice input was not centralised; therefore, large number of staff across the Authority were involved in processing and authorisation of invoices. No consistency or monitoring was being achieved.
- Purchasing of non-standard goods and services (approx £49m pa) being ordered without official purchase order and without agreed terms and conditions.
- P2P focuses on electronic means of sourcing, requesting quotations and tendering.
- Central Government estimated in 2004, that the implementation of full e-commerce for a unitary local authority would result in savings between £1.5 and £5.6 M with an additional efficiency of 17.4 FTE.

Achievements To-Date

- The Sell2Plymouth portal was introduced in April 2010 as a joint venture with public partners in Plymouth to enable control over suppliers added to the vendor database. The portal ensures that all suppliers are accredited and only added once approval has been given by Strategic Procurement. In 09/10 there was an average of 103 suppliers per month added to the database; to-date, in 10/11, this figure has reduced to an average of 45 per month.
- Contract Standing Orders have now been reviewed and have been aligned to current procurement legislation and will go to Council for approval as part of the revised constitution papers.

- Invoice centralisation was implemented on 1st Nov 2010 which has resulted in a reduction in sundry payments from 3139 in April to 123 in Nov. Invoice centralisation has also enabled a much closer monitoring of off-contract spend – now always referred to Strategic Procurement for approval.
- Two Buyers have been employed in Corporate Support since Oct 10. The Buyers manage the sourcing and ordering of all non-contract and service goods. Since 18th Oct to date savings in excess of £60K have been achieved as a result of their proactive approach

The Future

- The **Sell2Plymouth portal** will be fully integrated with PCC's financial system eliminating the need for manual set up of vendors within the database; therefore, generating process savings of approx £2K.
- **Reduction of sundry invoices** to nil by the end of Oct 2011.
- **Buyers.** Originally identified need for 16 buyers to undertake purchasing for the Authority. Has been amended to source just 8 Buyers initially:
 - Currently 2 Corporate Support and 2 Community Services Buyers in post
 - By end of March 2011 a further 4 buyers: 2 for Children Services; 1 for Development and further 1 for Corporate Support need to be in post
- **Targeted savings for P2P:**

| Year | 2011/12 | 2012/13 | 2013/14 |
|---------------------|---------|---------|---------|
| Efficiencies | £0.85M | £1.5M | £4.0M |

- Savings are dependent on internal transfer of staff to train as buyers.
- By April 2011 we aim to have control over all non-contract and catalogued spend across the entire Authority – effected through 8 Buyers.
- Workload will dictate whether further buyers may be required.
- Dependent on buyers being trained in following:
 - Sourcing of non-standard goods and services
 - Negotiating skills
 - Demand management