

**SURREY FIRST JOINT COMMITTEE – 3 FEBRUARY 2011**

**SURREY FIRST: PROCUREMENT WORKSTREAM**

**Summary**

The Surrey Procurement workstream has a remit to investigate opportunities around 'commodity type' procurement. Analysis to date has identified a number of projects that it estimates will deliver £4-10m of savings. However, delivery of these cannot be achieved within the existing Group's informal structure, borne out by the lack of progress to date. It is proposed that a more focused approach is adopted, with procurement staff across the Districts and Boroughs seconded onto projects alongside County resource. Assuming this resource is made available, it is anticipated that the forecast savings will be achieved.

**Recommendations**

The Committee is requested to:

**RESOLVE That**

The existing procurement resource within Districts and Boroughs is released on a part time basis for a period of one year to form dedicated procurement teams, alongside procurement specialists at the County, to deliver the identified Surrey First Procurement projects.

If this resource is not forthcoming external resource is to be secured to deliver the projects.

The recommendation has been endorsed by the Chief Executives at their meeting on 21 January 2011.

**Background Papers:**

'Surrey First: Securing savings through the Procurement Workstream - Proposal' presentation to the Chief Executives attached as Appendix.

**Reporting Person:**

Terry Collier  
Assistant Chief Executive  
Spelthorne Borough Council

Telephone: (01784) 446296, E Mail: [t.collier@spelthorne.gov.uk](mailto:t.collier@spelthorne.gov.uk)

**Contact Person:**

Becky Ramsey, Member Services Officer  
Ext. 3011, E Mail: [Becky.Ramsey@woking.gov.uk](mailto:Becky.Ramsey@woking.gov.uk)

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## 1.0 Introduction

- 1.1 The Surrey First Procurement workstream has a remit to identify and deliver 'commodity' procurement opportunities that are not already covered by the other Surrey First streams. This comprises of some £67m of annual expenditure and of this approximately sixty percent is incurred by the districts.
- 1.2 The workstream delivery group is the Surrey Procurement Group (SPG) consisting of representatives covering the County and the districts who meet on a monthly basis. The Group has been liaising with the ICT workstream on expenditure opportunities which could potentially be more effectively addressed by the two groups working in collaboration.
- 1.3 The SPG has had a few successes, most recently ensuring the successful retendering of the Surreywide cash in transit framework contract, led by the County, which when benchmarked against prices obtained on an individual authority basis has delivered significant savings. The procurement officers also contributed to the recent negotiated reductions in green waste gate fees achieved by six districts delivering a six month saving of £100k and are supporting the procurement of a longer term Surrey wide arrangement.
- 1.3 Following analysis of the Surrey authorities' expenditure data, they have identified ten further large projects and a range of smaller tactical 'quick wins'.
- 1.4 Of the ten projects, four can be delivered through utilising County resource. However, if the programme continues in its current form, the other projects (which account for the majority of savings) are at real risk and the lack of dedicated, focused resource has been identified as the root cause of this – procurement resource across the districts is spread very thinly.

## 2.0 Implications

### 2.1 Financial

- 2.1.1 Those projects that can be delivered through the existing County resource are detailed below:

<b>Category</b>	<b>Spend per annum</b>
Commercial Print	£2m
Postage	£1m
Catering/Food	£4m
Cleaning	£5m

It is estimated that these will be delivered within the next 12 months with savings of £1m-£2m. These will be achieved through a number of routes:

Print: Analysis of the print spend has identified a fragmented supply base (with some 90 suppliers utilised across all authorities). Preliminary benchmarking has identified some wide variances in prices paid (upto 40%) with potential savings through consolidation of spend onto the best terms. Further analysis is underway and a solution will be in place by September 2011.

Catering/Food: Tender activity is underway, led by Surrey Commercial Services, with the aim of realising savings through the aggregation of food requirements across the authorities. This is due to complete in February 2011.

Postage: The County Council is leading a tender exercise for postage services this year which will be in place by September 2011. In addition, there are some short term opportunities to join an existing government framework.

