

PLYMOUTH CITY COUNCIL

Subject: Procurement Service Update
Committee: Support Services OSP
Date: 9 February 2012
Cabinet Member: Councillor Bowyer
CMT Member: Director of Corporate Services
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Key Decision: No
Part: I

Executive Summary:

Procurement is currently working on a number of activities to drive out Value for Money across the Organisation. The Procurement Project which started in May 2011 has now amalgamated all areas of procurement activity that will deliver efficiencies into one programme in order to focus on an end to end process. There are three key work streams within the project:

- Procure 2 Pay (P2P)
- Category Management
- Efficiencies from Contracts

These work streams are forecasting efficiencies for 2011/12 financial year end of approx. £800,000. There is a budget delivery plan in 2012/13 to drive out £1.5m of savings through more effective procurement of goods and services.

A number of Business cases are due to be delivered in January for consideration by the Authority. The P2P project has been reviewed and an updated project plan is currently under development.

There is a piece of work being undertaken to review current contracts, benchmarking prices currently being paid and where feasible a programme of renegotiation is to take place during the months of January and February.

Corporate Plan 2011-2014: Which of the 4 priorities

Provide Value for Communities

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Effective delivery of the procurement project is a key, cross cutting, budget delivery plan for each of the three financial years within the Council's Medium Term Financial Strategy.

1.0 Where we are – Procure to Pay (P2P)

This report updates the Overview and Scrutiny Panel on the progress made on transforming the way that the Council procures goods and services. There are a number of activities that have taken place since the start of the Procurement Project in May of 2011.

The P2P strategy focussed on spend items with a value of less than £75k. At the start of the project we identified that there were more than 300 Council officers involved in 'procuring' activity. On several occasions, we were buying the same items from different suppliers at different prices across departments. The pure volume of low value buying transactions meant that we were not achieving Value for Money.

The Council has now rationalised buying activity within a team of eight specialist, trained 'buyers'. We have consolidated orders to reduce individual transactions and improved our negotiation skills to ensure that we get reduced prices and increased quality from our suppliers.

After 8 months, the team of buyers have received purchasing training, and are working well. The buyers are now allocated to support specific areas to enable a better understanding of the business and encourage greater departmental buy-in to the revised processes.

As at the end of November 2011, we have generated cashable savings of approximately £400k. In addition, there are further efficiency savings through a reduced number of purchase orders being generated and a corresponding saving in administrative time.

The P2P process is also showing areas of spend which can be targeted by the strategic team to either amalgamate within the Category Management programme or in the first instance negotiate a better unit cost. For example, organisational spend on Bed & Breakfast and spend on Mechanical & Electrical call-out.

2.0 Category Management – larger item spend

We are adopting a 'category management' approach for larger areas of spend of £75k+. We have engaged the support of Agilysis to help us to identify and challenge our spending categories.

In simplistic terms, this involves looking at consolidating all spend across the Council on like items and challenging the 'need', specification and procurement delivery method appropriate to deliver best value for the Council.

Council spend has been thoroughly dissected and analysed and a number of potential 'categories' identified. Several feasibility studies and business cases have been developed by our Strategic Procurement Unit working alongside Agilysis and relevant departmental officers who generate the spend. Cashable savings will start to accrue with effect from February 2012 with the implementation of the Print and Design category.

A number of further categories will be rolled out from early 2012 onwards as listed below:

Print and Design

Analysing the operations of our existing in house Print and Documentation Service, an option appraisal and Business Case was presented and approved in October 2011. Overall savings from adopting the recommendations from this work will generate cashable efficiencies of £234K.

Implementation of the change has commenced with consultation with the staff and Union Representatives started on January 9th. Benefits will start to be delivered from 1 April 2012.

- **Reprographics**
A Business Case will be provided by the end of January 2012
- **Asset Management**
A business case for Hard Facilities Management, (repairs and maintenance), has been submitted to the Programme Board for consideration in January 2012
- **Fleet**
Replacement Council Vehicle contract has been placed. Procurement support is being provided for Environmental Services to ensure that revenue savings are delivered in compliance with revenue budget delivery plans.
- **Agency & Consultancy**
A benchmarking exercise is currently taking place to ascertain the potential for driving out efficiencies.
- **Hard FM (Small Works Analysis)**
An Analysis of Contracted supplier spend is taking place to ascertain the potential for driving out efficiencies.

3.0 Looking Forward

Early focus on achieving cashable gains from effective procurement has been focussed on lower value spend through the Procure to Pay initiative. With the need to generate higher value cashable gains, the pace, and focus, of category management will be escalated.

There will be six business cases produced in January '12 and further engagement with category stakeholders will take place to ensure complete organisational 'buy-in'

The P2P programme will continue to deliver efficiencies across the organisation, and provide useful information on areas of spend data to departments.

All procurement strands have been fully integrated into one overall procurement project with a clear governance structure reporting through a Procurement Project Board, (with departmental representatives), feeding into a monthly Corporate Support Programme Board that oversees progress against a number of cross cutting budget delivery plans.

Cashable savings and progress against the overall delivery plan will continue to be reported through established regular performance and finance monitoring.