

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **8 November 2016**

By: **Chief Operating Officer**

Title of report: **Procurement Performance Update: Contract and Project Update.**

Purpose of report: **This paper provides ABVCSSC with an update on the current savings achieved by the Council through procurement activity, as well as progress on other key activities within the Procurement Service.**

RECOMMENDATIONS

The Audit, Best Value and Community Services Scrutiny Committee is recommended:

- 1. To note savings achieved by the Council through procurement activities in 2016/17, and the current forecast for 2016/17 2017/18; and**
- 2. To note progress on other key activities within the Procurement Service.**

1 Background

1.1 This paper provides an update on the current savings achieved by the Council through procurement activity, as well as progress on other key activities within the Procurement Service. The areas covered are:

- A summary of savings – already built into budgets - achieved by the Council through procurement related activities;
- Key savings/major contracts/tenders planned for rest of the year;
- Procurement Target Operating Model; and
- Ongoing development of our approach to Social Value through procurement.

2 Supporting information

Savings achieved by the Council: procurement activities

2.1 To date (as at end of September 2016) the total of savings successfully achieved by the organisation and supported by the Procurement Service, in line with the assumptions within budgets is £3.9m, comprising £1.8m identified in the Reconciling Policy, Performance and Resources (RPPR) process; £1.2m Capital and; £800k other 'revenue' savings supporting known budgetary pressures. For 2016/17 this has included the following projects generating savings over £10k:

Project	RPPR	Capital	Mitigating Pressures
P&C (20164) Health Visiting	£768,852		
P&C (11311C) Orbis consultancy			£18,000
P&C (10840) Contractor Frameworks - Tier 3 & 4		£262,019	

Project	RPPR	Capital	Mitigating Pressures
P&C (11014C) Highways Re-Procurement Project	£1,100,000		£304,445
P&C (10853) SAN (Storage Area Network) replacement		£171,000	
Microsoft Enterprise Agreements		£81,912	
Mobile Device Management (MDM)		£115,272	
VMWare Enterprise Agreement		£16,960	
Building Services Framework		£106,297	
Hastings Library Adaption works		£426,568	
Hastings Library Fit-Out		£53,002	
The Link Contract Management (ESCC Costs)			£100,000
Temp Agency Work			£34,000
Central Postal Hub			£44,261
Schools Managed Service			£132,000
Actuarial & Benefits Services			£51,000
eDBS Solution			£27,768
Provision of Quality Printing Paper			£24,300
Fleet Maintenance Re-Procurement			£18,281
Client Transport DPS P&C PR Lot 2 Home to School Transport - Willingdon Primary			£24,534
Client Transport DPS PR Lot 2 - One School Taxi Contracts -Hazel Court FE/Hazel Court			£15,114
Client Transport DPS PR Lot 2 - One School Taxi Contracts - South Downs CSS East			£23,487

Key savings/major contracts/tenders planned for rest of the year

2.2 The current forecast of savings that the organisation planned to achieved through procurement activities in 2016/17 is £6.1m. The savings (through both tenders and other activities) for 2016/17 that are estimated to still deliver over £10k savings are shown below. These are all required in order to be delivered within the already allocated budget.

Project	RPPR	Capital	Mitigating Pressures
Joint Stationery Project			£19,638
Rolling Investment Programme- Software		£42,500	
Rolling Investment Programme - Hardware		£52,500	
Property Consultant Framework			£100,000
Hybrid Mail Services			£16,000
Tier 2 - The Baird Primary Academy		£200,000	
Tier 2 - Blacklands Primary Academy		£50,00	
Tier 3 - Iford & Kingston Primary School		£50,000	
Tier 3 - Southover Primary School		£50,000	
Energy Procurement (ESCC) 2016-2020	£10,000		
Tier2 Expansion Cradle Hill Prim		£120,864	
Education Framework Improvement	£25,000		

2.3 The Procurement Service will continue to work with Finance and service colleagues to ensure a programme of work that supports RPPR and other priority areas. As previously reported, savings, both realised and forecasted, which relate to procurement activities are either deployed to support agreed programmes of work or support delivery of a service where there is increasing demand pressure.

Procurement Target Operating Model

2.4 As in other areas of Orbis, the Councils partnership with Surrey County Council to deliver an integrated business services function, the Procurement Service has been undertaking work around a revised 'target operating model'.

