Plymouth City Council

VFM Review of the Procure to Pay Project

Contents

1 Overview

1.1 Background

In light of the Government's Spending Review in October 2010 and the local government settlement in December 2010, significant savings are required to be made by council's across the country.

Plymouth City Council (the Council) plans to make £26 million of savings over the three year period 2011-14. As part of a wider corporate cost reduction programme the Council has identified a target of £9 million savings from procurement related activity. The Procure to Pay (P2P) project is planned to deliver £4 million of this, with a further £5 million to be delivered through a category management project.

The Council has a central Strategic Procurement Unit (SPU), which was established in 2004, that supports the procurement and commissioning activity that takes place across all council services, and has responsibility for co-ordinating the procurement savings programme.

The procurement savings programme represents a significant proportion of the overall Council's savings programme, and aims to reduce the Council's planned budget for external expenditure by 4.1% in total over a three year period. As it is essential that the Council delivers the planned savings in order to meet its operational and financial commitments the risks associated with delivering the savings programme need to be identified and appropriate arrangements put in place to manage them effectively.

The P2P project has six work streams with the majority of savings expected to be achieved through the "buyer rollout" work stream, which goes live on 1 April 2011. The allocation of savings by year of the project and work stream will need to be updated following approval of the revised Corporate Support Services delivery plan.

Our review has been undertaken as part of our 2010/11 Value for Money (VFM) Code of Audit Practice work ("the Code"). The Code allows auditors to undertake specific pieces of audit work that feed into the VFM conclusion.

1.2 Scope of our work

The scope of our work related to the P2P project and covered the following:

- review how the procurement savings programme supports the achievement of the Council's medium term financial strategy (MTFS) and corporate priorities;
- review the robustness of the procurement implementation plan, with particular regard to the associated project management framework;
- determine the effectiveness of the associated benefits realisation strategy, with particular regard to how savings will be measured and validated;
- review the Council's approach to risk management in relation to the procurement savings programme; and

- identify any issues relating to the programme management and governance arrangements of the procurement savings programme.

We conducted our review through:

- a desktop review of documents;
- discussions with officers involved in the delivery of the P2P project; and
- discussion with officers in services that are affected by the P2P project.

We set out in out Audit Plan for 2010-11, presented the Audit Committee in January 2011, that we would undertake work in relation to project management. We have reflected in this report some commentary in relation to the Council's project management arrangements, but have not made any specific recommendations regarding those arrangements. We will undertake and report our review of the Council's project management arrangements in the summer of 2011.

1.3 Key findings

Corporate alignment

The P2P project is aligned to the new corporate priority to provide value to communities. It forms part of the Corporate Support Services delivery plan and we believe there is clarity at a corporate level, regarding the need to deliver the P2P project.

Project governance arrangements

The P2P governance arrangements were originally set out in the Project Initiation Document (PID) in April 2010. Since that date the project manager has changed and so have a number of work stream leads. We found that there is a lack of clarity regarding the new project structure and as both the former and current project manager are also work stream leads, there is a risk that accountability and ownership are confused, which could impact on the effective implementation and monitoring of the project.

Approach to risk management

The Council is broadly compliant with it's risk management strategy for this project. There is a project risk register in place which is monitored regularly, although there is scope to enhance the structure of the register, documentation of required actions and residual risk scores. The use of an issues list is good practice to record live risks which need to be actively managed, but it needs to be enhanced further to ensure accountability and progress on managing and resolving issues can be monitored more effectively.

Robustness of Implementation plan

The Council has sought to follow a PRINCE2 project management methodology for P2P, rather than the Council's project management procedures. The work streams of the project are in various stages of implementation, but there has been a lack of clear communication across the Council. The absence of a project communication plan is likely to have contributed to a lack of fully effective stakeholder engagement. The allocation of the savings target across the three year period of the project has continued to change as the Council's budget has been refined. In March 2011 the target for 2011-12 increased to £1.2 million from £0.75 million, and appears to represent more of a budget gap that needs

to be filled rather than a realistic level of savings which the Council expects it can deliver. Overall, the Council considers that the savings target of 4.1% to be delivered through procurement to be prudent when compared to the targets of other Councils of between 7% and 8%.

Effectiveness of benefits realisation

The Council does not have a benefits realisation strategy for the balancing the budget programme or the P2P project. The arrangements for performance management need to be developed as a matter of priority, including how financial and non-financial benefits will be measured and monitored.

1.4 Conclusion

The Council has a clear vision to deliver £4 million of procurement savings through it's P2P project over the three year period starting 1 April 2011. It is clear that there is a strong commitment, and ambition, for a wide range of improvements and reforms in how the Council manages its procurement activity. It believes it has set a prudent target, based on a baseline assessment, to deliver net revenue savings. The framework to deliver these has continued to develop since January 2010 but further work is still required to introduce effective implementation plans and to realise the financial and non-financial benefits.

Whilst we are currently able to conclude that proper arrangements are in place to support a positive value for money conclusion for Plymouth City Council for 2010-11, progress is required to address the high level recommendations set out at Appendix A, which will inform our conclusion for 2011-12 and subsequent.

1.5 Recommendations

Our detailed recommendations are set out in the body of this report, and summarised in an action plan set out in Appendix A.

1.6 Acknowledgements

We would like to take this opportunity to thank the Council's officers for their assistance provided during the course of our review. A list of those consulted is included at Appendix B.

1.7 Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Practice and should not be used for any other purpose or copied to third parties without our written consent. We assume no responsibility to any other person.

