

## THE EXECUTIVE

29 APRIL 2003

### REPORT OF THE DIRECTOR OF CORPORATE STRATEGY

PROCUREMENT SPEND TO SAVE BID		FOR DECISION
<p>This report asks the Executive to approve a “Spend to Save” initiative in procurement for three years.</p> <p><b><u>Summary</u></b></p> <p>Central resources for procurement in Barking and Dagenham are currently limited to one officer, located in the Corporate Strategy Department. Whilst it has been agreed by TMT that the role of this officer should be fundamentally strategic, this does leave a significant gap in resources in terms of operational support, particularly for the procurement of services. Current research and comparison with other local authorities has demonstrated that providing additional appropriate operational support, training and guidance over a three year period could produce substantial savings, details of which are included in the body of this report.</p> <p><b><u>Recommendation</u></b></p> <p>The Executive is asked therefore to agree the proposal and that to fund it a total of £173,000 can be released from reserves over a three year period.</p>		
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#### **1. Introduction**

- 1.1 Barking and Dagenham has recently come under some criticism for lack of resources in procurement, including from the CPA and annual Audit Letter. In addition, the Best Value Review currently underway has established that the Council has very few strategic or support resources for this area, particularly when compared with “good” or “excellent” local authorities.
- 1.2 Alongside recommendations for long-term developments in procurement, which will arise out of the review, it is proposed that a “Spend to Save” bid is approved because there are real financial savings to be had in improving processes and deliverables through increased support and training.
- 1.3 Better procurement will save the Council money and has done so already – eg:
  - Citizen’s Panel Contract – this contract was recently retendered and awarded to Martin Hamblin GFK. Retaining a clear specification and performance targets will ensure high quality service standards whilst the anticipated financial savings amount to approximately £30K per annum

- Fixed price contracts achieved for many consultancy projects have reduced overspends – Health and Consumer Services Quality Assurance, Cleaning Review Consultant, Harts Lane Contaminated Land Survey Manager etc.
- Policy and Performance has reviewed purchasing and made savings by using corporate contracts and Central Stores of around 40%<sup>1</sup> since August 2002. This does not include the additional savings generated through paperless transactions directly using Oracle.

1.4 The private sector take procurement very seriously as it affects their profit margin, as do some of the “excellent” local authorities such as Westminster and Wandsworth, but Barking and Dagenham, with a debt free history has not until now had to consider the serious implications of budget cutting exercises.

1.5 The potential savings from better procurement could overtake those identified from the Savings Implementation Plan – in a much more painless way.

## **2. The Proposal**

2.1 The spreadsheet attached as Appendix 1 details the proposed expenditure and savings over a three year period. The total required budget is £173,000 and the estimated savings £400,000. This is a conservative estimate and at the end of the three year period savings will continue to be achieved, and will probably rise.

2.2 The majority of the funding required is for a PO4 graded Procurement Officer and running costs for the unit, plus some running costs, training support and legal advice.

2.3 It is anticipated that likely savings will come from:

- Support and training leading to a culture change across the organisation whereby the importance of good procurement practice is widespread.
- Reduction in maverick spend on high volume, low price purchases such as stationery, office furniture and other consumables – through increased use of Central Stores and corporate contracts.
- Reduction in corporate financial costs through improved use of e-procurement through Oracle.
- Improved procurement processes and deliverables for service contracts
- Improved working relationships and reduction in overspends in building contracts.
- More structured use of consultants using clear framework agreements, to secure a considerable reduction in cost and improved outcomes generally.

## **3. Conclusion**

3.1 There are considerable potential and relatively painless savings which the Council could make from efficient and effective procurement. However, this will not come about without strengthening of the corporate function, training, support and a culture change across the organisation.

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<sup>1</sup> Based on a shopping basket of commonly purchased items including post-its, pens, paper and toner cartridges with prices compared between Central Stores and another frequently used supplier with their offered discount of 45% from catalogue price.

- 3.2 This proposal sets out a clear three year spend-to-save plan, which should more than pay for itself during the period and continue to do make savings in the future. In times of increasing budget constraint, this option should be considered as a positive way forward.

**Background Papers**

None