

Executive Member for Corporate Services & Advisory Panel

12 December 2006

Report of the Assistant Director (Audit & Risk Management)

Future organisation and function of procurement services in Resources

Summary

- 1 The purpose of this report is to set out a proposals for the re-structure of procurement functions and activities within the Resources Directorate in order to:
 - a) integrate two separate groups of procurement staff into one team to ensure the better co-ordination and deployment of scarce resources within the Directorate, in anticipation of a more wide ranging organisational management review of procurement functions across the Council, for the purposes of one-site operations following the move to Hungate after 2010;
 - b) create critical mass within the newly integrated team by providing greater non-managerial staffing capacity to properly support the delivery of key service objectives, the implementation of a number of service initiatives including the management of a new Supplier Contract Management System, a Corporate Contracts Portfolio, the Strategic Procurement Programme and the implementation of the new Corporate Procurement Strategy from 1 April 2007 onwards;
 - c) re-organise the overall management and allocation of tasks and responsibilities within the newly integrated team to better meet the business needs of the organisation in the future;
 - d) create economies of scale and management efficiencies in order to achieve recurring budget savings of at least £25k through the re-structure of this service, in accordance with the budget savings requirements for the Directorate for 2007/08.

Background

- 2 The importance of effective procurement has become a matter of increasing significance and concern for local authorities since the introduction of Best Value regime, further to the Local Government Act 2000, with its focus on the need for Councils to demonstrate competitiveness and value for money. More recently, the development agenda has received additional emphasis following the publication of the National Procurement Strategy, the Gershon report and the creation of regional Centres of Procurement Excellence (now re-named Centres of Excellence).
- 3 The Council originally appointed one member of staff to act as a Procurement Advisor to the authority in December 1999. However, it was quickly recognised that the function was significantly under-resourced and unable to deliver the level or scope of services required. Following the re-structure of the Resources Directorate in 2003/04 a small 'corporate' procurement team (the CPT) was established and came into full operation from 1 April 2004. In between times, the lack of a centrally resourced and managed function for the Council as a whole, led to local solutions being developed by Directorates to support the procurement activities of different departments. This included within Resources, the creation of a small procurement team in the IT&T department to provide procurement expertise to support various IT&T projects and commissioning work covered by the IT Development Plan.
- 4 Whilst it is recognised that it will be necessary for the Council to consider how best to organise and manage procurement resources across all parts of the authority in future years (prior to the move to the Hungate site) this report focuses in the first instance on the need to rationalise procurement functions within the Resources Directorate. This is a necessary first step in a phased approach to the better management and co-ordination of procurement activities at the Council as a whole. This paper therefore sets out proposals to rationalise procurement functions and activities within Resources: specifically the CPT and the IT&T procurement team to better meet the business needs and demands of the organisation over the next 2 to 3 years.

Current arrangements

- 5 The current roles and responsibilities of the CPT and IT&T team are different in focus but overlap and are convergent. The role of the IT&T team has largely focused on providing practical support to the commissioning and management of IT projects and specialist IT supplies and services. The functions of the CPT have been more corporate in focus, principally to:
 - a) set out the strategic function, purpose and direction of procurement at the Council and in doing so develop, maintain, communicate and direct the implementation of a suitably comprehensive and robust policy framework, a Corporate Procurement Strategy and medium term action plan;

- b) devise, maintain and regularly review procurement regulations, processes, guidance (both internal and that intended for an external audience i.e. to suppliers and the general business community), all standard procurement documentation and e-forms and to develop and maintain a suitable Intranet site;
- c) tender, negotiate, implement and manage contracts for corporate supplies and services including commodities such as office supplies/stationery, print, agency staff, furniture, fixtures & fittings, taxis etc;
- d) provide best practice advice and guidance to staff involved in purchasing and procurement activities across all Council Directorates, and support and advise Chief Officers and Members as necessary in the decision making process;
- e) provide operational support to major projects and/or significant initiatives requiring specialist/expert procurement inputs as required across the organisation (e.g. Admin Accom, large works contracts such as Highways and other significant and complex procurements such as Private Finance Initiative schemes, shared service initiatives, regional procurement solutions etc);
- f) promote compliance and help to remedy and report non-compliance, ensuring the organisation is not placed in breach of its own regulations, legislation or EU directives;
- g) analyse corporate spend patterns and identify scope for efficiencies at the Council, working with the relevant Directorates to secure change, Value For Money (VFM) and achieve year on year savings to support the Council's corporate budget requirements;
- h) keep up to date with developments in the national policy arena and assessing how the Council might best benefit from new initiatives and advise Chief Officers and Members accordingly;
- i) promote the use of the Yorkshire Purchasing Organisation (YPO) and find new ways of 'remotely' directing best value purchasing options (i.e. introducing e-catalogues for managing all spend on common commodities);
- j) provide a single point of contact and liaison for external organisations (ie suppliers, Government departments and agencies, non-governmental bodies, best practice advisory groups, local authority networks etc).