This report includes only those matters that have come to our attention as a result of the work performed. This work has not been designed to identify all matters that may be relevant in respect of the Council's P2P project.

Grant Thornton
March 2011

2 Project governance arrangements

2.1 Introduction

This section covers the alignment of the project to the Council's corporate priorities and the project's governance arrangements, including the approach taken with regard to risk management.

The timings of the key reports and decision relating to the project are set out in the table below.

Table 1: Key decisions and reports in the P2P project

Key decision / report	Date
Procure to Pay Lean Process Strategy, approved by Head of Value for Money	January 2010
Procure to Pay Project Initiation Document (PID)	April 2010
Buyer Roll-out Business Case, approved by Corporate Management Team	October 2010
Progress reports to Corporate Support Project Delivery Board, approved at each meeting	Monthly since December 2010

2.2 Alignment to corporate priorities and the MTFS

Corporate priorities

The Council's Corporate Plan 2011-2014, which was presented to the Cabinet in February 2011, sets out the shared priorities for delivering the Council's vision with its Plymouth 2020 partners. This includes providing value for communities, which is translated as 'work together to maximise resources to benefit customers and make internal efficiencies'. It also sets out that the Council's efficiency wide focus includes 'improving commissioning and procurement to get better value from contracts and from our purchasing of goods and services'.

As part of the wider Balancing the Budget programme the Council has identified the need to make procurement related savings. One of the Council's mechanisms to do this is via the P2P project . The intention is for this project to deliver £4 million of savings in the three year period ending 2013-14, with the P2P project commencing implementation during 2010-11 so that savings are realised from 1 April 2011. The Council intends to make a further £5 million of procurement related savings through category management.

Consequently our review indicates that the P2P project supports the Councils corporate priority to provide value to communities.

Before the Council updated it's Corporate Plan for 2011-2014, it had 14 Corporate Improvement Priorities (CIPs). The P2P Strategy set out that it supported CIP 14, providing better value for money, and that it supports the restructure of goals by increasing customer focus, efficiencies and minimising business risks.

MTFS

The Council is in the process of updating its MTFS, following the Government's Spending Review in October 2010 and the local government finance settlement in December 2010. We understand the revised version will also reflect recent budget changes, and will be published in April 2011. As such, we have not reviewed the MTFS, because it has not been drafted. We understand that the revised version is intended to align with the new corporate priorities.

Underpinning the revised MTFS are 13 delivery plans, two of which are combined to form the Corporate Support Services and Customer Services delivery plan. These delivery plans set out a series of actions and projects as part of the Balancing the Budget programme, where savings, efficiencies, or increased income are planned over the period 2011/12 to 2013/14. One of the projects within the Corporate Support Services and Customer Services delivery plan is P2P.

2.3 Project governance arrangements

P2P project board

The P2P project is overseen by a project board. Members of the board, as set out in the P2P PID, are as follows:

- Assistant Director for Finance, Assets and Efficiencies - Chair
- Head of Value for Money
- Head of ICT or delegate to represent ICT
- Strategic Procurement Manager
- Head of Finance
- Representative for Human Resources
- Representative for Assistant Chief Executive
- Representative for Devon Audit Partnership

The P2P PID defines the project board's role as:

- monitor progress on the project;
- challenge the project team and project manager;
- represent the business interests within the project;
- provide an escalation route for resource conflicts;
- provide impartial and objective support to the project; and
- carry out a project assurance function.

In addition, members of the project board are to act as the organisation's P2P champions and will represent the project and delivery of the P2P strategy, and secure buy in from the Directors and senior officers within the Council.

The project sponsor is Paul Chapman, Head of Value for Money and Efficiency. When the Project was initiated the Project Manager was Kim Worthington, Product Portfolio Manager. Following the restructuring of the finance function in 2010 the Project Manager role was reassigned to Nicola Allen, who is also a Product Portfolio Manager.

The P2P project board has recently been replaced by the Corporate Support Project Delivery Board. The Senior Responsible Officer (SRO) for the P2P project is Adam Broome, Director for Corporate Support, who is accountable for the delivery of project outcomes. This new board oversees all projects being led by the Corporate Support directorate. The Council plans to set up a 'Peoples Panel' where project outcomes and achievements will be monitored, and practical issues will be discussed and addressed, and then feed into the Corporate Support Project Delivery Board.

Recommendation 1

The P2P PID should be updated to reflect the revised project governance arrangements structure.

P2P structure

When the project was initially set up, it was aligned to Corporate Improvement Priority (CIP) 14, 'Providing better value for money. Priorities have now been consolidated into four priorities across the city. P2P has six work streams, as set out below.

