

## **Meeting of Executive Member for Corporate Services and Advisory Panel**

10 June 2008

Report of the Assistant Director Audit and Risk Management

## **Corporate Procurement Team Outturn Report 2007/08**

### **Summary**

- 1 The purpose of this paper is to inform Members of the work and progress of the Corporate Procurement Team during 2007/08.

### **Background**

- 2 The Corporate Procurement Team (CPT) was re-structured with effect from 1 April 2007 following a report to Corporate Services EMAP on the 12 December 2006. The restructure realigned CPT services to better cater for the organisation's business needs and create greater capacity within the central service, through rationalising corporate procurement advisory and support function within the Resources Directorate. One of the first priorities of the new team in 2007/08 was to develop its core role of providing clear leadership, purpose and direction to procurement activity across the organisation. The CPT has had to contend with significant organisational challenges for delivery of procurement across the Council specifically:

- poor management information & data quality arrangements
- general low level of procurement knowledge & skills across many parts of the organisation
- underdeveloped contract client management skills across commissioning departments

### **Overview: Progress to date**

- 3 The Executive approved the new Corporate Procurement Strategy and medium term action plan in June 2007. This is a robust, comprehensive and challenging plan developed on the basis of 9 service continuums set out in the corporate procurement strategy these being:

- VFM, competition & efficiency;
- Performance management;
- Sustainability;

- Partnership & collaboration;
- Standards and governance;
- Staffing & organisation;
- Equalities & inclusion;
- New technologies;
- Ethical purchasing.

4 The medium term action plan is a 3 year action plan that comprises 63 core actions scheduled up to 2010 and designed to achieve the step change improvements as set out in the above continuums. Appendix A of this report sets out progress to date in each area. In summary, 12 tasks have now been completed and a further 21 are in progress. Of the remaining 30, most relate to the delivery of new technology (FMS (Financial Management System) & SCMS) and are not yet scheduled for completion. Key progress in the last 12 months includes the:

- approval by Executive of a corporate procurement strategy, policy and medium term action plan;
- publication of a comprehensive corporate procurement manual for procurement practitioners across the organisation;
- drafting and approval by Executive of a widely consulted corporate Sustainable Procurement policy including proposed practitioner manual (Procura+);
- implementation of three major new corporate framework contracts for – Legal Services, Property & Planning Consultancy and Agency Staff.
- support to the Transport Review project including the implementation of a Taxi framework as well as several competitive home-school transport contracts.

5 To ensure consistency and provide a thread linking the team's annual workplan to both the strategy and medium term action plan, the annual workplan format and deliverables are based on the 9 continuums set out at paragraph 3 above. The annual workplan itself contains some 80 work streams of which 95% have been completed or are ongoing, 2 are awaiting IT to commission the project and only 2 are yet to be started. Full details of workplan along with progress to date are set out in detail at Annex B of this report.

6 The CPT have been working on a number of the key deliverables included in the medium term action plan during 2007/08. Many of these are closely linked with the implementation of the Supplier and Contract Management System (SCMS) which will help to provide more robust management information with regard to contract spend and aggregation issues, while at the same time delivering better compliance with procurement regulations and an enlarged internal and external procurement community.

- 7 It was planned that the SCMS contract register would be fully populated by April 2008 however as a result of technical problems experienced further to a new release of software in December 2007, the loading of contract information had to be pended and this has put the project back several months. The software problems have now been resolved and contract information is now being loaded into the system and this work should be completed by the end of July 2008. These problems did not substantially delay the first pilot e-tender programmed for April and this is currently in train using the system. The SCMS has proved to be a big draw on staff time in terms of configuration and officer training but will help to provide one of the key building blocks in providing more efficient and effective procurement across the organisation and delivering the medium term action plan through:
- improved contract information
  - efficient electronic processes
  - better and more transparent customer and supplier information
- 8 The implementation of the SCMS system will help to identify further areas of Council spend that may be appropriate to include in the corporate contract portfolio. Ensuring that all spend is channelled through the current corporate contracts to deliver cost benefits to the organisation is problematic and work to publicise the contracts more widely is currently in hand with the launch of the Council's Buyers Guide planned for 26 June at the Guildhall .
- 9 Further work to develop and improve the Council's procurement framework has been undertaken during the year including:
- developing a Sustainable Procurement policy, which was approved by Executive on 20 May;
  - development of standard tender evaluation models for inclusion in the financial regulations and corporate procurement manual;
  - supporting sustainability groups including Recycling Action Yorkshire (RAY), Waste Resource Action Plan (WRAP) and Carbon Management initiatives
- 10 There are a number of actions that have yet to be started within the action plan especially with regard to the New Technologies continuum. The efficiencies and improved performance that will be delivered by both SCMS and FMS will not be available in full until early 2009 although some elements will be delivered during 2008 especially with regard to e-tendering and the new electronic contracts register.
- 11 While many of the actions in the plan require new technologies or officer time, there are a number of wider issues of a more critical nature that need to be addressed by the Council. These include partnerships, shared service and the growing emphasis of procurement in delivering the future shape of the organisation.

