

<b>BUSINESS EFFICIENCY SCRUTINY PANEL</b>	<b>Agenda Item No. 7</b>
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## **Report of the Executive Director – Strategic Resources**

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### **PROCUREMENT PROJECT**

#### **1. PURPOSE**

- 1.1 The purpose of this report is to update the Committee on the progress of the Procurement Project as a key part of the Business Transformation Programme.

#### **2. RECOMMENDATIONS**

- 2.1 That the Panel note the report and a further report detailing the Council's spend with local business and suppliers will be brought to the Panel early in 2009.

#### **3. LINKS TO CORPORATE PLAN, SUSTAINABLE COMMUNITY STRATEGY AND LOCAL AREA AGREEMENT**

- 3.1 This report is linked to the Council's priority of being accessible, effective and efficient.

#### **4. BACKGROUND**

##### **4.1 Procurement Principles**

The procurement project is based on the following principles and considerations:

- Good procurement means getting value for money – that is, buying a product that is fit for purpose, taking account of the whole-life cost.
- A good procurement process should be delivered efficiently, to limit the time and expense for the parties involved.
- Successful procurement is good for the public, good for the taxpayer, and good for businesses supplying the Council

Procurement design principles:

- Savings focused
- Accurate specifications
- Maximising the use of corporate contracts
- Demand management to drive purchasing through corporate contracts and reduce overall category spend
- Proactive not reactive procurement
- Building in compliance and monitoring processes
- Output focused - giving suppliers, who know more about their business than potential buyers, more scope to provide innovative solutions rather than deciding what the precise solution should be at the outset
- Minimising the cost of the tender process
- Considering the benefits of shared services
- Making a positive environmental contribution (see below)
- Adhering to contract regulations and financial rules
- Collaborative procurement (see below)

## 5. KEY ISSUES

### 5.1 Making a Positive Environmental Contribution

Within the procurement project the opportunity to make a positive environmental contribution is always considered and specified within the contract scope. Areas such as measuring the carbon footprint of a contract, energy savings and materials reduction are included in the specification and suppliers are expected to report on these on a regular basis to ensure that savings delivery and carbon footprint reduction go hand in hand.

A recent example of this is the latest savings report from the Multi Function Device contract with Danwood which shows environmental and materials reductions of:

- Floor space - 5,760 sq ft reclaimed – equates to £92,160 @ £16 per sq ft
- Carbon Saving - 64.26 tonnes CO2 over three years
- Power Saving - 154,221 kWh over 3 years
- Energy costs saving - £14,898 over 3 years

### 5.2 Collaborative Procurement

The procurement project has embedded consideration of collaborative procurement into its practices. Some of the benefits collaborative procurement are:

- Increased buying power / leverage
- Shared costs of procurement exercises
- The ability to join existing frameworks wherever possible
- Demonstrable economic business case
- Decrease our costs and increase our leverage through regional collaboration if we are going out to tender

### 5.3 Demand Management

Demand Management is an integral part of the procurement project. It is the process by which demand in designated purchasing categories is rigorously monitored and managed to ensure that business needs are being appropriately met with a focus on reducing spend and maximising the use of resources.

The principle aims of demand management are:

- To eliminate, reduce and / or replace resources through rigorous monitoring of the use of corporate contracts,
- To introduce and lead on a process of change,
- To identify and analyse areas of “off contract spend”
- To introduce and implement a series of policies and procedures to ensure compliance.

The council is committed to reducing spend and eliminating all unnecessary costs. However, the success of this project depends on:

- Senior management buy in and support
- Programme visibility
- Rigorous data analysis
- Ability to monitor outcomes
- Commitment to resolving issues rather than learning to live with them.

### 5.4 Programme Processes

- The demand management programme works across all directorates within Peterborough City Council.
- The demand management objectives are to reduce to an absolute minimum

unregulated spend and to achieve cashable savings for the council. Savings targets are based on the results of extensive data analysis and on the business needs of the council as a whole. The intention is not to reduce the levels of service that the council provides, but to employ a more business like approach to how goods and services are ordered and paid for.

- Non-compliance with corporate contracts and retrospective purchase orders will be monitored and actioned, wherever necessary. It has been agreed that continued non-compliance and/or retrospective ordering will lead to disciplinary proceedings, utilising the council's existing policy.
- Policies and procedures will, wherever necessary, be written, reviewed and/or amended and then implemented and monitored.
- Performance on all designated categories is monitored to identify possible areas of concern and to provide regular reports to Heads of Business Support.
- Mistpostings are being investigated as these have a negative affect on the accuracy and reliance that can be placed on financial reporting. The results are provided to Heads of Business Support for further action.
- Purchases are still being made outside corporate contracts. The corporate contracts that have been arranged often depend on a certain volume of business to ensure the council receives the discounts and/or rebates the contract provides for. Continued purchases outside the contract will jeopardise those financial benefits to the council. It has been agreed that continued non-compliance with corporate contracts will lead to disciplinary proceedings, utilising the council's existing policy.
- Although published guidelines for corporate contracts are available, their use has not been monitored effectively in the past. However this is now a key feature of the demand management programme and is monitored and reported to Heads of Business Support.

#### 5.5 Categories in the Current Demand Management Programme

##### Room Hire & Catering:

This element of the programme will reduce spending on external room hire and direct hirers to suitable internal, or council owned/operated premises, wherever possible. Where an external venue is required the aim is to retain any costs within Peterborough by using voluntary sector premises or local independent commercial venues. National chains will only be used as a last resort. Policies for both room hire and catering were introduced on 1 December 2008.