6 Whilst some important progress has been made to date in respect of the corporate procurement agenda, insufficient capacity within the CPT, staffing problems and the long term absence of the Procurement Manager on two separate occasions in the last two years has led to unacceptable delays and failures to achieve key service objectives, such as the under-achievement of the corporate procurement savings target in both 2004/05 and 2005/06 and on-going delays to the

development of the Corporate Procurement Strategy. The IT&T procurement team have had more success in delivering their work programme but it is apparent that the team is also struggling with capacity problems and lacks critical mass. In addition, it has become increasingly apparent that the operation of two separate teams within Resources has caused confusion for service users and resulted in conflicting advice and guidance being given by both teams on some occasions. This is a matter of fundamental organisational management concern, in that:

- a) duplication of effort represents a waste of valuable and scarce procurement staffing resources;
 - b) the existence of conflicting sources of expert advice has the potential to exacerbate non-compliance issues across the organisation which already represent a significant matter of management concern at the Council;
 - c) it creates a lack of clarity and accountability both in respect of each team's activities and in the way advice can be used or disregarded by services users if it does not serve their interests;
 - d) it undermines users' confidence in the professionalism of procurement services within the Directorate and the relevance, correctness and completeness of the advice given.
- 7 In practice, this situation does little to encourage the rest of the organisation to refer proactively to Resources for support and advice, may encourage some to disregard the advice of one or other of the teams if it doesn't suit them and has resulted in the Assistant Director of Resources (ARM) having to intervene and arbitrate in cases of disputed advice on more than one occasion.

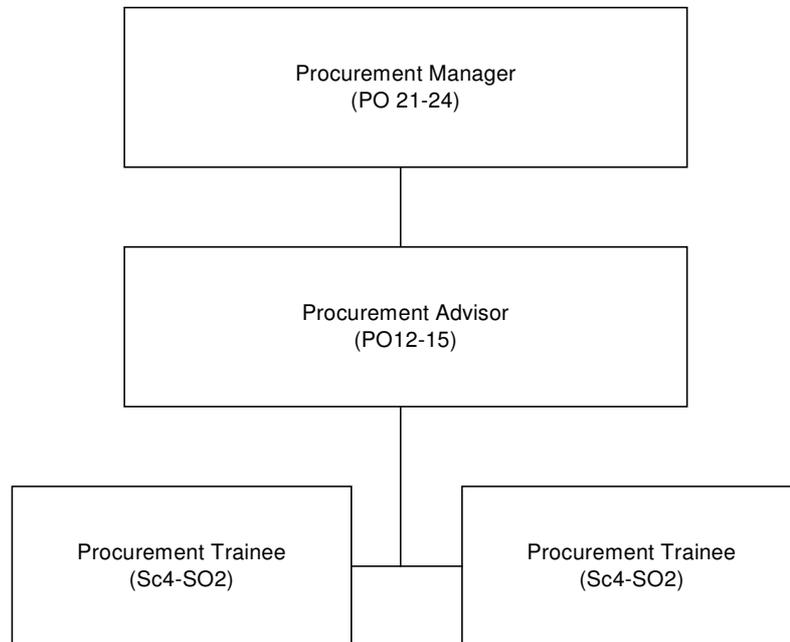
Proposed re-structure

- 8 In order to overcome the problems with existing arrangements and create a better and more joined up service for customers that properly supports the future business needs of the Council, it is proposed to merge the two teams. The current structures of both teams are shown in Exhibit 1 overleaf. Whilst a variety of different options have been considered, ultimately the design of the future service arrangement has, necessarily, been constrained by the need to:
- achieve budget savings in the establishment, whilst:
 - optimising the resource base to create sufficient critical mass within the resulting structure to deliver a combined work programme encompassing both the key objectives of the CPT, whilst maintaining sufficient focus on providing IT&T support.
- 9 The proposed structure of the new team, by comparison, is shown in Exhibit 2 on the following page.

