
REPORT TO:	FINANCE & MANAGEMENT	AGENDA ITEM: 10
DATE OF MEETING:	1 st DECEMBER 2011	CATEGORY: OPEN DELEGATED
REPORT FROM:	HEAD OF CORPORATE SERVICES	
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SUBJECT:	PROGRESS REPORT ON PROCUREMENT AND BUSINESS IMPROVEMENT WORK PLAN	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 That progress on the procurement and business improvement plan is considered and approved.

2.0 Purpose of Report

2.1 To provide details on the activity of the procurement and business improvement work streams. This is a key project in the Corporate Plan under the Value for Money Theme.

3.0 Detail

Background

3.1 The Council operates a central Procurement and Business Improvement Unit which covers all services. From 1st August 2010, Northgate assumed responsibility for day-to-day service delivery as part of the Strategic Partnership.

3.2 The Unit has the following key objectives.

- To provide advice and assistance to council services on procurement; this helps to ensure supplies, goods and services, etc. are procured within the rules and procedures laid down in the Council's Constitution. It also ensures that the Council acts within the Law and adheres to proper competitive rules where appropriate.
- To continuously examine ways in which the Council can obtain better prices for its supplies, goods and services, etc through centralised buying and aggregating spending with suppliers. This includes examining where and how the Council spends money.

- To engage with suppliers to ensure that the procurement process is efficient and to signpost local and small enterprises on how to do business with the Council.
- To work with council services to review processes and procedures to generate efficiencies and tighten up internal control through electronic processing and by streamlining manual intervention.

3.3 The Unit also supports the wider transformational work being undertaken through Northgate on retained service reviews. This report focuses just on procurement and business improvement rather than structural/service improvement – this is being monitored and reported separately.

3.4 The work of the Unit provides cashable as well as non-cashable savings to the Council. Savings generated can range from quite small amounts to larger savings where a change in the procurement of a supply achieves cost reductions.

3.5 Savings generated from 1st August 2010 contribute to the guarantee provided by Northgate. This is to achieve £356,400 of cashable savings from procurement transformation over the 5 years 2010 to 2015.

Business Improvement Board

3.6 The overall work plan is approved and monitored by a Business Improvement Board. This consists of senior officers in the Council and the Procurement Member Champion, supported by Northgate.

3.7 Prior to August 2010, the Council had generated a fairly high level of savings through centralised procurement in particular. These contributed to the efficiency targets set by the Government between 2004 and 2010. National targets no longer apply, although with the current financial situation in the public sector, pressures to make savings remain.

3.8 Since the introduction of Northgate, work has concentrated on the governance aspects of procurement, supporting the upgrade of the financial management system and putting in place the foundations to achieve future savings. Some low level savings have been generated over the last year.

Financial Management System: E-procurement

3.9 Over the last 12 months, the main focus of the Unit has been to support the major upgrade of the financial management system. This has introduced E-procurement where a significant amount of purchase transactions from requisition through to payment is now fully automated.

3.10 Previously, the Council had a combination of manual and electronic ordering systems without a comprehensive centralised approach to ensure consistency. This allowed a potential risk in control and meant a greater degree of manual checking and recording to mitigate this risk.

3.11 This has now altered fundamentally and the key changes are:

- The supplier database has been cleansed and substantially rationalised, together with the accounting structure.
- All purchase orders are approved on-line and cannot be authorised without sufficient budget on a proper account code
- No payment can be made to a supplier without an approved Contract or Purchase Order unless it falls within the exemptions or emergency procedure.
- Budget monitoring is enhanced as committed orders and contracts are recorded alongside actual payments in real time against budgets.

3.12 Northgate have invested heavily in communication and working with staff across the council together with suppliers to implement these changes. In addition, the Purchasing Code of Practice and Contract Procedural Rules have been updated.

3.13 This has greatly helped to consolidate procurement structure and standardisation, together with ensuring best practice in operational procedures. Potential areas of non-compliance can be more readily identified.

3.14 It is expected that improved performance in paying invoices within the 30-day limit will be sustained well above the target of 97%. The system significantly reduces manual intervention and automates the process through electronic work flow.

3.15 Following the bedding in of the new system, performance against the 97% target has been 98.8% for September and 99.12% for October 2011.

3.16 Additional qualitative information is now also being produced for review by the Business Improvement Board through a procurement dashboard. This includes the number of local suppliers used, value of contracted spend compared to non-contract, together with trends in spending areas to help with future buying decisions.

Identification of Cashable Savings

3.17 Over the last year, around £10,000 per annum has been saved through rationalisation of advertising spend, standing charges on utility contracts and telecom costs.

3.18 Currently, the Unit are reviewing the Council's bank charges and cost of collection, co-ordinating a tendering exercise to achieve further budget savings. This will be reported to the Committee in early 2012.

3.19 Over the next year, the focus will be to progress various spending areas that have been identified for aggregating spend/contracts across the Council. This includes:

- General repairs and maintenance
- Skip Hire

- External print and design
- Various property, facility and cleaning services
- Statutory advertising
- Paper and envelope usage/supply
- Postage
- Christmas Lights
- Grave Digging
- Professional services
- Courier services

3.20 Together, it is estimated that cashable savings of around £100,000 can be achieved in these areas. This will be the first substantial set of savings to contribute to the 5-year target. It is planned to update the Committee in March or April 2012 at the end of the current financial year and then at six monthly intervals thereafter.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 As detailed in the report, the upgrade of the financial management system has affected working practices across the Council and not without some difficulties.

5.2 However, the control environment around procurement should be strengthened with further efficiencies accruing. Training and advice continues to be provided.

6.0 Community Implications

6.1 The continuing programme of procurement and service transformation reviews is a key project (reference VP 02) in the Council's Corporate Plan. This is aimed at "cutting costs and not services" for the local community.

7.0 Background Papers

7.1 None