

**EAST SUSSEX COUNTY COUNCIL,
SURREY COUNTY COUNCIL AND
BRIGHTON & HOVE CITY COUNCIL**



ORBIS JOINT COMMITTEE

DATE: 12 OCTOBER 2018

LEAD OFFICER: ROSS DUGUID, ASSISTANT DIRECTOR, PROCUREMENT

SUBJECT: PROCUREMENT SERVICE UPDATE

SUMMARY OF ISSUE:

The Procurement Service has been operating under a jointly appointed Head of Procurement & Commissioning since September 2013 and began operating under an integrated Senior Management Team in April 2015 (this delivered 23% savings against the previous combined costs for Tier 2 and 3 for Procurement).

In April 2017, the integration of the East Sussex County Council (ESCC) and Surrey County Council (SCC) procurement functions completed. Not only was this designed to reduce costs (£345k budget savings for 17/18, 11% of the operating budget) but the restructure offered the opportunity to also provide a broader 'cradle to grave' offer with a greater emphasis on the development of longer term category strategies to support commissioning; alongside a supplier and contract management focus to ensure value for money is delivered through the lifecycle of our contracts.

Furthermore, a move away from small specialist teams, to wider professional groupings, offered the potential to use resource more flexibly and efficiently across teams and between authorities, as well as offering the possibility for improved knowledge sharing.

It is now nearly 18 months since this model went live (the formal integration of the Brighton & Hove City Council (BHCC) has now also recently completed) and this paper offers the opportunity to assess the extent to which this ambition has been realised.

RECOMMENDATIONS:

It is recommended that:

1. The Joint Committee note the progress that the procurement department has made in delivering the ambition set out in the above summary.
 2. The Joint Committee is sighted of the further developments that are planned to address areas that have not yet been delivered
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(or are not in the process of being successfully delivered).

REASON FOR RECOMMENDATIONS:

To ensure the Joint Committee is kept informed about the progress to-date, including both successes and challenges, and understands the plans to address those areas that require further development.

DETAILS:

Service Update for the Procurement Services Function.

1. This section sets out progress made over the last 18 months against the three key objectives below:

- Improved efficiencies through flexible use of resource etc.
- A broader strategic offer encompassing the full procurement lifecycle.
- Improved learning (and hence value for money) through effective joint working alongside underlying data, reporting and systems.

Improved Efficiencies: Flexible resource model

2. The level of cross-functional working has steadily grown over the past 12 months. We now have an increasing body of examples of individuals working cross-authority to support peaks in demand elsewhere. This ranges from Highways Pavement Management to ePayslips and numerous IT&D projects.
3. We have developed a simple resource management tool, operated by a central programme management team, that enables us to effectively forward plan resource and to identify where we have capacity across the department.
4. Recent analysis to understand further opportunities for improvement, however, does point to a number of instances where senior resource continues to lead on projects that are of low complexity (projects are now segmented at the outset based on complexity/risk) and can be handled better by more junior staff, alongside a lighter governance process (see below). This will drive further efficiencies.

Improved Efficiencies: Process and Governance

5. The Procurement Standing Orders (PSOs) across ESCC and SCC have been revised and largely harmonised (this supports flexible use of resource cross-authority) since February 2018. The revised BHCC orders are also in draft pending a governance review.

6. This review seeks to learn the lessons from the past year, specifically whether our level of governance is proportionate and at the most effective point in the process. As a result we will be proposing changes in October that will see earlier challenge in the procurement process and lighter governance for our less complex procurements (we estimate this will allow us to 'fast-track' 30% of our procurements).

Improved Efficiencies: tail end spend

7. A dedicated team has been created at ESCC and an existing team at SCC transferred into Procurement, to enable us to proactively manage our 'tail spend' i.e. the high volume, low value orders (£15-99k). The key focus of these teams is to identify opportunities to drive efficiencies and cash savings through measures such as aggregation, quick turnaround on one-off (tactical) procurement activities and use of an online marketplace, as well as supporting the development of local markets for micro/SME providers. They also provide 2nd line support for all Procurement related queries in partnership with the Help Desk. We will be reviewing the benefits of extending this approach to BHCC alongside the potential for further consolidation of the team.

Improved Efficiencies: Partnership working

8. There is significant reciprocal value to be gained by closer partnership working, particularly with Districts and Boroughs. Orbis procurement is able to offer resilience and additional capacity to D&Bs whilst at the same time joining up workplans provides additional efficiencies. As a result we have recently entered into an agreement with Adur & Worthing Councils to provide procurement leadership and support and will look to explore the possibilities of extending this further going forward.

A broader strategic offer: Supply and Contract Management

9. A small dedicated team was formed in April 17 to provide support to contract management undertaken by the services as well as direct involvement in ensuring/driving value from supplier relationships.
10. This team has built significant momentum and delivered a number of successes, including:
 - Segmentation of over 2100 contracts across Orbis based on a range of criteria (complexity, risk, value, opportunity etc.) – this segmentation has helped us to understand where we need to focus attention and the appropriate level at which different contracts need to be managed.
 - Launch of the contract management framework, comprising a set of tools that aid contract managers in the activities they need to undertake to successfully manage a contract (underpinned by the above segmentation).
 - Launch of a supplier collaboration programme at SCC (opportunities across 266 contracts are being reviewed). An existing, more focused,

programme is also in place at BHCC and the intent is to take the learnings from each to devise a common future approach.

