



STRATEGIC PROCUREMENT ENABLING TRANSFORMATION

Brian Roberts, director of resources at Leicestershire County Council and the executive of the Organisational Efficiency Programme, discusses how changing procurement delivery is a key way to deliver the transformation agenda



> Within our Strategic Change Programme, Organisational Efficiency is key priority for the council to deliver sustainable improvement. We have set ourselves a target to make cashable savings of around £13.5 million over the next three years, as part of the overall efficiency agenda, including over £9 million to be saved through strategic procurement.

THAT'S A TOUGH CHALLENGE

Procurement is an obvious choice to make a major contribution to efficiency savings since the council spends significant amounts on buying in supplies and services, and it was clear we needed a more coordinated, corporate approach which could deliver a rapid and fairly painless payback.

The council wants to maintain its reputation for delivering high quality services and, at the same time, minimise increases in council tax. The savings which we could make quickly through procurement therefore will make an

important contribution by allowing us to re-cycle them directly into supporting and improving the variety of services we deliver daily to over 600,000 people in Leicestershire. We currently spend around £300 million a year (excluding schools) and we were determined to find ways to reduce our costs and at the same time increase the levels of service we provide.

So in preparing the business case for the strategic procurement project, we took a 'whole system' overview of all internal and external stakeholders in the procurement process and looked into all possible sources of efficiencies.

We discovered some interesting issues, for example:

- we had around 20,000 suppliers and paid 200,000 invoices each year with 70,000 worth less than £100
- in domiciliary care we had 42,000 transactions per year to manage as well as assessing the quality of the work delivered
- most purchases were made by individual

departments using inconsistent manual processes and many didn't have specialist procurement expertise

- we needed more effective mechanisms to monitor value for money and the quality of services provided by our external service providers
- the lack of corporate coordination meant that we did not fully exercise the Council's considerable buying power to drive down prices in our favour.

We quickly realised that a more co-ordinated approach could make substantial cashable and non-cashable savings. We are currently establishing a professional network of dedicated category managers who will be responsible for negotiating and actively managing particular procurement contracts, in conjunction with the central Corporate Procurement Unit, which is also being strengthened

These professionals are being set a number of key procurement priorities built around better teamwork:

- harnessing the professional skills within the organisation
- working more efficiently and cost effectively with external contractors
- creating significant improvements in procurement efficiency, service delivery and value
- consolidating within better organised electronic e-procurement systems.

Taking transport as an example of our approach, the council spends around £25 million a year on procuring transport for clients from external suppliers, and we estimate that we can make savings of £880,000 each year in this area alone.

In terms of systems, we have chosen to consolidate our existing 27 procurement systems with an Oracle electronic procurement platform, which will also increase the council's Return on Investment (RoI) in the existing Oracle finance system. This should reduce ICT support costs for all the departmental systems and minimise duplicate data input and information processing.

We are also looking at cashable procurement savings in other key areas of expenditure like IT hardware, waste disposal, highways, printing, stationery, and telecommunications. Opportunities for standardisation of approach across the council are also being assessed to reduce the current volume of paper-based,

manual and often duplicated processes. The management of suppliers is also being addressed through drastically reducing the number of supplier records maintained within the financials system. Combined with more proactive day-to-day monitoring and management, we will ensure that the council are getting the required level of quality and good value for money.

Other examples of savings include:

- a vast reduction in the number of invoices related to milk purchases from 8,000 per annum to only 12
- efficiencies in council-wide purchasing processes of around £300k cashable and £280k non-cashable, through the use of e-procurement tools reducing the number of transactions and moving towards consolidated billing
- implementing an electronic system to capture and manage domiciliary care time recording and supplier billing.

By raising the profile of procurement within the organisation, we are also finding innovative ways to take procurement efficiencies even further. Externally we are encouraging waste services contractors to help us achieve re-cycling targets and our other contractors to actively share in our drive for value on issues like transport services for schools and home care provision.

So what have we learnt during the process?

- Check you have the right information available early in the process on which to base decisions and set clear targets.
- Work out who is accountable for achieving savings, how the process will be monitored and how everyone will work together as a team.
- Create a clear overview of the work to be done and include all the interdependencies between individual departments and outside contractors.
- Governance - ensure departmental representatives are included in decision making at all levels and don't let boards be dominated by finance people.

Finally and looking to the future, we see our next step must be to harness the real potential for partnership working with other local authorities. This promises to achieve greater value not just in the way we purchase, but in the actual delivery of better and more cost effective services. We have already begun discussions. But that's a whole other story! ■

Brian Roberts, director of resources at Leicestershire County Council

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