

REPORT

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE	Subject: PROCURING CHANGE PROGRESS REPORT
From: DIRECTOR OF FINANCE	
Date: 31 October 2005	Ref: BC/GP

1 Introduction

1.1 The Committee meeting on 1 June 2004 approved the Procurement Strategy. The purpose of this report is to advise Committee of the progress following this and the subsequent reports on 7 September 2004 and 31 May 2005.

2 Background

2.1 The approval of the strategy outlined an approach to procurement for the Council underpinned by the need to address two fundamentals, being the availability of staffing resources, and the need to select the appropriate software to develop the Council's e-procurement capabilities.

2.2 The approval in September 2004 by Committee of the proposed staffing structure and selection of the PECOS e-procurement system provided the starting point for developing procurement within the Council. The progress in relation to these 2 areas is summarised in the sections below.

3 Staffing

3.1 New Appointments - The finalisation of the appointments to the new structure have now been concluded following the report of 31 May 2005 with the final appointments having started on 15 August 2005. The appointment of these posts now provides sufficient seniority to manage and drive forward the actions and activities identified to develop procurement across the Council.

3.2 Training – Familiarisation of the new appointments to the procurement section with our policies, procedures and systems has been undertaken. The development of a training programme to aid staff across the Council involved in procurement is being progressed in conjunction with the implementation of the new e-procurement project and is targeted for delivery in December 2005.

4 System and Process

- 4.1 E-procurement – the Council has selected the PECOS e-procurement system and has concluded the first stage of the adaptation in undertaking the Scope and Readiness Assessment (SARA) by the Capgemini consultants. The operation of this exercise was tailored specifically for North Lanarkshire Council, recognising the underlying progress that had been achieved in operating the CEDAR POP (Purchase Order Payment) module of our e-financials and the commitment to PECOS expressed by the Council.

The 1st phase implementation is being progressed within selected areas of Community Services and Finance and will provide an operational system by December 2005 which will then be rolled out across the Council in future phases.

- 4.2 Quick-Wins – A practical benefit of the development of procurement expertise within the Council was the realisation of savings through improvement in processes, aggregated demand generating economies of scale, and compliance with tender procedures and contracts. The main emphasis within the procurement team to date has been the identification and realisation of such savings and the impact of these exercises are summarised in the table below.

	One-Off		Ongoing
	5/6	6/7	
Water Coolers/Coffee Machines	77,000	77,000	77,000
Telephony Services	86,000	130,000	130,000
Photocopiers/Print Management	104,000	332,800	397,200
Total	267,000	539,800	604,200

The exercises noted above have secured the budget savings for 2006/07 as required by the Corporate Efficiency Savings. The continuing programme of 'Quick-Wins' is progressing and the further savings identified will help fund the commitment in 2006/07 to realise savings to fund the additional costs of the procurement team and achieve the Council's efficiency target.

- 4.3 Business Change - The development of procurement across the Council involves not only the implementation of the software system but the review and change of the approach and processes used in procurement across the Council. To help facilitate this a work-stream is being developed by the Business Change Team to stream-line processes to obtain the optimum benefit in terms of staff resource, financial resources, system processes and information for procurement.
- 4.4 Collaboration - The Council continues to work in partnership with other authorities through a range of exercises with the Authorities Buying Consortium (ABC). As well as being involved in the practical exercises to aggregate demand across partner authorities, the Council has been involved in a management review of the methods and effectiveness of the current collaboration programme in an attempt to improve the gains from participation by authorities.
- 4.5 Process Improvements - Following approval by Committee on 31 May 2005 of the 'Exemption from Contract Standing Orders–E Tendering/E Auction', the selection and preparation of the appropriate procurement exercises is progressing to allow the efficiencies, practices and benefits of this approach to procurement to be assessed.

5 Summary

5.1 A revised action plan is detailed in Appendix 1 with target action covering the two years project life. The preparation for implementing the PECOS e-procurement system has been completed and the identification and delivery of the Corporate Efficiency Savings targets for 2006/07 have been realised. The 1st phase implementation of PECOS within the target areas in Community Services and Finance commenced in July as expected with a go-live in December 2005 incorporating all procurement functionality along with an enhanced module providing commitment accounting.

6 Recommendation

6.1 The Committee is asked to note the report.



Director of Finance

Members wishing further information please contact Mr Brian Cook, Head of Revenue Services, Tel:- 01698 – 302801.

Procurement Strategy Action Plan

The following table contains both the strategic imperatives requiring immediate action and an outline of the longer-term activities required to implement this plan.

