

**HAMPSHIRE COUNTY COUNCIL**

<b>Decision Maker:</b>	Efficiency Panel
<b>Date:</b>	2 February 2010
<b>Title:</b>	Procurement Improvement Programme
<b>Decision Reference:</b>	1231
<b>Report From:</b>	Director of Property Business and Regulatory Services

**Contact name:** Neil Jones

**Tel:** 01962 846180      **Email:** neil.jones@hants.gov.uk

## 1. Executive Summary

1.1. The purpose of this paper is to provide the Panel with an overview of the Procurement Improvement Programme and the arrangements made to deliver the key themes related to the County Council's overall efficiency agenda.

1.2. The activities of the Corporate Procurement team are regularly reported to the Buildings, Land and Procurement Panel (BLAPP) for subsequent approval by the Executive Member for Policy and Resources. The most recent update was given on 12 January 2010 and in November 2009, Cabinet approved a new Corporate Procurement Strategy. These reports set out detailed information about efficiencies achieved to date and the on going work with departments. The links to the respective reports are set out below for information:

<http://www.hants.gov.uk/decisions/decisions-docs/091123-cabine-R1116144656.html>

<http://www.hants.gov.uk/decisions/decisions-docs/100112-blcpnl-R1229160759.html>

## 2. Procurement Improvement Programme

2.1. The Corporate Services Review (CSR) of procurement recommended that a more strategic and consistent approach to procurement should be adopted with a strong focus on corporate leadership, improvement and efficiency.

2.2. The County Council has recently published its third Corporate Procurement Strategy. Progress against the previous strategies and their associated action plans has been regularly reported to BLAPP. Considerable progress and improvement in procurement arrangements and performance has been made since the publication of the County Council's first Corporate Procurement

Strategy in September 2003. The revised Strategy focuses on the recommendations of the CSR of Procurement and is expected to support a 'step-change' in procurement performance and enable procurement to continue to make a major contribution to the County Council's efficiency agenda.

2.3. The revised Corporate Procurement Strategy is intended to deliver:

- a more strategic and systematic approach to procurement
- corporate management of procurement performance and improvement priorities
- enhanced compliance with relevant policies and procedures
- procurement efficiencies and cost reductions of around £10 million (gross) by the end of 2013/14
- improvements in sustainable procurement performance in accordance with the Sustainable Procurement Task Force's Flexible Framework
- an increase in the proportion of spend that is recorded against contracted and approved suppliers.

2.4 The Strategy is underpinned by the following principles:

- a centre-led approach to strategic sourcing and category management
- stronger central leadership and performance management
- focus procurement activity through procurement professionals and develop a 'licensed practitioner' programme which continues to enhance skills and performance
- development of new strategies and approaches to deliver reductions in procurement and process costs
- further extend collaboration with other public bodies locally, regionally and nationally.

2.5 These changes and principles are being delivered through the 'Procurement Improvement Programme', which is led by the Corporate Procurement team, assisted by the Corporate Procurement Network and sponsored by the Corporate Efficiency Board. Proposals to set aside some initial funds to support the implementation of the agreed actions have been included within the business plan for Corporate Procurement and County Supplies (CPCS). A Programme Manager has been appointed and detailed preparations for each component of the programme are being made. An overview of the programme is included at Appendix 1. Progress on the improvement programme will be reported to the Panel over the coming year. A diagram showing the governance arrangements for the programme and an initial timeline can be found at Appendices 2 and 3. Other development and improvement initiatives supported by CPCS since January 2009 include electronic procurement, wider collaboration, procurement reviews and support to specialist departmental procurement arrangements.

