

Procurement/Category Management Overview

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REASON FOR ITEM

For this meeting, Members will be provided with a presentation from the Deputy Director of Residents Services, Development & Assets. At the last meeting of the Committee during consideration of draft budget proposals, Members expressed an interest of hearing about the changes in the Council's Procurement practices which has resulted in savings to the Council.

OPTIONS OPEN TO THE COMMITTEE

1. Members to consider the information contained in the report
2. To receive a presentation

Background and Current Position

1. Following the successful merging of the corporate procurement and commissioning functions in November/December 2013 a number of performance improvements have been achieved including:
 - The successful introduction of a category management approach
 - Improved contract visibility
 - Year on year savings from existing and new contracts
 - Greater ownership and focus of contract and supplier management
 - Ensuring value for money within a structured work plan to deliver savings and projects within faster timescales
 - Improved process and efficiencies by streamlining activity and management within category support and e-Procurement
 - The successful alignment of the team to Council service areas
2. Further minor staffing realignments have taken place over the last two years to ensure adequate procurement support across the directorates. Any alterations made to the team structure were consistent with what was originally agreed in 2013.
3. Whilst there is a category management team in place at LB Hillingdon, the existing category teams undertake a mix of work which can mean that more costly professional resource can be tied up in low value, straightforward procurements that could be undertaken efficiently by other staff.
4. There is now a developing requirement to deliver more complex, strategic or cross-cutting projects including the remodelling of a large number of existing contracts and service delivery models. It was agreed that there needed to be a clearer differentiation between the procurement support requirements of the more complex projects and the support requirements for more straightforward procurements.

5. In order to deliver this new approach and to achieve a number of additional operational improvements a restructuring exercise has been undertaken. The exercise is currently in the consultation phase with staff and is expected to be concluded by the end of March with implementation commencing in April/May 2016.

Proposed New Category Management Structure

6. It is proposed to provide a dedicated high quality category management team with the capacity to manage in excess of 100 large corporate and cross-cutting procurement projects identified through the MTFF or BID at any given time.
7. An expanded e-Procurement team will take on the lower value more routine procurements for the Council. This team will utilise new software system (Bravo) to manage the Council's quotes and tender process; ensuring compliance and competitiveness on all low value procurement.
8. This improved differentiation of procurement work will allow the professional resource to concentrate on the more complex strategic projects within the MTFF and BID. It will also mean that more straightforward lower value procurements are undertaken by other staff using Bravo. The proposed structure will therefore deliver efficiencies and cost savings as well as providing a higher level of support to key procurements.
9. The proposed new structure and approach to procurement will deliver a series of improvements including:
 - Raising the Council's category management profile
 - Realigning category management plans to directorate requirements and bringing together related work areas from different directorates
 - A dedicated team able to focus solely on the Council's top 100 projects
 - The new e-procurement team will be able to drive further compliance across the Council
 - Increasing and developing strategic supplier relationships
 - Ensuring we have higher calibre category managers with a greater commercial focus
 - A streamlined, flexible and transparent procurement function

Category Management Overview

10. The Council has implemented a Category Management methodology to procurement which brings together expertise from across the Council to identify the most appropriate and effective approach to deliver the Council's services/outcomes through sourcing and supply arrangements.
11. This is the strategic 'end to end' process whereby capability is fully aligned to the Council's goals and customer requirements. The fulfilment of these goals is supported by processes that deliver value, service and innovation over the life of the product or service.
12. The category planning process provides essential inputs to both strategic sourcing and supplier relationship management and generates a strategic category plan.

13. A category plan is a category manager's supply market analysis and action plan for the medium to long term i.e. 6 - 36 months. The category plan follows a systematic approach to planning the way forward on major areas of spend.

Each category plan should:

- Challenge the existing supply structure
- Address demand management opportunities e.g. do we need to buy this product/service?
- Provide total cost management information
- Structure an approach to supplier relationship management
- Drive continuous improvement

Current Activity

14. There are currently two areas of focus:

1. Ensuring that the Council has a clear plan of activity when the new structure is implemented which will incorporate:
 - a. A category portfolio document which will provide top level details of all strategic activity for the next 12 - 18 months
 - b. A benefits tracker which is being redesigned to ensure the individual activities are on track, to manage risk, and to capture savings achieved.
 - c. A single procurement platform, Bravo, which makes it easy for suppliers to do business with LBH, and drives the development of the contract database which reduces risk of non compliant procurement activity and enhances our ability to manage the performance of suppliers.
2. Introducing strategic category initiatives to develop and implement innovative solutions that will deliver cost, efficiency, and quality improvements.