

REPORT

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE		Subject: DEVELOPING PROCUREMENT - QUICK WINS WATER COOLERS / COFFEE MACHINES
From: DIRECTOR OF FINANCE		
Date: 10 March 2005	Ref: BC/CC	

1 Introduction

- 1.1 The Policy & Resources (Finance) Sub Committee of 7 September 2004 approved the report 'Developing e-Procurement'. Approval for the project was given with future years funding being achieved by a re-allocation of savings which are generated by improving procurement practices across the Council.
- 1.2 Following discussions with CapGemini, PECOS software suppliers, the Council has agreed an implementation of the software with a go-live date scheduled for July 2005.
- 1.3 The methodology for realising the savings across the Council has been considered and is being taken forward initially through a series of 'quick win' projects.
- 1.4 'Quick Win' projects are essentially procurement exercises where we can expect rationalisation of demand across the Council a standard generic product range to be assessed and achieved within a relatively short timescale of approximately 3 months. Thereafter, savings accrue on an ongoing basis compared to previous expenditure patterns. The basis of these exercises is summarised in the following steps:-
- Commodity Analysis and Project Identification
 - Research and Management Information on current position
 - Agreement on future product/service specification
 - Tender exercise and contract negotiation
 - Migration of service/product
 - Revenue Budget Adjustments
 - Benefit tracking and ongoing monitoring

These steps provide a general framework for each project with the extent of resource needed for each step being driven by the specific requirements of each project.

2 Quick Win:- Water Coolers

- 2.1 This exercise examined the operation of the usage of water coolers and their considered supplies (Bottled Water, Cups, Sanitisation of Equipment). It identified that there were 5 different suppliers in use with a range of different tariffs for equipment rental and supplies amounting to an annual spend across all departments of £177,000.
- 2.2 In terms of this exercise the Authorities Buying Consortium (ABC) has recently tendered, on behalf of member Council's, and the 2 main suppliers to the Council were successful. This has enabled the Council to transfer all of our existing contracted spend with these 2 suppliers to their more favourable terms. This accounts for about 80% of the equipment utilised by the Council. The remaining water cooler equipment and consumables are programmed for transfer as the contracts terminate.
- 2.3 This exercise will reduce the annual spend by approximately 43% generating a saving of £76,000 per annum. A departmental analysis of the savings is shown below.

Department	Saving
Administration	2,300
Chief Executive	700
Community Services	21,600
Education	14,000
Finance	3,400
Housing & Property	8,200
Planning & Environment	3,800
Social Work	22,000
	76,000

These savings will be used to fund the costs of the procurement project as outlined in paragraph 1.1 and will be the subject of a virement between the respective departments.

- 2.4 This exercise has resulted in the continued provision of service for all departmental users whilst realising significant savings which are available to be reallocated to fund other identified Council priorities.

3 Quick Win: Coffee Machines

- 3.1 This exercise focussed on the usage by various departments for the usage of coffee machines and consumables. It identified that whilst a single company was providing the service there were multiple contract terms in operation. The annual spend over the departments was £19,000.
- 3.2 Negotiations with the existing supplier secured a discount scheme for all the Council's spend which would reduce the annual spend by 9% generating a saving of £1,600 per annum. An analysis of the departmental savings is shown below.

Department	Saving
Administration	100
Community Services	200
Finance	100
Housing & Property	200
Social Work	1,000
	1,600

4 Future Exercises

- 4.1 A number of further areas are being considered for future quick-win projects including Telecommunications Services (subject to a separate report to the Committee) and Printer/Fax consumables.
- 4.2 In addition to these the progress of the implementation of the PECOS e-Procurement system will identify a number of commodity areas where rationalisation of demand and more effective purchasing practices will provide additional savings.

5 Recommendation

The Committee is asked to:

- 5.1 Note the progress detailed in the report.
- 5.2 Approve the virement of budgets reflecting the savings identified in sections 2 and 3.



Director of Finance

Members wishing further information please contact Mr B Cook, Head of Revenue Services,
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