### 3. Finance – Invest to Save

- 3.1. The Corporate Services Review (CSR) of Procurement identified that the County Council's procurement performance is central to the successful delivery of individual services, corporate objectives and resource management.
- 3.2. Opportunities were identified both for short term savings and through the creation of a longer term continuous improvement framework leading to recognition as a leading exponent of modern procurement practice, which is intended to drive further sustainable and long-term improvements in performance, including efficiencies.
- 3.3. The original report to Cabinet identified that investment would be required of between £1.5 million to £2.2 million over five years in order to deliver some £10 million of cashable efficiencies and longer-term sustainable improvement in procurement. It was envisaged that the investment would be made on the basis of an 'invest to save' initiative, whereby the additional costs would be recovered from the cashable efficiency savings, leaving a net cashable benefit of between £7.8 million and £8.5 million over five years.
- 3.4. More detailed work, including identification of opportunities for savings relating to property, has been undertaken to determine the level of investment required and to minimise costs wherever possible. A revised forecast for investment of £1.4 million, specifically to achieve the target savings of approximately £10.2 million over five years is included in exempt Appendix 4.
- 3.5. The Business Services Group in PBRs, which leads on the CSR implementation and the procurement improvement agenda for the County Council, will contribute £0.5 million over five years towards this investment.
- 3.6. The 'invest to save' approach assumes that the subsequent investment is funded through 'first-call' on the savings generated. Careful planning and phasing of initiatives in the second and subsequent years of the invest to save programme means that the target benefits are expected to offset the necessary investment across the duration of the programme (Table 1). The actual cashflow will be affected by several variables and will be closely monitored through the Corporate Efficiency Board. As set out in table 1, the net cashable benefit is likely to be around £9.3 million.

Table 1: CSR Procurement Implementation – Initial Cashflow Projection

	2009/10 (£000)	2010/11 (£000)	2011/12 (£000)	2012/13 (£000)	2013/14 (£000)	Total (£000)
<b>Costs</b>	-115	-465	-390	-275	-160	-1,405
<b>Business Services Funding (possible phasing)</b>	115	100	100	100	85	500
<b>Benefits</b>	0	660	4,400	2,560	2,550	<b>10,170</b>
<b>Net annual position</b>	0	295	4,110	2,385	2,475	
<b>Net cumulative position</b>	0	295	4,405	6,790	<b>9,265</b>	

#### **4. Other Value-for-Money Gains**

- 4.1. Each year, CPCS seeks to provide a summary of the value-for-money gains that can be linked to the portfolio of contracts for common-use goods and services and to projects undertaken in conjunction with departments. The provisional list for 2009/10 is included in the exempt Appendix 5 and is expected to total some £0.5 million for departments and schools (excluding energy and the team's participation in the highly successful HPSN2 contract).
- 4.2. Exempt appendix 6 provides an overview of this activity over the previous four financial years.

#### **5. Recommendation**

- 5.1. That the Panel notes progress on the Procurement Improvement Programme and receives further regular reports on progress and the delivery of the efficiency targets.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	Yes
Corporate Business plan link number (if appropriate):	
<b>Maximising well-being:</b>	Yes
Corporate Business plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	Yes
Corporate Improvement Plan link number (if appropriate):	
The procurement of appropriate and cost-effective goods, works and services in support of the Council's provision of services to the people of Hampshire is linked to all three corporate priorities.	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Corporate Procurement Update	928	12 January 2010
Corporate Procurement Strategy	760	23 November 2009
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report.

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

Equality impact assessment has been considered in the development of this report and in the development of the revised Corporate Procurement Strategy and no adverse impact has been identified and the revised Corporate Procurement Strategy aims to improve the equalities performance of external suppliers where appropriate.

### **2. Impact on Crime and Disorder:**

The revised Corporate Procurement Strategy recognises that Community cohesion, safety and security is a key part of the County Council's corporate priorities. The Strategy aims to continue to identify where procurement can ensure that appropriate contracts include provisions for crime and disorder reduction and that procurement arrangements do not have an adverse impact on community safety issues.

### **3. Climate Change:**

#### **a) How does what is being proposed impact on our carbon footprint / energy consumption?**

The revised Corporate Procurement Strategy does not have a direct impact on our carbon footprint / energy consumption, but it aims to improve the County Council's performance on sustainable procurement.

#### **b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?**

No impact identified.