

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	1 June 2010
Report by:	Executive Director (Finance and Information Technology Resources)

Subject:	Procurement Service Update
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide Committee with an update on the mobilisation of the new Procurement Service (PS); and
- ◆ Provide Committee with an overview of the PS key objectives, delivery of efficiencies and activities for 2010-11.

2. Recommendations

2.1. Committee is asked to approve the following recommendation(s):-

- (1) that Resources commit to supporting the joint Resource PS delivery of efficiencies and procurement activities with appropriate governance, staff, time and information
- (2) that the outlined procurement process for non contracted spend over £50,000 (see para 4.3.2) is approved.

3. Background

- 3.1. The PS was set up in response to the McClelland Report recommendations and the Best Value 1 Audit which identified the need for South Lanarkshire Council (SLC) to adopt a more professional and structured approach to procurement Council wide.
- 3.2. KPMG carried out an assessment of SLC's procurement during 2009 and delivered a report which outlined the need for a centralised procurement function which focuses on delivering Council wide strategies for procured services, works, materials and capital with the objective of optimising efficiencies.
- 3.3. A report was approved by the Executive Committee on 10 June 2009 which recommended the creation of the new PS in line with the KPMG report proposal and business case.
- 3.4. The mobilisation of the PS commenced 7 September 2009 with the planned completion date of 31 March 2010.
- 3.5. The Service Planning and efficiency identification for 2010-11 began 8 February 2010 when the PS was created. A target of £9 million has been built in to the finance strategy for 2011-14.

4. Mobilisation of the Procurement Service

4.1. The mobilisation phase is designed to deliver a PS which has a number of key elements in place so that it can begin to engage effectively with its customers to deliver efficiencies from their procurement spend, processes and supply chain.

4.2. The key elements delivered:

- Engage with customers to understand business requirements, services delivered and current procurement practice;
- Create and align structure, roles and responsibilities and activities to deliver PS objectives and support our customer (see attached Overview of the PS structure);
- Implement Category Management;
- Plan and deliver the transfer of 'matched in' staff and activities to the PS;
- Recruit for identified vacancies;
- Plan and identify a suitable location for the PS and relocate;
- Develop and deliver a standardised Sourcing Methodology;
- Plan and deliver team building and initial procurement training; and
- Plan and deliver a joint PS Resource 2010-11 Service Plan in consultation with Resources.

4.3. In addition to the elements listed above there were two key decisions made which clarified the accountabilities, responsibilities and role of the PS:

4.3.1. The tactical purchasing role, raising of Purchase Orders and supporting administrative activities remain with Resources.

Benefits:

- PS focused on high value large impact activities;
- Resources control initial compliance and budgetary commitment;
- Purchase to Pay process control unchanged; and
- Clear roles and responsibilities between Resources and PS.

Considerations:

- The need for clear communication on procurement and contract mobilisation in support of compliance; and
- Education, training, standardised documentation and support will be required for staff delivering the purchasing role.

4.3.2. Sourcing and purchasing of services, works, materials and capital off contract and less than £50k remains with Resources. Above £50k, including aggregated spend, would initiate a process where both the PS and Resource decide the most appropriate sourcing approach.

Benefits:

- Resources maintain flexibility for small operational spend;
- PS focused on high value large impact spend;
- Appropriate experience and value applied to sourcing process;
- Clear and concise roles and responsibilities;
- >£50k off contract sourcing and compliance controlled; and
- <£50k off contract spend isolated and non compliance highlighted.

Considerations:

- Clear communication and information on available contracts to Resources;
- Education, training, standardised documentation and support will be required for staff delivering the purchasing role; and

- Fit for purpose compliance strategy and process needed.

