

Category Management – Structure and Benefits

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REASON FOR ITEM

At the last meeting of the Audit Committee, the Director of Finance agreed that the Head of Procurement would produce a report for Members providing details on the Category Management approach in general and specifically progress on the Property/Facilities Management (FM) side.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee is asked to note the information provided in the report and in the presentation from the Head of Procurement and to seek clarification and further information if required.

INFORMATION

Recent structural changes to both the Procurement and Commissioning teams have resulted in a combined Procurement and Commissioning function, resourced to deliver improved savings with greater supplier and contract management focus.

This new structure has followed the Category Management BID project, which first prototyped teams within FM/Housing and Children's and all the teams are now following a Category Management model. This has resulted in a shift in Procurement's role within the Council from one of a process and specification-driven team to one that is focussing on adding value and commercial challenge at all stages of the procurement cycle. The main category teams are as followed:

FM/Housing
Construction
Housing
ICT
Public Health
Children's
Adults Social Care

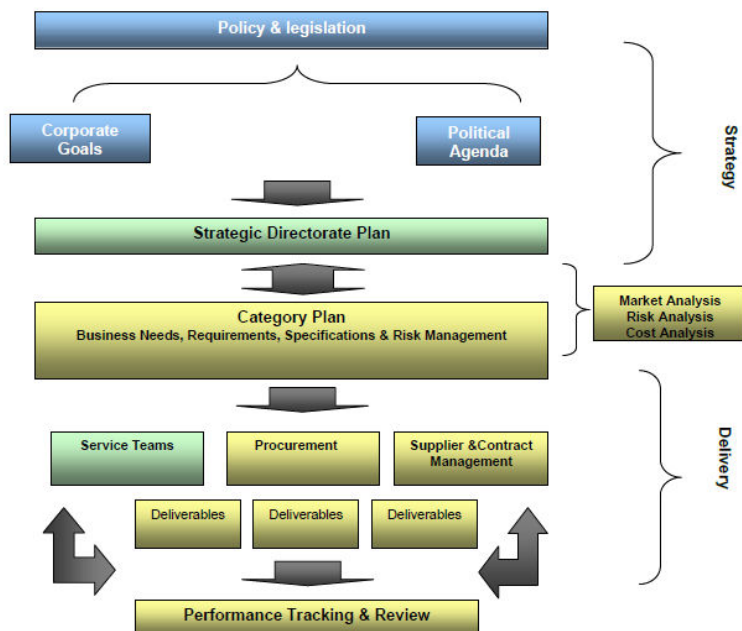
Category Management Integration

By understanding the Council-wide spend on a specific category, the category teams are developing and delivering specific activities based on needs, the markets and within the framework of the Council's wider strategy.

Category Management supports Service Teams deliver upon both the strategic and service goals of the Council, working along side operational service teams. This ensures that there is a more co-ordinated approach to identifying need, developing and delivering strategic plans and effectively managing suppliers. The Category Managers will identify

and develop tactics to deliver these plans, through supplier management and procurement activity.

The context within which the Category Management plans and activity sit within the Council and Directorate strategies is shown in the diagram below:

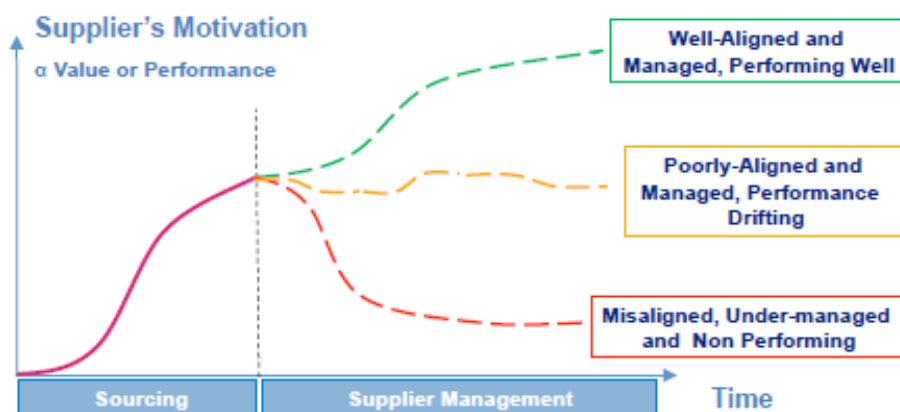


Benefits of Category Management Structure

- The creation of a stronger Procurement function with an integrated structure
 - Delivering continued cost savings to the Council with total visibility of the category spend contracts and focussed objectives.
- Ensuring full compliance to UK & EU Procurement Law
 - Building upon a strong structure that will support compliance and Council Standing Orders including change control processes and supplier cost increases
- The development of detailed Category Plans
 - Create full visibility of category initiatives, deliverables and efficiency savings, to track performance and outcomes.
- Focussed contract and supplier management
 - Clear oversight of total spend by provider to fully exploit efficiencies within the Council through improved contract terms and effective supplier and contract management
- Managing financial risk and supply contingency plans
 - Timely D&B reporting in line with supplier management and performance tracking measures
 - Proactive financial management and visibility

Supplier & Contract Management

Effective management of suppliers ensures that the maximum value is derived from both the supplier and the contract. If not managed well, some or most of this value can be lost within 6-18 months:



Supplier and contract management responsibility has now moved to all Category Managers, in order to ensure that the Council achieves best value from contracts and manages each supplier relationship effectively.

Objective setting, structured review meetings and clearly communicated activities are prioritised and managed by the Category Manager. This ensures a full end to end ownership from identifying need, the procurement process, to award and contract management.

Category Plans, Performance Tracking and MTFB Budgets

The Procurement team have identified and logged all procurement activity and prioritised contracts for the current year and identified key future projects. There is now a central location for the planned projects by category, with supporting timescales and delivery milestones. This will form the basis of the resource planning and support required from within the team.

Each project, based on current and planned spend has been assigned specific savings targets which will feed into the MTFB budgets for in year savings (if applicable) and into 14/15 forecasts. The Procurement team will therefore track the delivery of projects and savings, demonstrating the project involvement and outcomes in each case.

These activities will be consistent with the outputs of the category plans and will be used to ensure that projects are on track to deliver as forecast.

The Procurement Team have also allocated a business owner/lead for all spend by contract, which will be shared centrally on Horizon, with all spend updated on a monthly basis.

Communication

The Procurement Team will be regularly reviewing and communicating existing documentation to share internally, to ensure that all relevant officers are aware of updated policies and procedures.

Clarification, guidance notes and tools will be available to support ongoing future decisions on procurement activity together with supplier management.

Progress on FM/Housing & Construction

The Construction category team have delivered significant number of projects across both the schools and corporate construction utilising various procurement tools and techniques such as traditional tendering, setting up LBH frameworks and collaboration.

This has lead to saving of £9.4m across the recent construction projects delivered by ensuring the suppliers are put under the right commercial pressure to deliver a value for money proposals.

The Housing category team have developed a rolling programme of procurements and contract management meetings the current tracker has 98 projects 37 of these are out to quote and tender.

The team have identified a clear programme within a category management structure and approach in the following ways:

- Identifying duplication in supply across the entire category, where suppliers can be reduced in number, without effecting responsiveness or service performance.
- Full oversight and detailed spend by supplier and contract status. Identification of where consolidation of spend can be achieved across the FM and Housing categories.
- Develop and enhance supplier relationship management, particularly with strategic suppliers, working proactively to promote the benefits of working with the Council. Managing risk and performance of critical and transactional suppliers in accordance with agreed contract terms and KPI's.
- Implementation and effective management of performance tracking measures and management reporting routines, for MTFE targets.
- Continuous monitoring and assessment of on-going spend activities to ensure compliance with Standing Orders, financial management and the category plan objectives.

- Creating a short, tactical plan in conjunction with longer term strategic objectives to improve service delivery to residents at reduced cost.

BACKGROUND PAPERS

NIL