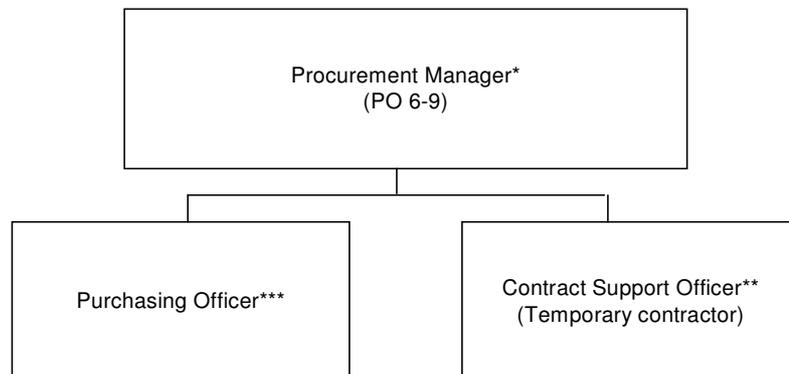
Exhibit 1

Current team structures

The Corporate Procurement Team



IT&T Procurement Team

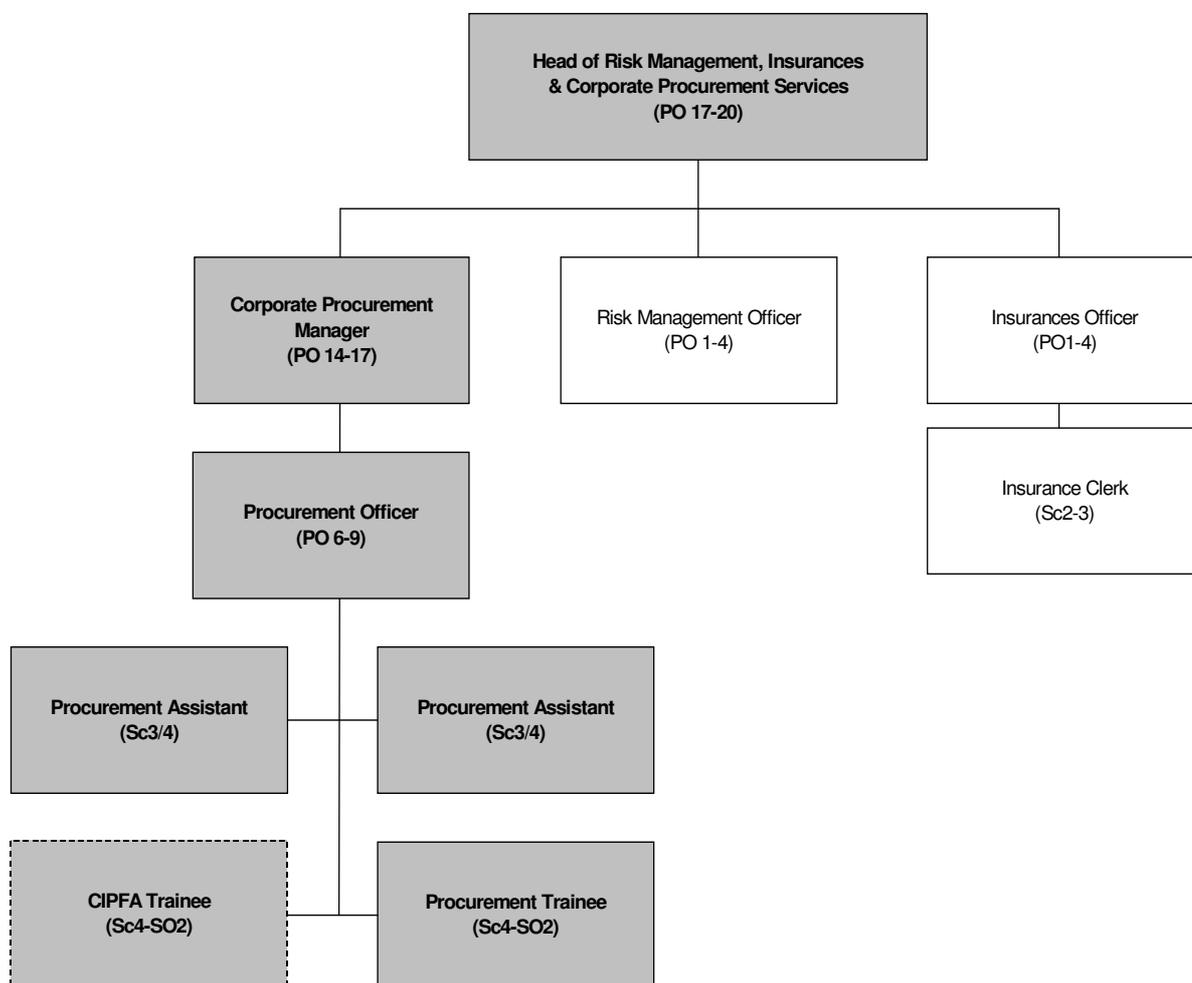


Notes

- * The post-holder also receives additional increments in respect of extra duties arising from Easy@York. This support will be required until April 2008 and IT&T will fund the additional costs involved to provide this additional support until then in addition to the transfer of the establishment budget for this post. The post-holder is currently on maternity leave until the beginning of February 2007. The Procurement is acting up into this position in her absence.
- ** The budget to be transferred to the new team does not include the temporary contract costs of this post.
- *** This post will remain in IT&T to provide departmental support for day to day purchasing operations subject to full organisational management review of all procurement functions and activities prior to the final move to one site operations.

Exhibit 2

Proposed structure



Note

All posts in the new establishment will be subject to Job Evaluation in 2007. Reference has been made to indicative gradings for the purposes of this report which have been arrived at through discussion with HR and in light of our current understanding and knowledge of the market place for the skills and competencies required within the new team. Final grades may therefore be subject to change. Any additional costs or further savings on the proposed establishment will be met through the corporate budget set aside by the Council for adjustments arising from the implementation of Job Evaluation in the new financial year.

- 10 The creation of the new structure will involve:
- the deletion of the current post of the Risk & Insurance Manager (PO9-12) within the Risk & Insurances Team;
 - the deletion of the current post of Procurement Manager (PO21-24) within the CPT;
 - the deletion of the current post of Procurement Advisor (PO12-15) within the CPT;

- d) the deletion of the current post of Procurement Manager (PO6-9) within the IT&T procurement team;
 - e) the deletion of the current post of Insurance Technician (Sc4-6) within the Risk & Insurances Team;
