



## Belfast City Council

<b>Report to:</b>	<b>Strategic Policy and Resources Committee</b>
<b>Subject:</b>	<b>Report on the Review Procurement</b>
<b>Date:</b>	<b>23 September 2011</b>
<b>Reporting Officer:</b>	<b>Ronan Cregan, Director of Finance and Resources</b>
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### Relevant Background Information

The Council's procurement spend on supplies, works and services is approximately £80 million per annum with approximately 60% of the Council's supply base being SMEs. Within the Council there is currently a combination of centralised and devolved procurement. There is a small central Procurement Unit, which is advisory in nature, within the Property and Projects Department. Each department is then responsible for their own budgets, deciding what to procure and when. Where there are departmental contracts put in place each department is responsible for the management of these contracts and contractors.

A key strand of the council's Efficiency Programme is procurement, with an objective of delivering a programme of sustained procurement savings. As a result of this, the Strategic Policy and Resources Committee agreed to review the council's approach to procurement and to engage an independent procurement specialist to aid in this process. This report details the key findings / issues and recommendations made. It also includes an improvement programme for the implementation of the recommendations. Appendix One provides a copy of the Executive Summary of the Procurement Report.

### Key Findings / Issues

The following is a summary of the key findings of the review.

#### The Procurement Function

- The Procurement Unit is currently operating as the provider of professional advice and guidance to departments who conduct their own procurement activities. In order to deliver further sustained procurement savings the procurement function needs to develop enhanced strategic and policy leadership roles.
- The procurement needs of the organisation are changing. This will require a greater emphasis on category management.
- Enhanced officer capability is required in order to assist Members to set the strategic and policy direction for the council, to ensure greater value for money procurement is delivered and to pursue sustainable procurement efficiency savings.
- A move to setting strategic and policy direction would afford the procurement function an opportunity to incorporate category management ultimately leading to enhanced VFM.

- There are opportunities to enhance the performance of suppliers and contractors through the application of higher level contract management skills applied across BCC especially around post-contract award.
- In departments, those involved in procurement activities require further training and performance assessment from the central procurement unit.

#### **Value for Money**

- To date there have been notable cost reduction achievements. Going forward, a demanding but realistic cost saving goal on all third party expenditure should be set. This can be done without jeopardising the delivery and quality of services.

#### **Indicators**

- The Procurement Unit currently has KPI's in place. These need to be re-focussed to ensure that they reflect any revised areas of performance and value for money.

#### **Gateway Reviews**

- The Council has introduced and is conducting Gateway Reviews. This is an excellent foundation for applying the process to a wider range of procurements and ensuring that effective challenges take place.

#### **Information Provision**

- There is a need to better utilise the functionality of the computerised procurement system as it impacts on procurement decisions and future strategy. Better analysis of expenditure will help the development of procurement strategies and policies. Currently this situation has been recognised and resources have been committed to resolving outstanding issues.

#### **Local Collaboration**

- There is a possibility for collaboration in the Northern Ireland public sector. The council can establish itself as an exemplar procurement organisation and encourage collaboration with other public sector bodies, not limited to other councils. There is opportunity for aggregation of expenditure and benefits to all collaborating bodies.

A synopsis of the key recommendations made in the report is provided below:

- Establish a strategic procurement function:
  - Appoint a Head of Strategic Procurement (Please read accompanying paper for details)
  - License non procurement specialists in departments
  - Introduce category management
- Strengthen the corporate contract management activity
- Introduce Value for Money Indicators for procurement
- Enhance the Gateway Review process
- Enhance the information provision on procurement activity
- Introduce local area collaboration

#### **Implementation Programme**

An Improvement Programme has been developed around the above recommendations and specific actions required for completion under each recommendation have been determined. Resources required, an overall responsible officer and timeframes have been allocated to each action. This has allowed for activities to be prioritised, linkages and interdependencies to be established and a critical path to be identified.

### **Implementation Actions and Timeframes**

The implementation programme falls into three main stages of improvement activity.

1. *To appoint of a Head of Strategic Procurement.* Please read accompanying paper for details

2. *Pre Head of Service appointment Actions.* These are actions that can be completed, using current resources, before a Head of Service is appointed. These include the development and introduction of a suite of value for money indicators, enhancement of the gateway process, enhancement of the information provision on procurement activity and SAP improvement. *These pre-appointment improvement actions have been agreed with the Director of Property and Projects.* The timeframe for these actions is ongoing until a due completion date of January 2012.

3. *Post Head of Service appointment Actions.* These are improvement activities which will be completed once a Head of Service is appointed. In order for these improvement actions to be successful and engrained within the organisation a Head of Strategic Procurement would be best placed to ensure they are delivered, as this post will have both the operational knowledge and procurement expertise to ensure this. They include the licensing of non procurement specialists in departments, the introduction of category management, strengthening the corporate contract management and local area collaboration.

### **Staffing Implications**

Falling out of the recommendations made there are various staffing implications. In the first instance there is the creation of the Head of Strategic Procurement.

It would also be necessary to create Licensed Buyer posts within each department (number to be determined through the improvement programme). It is envisaged that these posts would be filled from the current staff and seen as a development opportunity for those interested in this position.

The introduction of category management will mean a refocus for the Procurement Unit staff. This will signify a change of role for the current staff in this unit. It would be seen as a development / specialism opportunity.

### **Decision Required**

#### **Recommendations / Decisions Required**

It is recommended that Members note the report and agree:

- (a) the key recommendations made are necessary to provide a strategic procurement approach for the council.

### **Key to Abbreviations**

VFM - Value for Money

KPI - Key Performance Indicator

BCC - Belfast City Council

### **Documents Attached**

Appendix One: Executive Summary of Procurement Report by Farrington Limited (a full copy of this report will be placed in the Members Library)