

Wolverhampton City Council

**OPEN INFORMATION ITEM**

Scrutiny Panel

**AUDIT COMMITTEE**

Date **24 SEPTEMBER 2012**

Originating Service Group(s) **DELIVERY**

Contact Officer(s)/

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Title/Subject Matter

**PROCUREMENT IMPROVEMENT PROGRAMME**

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**SUMMARY**

That Councillors be recommended to note the progress on delivery of the identified outcomes of the Procurement Improvement Programme and the change in the proposed delivery approach.

# **PROCUREMENT IMPROVEMENT PROGRAMME**

## **1.0 PURPOSE OF REPORT**

- 1.1. To update Councillors on the progress to date of the Procurement Improvement Programme including details of the changes to key procurement personnel and the revised delivery arrangements, established to ensure the continuing improvement of the procurement function across the Council and a continued focus on the achievement of the Council's procurement savings targets.

## **2.0 BACKGROUND**

- 2.1. The Programme was established following two commissioned reviews into the Council's procurement function. The first, executed by Valueworks, was a strategic review. The second prepared by Ernst and Young (in response to Audit Committee's requirements) examined improved governance and better value from contracts. Both identified the contribution that the procurement function should be making to corporate efficiency and effectiveness. The reports identified a series of essential improvements that the Council needed to make to secure the delivery of best value in sourcing activity and retain that value through more effective contract management.
- 2.2 The Procurement Transformation Programme was established to design, implement and support the radical change required, whilst 'business as usual' maintained the day to day delivery of the function to service departments. Programme objectives were:-
- Refresh an outdated strategy establishing targets and measures for procurement activity
  - Align procurement activities and improve procurement compliance
  - Establish a comprehensive Contracts Register
  - Develop meaningful spend analysis
  - Improve the profile of the procurement function, establish a perception of its adding value and improve commercial focus
  - Establish a contract management framework to ensure that secured value for money was not lost through poor contract oversight
  - Improve Supplier Relationship Management
- 2.3 The Strategic Executive Board and Corporate Delivery Board endorsed the outline proposals in July 2011.
- 2.4 Valueworks and Ernst and Young were then engaged to support the definition, planning and delivery of a series of co-ordinated projects to address the identified issues, support the delivery of improved procurement and contract management functions across the Council and contribute to delivering savings.

### **3.0 UPDATE – POSITION STATEMENT**

- 3.1 A report to the Performance Governance and Support Services Scrutiny Panel in February 2012 identified that the identification and definition phases of a traditional programme management approach were virtually complete and that 'implementation' was about to commence.
- 3.2 Since that report the programme has delivered:-
- A comprehensive Contract Register, published on the Council's website and the Black Country Business portal. This provides not only an effective window on the Council's contracted services and suppliers, but also helps businesses to identify forthcoming opportunities.
  - A detailed spend and opportunity analysis which has been verified and prioritised with operational managers to target strategic and key procurements to generate savings.
  - The development, agreement and roll out of a benefit realisation methodology, establishing baseline costs against which to measure the achievement of savings.
  - The construction of management controls and reporting to monitor the progress of individual procurement projects, their impact on savings targets and identify remedial actions.
  - A programme of recruitment to key vacant posts has been completed, strengthening and widening the skill base of the Corporate Procurement Unit
- 3.3 Work on a refreshed Procurement Strategy and draft options for a revised, Target Operating Model (alternative delivery models for improved commercial focus and contract management) has been completed. The documents are currently being prepared for the Delivery leadership team, before final consultation and Member consideration by Performance Governance and Support Services Panel and approval by Cabinet.
- 3.4 Whilst much has been achieved, there is still much to do to both underpin the platform and embed business change that must impact the wider business. This includes critical cultural change and the development of the procurement function from executing process to providing commercial management support. Specific future developments will be:
- The creation of an officer Corporate Procurement Board with Service Department representation to widen engagement.
  - Construction and delivery of a programme of staff development and training, validating levels of existing practice and skills and executing skills transfer from the appointed change agents (Valueworks and Ernst & Young).
  - Determine the appropriate approach to establishing and embedding improved contract management.
  - Continued focus on savings and benefit realisation.

- A strong focus on reducing the number of contract extensions coupled with a drive to plan for and secure improved terms where an extension is essential.
- The development of management information and the deployment of facilities (e-shop, InTend online tendering etc.) for the wider business to undertake compliant procurement activity.

#### **4.0 CHANGES IN DELIVERY APPROACH**

- 4.1 Since the last report, significant changes have occurred in the management staffing of the procurement function, with both the Corporate Procurement Manager and the Programme Manager having recently left the Council. These events have enabled a complete review of the most effective means of delivering continued and focussed improvement to this critical area. With the drive for change and the need for continued delivery of savings so vital, decisions on staffing have been reached which will facilitate a complete and comprehensive change of approach.
- 4.2 It is virtually impossible to effectively design and develop effective change programmes whilst simultaneously delivering business as usual. Since the Programme's focus was the improvement of delivery, and as it has now moved to the implementation phase of change within business as usual, its work and resourcing can sensibly be absorbed under the single direction of Corporate Procurement, under new management. Whilst the need for change in procurement is long established and well recognised, the opportunity to drive both change and day to day business improvement through a single vehicle must be seized. The Programme has set the course for improvement which can be readily and efficiently continued as a consequence of these changes.
- 4.3 A temporary senior role, Head of Strategic Sourcing has been approved and established to enable the radical change in the procurement function. This new role can now combine the roles of Corporate Procurement Manager and Programme Manger driving both change and savings through the delivery of day to day operations. This role is designed to facilitate a greater empowerment of the recently appointed Category Managers (and their teams) and more readily enable the construction and establishment of a revised target operating mode. The adoption of a strategic sourcing approach, to support departments in their 'Make, Buy or Partner' choices, is designed to add commercial perspective and value, and thereby strengthen the quality of decision making on sourcing solutions.

#### **5.0 FINANCIAL IMPLICATIONS**

- 5.1. Targets have been established within the medium term financial strategy for savings to be generated as a consequence of programme activity. These will continue to be addressed under the new delivery approach. The savings target is £12.375M over three financial years to 2014-15.
- 5.2 It is anticipated that savings will be generated as a result of changes in the management of the procurement function.  
[GE/10092012/E]

## **6.0 LEGAL IMPLICATIONS**

- 6.1. The procurement of goods and services is a heavily regulated area. Any new arrangements may subsequently need to be incorporated within the Contract and/or Financial Procedure rules. [MW/11092012/V]

## **7.0 EQUAL OPPORTUNITY IMPLICATIONS**

- 7.1. There are a series of business change implications driven by implementing a new target operating model, systems and business processes which carry with them a range of equality implications. It is important that all staff affected by any programme of change, however delivered, are made fully aware of the implications in relation to changed structures and job roles and requirements.

Background Papers - None