Exhibit 1: High level project structure
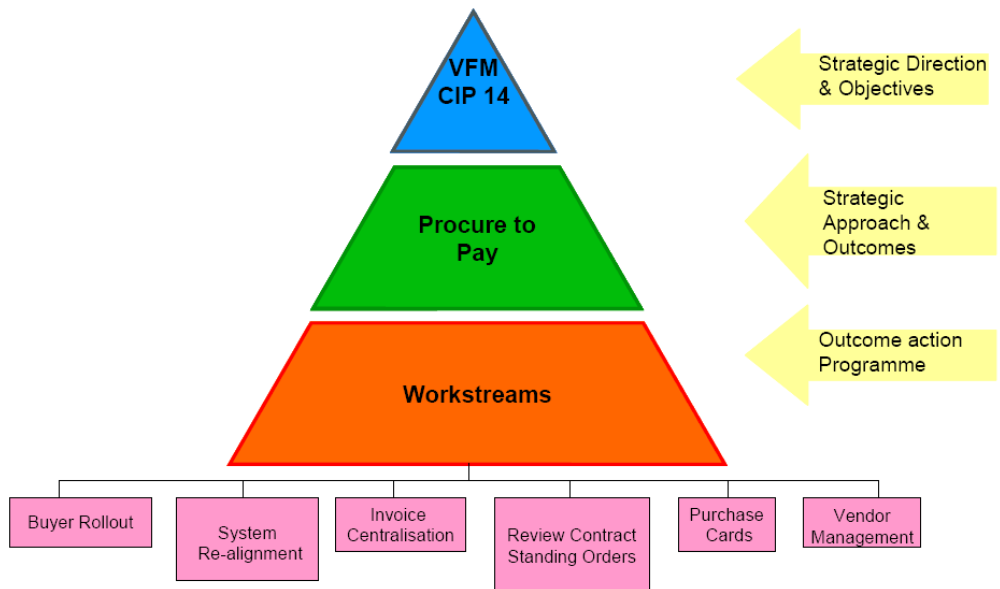
The scope of each work stream are summarised in the table below, along with work stream leads and work stream timescales.

Table 2: P2P work streams, their leads, scope and timescales

P2P work stream	Lead in PID	Scope in P2P strategy	Timescale in P2P strategy
Buyer rollout	Maria Schingen, Product Portfolio Manager Now changed to Kim Worthington, Product Portfolio Manager	To cease local procurement of non-standard items, centralising it to designated buyers	February 2010 - April 2011 Now forecast to complete July 2011
System re-alignment	Paul Harris, Principal Systems Analyst Now changed to Martin Felgate, Senior Accountant	To ensure that all reporting and allocation on the Civica system reflects actual organisational structures. This safeguards Civica data integrity and allows for accurate management information	March - June 2010 Now forecast to complete March 2011
Invoice centralisation	Sharon Taylor, Senior Financial Services Officer Now changed to Julie McMillan, Income Maximisation Manager	To cease local processing of invoices and centralise all invoice processing into the Creditors section	February 2010 - March 2011
Review of contract standing orders	Nicola Allen, Product Portfolio Manager	To update current contract standing orders, communicate and monitor new approved standing orders	March - July 2010 Now forecast to complete April 2011
Purchase cards	Kim Worthington, Product Portfolio Manager Now changed to Martin Felgate, Senior Accountant	To select the most cost effective purchase card option for the Council, test and implement it across the council and schools	May - November 2010
Vendor management	Nicola Allen, Product Portfolio Manager	To create a rationalised, approved, monitored vendor base under the central control of Creditors and Procurement	February - April 2010 Now forecast to complete November 2011

It is good practice to breakdown a complex project into separate elements. We consider the approach taken by the Council to be reasonable.

Project management

The Council's project management procedures set out that the project manager should lead, manage and coordinate the project team on a day-to-day basis, and the project team should deliver the required outputs and deliverables. The project manager, Nicola Allen, is also responsible for the vendor management work stream and the review of contract standing orders work stream, as set out in table 2 above. She is assigned a number of the tasks for these in the project plan, as well as tasks in vendor management and the review of contract standing orders. The previous project manager, Kim Worthington, was originally responsible for the purchase card work stream.

Where an individual performs the role of project manager and is required to deliver an element of the project as work stream lead, there is a risk that accountability becomes confused, which may impact on the effective delivery of the project.

Recommendation 2

The Council should ensure that the roles of P2P project manager and work steam leads should not be assigned to the same individual.

In addition, elements of the project governance have changed during the implementation of the project and, whilst in itself, this is not bad practice, given changing circumstances, we have not been able to identify a clear record of the changes or of the new project governance arrangements. Our fieldwork indicates that the absence of a clear structure and overarching governance has resulted in a lack of clarity regarding roles and responsibilities in the P2P project. This may have contributed to the apparent delays in the delivery of the project to date, which the Council has recognised. The timescales set out in the P2P lean process strategy in January 2010 have not, or are not forecast to be, achieved for four of the six work streams, as set out in table 2 above.

The savings identified for the project are to be realised over the three year period commencing 1 April 2011. It is essential that all benefits are robustly monitored over the life of the project, and a lack of clarity on roles and responsibilities may impact detrimentally on the ownership of benefits targets across the six work streams. Benefits realisation is discussed further in section 3.3.

Recommendation 3

The project structure and governance arrangements need to be re-defined in light of current circumstances, including a Memorandum of Roles and Responsibilities of all key stakeholders involved in the project.

Progress reports are presented to the Corporate Support Project Delivery Board on a monthly basis and it this Board overseas progress against the Corporate Support Services and Customer Services delivery plan. Further detail on performance management is included in section 3.3 of our report.

2.4 Approach to risk management

Risk management strategy

The Council's risk management strategy 2010 requires that risk management is embedded in the Council processes, including project management, making risk management an integral part of project planning. The strategy requires a risk register to be maintained which should include possible consequences of the risk identified, the potential impact and likelihood of the risk, existing controls in place to mitigate each risk and planned actions to mitigate risks, with relevant timescales and responsible officers. Medium to long term risks are required to be included on the strategic risk register and those affecting day-to-day departmental operations should be on operational risk registers.

Strategic risk register

In the Council's strategic risk register, the risk of not delivering the P2P project and £4 million savings over 3 years is captured within risk 21 titled MTFS. The consequences of this risk include failure of the budget and failure to deliver corporate priorities, it is assessed as the highest score which is 25, with a residual risk score also of 25. This links to the old Corporate Improvement Priority 14, providing better value for money, before the priorities were updated, which is also set out earlier in this section of our report. We consider that the P2P project is appropriately aligned to the Council's strategic risk register.

