

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO PARTNERSHIP AND GOVERNANCE OVERVIEW AND SCRUTINY COMMITTEE

2nd DECEMBER 2015

REPORT OF THE ASSISTANT CHIEF EXECUTIVE LEGAL & REGULATORY SERVICES

CORPORATE COMMISSIONING PROJECT

1. Purpose of Report.

1.1 To update Members on the current status of the project

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

2.1 The project supports all of the Corporate Improvement Objectives through ensuring quality and value for money in the procurement of goods and services and in ensuring that support services are provided in the most cost effective way.

3. Background.

3.1 The project was set up in the recognition that effective commissioning of goods and services should in itself provide an assurance of quality and price within the corporate projects and wider transformation agenda.

3.2 It has been recognized that Bridgend was not in a satisfactory position to adequately undertake the commissioning process as a strategic and corporate service. At the time of the commencement of the project the Authority did not have a corporate contract register and lacked intelligence on spend across category areas.

3.3 Significant time has been spent analyzing data and developing the corporate contracts register to enable a better understanding of spend and future demand.

3.4 Members will have seen that the Authority has extended a variety of contracts over the last year. Whilst necessary in individual cases, it is likely that such action leads to inefficiency in goods and service provision due to the loss of opportunity of testing the market. The review of spend and creation of the corporate contracts register better enables the Authority to plan for contract end, manage contracts ensuring compliance and reviewing spend categories to plan for future contract bundling.

3.5 It is regrettable that at the end of this part of the projects work, key personnel were lost. This included the project management, lead procurement officer and ICT development of the contracts register software support. Regardless of this however Members are aware from previous reporting that significant savings have been made through the use of e-tendering and e-auctioning.

4. Current situation / proposal.

4.1 At the time of writing, the project is in the process of re-launch. It is hoped that by the time of the committee this will have been completed. The following areas are intended to be pursued by the project

- The Corporate Procurement Team

In order for the Transformation Agenda and corporate projects within the Medium Term Financial Strategy to be implemented it is important for procurement and commissioning to be recognized as a strategic part of the Authority as opposed to a service team in one department. All of the Transformation Agenda is reliant upon procurement and commissioning, as such the team must be structured and resourced to undertake that function. Equally, the Authority must adopt a culture of treating the functioning of the team as a strategic resource.

The present structure of the team does not support this important role. It is for the most part directorate based as opposed to Authority wide. The intention is therefore ready for the new financial year to move to a category lead structure.

“Category Management is a technique used to understand markets, analyse spending and make purchasing decisions that save money. It can mean the difference between accepting mediocre goods and services at high cost and effective supply management which delivers real value. By altering how goods are categorized and supplied, it helps shift purchasing from being an error-prone transaction to lowering costs for the business” (Jonathan O’Brien).

The move will ensure that we look across the Authority’s Directorates applying procurement processes for the benefit of the whole organization rather than individual directorates. Economies of scale, different procurement and service delivery models can therefore be applied.

- County Borough Supplies (CBS)

CBS is a long standing joint service between four authorities. It provides a central goods sourcing and delivery service. Historically it has been self-funding and has not provided a drain of resources for any of the partner authorities. Increasingly however it is trading within the wider public sector and there is therefore an opportunity for it to reduce cost overall to the partner authorities.

It is also necessary for the CBS to move premises due to the development needs of the authority and there is therefore an opportunity to change the business model of the CBS to better reflect the future needs of all partner authorities.

New premises have been located and negotiations are ongoing in respect of its lease. In order to effect an updating of the business model, external support has been commissioned by the partner authorities to provide advice on a future operating model and the operation of the warehouse. This has concluded that

there is considerable opportunity for efficiency savings in respect of CBS operation.

The advice is that the Authority undertakes work within the following business model:-

- Development of increased package of operational reporting Key Performance Indicators (KPI's). There is a recognition that the present market is fast moving. It is necessary to react quickly and increased performance reporting is required to do so.
- Increased operational and forecast resource planning. Greater information is required on volume throughput forecasting . Weekly to annual volume forecasting better enables short and long term procurement planning.
- Procurement: Firstly a recognition that peak trading requires the ability to react quickly to demand during peak times of the year without year round stock holding but equally to be able to react to changes in that seasonable profile with other public sector organisations purchasing from CBS. Profiling to ensure that only lines with a ready market are stocked.
- Stock Management: To develop dedicated stock controller and management procedures.
- To review order delivery processes and use of alternative delivery methods particularly for small items.
- Warehouse Layout. Advice on better payout for ease of picking
- Site relocation plan
- Staff structure
- Warehouse management system.

The changes will take time however. It is unfortunate that these changes are required at the time that all authorities are under such cost pressures and the likelihood of local government re-organisation is high. Currently it is the case that CBS is cost effective in respect of some lines but not others. The next stage therefore is to establish whether there is a will to support CBS through the move and operational changes and if so, to plan and implement those changes. It is anticipated that savings of over £100k could be achieved.

- Corporate Contracts Register

The register is completed and now requires application across the Authority. Staffing shortages have been alluded to however it is now likely that it will be possible to run the register through the support of Welsh Government (WG) funded facilities. Should that be the case, the operation of the register will be simplified and will be accessible for all Directorates, while the corporate procurement team will be enabled to ensure the governance of the register. There is still work to do on the register. There is also a relatively new option of taking up the Contract Register facility associated with Bravo Solutions (ETEnding). With a WG directive of all tenders being carried out electronically by 2017, it could mean that this register would be more accurate because it is built taking data from the Tender itself.

- Use of Welsh Government Portal

The next stage is to ensure that the Authority has access to all purchasing frameworks via a catalogue hosting system run by Procserve (system providers) and Welsh Government. The Authority has access to the system at no cost. This provides access to a variety of framework agreements to benchmark and ensure best quality costing whilst also conforming to EU procurement rules.

The process is particularly important for lower spend area which has thus far in the project been the largest area of concern. There is a considerable danger that small spend in similar areas undertaken at individual times by individual Directorates does not provide value for money. There will be a training need in respect of Directorate staff and it will of course be necessary to maintain a close view of the impact on CBS. By using the portal, governance will be assured in the use of established frameworks with the ability to select the most cost advantageous provider for the individual product.

- Purchasing Cards

Purchasing cards have been incrementally rolled out across the authority and it is now important to undertake a creditor analysis to establish areas that can be used to ensure its full advantage. The importance of the use of the card is that the authority is able to claim a rebate for all expenditure. Other authorities have received between rebates depending on use. There is a need to review further spend that can be undertaken using the purchasing card across the Authority.

- E-Auctions

There remains much work to undertake to fully understand the possible savings available to the authority through this procurement mechanism although Members will already be aware that approaching £1m saving was achieved through the commissioning school transport

- E-tendering

The Corporate Procurement Team use this facility for the majority of Invitation to Tender and quotes. The next step is to roll out to the whole authority which is assisted by the use of the corporate contracts register. This will enable the authority to understand the corporate spend and capture all tenders and quotes within a central hub. In turn this increases management information leading further to a better use of the category lead process in undertaking future procurement processes. There is a WG Directive to ensure that all Tenders are conducted via the Etendering Portal. It ensures more efficient use of resources and opens up more avenues of control and better control of spend. It also provides another avenue of implementation for the corporate contracts register.

5. Effect upon Policy Framework & Procedure Rules.

5.1 There is no effect on the Policy Framework and Procedures Rules.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Financial Implications.

7.1 There are no adverse financial implications.

8. Recommendation.

8.1 To note the report.

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Background documents: None