

**ANGUS COUNCIL**

**ANGUS COUNCIL – 11 FEBRUARY 2016**

**TRANSFORMING ANGUS PROCUREMENT REVIEW – OUTLINE BUSINESS CASE**

**REPORT BY THE STRATEGIC DIRECTOR OF RESOURCES**

**Abstract**

The purpose of this report is to seek Angus Council's formal approval of the Outline Business Case for the Transforming Angus Procurement Review (forming Appendix 1 to this Report), which has been agreed by the Transforming Angus Programme Board.

**1. RECOMMENDATION**

It is recommended that the Council agrees to:

- (i) approve the Outline Business Case for the Transforming Angus Procurement Review programme (forming Appendix 1 to this Report); and
- (ii) remit to the Head of Corporate Improvement and Finance as Senior Responsible Officer for the programme to ensure that it is delivered in accordance with the business case.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/ SINGLE OUTCOME AGREEMENT/ CORPORATE PLAN**

This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013 - 2016:

- Angus being a good place to live and work in and where our carbon footprint is reduced.

**3. BACKGROUND**

- 3.1 The Angus Council Plan 2014/17 identifies the need for a strategic review of the Council's approach to procurement as a transformation activity.
- 3.2 A programme of work has been initiated within the Transforming Angus (TA) programme in furtherance of that identified need. This programme of work is called the Transforming Angus Procurement review (TAPR).
- 3.3 Initial work on the TAPR has produced an outline business case for the programme to be invested in and taken forward. This report provides an executive summary of the business case. The Outline Business Case itself is attached as **Appendix 1** to this Report.

**4. CURRENT POSITION**

**4.1 Our Vision for Our Procurement**

The Council's vision for its procurement activity is set out in the Council Plan 2014/17 and other places. In essence, we need to keep achieving the best financial savings we can but without losing sight of opportunities for local economic growth and delivering (socially, economically and environmentally) sustainable procurement. We've come to recognise as a Council that we need transformational change to our existing procurement arrangements if we want to improve and derive the best possible value from them.

## 4.2 The Strategic Case

The case for change cites some key evidence in support:

- **Payment performance:** we continue to be behind national benchmark (c. 92%) and our target (90%) for 30-day payment performance (2014/15 – 86%).
- **People:** of the order of 2,000 members of staff (c. 40% of the workforce) have some involvement in transactional Purchase to Pay (P2P) activity. We also have 300+ authorised procurement officers. Quite simply this is too many people many of whom are not sufficiently skilled or experienced to deliver procurement best practice.
- **Capability:** no corporate visibility of the training needs assessment and development of procurement staff across the organisation.
- **Contract savings:** 2 – 5% from Scottish local authority experience equates to £2.06m - £5.15m p.a.; we're currently only achieving an average of £0.7m p.a.
- **Cost reduction:** no early procurement involvement in business planning with the result that cost-saving initiatives are not applied systematically to procurement proposals, similarly contract / supplier management is not consistent or focussed on savings.
- **Operating model:** multiple approaches, still some procurement in Service silos (ICT, soft Facilities Management, consultancy); no whole-procurement project discipline / benefits tracking; governance / gateway approval limited to Committee reporting / budget management; we don't agree on / pursue best practice as one Council.
- **Overall performance:** our Procurement Capability Assessment (PCA) score is poor by comparison (2013 – 51% in the bottom 5 Scottish Councils, national average = 56%) and relatively worsening.

Key Stakeholders (including the executive management team and councillors on the Procurement Sounding Board) were asked for their perspective. Some of the key points were that:

- ❖ There's no scope for development within current constraints - we've gone as far as we can with our current model.
- ❖ Procurement is reactive, and not recognised as a professional function/valued partner - it's seen more as a cause for complaint by staff than a supporting function. Busy staff don't always have time or skills to buy properly.
- ❖ Procurement activities are sometimes undertaken by staff who aren't familiar with or professionally capable in procurement.
- ❖ Our process is inefficient, our technology isn't fit / joined-up and our reporting doesn't help Council management enough.