 - f) the creation of a new post of the Risk Management, Insurances & Corporate Procurement Manager (PO17-20);
 - g) the creation of a new post of Corporate Procurement Manager (PO14-17);
 - h) the creation of a new post of Corporate Procurement Officer (PO6-9);
 - i) the creation of a new post of Insurance Manager (PO1-4);
 - j) the creation of two new posts of Procurement Assistant (Sc3/4)
 - k) the part funded transfer of one of the existing Procurement Trainees to the corporate CIPFA training scheme which will result in the team retaining a CIPFA placement in the corporate rotation scheme whilst extending professional development opportunities for all CIPFA trainees across the organisation.
- 11 Overall management responsibility for the team will be provided by the new post of the Risk Management, Insurances and Corporate Procurement Manager. This will allow the Directorate to maximise management economies of scale within the ARM Division, provide greater critical mass across a combined Risk Management, Insurances and Corporate Procurement portfolio and provide career development opportunities for staff across a broader portfolio in the future. This extended management role will be facilitated by the creation of the new Insurance Manager post to free up the senior management time needed to undertake the Risk Management, Insurances and Corporate Procurement Manager role across a wider management portfolio.
- 12 The role and remit of the new procurement team will be the same in essence as that set out in paragraph 5 with the addition of new responsibilities for:
- a) managing the delivery of a Strategic Procurement Programme (SPP) (a new initiative that will set out all the major procurements to be undertaken across the organisation over the next 3 to 5 years that involve significant service transformation issues, efficiencies or that are required by regulation). Full details of the SPP and how it will be managed and delivered are to be reported to the Executive shortly by the Director of Resources and Assistant Director of Resources (ARM);
 - b) providing dedicated advice and support service for specialist IT&T procurements and IT&T commissioning activities and other specialist contracting within departments;