- Implementation of a value for money tool, in conjunction with Cranfield University, to measure vfm across our key/strategic contracts; this has been applied successfully to the SCC Highways contracts (and will inform the future category strategy) and shortly will also be used across the ESCC Highways contract.
- Various other initiatives including: launch of supplier failure protocols to provide 'early warnings' of developing risks; launch of contract performance indicator tool; successful training of the team to practitioner level through the International Association for Contract & Commercial Management (IACCM); and recognition by central government of us as a leader in social value delivery and the part-time secondment of a member of one of the team to support them.

A broader strategic offer: Category Management

11. A small, dedicated team was also formed in April 2017 to develop long term category strategies. Initial work included the creation of a 'category map' that grouped spend into hierarchical segments, reflective of the markets. This map has allowed us to gain a consistent picture of spend across Orbis (see Tableau comments below).
12. The team successfully developed a draft three year programme of work and have delivered a number of strategies from this. However, changes within sovereign authorities have required them to reprioritise and progress has been slower than originally anticipated. Furthermore, the demand is noticeably different from each authority. It is an area that requires clear leadership focus going forward.

Improved learning: Joint Working

13. From April 2017 we have run 51 joint projects, across 2 or all 3 partners (out of a total of approximately 450 projects). As a minimum this has driven resource efficiencies (a single procurement exercise instead of multiple) but also has increased our attractiveness in the market. There is continued scope to increase the percentage of joint procurements, where this is appropriate. An illustrative example would be the recent soft FM tender which included all 3 Orbis partners. This has delivered £400k cash releasing benefit alongside over £500k Social Value commitment (it also complements the new Orbis Property Services structure and offer to customers, which will allow a consistent joined up service and approach to contract management to be delivered).

Improved learning: Data, reporting and systems

14. Significant effort has gone into improving the quality of the data we hold within our systems and the level of granularity we are able to gather from other systems. Furthermore, we have developed a common classification of our spend data for all 3 authorities that now allows us to view expenditure across (sub)categories and suppliers by authority or cross-authority. This reporting, alongside other performance reporting (e.g. contract end dates,

red/amber/green project status) is available to all procurement staff, across the 3 authorities, via Tableau.

15. Going forward Tableau will become the default tool from which we manage our performance reporting across all teams within the department, upto and including our SLT.
16. The spend reporting has been complemented by a number of market dashboards that contain key indices to support Services decision making; to date these have been developed for Highways, Property and shortly ASC.
17. The widespread take-up of 'Navigator' over the past 12 months (a SharePoint site that acts as a repository of all key information as well as a message board) across the whole procurement department has been a very successful tool. In particular, this has facilitated the effective sharing of knowledge/ experience on projects across the sites.
18. We remain constrained, however, by the lack of scalability of the existing programme management tool we have in place which means we are currently unable to run this reliably in BHCC; we are currently working with colleagues to assess suitable alternatives.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

19. The procurement department delivered within budget for 2017/18 and is on target to do so in 2018/19.
20. Annual Performance targets are in place as a method of assessing VFM. Aside from the coverage of category strategies, we are on target to deliver the other target measures (including savings, contract coverage, social value, local supplier spend).
21. To better understand the extent to which the department comparatively provides a value for money service, we undertook two benchmarking exercises across all 3 authorities at the end of 2017, one quantitative (ROSMA) and the other qualitative (NPS).
22. ROSMA (Return On Supply Management Assets) is a quantitative benchmark developed by AT Kearney and the Chartered Institute of Purchasing and Supply (CIPS). Respondents include both public and private sector organisations (675 total).
23. There were a number of issues with the benchmarking that need to be resolved in any future rounds. However, overall most Orbis scores fell within Quartile 2 (Quartile 1, best performing companies. Quartile 4, worst performing). In particular, Orbis procurement costs as a percentage of total expenditure occupied a strong second quartile position (note, due to timings only ESCC and SCC were included in this initial benchmarking).
24. NPS (National Procurement Strategy) benchmark is a qualitative benchmark, comprising of a self assessment versus other local authorities (there was a 60% response rate from upper and second tier councils).

25. Orbis' overall position across 4 key themes (all 3 Orbis authorities participated) again positioned us in Quartile 2 (average with significant number of good elements).
26. It is planned that this benchmarking becomes an annual exercise, which will become increasingly useful as it is refined and becomes more robust.

WHAT HAPPENS NEXT:

27. Continue to drive efficiencies from our strategic procurement activities by ensuring we focus resource on those areas where we can add significant value (typically complex).
28. Use the results of our benchmarking and progress against performance targets to identify areas of focus.
29. Begin to focus more on the development of our future commercial activity as an income source (analysis underway to identify where we have specific capabilities that will allow us to differentiate from others, in areas of high demand).
30. Increasingly develop partnership working, particularly with District & Boroughs.
31. Refine the current delivery model to make it more flexible so it can efficiently/effectively take account of the different pulls that come from each authority (e.g. category management).
32. Continue to develop our systems (and data), particularly programme management, to effectively support joint working.

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Annexes:

- None

Sources/background papers:

- None