The result of that initial dialogue was a set of 6 Strategic Objectives to guide the TAPR:

### 1. Improve the efficiency of Procurement / P2P Processes

- *Streamlined & efficient whole Council consistent process*
- *Clear roles & responsibilities to drive compliance to contract*

### 2. Embed a Strategic, Collaborative, "Best Practice" Approach

- *End-to-end process with early procurement involvement to drive savings by requirements*
- *Develop and introduce a consistent "gated" (i.e. with appropriate key stage checks before proceedings) process for all procurement projects*

### 3. Review the Council's Procurement Operating Model

- *Phased approach which may require different approaches for specialised areas*
- *Provide a corporate view of spend / benefits & procurement undertaken by skilled people*

### 4. Introduce Category Management

- *Introduce specialist commodity experts to manage a range of categories, aligned to Tayside Procurement Consortium (TPC) / Tayside Contracts (TC) shared service procurement team*
- *Benchmark with comparable / leading Scottish local authorities and drive financial savings*

### 5. Contract & Supplier Management

- *Develop and apply a single Council Contracts & Supplier Management (CSM) model managed by procurement*
- *Drive /embed greater sustainable benefits – social, community, economic, environmental*

## 6. Develop Procurement Capability

- Undertake skill analysis of Council procurement staff
- Map Council's future needs & develop a training programme to address gaps

In line with the TA Programme governance model, an Options Appraisal was undertaken on a long list of options (10) against those strategic objectives to sift out the ones which wouldn't meet our objectives.

### 4.3 The Economic Case

5 options were short-listed and those went through economic options appraisal against both cost-saving and non-cost criteria to assess which option offered the Council best value. The appraisal assumed a 3 year programme period, although it is now proposed that this is accelerated to 2 years. The conclusions from the Economic Options Appraisal were that:

1. The marginally preferred option is Option 2 (a fully centralised model with Angus Council "category C" procurement) but Option 3 (Partially centralised model; otherwise as for Option 2) is almost equally viable provided that the following assumptions are validated:
  - The case is made out for the risk of inefficiency creation
  - The non-centralised team is committed to be as fully trained and capable and will work to the same process as they would on a one-Council basis.
2. The benefit-to-cost ratio for the preferred option(s) was assessed at over £7 of benefit to every £1 of cost. The period over which the required £1.413m investment for the preferred option(s) would be reimbursed to the Council by benefit achieved was assessed at just over 2 years. This is a reasonable period, assuming investment of the required resource to deliver this benefit on that accelerated timescale.

Both of these technical metrics also support the economic case for the programme.

### 4.4 Expected Programme Benefits

The main identified benefits expected from delivery of the programme are:

#### **Contract Savings from deployment of best procurement practice:**

	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)	Total (£m)
Baseline (current) saving	1.00	0.90	0.81	<b>2.71</b>
Additional saving		2.08	3.74	<b>5.81</b>
<b>TOTALS</b>	1.00	2.98	4.55	<b>8.52</b>

The main ways in which this level of savings can be achieved are:

- Ensuring that our purchasing meets the whole business need and avoiding unnecessary purchasing;
- Driving out unnecessary cost from the specification of our requirement (incl. through business process review); and
- Migrating all relevant spend to contracts (incl. collaborative contracts) on best value terms and reducing unnecessary product variation.

Assuming early provision of adequate resource to achieve the delivery plan (see below), "Year 1" above is assumed to be 2017 Calendar Year.

#### **Efficiency savings from implementation of a centralised P2P team:**

	Year 1 (£k)	Year 2 (£k)	Year 3 (£k)	Total (£k)
Efficiency from new centralised P2P Team	300	600	600	<b>1,500</b>

Assuming early provision of adequate resource to achieve the delivery plan (see below), "Year 1" above is assumed to be 2017 Calendar Year.