- c) managing a fully comprehensive Corporate Contracts Portfolio (CCP) which will form the basis for a properly targeted procurement efficiencies and savings target to be achieved by the new team in 2007/08 and thereafter. A separate report on the scope and management of the CCP will be reported to the Executive Member for Corporate Services & Advisory Panel (EMAP) in January 2007. Further rationalisation of disparate staffing resources across the Directorate may be considered at that time, as and if it is possible to re-deploy those resources, in order to support the proper administration of the CCP;
 - d) providing relevant support to the delivery of the Organisational Effectiveness Programme and Efficiency Improvement statement and associated Improvement & Development Plan.
- 13 The costs of the new procurement team establishment will be £153k compared to the combined costs of the procurement posts subject to re-structure of £188k. The need to create a higher level support role within the Risk & Insurance team of Insurance Officer to replace the current technician role will mean an additional net cost increase of £5k to the current staffing budget for that team. This will be funded from a small recurring over-recovery on the Insurance administration fee.
- 14 The efficiencies created by the restructure will allow the Directorate to invest £10k in match funding the development of the CIPFA trainee scheme and offer up a further £25k of savings for the purposes of the 2007/08 Budget. A breakdown of how the new procurement team establishment will be funded is shown in Exhibit 3 overleaf. This includes transferring £10k from the procurement team establishment to match fund monies in the Training budget held by Resources for professional finance trainees. This will allow the Directorate to extend the current scheme by 1 FTE (full time equivalent), facilitating the long planned development of the programme. This will provide multiple benefits by:
- a) helping to provide much needed capacity within the new Procurement Team which cannot otherwise be sustained;
 - b) extending the training opportunities provided by the organisation for finance trainees that properly reflects the training requirements of the CIPFA (Chartered Institute for Public Finance & Accountancy) study programme (which now includes Procurement);
 - c) allowing the organisation to extend the training programme by a further 1 FTE, creating capacity across the Council that can not be sustained by the Training budget alone.

Exhibit 3 Funding statement

	£'000	£'000
Staffing costs of new establishment		153
Funded by		
Existing staffing budgets for CPT	148	
Transfer in of IT&T staffing budget	40*	
	<hr/>	
	188	188
Less		
Transfer out of match funding for CIPFA trainee	(10)	
Savings contribution	(25)	
	<hr/>	
	(35)	(35)
Funding available for new establishment		<hr/> <hr/>
		153

* This excludes additional increments currently paid by IT&T to the IT&T Procurement Manager for additional duties undertaken in respect of the [Easy@York](#) programme, scheduled until April 2008. This work will transfer to the new procurement team and IT&T have undertaken to honour the costs of these additional increments until April 2008 so that the work involved can continue to be resourced within the new team.

Consultation

- 15 The following parties have been fully consulted in bringing forward these proposals in accordance with Council policy:
- The AD Resources (IT&T) and Head of IT&T operations;
 - The AD Resources (Finance);
 - Resources Management Team;
 - All staff affected by the detailed proposals as set out in paragraphs 8-14 above;
 - Unison and HR;
 - ARM and IT&T Management Teams in Resources.

Unison comment

- 16 Unison have been fully consulted are supportive of detailed proposals as set out in this report, commenting formally that.

“Unison are supportive of the proposed re-structure. Unison feel it is in the best interests of the organisation and staff to implement the proposals, and are particularly supportive of the intentions regarding the rotation of the CIPFA trainee post, currently established within the section”.

Options

17 There are three main options that Members may wish to consider:

Option 1 Do nothing

18 This option is not recommended as it would prevent:

- a) the organisation from addressing the known problems with current services to better meet current and future service demands;
- b) the Directorate from achieving its budget savings target for 2007/08 in support of the overall Council budget;
- c) the phased development of the central procurement function at the Council and undermine future consideration of the further rationalisation of procurement functions and activities across the organisation in the lead up to the move to one-site operations at Hungate after 2010.

