

## **Summary of Strategic Procurement Review**

The following is a summarised version of the business case for this Gold Project set out in the Improvement and Efficiency Strategy. It outlines the rationale for the project, what service improvements and efficiencies it will deliver and how it will deliver these.

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## **Rationale and Context**

- Organisational Overview and existing arrangements

Procurement at Brent is a highly devolved activity with minimal use of collaborative contracting and framework agreements. Procurement activity is currently carried out by the Corporate Procurement Unit (9 FTE) and an additional 145 FTE engaged in procurement, commissioning and contract management activity across the council (PricewaterhouseCoopers report (August 2009)). Both the One Council procurement review (December 2008) and the PwC review highlighted areas of duplication of procurement activity and made recommendations regarding areas which should be reviewed such as: staffing, strategy and overall procurement approach

- Contribution to key objectives

Implementation of the review of the recommended areas will offer greater emphasis on achieving savings through procurement and, in particular, a more focussed and uniform approach to the procurement of services, commodities and utilities. It will address the requirement for analysis of need, market conditions and options available. It will ensure that adequate and appropriate commissioning strategies are in place in all areas. Decisions will be taken strategically regarding collaborative work and alternative procurement solutions with consideration of whole council benefits and cross-council information about markets, financial and other factors that could impact on a range of contracts. Procurement activities will be managed by appropriately trained staff.

The PwC report suggested that the current model for procurement is unlikely to drive best value and a systematic and rigorous review of procurement spend will drive out significant savings, in particular from four initiatives:

- Category management

Driving continual savings across all spend by using the best framework contracts, benchmarking and market testing of contract unit prices, wider use of e-procurement tools and existing e-marketplaces created by other buying organisations.

- Re-scoping of services & demand management

Fundamental review of what is bought and why, which assumes a re-prioritisation of spend and active management of the way we specify and schedule services and goods.

**These first two areas will allow us to access and reduce large areas of our expenditure with third party suppliers**

- Review & renegotiate contractual spend

Commercial review/ negotiation of large and/or complex contracts and identifying areas of decreased value for money (increased supplier costs/contract scope creep/poor performance) as well as new cost benefits

- Redefining the buying landscape

Reduction in the number of the current buying organisations and active collaboration/ aggregation of spend and market management.

### **Aims, Outcomes and Impact**

The development of a consistent, value conscious approach to procurement and commissioning activities across the council. Implementation of the appropriate structure to evaluate and support major purchasing decisions.

- **Current Problems**
  - Devolved procurement approaches
  - Duplication of procurement effort
  - Procurement strategy should address Community, Equalities and Sustainability in greater detail
  - Need for greater focus on cost management in procurement projects and contract management
- **What we will do**
  - Implement a more strategic, category management approach to procurement activity creating a unified, cost management approach to procurement throughout the organisation
  - Independent staffing review of procurement activity across the council to inform decisions regarding the appropriate procurement structure
  - New strategies will be drafted to address Community, Equalities and Sustainability needs, together with an updated core strategy to define the change to category management procurement
  - Rolling expenditure and contract category reviews will be conducted regarding existing contracts. These reviews will assess whether contracts are delivering in accordance with terms and conditions, and delivering value for money and identify any additional cost benefits which could accrue to the Council. The quality of contract management will be reviewed and training needs identified. End of contract life reviews will feed lessons learned into new contract tenders.
  - Full procurement options reviews will be conducted at the start of key procurement projects (determined by cost or strategic importance). The options review will consider the external market conditions, in-house vs. outsourcing issues, collaboration potential, procurement approach and contract type and contract specification and anticipated outcomes. These

reviews will deliver an additional degree of commerciality to our procurement activity and will inform the setting of savings targets for new procurement projects.

#### **Service Improvements and delivery timescales**

- This project will implement a more strategic, category management approach to procurement activity through a Category Management Strategy creating a more unified, cost management approach to procurement throughout the organisation. This will deliver £6.3million in savings over 4 years (2010-2014)
- It will increase the number of aggregated contracts let and deliver £1million in savings over 4 years (2010-2014)
- It will consolidate staff in an appropriate procurement staffing structure to provide a cohesive, council-wide approach to procurement without duplication of resource. This will result in £2.7million in savings over 2 years (2011-2013)
- It aims to deliver a 20% increase in the number of contracts awarded collaboratively with external partners
- Top ten markets identified and market management strategies and action plans in place by 2014

In addition, the intangible benefits of delivering this project are:

- Alignment of whole council procurement approaches to the council's corporate strategy and service objectives
- Pro-active longer term planning, as whole-council interlinked expenditure is reviewed
- Ability to ensure that key areas of legislation/drivers are uniformly applied across all our procurement processes e.g. equalities/diversity, sustainability
- Key strategic procurement decisions are taken in a high-level cross-council forum
- The utilisation of cross-functional teams with appropriate participation by the relevant service on the implementation of procurement projects arising from category reviews
- Pro-active longer term planning, as whole-council interlinked expenditure is reviewed

The project will start in 2010/2011 and the tangible benefits of this project will be realised by March 2014

#### **Delivering Efficiency Savings**

- Total savings of £1.014 million in 2010/2011
- Total savings of £2.03 million in 2011/2012
- Total savings of £2.93 million in 2012/2013

Savings related to in-contract value for money reviews have not been included in these figures because they are yet to be defined.

A range of options have been considered and the concluding preferred course of action is as follows:

1. Reviewing the staff involved in procurement activity

**Review staffing structure** – Determine most appropriate staffing levels and structure to support a cohesive, unified approach to procurement across the organisation. Deliver cost reductions highlighted above and minimise the risk inherent in a fragmented procurement

2. Change the council's procurement approach to one based on category management

**Switch to category management approach** – Benefits include: Cost due to aggregation of demand and spend, collaborative working, long term planning, Risk reduction due to use of cross-functional teams addressing all relevant issues and the establishment of a high-level decision making board.

3. Review the procurement strategy

**Update core strategy and create sub-strategies related to Community, Equalities and Sustainability** ensuring that key areas of legislation/drivers are uniformly applied across all our procurement processes and that community partners are able to benefit from appropriate procurement opportunities

Scope

This project will cover:

- Procurement strategy: general strategy, sustainability, community and equalities
- Processes and resources: category management, project management, training, tendering and evaluation, Value for money review of existing contracts. Staffing and structure review of procurement roles and responsibilities
- Collaborative working: building capacity and regeneration, customer engagement, contracting with partners
- Guidance and decision making: strategic procurement group, contract management guidelines, review of contract management and monitoring arrangements

This project will not cover:

- Grant based agreements and procedures

Delivery

The key and immediate actions required to deliver the project are:

- Define Expenditure/Contract Category methodology in consultation with service areas
- Draft revised procurement strategies (Core, Equalities. Sustainability and Community) in consultation with internal and external stakeholders
- Develop forward plan to target new contract/re-tender savings and in-term contract reviews and appoint external provider for reviews
- Scope specification for staffing review, engage external provider