**Delivery of the Council's strategic objectives for its procurement activity on a "one-Council" basis.**

## 5. PROPOSALS

### 5.1 TA Board Approval

The Transforming Angus Programme Board at its meeting on 17 December 2015 agreed in principle the recommendations set out in the Outline Business Case (OBC) presented to it at that meeting as follows:

- (i) To approve the OBC as the business basis for progressing with the TAPR programme;
- (ii) To approve the plan for the way forward set out in the OBC;
- (iii) That an update to this OBC will be presented to the TA Programme Board on the outcome regarding resourcing of the programme to achieve the accelerated delivery plan (target for conclusion - Jan '16); and
- (iv) To approve that a "milestone review" will be carried out, presenting a Full Business Case (FBC) setting out the finalised operating models and processes before the programme proceeds with implementation (target - summer '16)

### 5.2 Resourcing

The current proposal is, in summary, to re-task the Corporate Procurement team to support the TAPR as (most of) a core delivery team by temporarily suspending some of its established activity and to find the rest of the required resource for the core delivery team by nomination from Services / internal recruitment. The need for modest additional support from EY was also identified. The TA Board continues to consider the best resourcing arrangement for the TAPR.

### 5.3 Delivery Plan

The following high level delivery plan was approved as part of the OBC:-

<b>Milestone / Activity</b>	<b>Start</b>	<b>Complete</b>
<b>Proof of Concept / Benefits Delivery</b> Health & Social Care Market Development	Nov-15	Feb-16
<b>Programme Management</b> Finalise Resources Update OBC to TA Board Mobilise and start	Dec-15	Jan-16
<b>Processes</b> Angus "Procurement Journey" Strategic Procurement Benefits Tracking P2P Process Contract Rules	Jan-16	Aug-16
<b>Proof of Concept / Benefits Delivery</b> Services Engagement Procurement Initiatives Portfolio	Jan-16	Mar-16
<b>Proof of Concept / Benefits Delivery</b> Corporate solution for IT Procurement	Jan-16	Apr-16
<b>People &amp; Operational Model</b> Design Corporate Procurement Operating Model Design P2P Operating Model Identify 'Best practice' procurement	Feb-16	Jun-16
<b>Processes</b> Lean Review	April-16	Feb-17
<b>Proof of Concept / Benefits Delivery</b> Other Early Commodity Activity	May-16	Nov-17
<b>Programme Management - MILESTONE</b> Report FBC with finalised operating models and processes to TA Programme Board	Jul-16	Jul-16
<b>People &amp; Operational Model</b> Procurement / P2P JOs Development Needs Analysis Training Programme Implement the new Operational Models	Sep-16	Jun-17
<b>People &amp; Operational Model</b> Review Construction Operating Model (unless construction included within single centralised team)	Jul-17	Dec-17
<b>Systems &amp; Technology</b> Financial Management / Accounting Structures Review	Aug-16	Dec-16
<b>Systems &amp; Technology</b> Implementation	Jan-17	Mar-17
<b>Systems &amp; Technology</b> P2P Technology Strategy	Feb-17	Jun-17

Milestone / Activity	Start	Complete
e-Commerce Strategy		
<b>Processes</b> Implementation	Mar-17	Jun-17
<b>Processes</b> CSM Review	Jul-17	Dec-17
<b>Programme Management - MILESTONE</b> Completion Report to TA Programme Board	Jan-18	Jan-18

This plan will require to be updated to reflect slippage pending agreement of the TAPR resourcing model but the broad timescales remain correct.

## 6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications from delivery of the TAPR programme are more fully set out in the accompanying Outline Business Case (OBC). In summary, the total estimated costs of delivering the programme set out in the OBC are £1.413m. This cost is contained within existing resources and budgets: the TA Programme budget for EY fees and as agreed additional spend / carry forward request from 2014/15 Corporate Improvement & Finance revenue budget (Report 504/14 refers) for staff support temporary secondment.
- 6.2 The proposal is a spend-to-save initiative. The projected overall benefit from the programme / procurement activity over 3 years is £10.02m but this value will be subject to confirmation and more detailed assessment as part of the Final Business Case.