Action	Desired Outcome	Responsibility & Scope	End Date
Strategic Imperatives			
Project/Procurement Manager (interim) <ul style="list-style-type: none"> • Consider need for temp resource pending recruitment • Evaluate options • Appoint/second 	Interim, seconded or other external resource in place	Finance. Structure options to be considered and posts filled.	15.08.2005 Complete
E-Procurement	Decision made between eProcurement Scotl@nd and Cedar solutions	Finance. Business case and functionality comparison needed	31.05.2005 Complete
Procurement Working Group <ul style="list-style-type: none"> • Identify departmental procurement champions • Initiate meetings & draw up terms of reference 	Establishment of effective working group with participation across all directorates meeting as required	Finance. Departmental representative identified. Progress delivery of action plan in accord with terms of reference.	Ongoing
Procurement Forum <ul style="list-style-type: none"> • Identify departmental representatives • Initiate meetings & draw up terms of reference 	Establishment of effective working group with participation across all directorates meeting monthly. Ensure maximizing leverage from existing procurement expertise and experience. Sharing and transferring skills.	Finance. Departmental representative identified. Progress delivery of action plan in accord with terms of reference	Ongoing

Implementation Activities			
<p>Eprocurement (PECOS)</p> <ul style="list-style-type: none"> • Phase 1 Implementation • PECOS implemented in all directorates • KPIs determined and regular reporting in place 	<p>Phase 1 Implementation complete</p> <p>Rollout complete across NLC</p>	<p>Finance.</p> <p>Identify and manage programme for staged implementation across the Council</p>	<p>31.12.2005</p> <p>30.09.2007</p>
<p>Procurement Training</p> <ul style="list-style-type: none"> • Development of training programme • Training delivery <p>Procurement Training (e procurement)</p> <ul style="list-style-type: none"> • Development of training programme • Training delivery 	<ol style="list-style-type: none"> 1. Strategy positioned and buy-in gained through workshops to explain/sell the strategy 2. Consistent operation of procurement as a result of procedural training of key procurement staff across NLC 	<p>Finance.</p> <p>Procurement awareness programme to be developed for whole council.</p> <p>Continual training programme for all departments to be developed.</p> <p>Help facilities for all users to be created and implemented.</p> <p>Appropriately skilled help staff found or recruited and trained.</p>	<p>28.02.2006</p> <p>30.09.2007</p>
<p>Rationalise procurement records</p> <ul style="list-style-type: none"> • Remove duplicate records • Remove unused creditors • Combine payments to one creditor • Review charging mechanism to discourage misuse or inefficiency 	<p>Achieve cost savings through rationalization and efficiencies</p>	<p>Finance with spending departments</p> <p>Review all supplier records and rationalise.</p> <p>Review internal charging method for procurement and creditors and promote efficiencies.</p>	<p>28.2.2006</p>

<p>Development of Procurement Guidelines</p> <ul style="list-style-type: none"> • Liaise and agree practices with all departments • Revise control documentation • Risk identification and assessment 	<p>Revised guidelines and practice notes accepted fully across NLC</p>	<p>Finance with spending departments.</p> <p>Draw up and agree consistent working methodology for purchasing activity.</p> <p>Determine appropriate controls and risk assessment framework.</p>	<p>28.02.2006</p>
<p>Development of Tendering Guidelines</p> <ul style="list-style-type: none"> • Liaise and agree practices with all departments • Revise documentation • Risk identification and assessment 	<p>Revised guidelines and practice notes accepted fully across NLC</p>	<p>Finance with spending departments.</p> <p>Draw up and agree consistent working methodology for tendering activity.</p> <p>Determine appropriate controls and risk assessment framework.</p>	<p>28.02.2006</p>
<p>Re-engineer procurement practices</p> <ul style="list-style-type: none"> • Liaise and agree practices with all departments • Ensure all systems interface correctly and appropriately • Ensure service delivery needs are met • Develop and implement MI and KPI requirements • Risk identification and assessment 	<p>Revised procedures to be fully embedded across the whole of NLC</p>	<p>Finance with spending departments.</p> <p>There are currently 14 purchasing systems and 6 electronic ones involving elements of procurement. These will need to be re-engineered to meet procurement objectives, with consistency and business flexibility.</p> <p>Interfaces may be necessary in some or all of these electronic systems and into financials.</p> <p>Development of KPI's and MI for all eight departments and the various key functions within each.</p>	<p>30.09.2007</p>

<p>Collaborative Contracts</p> <ul style="list-style-type: none"> • Support to ABC working groups • Identify opportunities for collaborative buying from existing procurements 	<p>Identified additional opportunities for cost-saving optimised</p>	<p>Finance with spending departments.</p> <p>Reviewing all purchasing to ensure maximum efficiencies are achieved.</p>	<p>Ongoing</p>
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