Corporate Support Services delivery plan

The Council's Delivery Plans provide the link between risk against the Council's strategic priorities and the risk assessment of individual projects. The Corporate Support Deliver Plan includes procurement and identifies P2P / buyer roll out for 'driving efficiencies out of external purchasing'. The plan sets out the lead officer, projected savings, impacts of failure to deliver and a risk assessment. The major risk identified is 'not being able to identify savings made across departments' and this is amber rated and the response states that buyer roles will be established and a system to capture savings implemented.

P2P project risk register

The P2P project is following the Council's risk management strategy, and follows good practice, as it uses a project risk register which is routinely reported to the Corporate Support Board. The P2P Lean Strategy sets out key risks, how they will be assessed (scored) and how they will be mitigated. The P2P PID set outs that a risk analysis would be completed by the project team at the first meeting. A project risk register is in place and each P2P Corporate Support Board report includes an updated version with 'open' risks on it.

However, the project risk register is not fully compliant with the Council's policy. It does not clearly distinguish between existing controls in place to mitigate risks and the planned actions which need to be put in place to mitigate risks. These are both incorporated within one column titled 'control'. Whilst mitigating controls are documented it appears that a number of the controls are not in place i.e. they set out something that will happen in the future. There is no timescale or responsible officer assigned to these future actions.

The report to the Corporate Support Board in March 2011 includes 12 risks, eight of which are high and four are medium. Four of the risks have been scored as 25, the highest possible score. There is no residual score of each risk after consideration of the mitigating

control. This does not appear to be a requirement of the Council's risk management strategy, but it is the approach adopted for the strategic risk register and represents best practice.

It is important that the risk assessment is fully documented, in order that the Council focuses resource in the areas of greatest risk of not delivering the required outcomes. Where high residual risks are identified, the Council needs to decide whether, and how, to address these.

We have reviewed the four risks that were assessed at the highest score of 25 in March 2011, and would make the following observations in relation to two of the risks.

- Risk - Ensuring on-going compliance will reduce the identified efficiencies and the project viability cannot be ensured. This risk is not clearly defined and it is unclear why ensuring on-going compliance is being treated as a risk.

- Risk - Delay in buyer implementation could result in loss of funding secured for 2010-11. The control states that a purchase order will be raised and goods received before the end of March 2011, this appears to be a future action rather than a control in place. This report was prepared at the end of February 2011, which means only one month was available to purchase and receive the goods identified.

Mitigating controls and planned actions to mitigate risks should be SMART i.e. specific, measurable, achievable, realistic and timely. Where actions are clearly defined, there is increased opportunity to deliver them. Our review of the risk register has identified that it is not clear how the Council intends to address some of the risks identified.

The risk register does not include a risk in relation to monitoring benefits realisation. Section 3.3 of our report sets out that the Council does not have a benefits realisation plan in place. The Council has recognised a clear need to identify how benefits will be realised but has not formally documented how this will be done. Without this, the Council is limited in its ability to determine whether the project is on track to deliver its objectives. Many of the P2P risks the Council has identified may impact on benefits realisation, rather than this being a separately identifiable risk. It may be appropriate to include a column for the type of risk in the risk register so, for example, it is clear if the risk primarily relates to key areas such as people, data and benefits realisation.

Recommendation 4

The P2P project risk register should be enhanced by:

- ensuring it complies with the Council's risk management strategy, distinguishing between controls in place and required actions, with timescales and responsible officers assigned;
- documenting the residual risk score for each risk, where residual risks remain high, decisions should be made as to whether, and how, to address these risks;
- more clearly identify risks and controls, rather than process, in place to mitigate them; and
- identifying the type of risk.

P2P issues list

In addition to the risk register, the Council has followed good project management practice by using a project issues log, which it has called an issues list. This records "live risks" that need to be actively managed, and the Corporate Support Board reports state that they need to be resolved as a matter of urgency.

The issues list could be enhanced to meet all of the requirements of a full issues log. It currently sets out a description of each risk, whether it is open or closed, and the recommended action, but does not currently:

- identify the risk on the risk register to which the issue relates;
- the date the issue was raised or closed;
- the impact of the issue, for example on other work streams or projects;
- the owner of the action to manage the issue, when the issue was assigned, and the date by when the recommended action should be completed; or
- whether the issue is work stream related or whether it is at project level.

The issues log could also usefully include a column to record lessons learned arising from the management of the issue.

Recommendation 5

The P2P issues list should be developed to meet the requirements of an issues log.

---

3 Project management

3.1 Introduction

This section covers the delivery of the project, in particular, the robustness of the implementation plan and effectiveness of the benefits realisation strategy, and how benefits will be measured and validated.

3.2 Robustness of implementation plan

Project management

The Council's project management procedures, rolled out in May 2010 and updated in November 2010, set out the documentation that is required to be maintained when undertaking a project. It distinguishes between major projects, which are those with a cost of over £500,000, and minor projects, which are those with a lower cost, unless specified risk factors make it a major project.

The required documentation for a major project should be initially compiled during the appraisal stage and reviewed, updated and reported on throughout the life of the project. For minor projects this should be tailored appropriately. Key documents include:

- Initial Project Proposal - alerts key and significant persons outside the related department of possible and future work.

- Communications Plan - defines parties with a project interest and means and frequency of communication with them.