## 7. OTHER IMPLICATIONS

### 7.1 Managing Workforce Change

The Council's Managing Workforce Change policies will be actively utilised to support staff transition as part of this transformational change programme.

### 7.2 Risks

There are a number of dependencies / assumptions and risks which have been identified as associated with this programme and are set out within the Programme Risk Register forming part of the Outline Business Case. Control actions have been developed for all major risks and these include:

Risk Description	Control Actions
1. Delays to project timescales may be incurred if local resource cannot be made available as planned and/or that resource proves to be inadequate due to unforeseen demands. This includes the risk of overburdening the core delivery team.	Rigorous initial resource planning has been undertaken, albeit on the basis of a number of assumptions and dependencies. Programme and project controls will be put in place, including detailed work planning, a risk / issues register and a communications plan to ensure all resource requirements are committed in advance and are reviewed regularly. If resource proves inadequate through dependencies and assumptions proving to be incorrect, programme and project resourcing will be reviewed.
2. The project suffers slippage in progress against the project plan for reasons other than inadequate resource.	Programme and project controls will be put in place, including detailed work planning, a risk / issues register and a communications plan to ensure all resource requirements are committed in advance and are reviewed regularly. Regular scrutiny and review of progress will take place through the TAPR Programme Board and action will be taken quickly to address threats to the project plan, including escalation quickly through Council senior management to achieve a quick resolution of internal issues, where required.
3. During implementation of the programme, service users / supporting groups / category management groups do not work together properly to proactively deliver the anticipated better procurement.	Projected benefits will be rigorously validated and quantified through engagement with Services to ensure that ownership of benefit delivery is spread across the organisation. Senior level commitment has been given to delivery of benefits to the Council by the TAPR. In the unlikely event that uncooperative behaviour threatens to undermine delivery of that benefit, such issues will be escalated quickly through Council senior management to achieve a quick resolution.

4. Implementation of the TAPR does not realise the projected benefits set out in the OBC.	Projected benefits will be rigorously validated and quantified through engagement with Services to mitigate the likelihood of this risk occurring. Senior level commitment has been given to delivery of benefits to the Council by the TAPR. If unsupportable "maverick" buying behaviour threatens to undermine delivery of that benefit, such issues will be escalated quickly through Council senior management to achieve a quick resolution.
5. The re-tasking of Corporate Procurement Team resource to support the TAPR and to temporarily suspend support of Services' operational procurement activities risks inadvertent non-compliant procurement activity.	This approach is considered to be the best value use of resource to deliver this programme. To manage the increased risk to the Council by adopting this approach, a new risk will be added to the Corporate risk register in order that Services' are fully aware of this change and their exposure to adopt greater responsibility for self-delivery.

### 7.3 Equalities Implications

An Equalities Impact Assessment has been carried out. The conclusion is that delivery of the TAPR is likely to promote equalities through improved application of legislation, policies and best practice.

### 7.4 Strategic Environmental Assessment (SEA)

On consideration of the Equalities and Procurement Policy it has been concluded that this plan is likely to have no or minimal adverse environmental effect and the SEA Gateway will be notified accordingly as required by the Environmental Assessment (Scotland) Act 2005. This notification will be published by the Gateway on the Public Register maintained to that end.

## 8. CONSULTATION

In addition to the required consultation in terms of Standing Order 47(1), the Tayside Procurement Consortium Head of Procurement and the Council strategic TA partner, EY, were consulted in the preparation of this Report.

**MARK ARMSTRONG**  
**STRATEGIC DIRECTOR OF RESOURCES**

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report.

**REPORT AUTHOR:** Mark Allan, Corporate Procurement Manager and Programme Lead

**EMAIL DETAILS:** [transformingangus@angus.gov.uk](mailto:transformingangus@angus.gov.uk)

List of Appendices:

1. Transforming Angus Procurement Review Outline Business Case, version 1.1