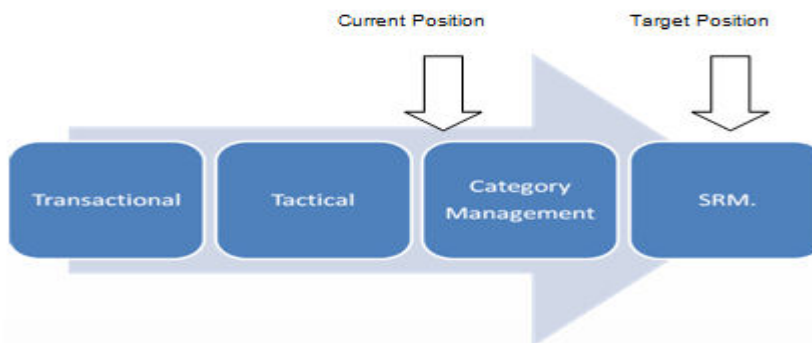


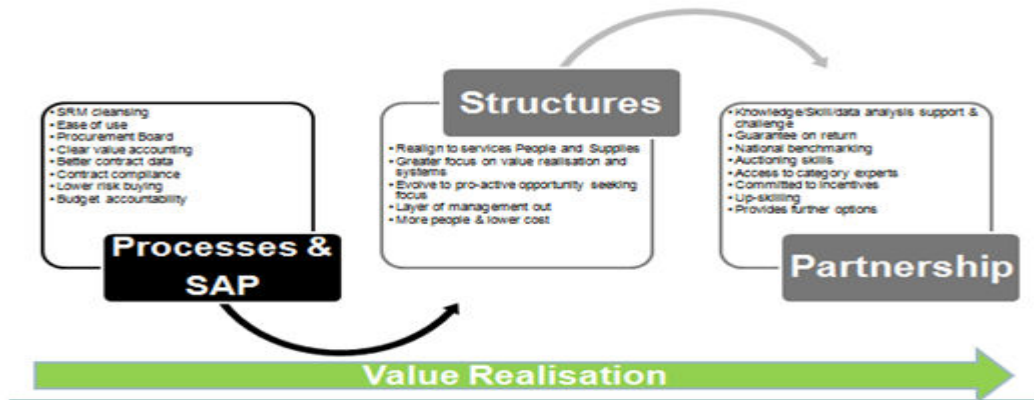
Procurement Service Update

Development Pathway

1. Since Scrutiny last sat and discussed procurement, the time has been filled with evolving and developing the Procurement & Commissioning Board roles and responsibilities as well as continuing with the development of processes and templates as part of the construction of the new procurement manual on the intranet. The other main activity has been to refine and socialise plans to evolve the procurement team towards a more effective category management structure. This work assessed the development pathway as needing to evolve from the early stages of category management towards Supplier Relationship Management (SRM).



2. In order to optimise savings potential and to reduce corporate risks it was identified that the procurement team needed to have better data to support pro-active savings approaches which can be delivered from developing category strategies. For this to occur there is a need to revise SAP categorisation and develop a structure with skills to meet the new way of working.
3. Therefore the objective identified is to evolve the procurement team from re-active service driven re-procurement towards a more pro-active approach which relies on the development and socialisation of category strategies. This evolutionary pathway has also considered a partnering approach to more rapidly develop category management skills not currently available internally.



Procurement & Commissioning Board Update

4. The P&CB role of reviewing planned procurement Outline Business Cases (OBCs) and Opportunity Assessments (OAs) is continuously maturing and providing ever increasing visibility of procurements allowing for challenge and ideas to be inputted; this has had some noticeable effect of producing more thorough and well research opportunities.
5. Additionally to the original TORs, the Board now has a role to play in early assessment of Community Rights to Challenge (Localism Act); where challenges are received and considered for their merits offering alternative service delivery options. This process includes an escalation process to Clt for circumstances where a strategically important decision needs to be considered.
6. There now exists a schedule of planned OBCs and OAs which is circulated to membership monthly; this is also copied to the regular JCC meeting to share visibility with union representation. See appendix 1 – current OBC & OA schedule.

Value Realising & Savings Update

7. There are still issues with regards to double counting benefits; there is now an agreed pathway to deal with these going forward from next April. This issue has been addressed by a new value realisation process which is supported within the procurement service restructure. All contracts will be monitored and supported to ensure the expected value is realised; monthly reporting will be made to Corporate Finance who will manage capital and revenue budget impacts. This three way process reduces the risk of ad hoc financial relationships budget 'shunting' and ensures we optimise and deliver the identified benefits.

Contract Performance & Value Realising Process



8. Savings have so far identified £2.2M of benefits and we have a £2M target; there are some significant procurement outstanding which are expected to perform well and over-exceed expectations. It is likely that the savings target will be exceeded a contribution of c £6M of benefits considering the average contract term is 3 years. This is a solid performance considering most of the 'low hanging fruit' has been taken. The development of category management will further enhance the strategic contribution of procurement allowing the unit to identify some of the detail currently not clearly visible from sub tender level spends.

Reports

9. Recommendations to move ahead with revised systems categorisation, unit restructure and seeking an agreement in principle for a partner to rapidly develop the skills within the procurement team can be discussed at the Dec O&S (if requested). There is a clear need to develop the skills and knowledge required for effective category management. By the time this report reached O&S there may be a need to provide a verbal update.

Planned Activity

- To continue developing the role of the P&CB
- Explore any potential benefits of Systems Thinking integration with Procurement
- Dependent on Clt: Deliver categorisation plans (see appendix 2) & team restructure
- Explore category management partnering expertise

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Appendices

Appendix 1

Appendix 2