Option 2 Approve the proposals set out in paragraphs 8-14

19 This option is recommended as it:

- a) meets the short to medium term needs and objectives of the organisation at this time;
- b) provides a sound basis for developing the corporate function and management of procurement activities across the organisation in the future, and;
- c) represents a first step in the phased development of central procurement functions and activities between now and 2010

Option 3 Reject the proposals set out at paragraphs 8-14

20 This option is not recommended as:

- a) there is a need to take urgent action now to resolve the management, capacity and performance problems associated with existing arrangements to facilitate step change improvement in delivering against key service objectives and provide support to an expanded work programme to accommodate new demands and initiatives in the new year;
- b) the scope for realistic alternatives to the proposals set out in this report are constrained by budgetary considerations, the need to make speedy progress and improvement in this area in the short to medium term and the limited external market place for the alternative supply of services of this kind at this time.

Analysis

- 21 Not relevant for the purpose of this report.

Corporate priorities

- 22 This report contributes to the achievement of Corporate Priority Improvement Statement 13: *“To improve efficiency and reduce waste to free up more resources”*.

Financial implications

- 23 The proposals put forward for Members consideration and approval are fully funded and will result in recurring savings to the organisation of £25k in fulfilment of the budget savings required of the Directorate further to this exercise. Clearly, if these proposals are not accepted by Members it will undermine the ability of the Directorate to make these savings on behalf of the Council and in accordance with the requirements of the 2007/08 Council Budget. The re-structure will incur some one-off costs of redundancy. It is anticipated that the likely costs of redundancy will be in the region of £15-£20k, although this could vary subject to the individual circumstances of any given member of staff affected by the re-structure who may wish to be considered for redundancy. The costs of redundancy associated with this re-structure can be accommodated from corporate reserves.

HR implications

- 24 HR have been fully consulted and closely involved in the development of these proposals. In accordance with Council policy, all employees affected by the re-structure, and their representatives, will be consulted on these proposals, and ongoing consultation will take place throughout the process. The re-structure will be implemented in accordance with the procedures set out in the Council’s Management of Change Policy document. The proposed post and grade changes will be evaluated in accordance with the Council’s job evaluation scheme.

Other implications

- 25 There are no equalities, legal, crime and disorder or IT&T implications arising from this report.

Risk Management Assessment

- 26 The risks faced by the organisation if Members do not approve the re-structure proposals set out in this report will be that:
- a) the Directorate will fail to achieve the savings arising from the re-structure of £25k and hence fail to make its full contribution to the savings needed across the Council to balance the 2007/08 Council Budget;
 - b) the current problems and difficulties with existing arrangements as set out in paragraphs 3, 5, 6, & 7 will remain unresolved and unsatisfactory;
 - c) there will be insufficient capacity within the CPT as it stands to support new initiatives and business needs of the organisation as set out in paragraphs 5 & 12;
 - d) the Directorate will not be able to provide employee development opportunities within the Division and risks losing dedicated and capable members of staff, undermining succession planning within the Division and potentially jeopardising the future function and performance of the Risk Management, Insurances the Corporate Procurement services at the Council;
 - e) it will not be possible to support the necessary development of the professional finance training scheme to the benefit of the organisation and in the interests of meeting the proper training needs of current and future CIPFA trainees at the Council.
- 27 The risks of undertaking the re-structure as proposed are minimal and can be easily mitigated by the effective management and implementation of the re-structure process by the Assistant Director of Resources (ARM) with the support of HR.

Recommendations

- 28 The Advisory Panel is asked to advise the Executive Member to:
- a) consider and endorse the proposals for re-structuring procurement services within the Resources Directorate as set out in paragraphs 8-14 of this report, prior to the Director of Resources making his final decision in accordance with the terms of the Council's Constitution;

Reasons

To ensure the effective management and organisation of procurement services within the Directorate to better meet the current and future service needs of the organisation

To achieve recurring budget savings to the Council of £25k in 2007/08 and thereafter

To provide match funding of £10k to the CIPFA training scheme in order to support the planned development of the scheme in 2007/08

- b) endorse the need for the Assistant Director of Resources (ARM) to undertake a full review how procurement functions and activities may be best managed and delivered across the whole authority in the lead up to one-site operations at Hungate, and that this work be included in the medium term action plan now being prepared in support of the new Corporate Procurement Strategy for implementation from 1 April 2007.

Reason

To ensure the effective and efficient management of all procurement activities and functions across the Council, optimise scarce resources, support the delivery of the Corporate procurement strategy and secure full compliance with all regulatory requirements and Council policy.

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Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director of Resources (ARM)

Report Approved

Date 25 November 2006

Specialist Implications Officer(s) Sue Foley (HR), Patrick Looker (Finance)

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

None