- Project Execution Plan - statement of policies and procedures defined by the Project Director, setting out the project scope, objectives and relative priorities.

The Council has confirmed that these procedures have not been followed for P2P and, as a result, the above documents have not been produced. The Council identified the implementation cost of the P2P project in the related PID as £23,500, excluding staff costs. The cost of the purchase card work stream was stated as £5,000, and vendor management as £18,500 which is grant funded. The Corporate Support Services delivery plan states the revenue cost of implementing buyer rollout is 'to be confirmed'. The full cost of a significant project should be quantified before a project commences, so that resource implications can be fully understood and managed, and so the return on investment is clear.

Recommendation 6

The full cost of projects should be budgeted prior to a project commencing.

The cost of not implementing the project is not achieving the targeted £4 million savings. Therefore, the project management disciplines required of major projects could be usefully

applied to a savings project of this nature, albeit the known cost of delivering the P2P project does not explicitly meet the criteria of a major project. We will consider the clarity and application of the project management procedures as part of our separate project management review, which is planned in the summer of 2011.

The P2P project sponsor has confirmed that, whilst P2P does not meet the capital project definition of spending more than £500,000, P2P is a major project for the Council. This is a revenue efficiency delivery project for which the Council has sought to develop appropriate project management arrangements. These differ from the Council's project management procedures, which we consider to be focussed toward capital projects.

Documents have been produced that the Council considers to be in line with the PRINCE2 project management methodology, including a PID, Business Case for the buyer rollout work stream, and a project plan. The PID covers many of the requirements of a project execution plan, although it is not as comprehensive or detailed, although, as mentioned above, the execution plan appears to be more appropriate for capital projects.

We have confirmed through our work that not all key managers with responsibility for delivering the P2P project and its work streams were aware of the Council's project management procedures. Whilst the P2P Strategy was developed before the updated project management procedures were issued, the project board has recognised the need for these key documents which should enable the more effective delivery of the project.

Recommendation 7

The Council's project management procedures should be followed, or an alternative methodology justified and formally approved by the project board.

Project communication

It is essential that the Council identifies all the key stakeholders at the outset of all projects, analyses their communication needs and agrees the communication channels to be used, the frequency of communication, and who is responsible for managing the communication. This increases the ability to effectively deliver a project, and manage risks identified, such as stakeholder buy in. Without effectively structured and planned communication, there is a risk that the Council does not have buy-in from stakeholders and that the project's effective implementation could be compromised.

Our interviews with a number of stakeholders within services identified that the key difference between the restructuring of the finance service and the current changes in procurement is communication. Officers stated they feel a lack of ownership in the procurement changes, predominantly due to uncertainty over what is happening, for example in how the role of the central buyers will meet their requirements.

We also identified a strong understanding of the need to make savings through procurement, to both protect front line services and jobs. Consequently, whilst there is a mixed level of awareness of the P2P project itself, there is a clear appetite for involvement in the project and the successful delivery of its objectives.

The majority of interviewees commented that they would have liked earlier involvement in this project. In some service areas there was also a perception that initiatives or views developed in the Civic Centre are imposed on those who operate in other locations. This is

one of the symptoms of not having a communications plan at the outset of the project and results in a lack of potential engagement and buy in from service areas.

Recommendation 8

A project communication plan should be produced and implemented to manage relationships with internal and external stakeholders.

Project plan

The project plan, which is a Gantt chart, specifies the high-level tasks required to deliver this project, their anticipated duration, start and finish dates and a responsible officer is assigned each task. The Council has stated that detailed action plans will be produced to supplement the overall project plan. The plan is comprehensive and represents good practice, and it is being used as a live document to track the Council's progress with the project.

P2P savings target

As already noted, the savings target for the P2P project is £4 million over a three year period starting 1 April 2011. This is part of a larger procurement saving of £9 million, which includes £5 million for category management savings.

The P2P savings are to be delivered through reductions in external expenditure from the Council's net revenue external budget i.e. excluding capital and grant funded items. The net revenue external spend has been identified as £164 million, therefore the targeted savings represent 2.4% of this.

In addition, the category management savings are to be made from the gross budget (net revenue plus capital) which is currently £216 million, representing a savings target of 2.3%. After taking account of expected revenue budget and capital reductions, the Council have calculated this to be a total saving of 4.1% over the three year period.

In setting this target the Council has undertaken a review of the savings achieved or forecast by other local authorities. It understands others are targeting between 7% and 8% savings and therefore considers that 4.1% is a realistic, if prudent, target. Our review has not been able to establish further information or detailed assumptions to support why the headline savings target in P2P is £4 million, other than this is the forecast budget gap.

The phasing of the target over the three year period from 1 April 2011 has varied over time. The original PID, prepared in April 2010, states the total expected savings were £465,000, which is significantly below the target amount and had no time frame allocated. The target was subsequently set out more clearly in the Corporate Support Services delivery plan, which we have been advised during the course of our review has been further updated following conclusion of the most recent financial planning process. Summary savings target by year are set out in table 3 below. It has been confirmed that the target is cumulative, so that the aggregate savings to be realised by the end of the three year period total £4 million.

Table 3: Savings targets in the Corporate Support Services delivery plans

Plan date	2011-12	2012-13	2013-14
November 2010	£0.75 million	£2.0 million	£4.0 million
March 2011	£1.2 million	£1.5 million	£4.0 million

The Council has continued to refine the target for each year throughout the budget setting process. However, it appears that this continues to represent the budget gap in each year, rather than the value of savings which have been identified as achievable in each individual year. The target for 2011-12 was revised from £0.75 million upward to £1.2 million in March 2011. As a result the related plans in various documents will need to be updated.