- 12 The ability of the CPT to provide the resource and capacity to deliver advice and support to the large number of partnerships (250) in which the Council is involved is limited. There have been occasional requests for ad hoc advice and support but there is no structured programme of work to ensure that partnerships are procuring in an efficient, effective and legally compliant way. The emphasis on partnership working in the coming years is likely to increase as we move from Comprehensive Performance Assessment (CPA) to Comprehensive Area Assessment (CAA) and makes this a critically important issue and while new technology may go some way to creating capacity, the teams current level of resource is unlikely to provide the level of support that will be required.
- 13 The Transformational Government Strategy published in November 2005 set out the aims of the shared service agenda 'encouraging a shared service approach to realise efficiencies across the system and support delivery more focussed on customer needs'. This provides both future challenge and opportunity for procurement to deliver the increased efficiencies envisaged to the Council and regionally through a shared service approach.
- 14 The Council needs to be conscious of how it responds to this developing agenda. The Council has yet to adopt any formal strategy in respect of the shared service and partnership agenda per se. In the absence of a corporate approach the CPT over the last six months has become actively involved in driving the development of the SCMS system regionally through user groups and has raised its professional profile across the region by attending and influencing at procurement managers meetings. It is important that the CPT has the right skills set to be able to lead on this agenda in respect of procurement and work is already in hand to identify gaps in officer's knowledge and provide appropriate training through Personal Development Plans (PDP's).

## Procurement Savings

- 15 The reporting of procurement savings by the organisation has been devolved to commissioning departments who report through their own outturn reports. The total value of savings achieved by directorates is reported by the relevant finance manager as part of the budget process. The reporting of savings in relation to the Council's corporate contract portfolio remains the responsibility of the CPT. There was only one corporate contract tendered during 2007/08 (Agency Staff) and this is expected to deliver savings in the region of £125K per annum through lower mark up being applied to the cost of Agency staff. These lower rates were achieved by placing all our business through a single supplier.
- 16 During 2007/08 the CPT has provided support to change management programmes including the Integrated Transport review, which will

deliver efficient and effective future use of the customer transport fleet. It has also supported major procurement exercises such as the new Park & Ride contract which will not only increase the Council's revenue but will see the more environmentally friendly buses being used helping to reduce the carbon footprint of the city. Savings generated from work supported by the CPT will be delivered in the form of straightforward cost reduction and efficiency savings. While cost reduction would suggest a budget saving this is not always the case, as some spend is unbudgeted in many service areas i.e. temporary agency staff or a tender may bring the cost in line with existing budgets and reduce prior year overspends.

- 17 Major efficiency savings arise through all corporate frameworks and this year has seen the procurement and implementation of three new frameworks (Legal, Property and Agency). The legal framework will provide a single focus for commissioning legal support services across the organisation while the property framework will provide suppliers for many of the professional services required by the Property division saving time and money on having to go to tender on a regular basis. The legal framework should deliver cost savings of 6% on the value of work commissioned externally compared with prices paid prior to its implementation. This equates to approx £10K during 2007/08.
- 18 A full summary of the major procurements supported or managed by the CPT, which have generated cost savings is set out at Exhibit 1 below.

### Exhibit 1

<b>Procurement</b>	<b>2007/08</b>	<b>Future Years</b>
Managed Agency Services for Temporary Staff	£125K (Est)	£125K PA (Est)
Electricity (Street Lighting Contract)	£100K	£100k
P&R Tender	£0	£210K PA
School Bus/Taxi contracts (Transport review)	£70K	£312K PA
Rail Travel Services	£5 (Est)	£10 PA (Est)
Abandoned Vehicles	£18K	£18KPA
O2 XDA Contract recovery	£8K	£0
<b>Total</b>	<b>£326K</b>	<b>£775K</b>

### Training & Communication

- 19 The Corporate Procurement Strategy set out the necessity to develop and deliver a coordinated training and communication programme across the organisation to ensure procurement best practice is embedded and compliance with financial and EU regulations is understood. The focus on other key priorities within the CPT workplan has meant that this work has not yet started and needs to be delivered during 2008/09 picking up on the output from the evaluation model review and the Sustainable Procurement Policy.

- 20 In the mean time the team have provided priority training which has been well received and successful, providing a good basis for developing a full training programme next year. This has included:
- 2 specialist training sessions to school bursars;
  - 7 SCMS training courses to procurement practitioners.

### Workplan 2008/09

- 21 The 2008/09 workplan (Annex C) provides a large and challenging number of projects. Initiatives and training programmes to be delivered across the organisation. Key deliverable include:
- regional collaborative procurement solution for postage lead by York
  - completion of the sellers guide and launch of the buyers guide in June
  - delivery of a comprehensive training programme including sustainability, equalities and the new evaluation models
  - a corporate document management system and managed service for IT
  - rolling out of e-tendering through SCMS
  - development of the electronic procure to pay cycle through the new FMS

### Consultation

- 22 Not applicable.

### Options & analysis

- 23 Not applicable.

### Corporate Priorities

- 24 Efficient and effective procurement activity provides cross cutting support to the 10 priorities of the revised corporate strategy as well as our imperatives, values and vision

### Implications

- 25 There are no financial, HR, Equalities, Legal, Crime & Disorder, IT or Property implications to note.

### Risk Management

- 26 In compliance with the Council's risk management strategy. There are no risks associated with the recommendations of this report.

## Recommendations

- 27 Members are asked to advise the Executive Member for Corporate Services to note the contents of this report and the progress made by the Corporate Procurement Team to date.

### Reason

To advise Members of the progress made to date in delivering an effective and efficient procurement service to the Council

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**Specialist Implications Officer(s)** Not applicable

All

**Wards Affected** Not applicable

For further information please contact the author of the report

## Background Papers

Corporate Services EMAP Report - Supplier & Contract Management System (SCMS)

Corporate Procurement Strategy

Sustainable Procurement Policy

## Annexes

Annex A – Progress against medium term action plan

Annex B – Progress against workplan 2007/08

Annex C – 2008/09 Workplan