Cleaning: The Council will lead a collaborative procurement for cleaning services later this year which will be in place by November 2011. Further collaborative opportunities around cleaning materials will also be investigated.

2.1.2 There are an additional six large projects that, if resource is not allocated, are unlikely to be delivered. These are as follows:

<b>Category</b>	<b>Spend per annum</b>
Insurance	£8m
Leisure	£6m
Utilities	£15m
Vehicles	£10m
Traffic Management	£2m
Sports & Playground	£2m

More analysis is required in these areas to firm up the anticipated savings of £2-6m.

However, some clear opportunities have already been identified:

Insurance: There are potential benefits around collaborating across claims administration and handling. In addition, a comparison of the in-house claims handling (as undertaken at the County) versus the external market is required to assess the best approach. The recent five year insurance contract let by the County resulted in savings of some £4m – there is a belief that at least part of this was testament to the high regard insurers have for the in house arrangements. It is envisaged that a pilot project at one of the Districts, commencing in June 11 will provide an accurate picture of the true benefits. It is unclear at this stage, without further work, the feasibility and extent of any economies of scale of looking to consolidate requirements for insurance cover itself (for instance via a framework agreement).

Utilities/Energy: An evaluation of the benefits of the existing consortium arrangements are underway, including reviewing our methods for procuring energy (ie fixed vs flexible

pricing) and if utilising the wholesale market is the best approach. The target will be to have a clear agreed procurement strategy in place by June 11.

Leisure: The focus to date has been limited to the value for money that is being achieved through energy & maintenance expenditure at the centres and whether access to the authorities' existing agreements may realise a reduction in centre costs that can be passed through as savings to the authorities. Initial high level analysis has identified approximately £2m of energy expenditure and a benchmarking exercise is about to commence.

The opportunities in vehicles, traffic management and sports & playgrounds are yet to be assessed.

2.1.3 Further, there are a range of 'quick win' opportunities that, with dedicated resource, can be delivered within a six month timescale. They focus on identifying common suppliers across lower spend categories (consultancy, recruitment, IT etc.) and delivering savings through taking advantage of the most favourable terms and increased leverage. In total these tactical opportunities account for a spend of £12m per annum with targeted savings of £1-2m. As part of this some initial work that has been undertaken at the County on renegotiating BT expenditure indicates savings opportunities of approximately 25%.

2.1.4 The attached Appendix summarises the opportunities and potential timelines.

## 2.2 Human Resource/Training and Development

2.2.1 Not only will the proposal ensure the delivery of the targeted savings but will also help to develop an effective Surrey wide procurement community where the secondees have access to training, systems and market intelligence that exists within the County.

2.2.2 Working in mixed teams, that include experienced procurement specialists, will ensure knowledge transfer to those who undertake procurement but have had no formal training. Further, the development of the secondees skills and experience will provide their authorities with ongoing benefits beyond the projects.

## 2.3 Community Safety

n/a

## 2.4 Risk Management

2.4.1 There is little risk associated with the delivery of £1-2m worth of savings as resource has been allocated within the County to deliver these.

2.4.2 Assuming the required resource is forthcoming this will be sufficient to deliver the additional identified projects.

2.4.3 If it is not available, it is proposed to utilise external resource to mitigate against the risk of non-delivery (with associated unrealised savings of £3-8m).

2.4.4 A programme manager will be assigned to ensure that projects run to time, with clearly identified scope and deliverables.

## 2.5 Sustainability

When reviewing and implementing any new contracts due regard will be made to ensuring appropriate sustainability criteria are in place and evaluation of whole life cost cycles considered.

## 2.6 Equalities

Not applicable

## **3.0 Conclusions**

Whilst the Surrey Procurement Group has been an effective forum to identify the key procurement opportunities, it is not an effective mechanism to deliver these projects. Without freeing up individuals from their day jobs, it is unlikely that sufficient momentum will be achieved to realise the majority of savings. The proposal provides an alternative model that will ensure their realisation.