The Council reported in the March 2011 Corporate Support Board report how the £4 million target is allocated across the six work streams. However this was presented before the allocation of the target by years was revised in the Corporate Support Service delivery plan in March 2011. An appropriate allocation is critical for effective ownership of benefits, their monitoring, and for clear accountability for their realisation.

Recommendation 9

The total P2P savings target, and allocation by year, should represent the value of savings the Council could achieve, rather than being a budget gap. The allocation across the six project work streams should be updated to reflect the revised allocation by year.

P2P project reporting

Progress reports are presented to the Corporate Support Project Delivery Board on monthly basis, this Board overseas progress against the Corporate Support Services and Customer Services delivery plan. The reports include a comparison of the savings achieved to date against target as well as actions taken since the last report and a list of risks and issues relating to the project.

The report presented to the March Board, written in February 2011, stated the following within the body of the report:

* invoice preparation had achieved savings of £28,500; and
* corporate support buyers had achieved savings at the end of February 2011 of £65,000, the example given being equipment purchased at the same price as in 2007 despite having an annual RPI of 3%.

Appendix D to the report, which sets out planned savings over the project, shows that a total of £37,000 of savings are forecast to be delivered by the end of 2010-11 from invoice preparation. These will contribute to the overall savings target and forecast the February position up to the end of the year.

Savings achieved to date are reported in appendix C to the report, which includes two graphs which show:

- total buyer efficiencies for 2011-12, with a target for the year of £750,000; and
- corporate support/chief executive buyer efficiencies for 2011-12, with a target for the year of £170,000.

Both graphs show savings to date which contribute to the overall target of £4 million. The reporting is set out to capture separately capital and revenue savings.

Our understanding is that the P2P savings are revenue only, and cashable savings do not include an RPI increase, because the Council considers this to be a non-cashable saving. The monitoring information presented in the Corporate Support Services board reports does not appear to be consistent with the basis for target setting. The project should set targets and monitor performance against them on a consistent basis, to avoid the risk of incorrectly reporting that a target has been achieved when it has not.

Recommendation 10

P2P reporting to the Corporate Support Services board should clearly reflect only revenue savings, and cashable and non-cashable savings should be separately monitored.

3.3 Effectiveness of benefits realisation strategy

A benefits management/realisation strategy provides a project with a framework for realising benefits. It defines:

- how benefits (and dis-benefits) will be quantified and measured;
- how interdependencies between benefits will be identified and tracked;
- how Benefits Realisation will be authorised; and
- the processes for measuring the cost-to-date and expected cost of achieving benefits.

A benefits profile is used to define each benefit (and dis-benefit) and track its realisation, each benefit requires a complete definition (benefit profile). It also provides the opportunity to scrutinise them, for example:

- Are the measures realistic?
- Are the dependencies with other benefits and projects identified?
- Are appropriate responsibilities for realisation identified and agreed?
- Is the benefit accruing as expected?
- Are the business changes being made to enable the benefit?

We understand that the Council does not have overarching benefits realisation strategy for the Balancing the Budget programme, nor benefit profiles for the P2P project. Further, there are no detailed assumptions underpinning the level and timing of the planned savings, nor how they accrue across different services, or areas of procurement activity. The absence of any benefits realisation strategy, benefits profiles and related assumptions means that there is a high degree of risk that the Council will not be able to effectively monitor benefits and will not be in a position to determine when benefits have been realised.

We understand a benefits realisation plan, in line with the revised savings targets, is being prepared and will be presented to the Corporate Support Services delivery board in April 2011.

Non-cashable benefits

During the course of our fieldwork a number of non-cashable benefits were mentioned, such as improved management information, increased compliance with regulations and the consistent procurement of the most appropriate goods or service across the Council. The P2P Strategy (page 7) set out the benefits of the project as follows:

- increased control over spend
- increased value for money, quality and delivery
- removal of unethical purchasing practices
- management of procurement risks, limiting organisational liability and improving supply security
- controlled, managed and qualified supplier base
- more accurate and timely invoice processing
- e-invoicing, intelligent scanning and automatic invoice authorisation
- improved budgetary management and controls
- improved contracting opportunities and strategies
- compliance with Glover report recommendations regarding dealing with SMEs
- realisable savings in procurement costs, staff efficiencies in purchase and invoicing processes
- reduction in the annual costs associated with corporate credit and lodge cards.

It further stated that "achievement of the above benefits would be measured through Key Performance Indicators for each P2P strand" i.e. work stream. However, we have not been able to identify how these benefits have been profiled or how they are being measured.

Performance management

To maximise the opportunity to deliver the project in the timescale set, it needs to be effectively performance managed. This involves defining how success will be measured and what the required level of performance should be, once the project has been delivered. We would expect to see clear baseline performance information e.g. unit costs, KPIs, customer satisfaction, and planned performance targets, for monitoring after the improvement has been completed.

In addition to the financial targets reflected earlier in this section of our report, the P2P Process Strategy states at section 7.2 that targets and indicators will be set to monitor the achievement of benefits. In this document eight indictors are listed:

- reduction in P2P process cost
- increase of CIP qualified personnel authorised to carry out non-catalogue procurement
- reduction in non-standard and service item orders
- reduction in orders placed (through consolidation)
- reduction in off contract spend
- 100% purchasing suppliers approved
- 96% of invoices meeting or exceeding prompt payment targets; and
- accurate procure to pay management information

However, only two have definable targets (100% of purchasing suppliers to be approved and 96% of invoices to meet or exceed prompt payment targets). To date, a full set of key performance indicators have not been defined and related targets have not been set.