Specialist buyers have been put in place to enable a sustainable level of challenge and compliance with the recently introduced policy. External suppliers have provided discounted rates in return for being placed on an "Approved Supplier" list and are aware that orders may only be placed by the specialist buyer.

Wherever possible the council's own catering service will be used if a venue does not provide its own catering offer. It may be that the council's catering service will need to outsource some catering requests for reasons of capacity or special requests. To enable this a small number of outside catering firms have been approved as suppliers, however City Catering will manage any outsourcing to ensure that their own capacity is being utilised wherever possible.

##### Training & Conferences:

The intention is not to reduce the level of essential training that the council provides, but to reduce the number of delegates attending the same conference or training event, and to negotiate preferential rates with the organisers. All requirements to maintain Continued Professional Development will continue to be supported. Policy on this will be dovetailed into the proposed Learning and Development strategy when this is approved and introduced.

#### Temporary Agency Staff:

The spending in this area was unsustainable. A policy on the engagement of temporary staff was implemented on 1 November 2008, supported by a specialist buyer authorised to challenge requests and to ensure policy compliance.

Communication of this new policy commenced in the autumn and a thorough analysis of temporary staff already engaged by the council was undertaken, with hiring managers being asked to justify why they were in post. Reductions in spend from September onwards are as follows:

- September £547,018
- October £481,959
- November £180,224

The support of managers and Heads of Business Support has been a key element in the savings being achieved, coupled with rigorous data analysis and challenge from the specialist buyer.

#### Travel & Accommodation:

Carlson Wagonlit is working with the council to provide a more efficient booking system, and have highlighting areas where travel and accommodation costs can be saved. The SBT (Self Booking Tool) was introduced in July which has already produced some savings. Further communications to staff will be issued in mid-January giving hints and tips on how to achieve the best value for travel and accommodation.

#### Translation & Interpretation:

There will be less reliance placed on face to face as opposed to telephonic translations, wherever possible. In addition the council is reviewing the current corporate contract with a view to achieving additional savings.

This has been an area where the current contracts with CINTRA and Language Line have been regularly bypassed. Rigorous monitoring through the demand management will identify any requests outside contract and appropriate action will be taken to ensure future compliance.

#### Legal Services:

The Legal Service is the subject of an internal review. The intention is to place more reliance upon the expertise and capacity within that department rather than outsourcing to external private firms. In addition, a corporate contract arranged with East Midlands Law Share, and the separate Chambers contract for counsel, will significantly reduce the costs of outsourcing on those occasions where there is no alternative.

#### Furniture:

From 1 January to 31 March 2009 no furniture purchases will be allowed. Essential items, such as specialist chairs, will be able to be ordered with authorisation from Strategic Property. Specialist buyers have been appointed, who will be authorised to challenge all requests.

A longer term solution through a supplier framework will be put in place from 1 April 2009, to include a catalogue of approved furniture and equipment. This will enable flexible use of a common range of furniture in the future, thereby reducing the need to purchase new furniture for new/refurbished offices or departmental merges or transfers.

Furniture which is currently surplus to requirements will be utilised wherever possible to ensure serviceable items are used, rather than being stored where they are at risk of deterioration/damage.

To achieve the demand management targets, and ensure the smooth running of the programme, rigorous use of Oracle and DBI reporting is employed, to monitor performance and ensure compliance. In addition, there are:

- Regular meetings with Heads of Business Support to update on their directorate's progress and to provide support to achieve targets.
- Challenge to staff on "off contract" purchases with the support of the Heads of Business Support.
- Review and/or amendment to relevant policies to reduce non-compliance
- Creation of policies and procedures where appropriate – developed and implemented in conjunction with managers.
- Consequences in the event of non-compliance in accordance with the council's existing disciplinary policies.

## 5.6 Demand Management Savings

The following savings targets have already been removed from budgets. The demand management programme is now working with directorates to enable them to embed the new processes into their normal working practices.

<b>By Directorate</b>	
Assistant Chief Executives:	£283,718
Children's Services	£500,000
City Services	£ 79,187
Environment & Community	£418,895
Strategic Resources	£300,000
	£1,581,800

## 5.7 Supplier Relationship Management

It has been agreed to introduce a programme of supplier relationship management through a contract arrangement with Supplierforce. The introduction of robust supplier relationship management will address the following:

- Lack of an accurate, central view of supplier data & performance
- Ensuring supplier compliance with standards
- Manual, costly procurement administration and processes
- Inefficient tracking of contract status & renewals
- Securing maximum operational value from the supplier base
- Lack of executive visibility of supplier performance & activity

Working with Supplierforce will provide enhanced management information, executive summaries, trend analysis, a performance management dashboard and the ability to create and maintain a robust contract register and a purchasing activity schedule.

The facility to undertake detailed market segmentation will provide the council with a level of detail on its supplier portfolio that has not been possible before. Comprehensive analysis of this data will provide information and evidence to inform future procurement.

Detailed analysis of the council's contracts and spending with local suppliers and business will be made available on a regular basis, and will provide an accurate and "real-time" picture of the council's interaction with these organisations.

A further report detailing the Council's spend with local business and suppliers will be brought to the Panel early in 2009 when the Supplierforce system is fully implemented.

## 6. **EXPECTED OUTCOMES**

- 6.1 That the Panel notes the report.

**7. NEXT STEPS**

- 7.1 A further report detailing the Council's spend with local business and suppliers will be brought to the Panel early in 2009 when the Supplierforce system is fully implemented.

**8. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

None

**9. APPENDICES**

None