REPORT ENDS

APPENDIX

**Surrey First : Securing savings through the Procurement Workstream - Proposal to Chief Executives 21<sup>st</sup> January 2011**

### Introduction: Scope

Major spend areas – construction/assets, waste and IT covered in other Surrey First workstreams – focus on 'commodity' type procurement

<b>In scope spend</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: left;"><b>Key Categories</b></td> <td style="text-align: right;"><b>Spend p/a</b></td> </tr> <tr> <td>Print</td> <td style="text-align: right;">£2m</td> </tr> <tr> <td>Postage</td> <td style="text-align: right;">£1m</td> </tr> <tr> <td>Catering</td> <td style="text-align: right;">£4m</td> </tr> <tr> <td>Cleaning</td> <td style="text-align: right;">£5m</td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">£8m</td> </tr> <tr> <td>Leisure</td> <td style="text-align: right;">£6m</td> </tr> <tr> <td>Utilities</td> <td style="text-align: right;">£15m</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">£10m</td> </tr> <tr> <td>Traffic Management</td> <td style="text-align: right;">£2m</td> </tr> <tr> <td>Sports &amp; Playground</td> <td style="text-align: right;">£2m</td> </tr> </table>	<b>Key Categories</b>	<b>Spend p/a</b>	Print	£2m	Postage	£1m	Catering	£4m	Cleaning	£5m	Insurance	£8m	Leisure	£6m	Utilities	£15m	Vehicles	£10m	Traffic Management	£2m	Sports & Playground	£2m
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<b>£67m</b>	<p style="text-align: center;"><b>Quick wins – common suppliers across lower spend categories (consultancy, recruitment, IMT etc.)</b></p> <p style="text-align: center;">£12m spend p/a</p>																						

### Opportunities

Resource	Categories	Spend p/a	Savings
Part of Planned SCC tender activity	Print Postage Catering Cleaning	£2m £1m £4m £5m	£1m-£2m (12 months delivery)
Dependant on Surrey First Resource	Insurance Leisure Utilities Vehicles Traffic Management Sports & Playground	£8m £6m £15m £10m £2m £2m	£2-6m (?) – further analysis required
	<b>Quick wins – common suppliers across lower spend categories (consultancy, recruitment, IMT etc.)</b> £12m spend p/a		£1m-£2m (delivery within 6 months)

## Successes to date

### Cash Collection Services

- Ø Collaborative procurement exercise (framework) for the provision of cash collection services open to all Districts and Boroughs
- Ø A joint Procurement and project team was set up to complete this tender, including representatives from Surrey County Council, Guildford Borough Council, Woking Borough Council and Runnymede Borough Council – estimated savings of £300k.

### Garden Waste

- Ø Garden waste – 6 month £100k saving on gate fees achieved by 6 authorities collaboratively negotiating.
- Ø a longer term, Surreywide arrangement is currently being procured

## Resource

### Existing Surrey Resources

Existing resource (FTEs)		
	D&Bs	SCC
Procurement Professionals	2.5	14*
Non-professional procurement officers	4	0

\*excludes social care resource

### Issues/Considerations

Minimal dedicated internal procurement resource across D&Bs  
 Poor track record of transforming identified opportunities into savings through existing network (£3-8m of savings opportunities at risk)

## Proposal

Form dedicated Surrey First (joint SCC/D&B) procurement teams on specific projects)

Resource requirement will be reduced through use of central procurement support to conduct market intelligence, tender process etc.

Supplement with external resource that can be used to drive savings where no available internal resource

Use SCC resource to lead where part of planned tender activities

60% of total spend resides with Districts & Boroughs – estimate average saving for each £200-£550k

## Opportunities

To build a procurement community across Surrey:

- access to training courses
- utilisation of support (market intelligence, systems)
- access to specialist category knowledge
- mixed project teams will aid staff development

## Requirements to succeed

Where resource exists, to agree to release this part time for specific identified projects as part of dedicated team.

- 1 day per week for p/t resource, 2 days per week for f/t resource for 1 year

To agree to use of external resource where unable to secure internal resource to deliver projects.

## Category Opps: Surrey First Procurement Workstream Plan