The project board report for March 2011 made reference to progress in realising non-financial benefits. The example given in the report was the number of invoices processed without a purchase order has reduced to 2%. This was not an indicator which was included in the P2P Strategy and no target was specified in the P2P project board report. Therefore it is not clear whether the Council has achieved the desired outcome, or should take further corrective action to improve performance.

Recommendation 11

The Council should urgently develop benefits profiles for all planned benefits (financial and non-financial) from the P2P project, including how each benefit is to be measured, and the timescales for realising each benefit, to ensure effective monitoring and benefits realisation.

---

4 Other considerations

4.1 Introduction

This section covers specific findings from our stakeholder interviews with services in relation to the buyer rollout work stream, where the findings do not fit directly under the previous sections of our report.

4.2 Buyer rollout

The Council previously had over 360 authorised buyers of goods and services across the Council and these are now being rationalised to just eight buyers within the SPU. The role of these new central buyers is to purchase goods or services specified by the Council's departments and services where the cost is below £75,000. Buyers are currently being recruited to be in post and trained in their new role by 1 April 2011.

Specification of goods and services

The specification of goods and services required is critical to the buyer being able to purchase effectively. A buyer will only be able to specify to a supplier to the extent that those details have been received from a service.

Concerns were raised by a number of officers in services we interviewed in relation to the role of the buyers, particularly regarding their knowledge of the Council's services. We understand buyers will be aligned to services and so will be able to develop knowledge over time of their specific services. The Council recognises there will be a learning curve for buyers to develop knowledge of their services.

Recommendation 12

The SPU needs to clearly communicate to stakeholders the role of services in specifying goods and services that buyers will procure for them.

A reasonable number of services we interviewed consider the goods or services they procure to be specialist, or non-standard. They positively reflect that, where appropriate, the SPU has adopted an effective 'work around' solution for them. The buyer rollout lead has confirmed that 90% of services areas should fit directly into the P2P process, with only 10% having alternative arrangements which are agreed between the Strategic Procurement Manager and relevant service leads. There appears to be scope for greater understanding of what a specialist good or service is, rather than a misconception that a specialist item has a detailed specification.

The SPU needs to communicate with services to ensure they are clear that the arrangements for procuring specialist goods or services and those with a detailed specification are not a

circumvention of controls. It is instead a key part of the procurement process which ensures services receive the good or services they require.

Recommendation 13

The Council should consider defining what is meant by specialist goods or services to ensure clarity for those involved in their procurement. Where specifications are for specialist items or those with a detailed specification, services should be informed that, where appropriate, the buyer will refer a supplier to the service to agree the specification.

Buyers

During the course of our interviews with stakeholders from services, interviewees suggested ideas to support buyers developing a robust understanding of the services to which they are aligned. These included:

- involving buyers in team meetings, in a similar way that finance as a central support service is involved; and

- asking buyers to 'walk the shop floor', so that they can physically see what goods and services are used, and understand the implication of using the wrong good or service, or it being delayed.

We understand that buyers will consult officers in services about their requirements as part of the effective implementation of the buyer rollout work stream.

Whole life costing

The Council is seeking to reduce the total cost of goods and services. When specifying goods and services, we have been advised that individuals in services consider cost and quality. There is a perception that buyers will focus only on price and will procure the cheapest option.

Our fieldwork has identified that services feel that the new, central buyers will not determine the whole life cost (WLC) of goods or services. For example, the cost of equipment does not include the after care service, or how that service is delivered, including the hire of alternative equipment if the asset is not available for a period of time. Knowing the total cost enables a fully informed procurement decision to be made.

A number of officers in services consider that they procure goods and services with a lower long term cost which are not necessarily the cheapest available purchase price i.e. take WLC into account. There is a perception that this will be prevented in the future, or that services will only be able to continue procuring from existing suppliers where they negotiate this on a case-by-case basis with the SPU. We have not seen clear evidence that services currently document the WLC of revenue goods and services purchased.

The lowest cost to the Council is the lowest WLC, not the cheapest purchase price. The WLC of goods and services should to be determined, in order that this is used to inform the procurement decision. This may, or may not, support the perception that the cheapest good or service is not the lowest cost in the long term.

Recommendation 14

The whole life cost of goods and services should be determined and used to inform procurement decisions.

Further feedback

We have provided the Council with further detailed feedback from the stakeholder interviews we undertook, as part of the reporting process. We considered this detailed feedback to be items which did not require reporting to Audit Committee. It will support the Council in development of its P2P communication plan and effective engagement across the Council to deliver the P2P objectives.

Appendix A: Action plan

Our recommendations are summarised in the following action plan.