5. Procurement Service Key Objectives, Delivery of Efficiencies and Activities for 2010-11

- 5.1. The key objectives for the PS during 2010-11 will be to deliver our Service Plan, continue the development of the service ensuring improved practice and begin the delivery of efficiencies from Resources' procurement spend.
- 5.2. Since the creation of the PS on 8 February 2010, the Procurement Managers, Category Advisers and their respective teams have been reviewing their Category spend to identify areas where efficiencies could be delivered in the short term and throughout 2010-11. This process includes but is not limited to:
- Review of Oracle, iProcurement and Spikes Cavell (Public Sector spend Database) data;
 - Review of current contracts including core items and consolidation;
 - Consultation with Resource budget holders and Managers within the Resources;
 - Workshop to identify areas of early efficiencies;
 - Consultation with collaborative bodies e.g. Scotland Excel; and
 - Review of Categories across the Council.

The output of this review is a list, for each Procurement Team, of activities which will deliver efficiencies for every Resource's procurement spend which is in addition to their already committed 2010-11 procurement efficiency statement. Attributed to each activity is a targeted percentage efficiency, which will realise cash and non cash efficiencies with the priority being cash efficiencies. Examples of the activities are:

- Re tendering of contracts;
- Creating contracts for non contracted spend;
- Reviewing Catalogues:
 - Creating Core Lists;
 - Reducing current Core Lists;
 - Limiting the availability of Non Core items;
 - Consolidating line items; and
 - Standardising specifications.
- Reducing waste and process improvement;
- Reducing the cost of purchase, delivery and storage;
- Increasing supplier and contract performance;
- Reducing the supply base and driving compliance; and
- Challenging the 'Status Quo'.

- 5.3. In addition to identifying and realising efficiencies, we are planning the following activities to develop the service:

- Review of tools, guidance and documents which support the delivery of procurement across SLC. This includes but is not limited to:
 - Procurement Strategy;
 - Procurement Manual;
 - Compliance Strategy;
 - Communication Strategy;
 - Continuous Improvement Guidance and Toolkit;
 - Standard Documentation;
 - Standing Orders on Contracts and Contract Terms and Conditions; and
 - Benefits Definition and Tracking.

- Plan and deliver specific improvements, in addition to all of the above, relating to procurement not only within the PS but in procurement across SLC which will support the improvement of our Procurement Capability Assessment (see 5.6 below) scores in 2010-11;
 - Manage the various internal and external customer relationships; and
 - Train and develop our staff and support the procurement staff within the Resources with education, training, standardised processes and documents and supporting toolkits.
- 5.4. It will be important for us to ensure that every deliverable is sustainable and systematic which requires minimal management going forward. This allows us to free up capacity within the teams to either accelerate the delivery of committed activities and efficiencies or accelerate others.
- 5.5. In addition to our Communication Strategy we will continue the roll out of the influence of the PS across the Resources by engaging at all levels; Management through to front line staff delivering Services.
- 5.6. The wider Scottish Public Sector Procurement Agenda will need to factor into our activities and deliverables during 2010-11 and beyond. Two of the main areas are Collaborative Procurement and the Procurement Capability Assessments (PCA):
- SLC are members of Scotland Excel and are signed up to using a number of the Procurement Scotland contracts. A key activity for the Procurement Service is to review the value and relationships that we currently have with both organisations so as to ensure that SLC is delivering true value through the collaborative agreements; and
 - The initial PCA for SLC was carried out by Scotland Excel during November 2009 with an expected outcome of 'Non Compliance' to the McClelland Report's performance measurements. Although disappointing, we already knew that as an organisation we needed to improve and have set up the PS as a result of that recognition. The activities already delivered during this year and the planned activities for 2010-11 will ensure that SLC improve on their PCA score, to at least 'Conformance', when assessed again towards the end of 2010.

6. Employee Implications

- 6.1. There are no employee implications.

7. Financial Implications

- 7.1. The team will operate within the approved budget.

8. Other Implications

- 8.1. None

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. Trade Union consultation carried out at various stages of the mobilisation process.

Linda Hardie

Executive Director (Finance and Information Technology Resources)

28 April 2010

Link(s) to Council Values and Objectives

- ◆ Value: Accountable, Effective and Efficient.

Previous References

- ♦ Executive Committee – 10 June 2009

List of Background Papers

- ♦ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Finance and IT Resources

Procurement Service Structure