- 2.5 The programme within Procurement supports the overall purpose for Orbis:
- To provide seamless, resilient and flexible business services
 - To deliver value for customers and residents through our expertise, innovation and passion

The programme is focussed on delivery, over the business plan period, against the Orbis organisational priorities:

- Improve sustainability and quality of service delivery
- Improve operational resilience

- Whilst delivering efficiencies, with the budget reduction built into the costs of operating the Procurement Service of £245k for 2017/18, with the ability to increase this reduction by a further £100k as necessary on the basis of the need for additional savings requirements (which are still to be approved by the two authorities through budget setting).

2.6 The role of the Procurement Service is to deliver procurement and commercial expertise to ensure our contracts and commercial arrangements provide great value for money and the best possible social value for residents. Each year, the Service works with colleagues to deliver against a target for cashable savings which have already been built into budgets. It also delivers additional value from cost avoidance and social value initiatives, such as the delivery of apprenticeships via our supply base, and support to drive our spend via local suppliers.

2.7 Our new service design has been informed by customer engagement across both counties and across all levels of management. Customers were asked about our four key areas of focus – Category/Commercial Strategy, Buying and Contracting, Contract Performance Management and Supplier & Market Development.

2.8 It was a key requirement of the design phase that our new design supports scalability, and that this must include scaling either up or down. This is supported by the following features:

- The structure allows for the addition or removal of locally-based management, with resources working as part of flexible, matrix-led project teams across the partnership. Smaller, specialist teams to lead category management, contract and supplier management, programme management and change management provide for a consistent professional foundation for operations which would easily be adaptable to more partners. However, there would be a minimum level at which the more advanced techniques such as category management or supplier relationship management could efficiently continue to be deployed.
- The standardisation of governance around risk and value, whilst accommodating sovereign authority tolerance for risk and approvals, makes it easier to share resources across the partnership.
- The standardisation of tools, processes and systems as far as possible, to support flexible resourcing.
- Specific resource for leading and embedding change, including the addition of new partners.

2.9 Work will begin during October 2016 through January 2017 to move to our new operating model, so that it is fully operational by April 2017 and full year efficiencies from the new operating model can be achieved.

Development of Social Value

2.10 Partnership and collaborative working are essential to the successful embedding of social value and is a key area of focus for procurement at Surrey and East Sussex County Councils. Regular engagement events are hosted and attended by officers to promote this culture of networking between sectors, which acknowledges the value of learning from each other and sharing best practice.

2.7 Commitment to local spend: Officers regularly attend and speak at events and conferences to raise awareness on social value. Free training on public sector procurement, aimed at demystifying the bidding process, is available on request to the Voluntary, Community and Faith Sector (VCFS), Federation of Small Businesses (FSB) and Chambers of Commerce. This encourages participation from micro, small and third sector organisations, and online guidance on submitting bids for tenders is available on the councils' e-tendering portal. Tender documentation used by the councils has been approved by the FSB to ensure ease of use for micro, small and medium enterprises

2.8 Market events: Market-engagement forms a core part of the procurement process for strategic and critical contracts and includes:

- Concept days, which involve the input of service users, suppliers and partners in the re-design of services, are held to ensure specifications are outcome focused and draw on the innovation expertise from the market to enable the delivery of services within budget.
- Annual marketplace events, focused on building capacity and promoting subcontracting opportunities for local suppliers within the construction sector, are held annually East Sussex and are free to attend to all interested suppliers. Procurement has a strong representation at these events.

2.9 Supplier portals: Facilitating networking between sectors is viewed as opportunity for the Councils to stimulate local economic growth. The Build East Sussex portal is free for suppliers to use and is a construction and built environment network that uniquely gives every construction-related business across the region free tools to trade, find suppliers, create new partnerships, advertise and access other services online.

3. Conclusion and reasons for recommendations

3.1 This paper provides an update on the current savings achieved by the Council through procurement activity, as well as progress on other key activities within the Procurement Service.

3.2 The Committee is recommended:

1. To note savings achieved by the Council through procurement activities in 2016/17, and the current forecast for 2016/17; and
2. To note progress in other key activities within the Procurement Service.

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