No.	Recommendation	Priority	Management response	Responsible office and target date
1	**P2P PID** The P2P PID should be updated to reflect the revised project governance arrangements structure.	Medium	Agreed P2P PID will be updated to reflect the overlap between P2P and Category Management.	Paul Chapman 1 July 2011
2	**Project manager and work stream leads** The Council should ensure that the roles of P2P project manager and work steam leads should not be assigned to the same individual.	High	Agreed Work stream leads and Project Manager roles have been allocated to separate individuals.	Paul Chapman 1 July 2011
3	**Structure and governance** The project structure and governance arrangements need to be re-defined in light of current circumstances, including a Memorandum of Roles and Responsibilities of all key stakeholders involved in the project.	High	Agreed See attached. New project structure/governance will be implemented wef 1 Jul 11 to reflect the overlap between P2P and Category Management.	Paul Chapman 1 July 2011

No.	Recommendation	Priority	Management response	Responsible office and target date
4	**Project risk register** The P2P project risk register should be enhanced by: • ensuring it complies with the Council's risk management strategy, distinguishing between controls in place and required actions, with timescales and responsible officers assigned; • documenting the residual risk score for each risk, where residual risks remain high, decisions should be made as to whether, and how, to address these risks; • more clearly identify risks and controls, rather than process, in place to mitigate them; and • identifying the type of risk.	Medium	Agreed Risk register will be updated and enhanced as described when reviewed as part of the Category Management and P2P project combination.	Nicola Allen/Kim Worthington 31 July 2011
5	**P2P issues list** The P2P issues list should be developed to meet the requirements of an issues log.	High	Agreed Issues list is being reviewed to ensure it meets the requirements of an issues log.	Nicola Allen/Kim Worthington 1 July 2011
6	**Project budgeting** The full cost of projects should be budgeted prior to a project commencing.	Medium	Agreed Full costs for P2P were extremely difficult to ascertain as the project has been implemented solely through use of current internal resource. Consequent marginal cost to the Council is therefore nil.	Paul Chapman/Nicola Allen 1 July 2011

No.	Recommendation	Priority	Management response	Responsible office and target date
7	**Project management procedure compliance** The Council's project management procedures should be followed, or an alternative methodology justified and formally approved by the project board.	Low	Agreed Currently, the Council only has project management procedures to be applied to Capital projects. Nonetheless, the principles remain the same so the principles behind Capital project management are being applied to P2P and Category Management as appropriate.	Paul Chapman 1 July 2011
8	**Communications plan** A project communication plan should be produced and implemented to manage relationships with internal and external stakeholders.	High	Agreed Proposal is for P2P and Category Management to have a joint Comms Plan wef 1 July 2011.	Paul Chapman 1 July 2011
9	**Savings target** The total P2P savings target, and allocation by year, should represent the value of savings the Council could achieve, rather than being a budget gap. The allocation across the six project work streams should be updated to reflect the revised allocation by year.	Medium	Not agreed Total P2P savings targets represent just part of the overall procurement savings targets when combined with Category Management. The output report from Phase A of the Category Management project will identify efficiencies and financial savings from procurement overall. Intention is to combine both P2P and Category Management wef 1 July 2011, so combined targets will apply.	Malcolm Coe/Paul Chapman 1 July 2011
10	**P2P reporting** P2P reporting to the Corporate Support Services board should clearly reflect only revenue savings, and cashable and non-cashable savings should be separately monitored.	Medium	Agreed Both non-cashable efficiencies made and cashable revenue savings are being reported to the Corporate Support Programme Board as directed by Director Corporate Support	Malcolm Coe/Paul Chapman 1 July 2011

No.	Recommendation	Priority	Management response	Responsible office and target date
11	**Benefits realisation strategy** The Council should urgently develop benefits profiles for all planned benefits (financial and non-financial) from the P2P project, including how each benefit is to be measured, and the timescales for realising each benefit, to ensure effective monitoring and benefits realisation.	High	Agreed The Council does not currently have a benefit realisation policy other than focusing on the financial benefits to be realised. This is a development that is recognised as needed and will feature as a training and implementation element of the future VFM programme.	Malcolm Coe/Paul Chapman 1 July 2011
12	**Specifying goods and services** The SPU needs to clearly communicate to stakeholders the role of services in specifying goods and services that buyers will procure for them.	Low	Agreed This is being undertaken through the Communications Plan for the Category Management Project	Paul Chapman/Jane Keeley 1 July 2011
13	**Specialist goods and services** The Council should consider defining what is meant by specialist goods or services to ensure clarity for those involved in their procurement. Where specifications are for specialist items or those with a detailed specification, services should be informed that, where appropriate, the buyer will refer a supplier to the service to agree the specification.	Low	Agreed This will be reiterated through the Category Management Project.	Jane Keeley/Nicola Allen 1 July 2011
14	**Whole life costing of goods and services** The whole life cost of goods and services should be determined and used to inform procurement decisions.	Medium	Agreed The Financial Management Team have been actively engaged in the Category management project and will be responsible for the calculating and reporting of whole life costings used to inform procurement decisions.	David Northey/Paul Chapman 1 July 2011

Appendix B: List of interviewees

The following people were involved in the consultation stage of this review, and we would like to take this opportunity to thank them for their time and contribution:

Name	Position
Malcolm Coe	Corporate Support - Assistant Director of Finance, Assets and Efficiencies
Paul Chapman	Corporate Support - Head of Value for Money and Efficiency
Peter Honeywell	Chief Executives Office - Transformational Change Programme Manager
Nick Flay	Corporate Support - Finance - Group Accountant
Craig McCardel	Adult Social Care - Commissioning Manager / Supporting People Manager
Clive Piper	Development and Regeneration - Cleaning and Facilities Manager
Lee Dyer	Development and Regeneration - Cleaning an Facilities Team Support Clerk
Kim Worthington	Corporate Support - Strategic Procurement - Product Portfolio Manager
Nick Jones	Development and Regeneration - Head of Street Scene, Waste and Recycling and Park Services
Nick Maker	Development and Regeneration - Operations Manager and Deputy Parks Manager
Stuart Palmer	Development and Regeneration - Assistant Director for Strategic Housing
Carol Rowe	Development and Regeneration - Housing Business Support Manager
Clare Oatway	Children and Young People - Head of Services, Performance and Quality

Grant Thornton