The AGMA Procurement Hub

DRAFT

Procurement Working Collaboratively

Improvement & Efficiency Plan

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1. Introduction

Communities and Local Government (CLG) analysis suggested that £4.7 billion of savings are achievable during the CSR07 period. It was expected that 57% of that figure would be achieved through smarter procurement. For the period April 2008 to March 2011 this gave the North West region an overall savings target of £753 million (£251m annually) of which £429 million is expected from smarter procurement. The AGMA members introduced the Procurement Hub to help AGMA local authorities meet this agenda.

The purpose of this document is to describe a new model for the Procurement Hub and to seek approval from the Collaborative Services Group and AGMA Collaborative Improvement & Efficiency Commission and to seek buy-in from Local Authority Chief Executives, Directors of Finance (Section 151 Officers), Heads of Procurement and all other operational professionals directly or indirectly engaged in procurement and the efficiency agenda within the AGMA members region. The document will build on previous regional work to outline the work and commitment required within AGMA authorities to ensure that collaborative procurement delivers for the sub-region.

The NWIEP and AGMA have supported better procurement within the region by funding a regional procurement programme and sub-regional procurement hubs.

The AGMA Procurement Hub will have a greater opportunity for success with the support of Local Authorities and adoption of the proposals in this report.

2. Executive Summary

This report seeks agreement of CSG to put the proposals for a new Procurement Hub model forward to the Improvement & Efficiency Commission for approval.

Whilst completing its objectives the Hub will ensure that Regional Strategies are woven into the AGMA approach as this will increase benefits predicted by fully utilising collaborative procurement.

It is estimated that the projects currently being worked on will deliver £1.0m in 2009/10 financial year but with better collaboration, £2.3m is achievable. The AGMA Hub will deliver this figure given the full commitment of those who requested and supported development of the initial projects.

The following principles require approval from CST and the Improvement & Efficiency Commission:

2.1**) Transformation & Improvement**: Hub to become a Centre of Excellence and working with and through each Local Authority Procurement Service to design/develop and deliver a consistent model across AGMA (see model

attached at Appendix A. All Local Authorities to agree & participate in the collaborative process - accepting that some Procurement Sections are mature, some are half-way there, some are underway. Learning from each Local Authority can be transferred to the next phase of improvement; Category Managers to be 'installed' in each LA providing a service for a particular commodity across all LA's (non-optional buy in). Consistent operating model, processes, information gathering, structures to be implemented (with some local flexibility).

How: Establish a Procurement Hub Transformation Team; bring a commercial approach to the full life cycle of procurement including market manipulation. Build a Category Management team across the AGMA business using competency skill based approach.

Link into the Regional Hub, utilising Best Practice examples, securing funding and resources.

2.2) **Efficiencies**: Continue to deliver cashable savings via efficiency projects in parallel with the Improvement work stream - with individual choice on buy in to contracts as and when, but with the exception of Category Managers operating on an AGMA wide basis - coupled with a clear understanding from stakeholders of the potential savings outcome.

How: Deliver the efficiency savings through Trafford Procurement team i.e., by integrating the existing Hub Procurement Team, (e.g. follow the NWIEP / Manchester Regional model so as to provide certainty of employment for Hub staff) There are retention issues with short term contracts vs. keeping professional staff. This approach will ensure continuity of skills staff and better use of resources across AGMA Procurement i.e. Category Management as described in objective 1 above.

3. Current Progress

The AGMA Procurement Hub was established on 1st July 2008. The Hub is based at Trafford Borough Council and works across the sub region to identify opportunities for Authorities to procure collaboratively in two very key areas, 1 - Improvement of Procurement and 2 – Efficiency. AGMA Procurement Hub is supported by AGMA and is continuing to make good progress in delivering these two objectives and supporting procurement within the sub-region.

3.1 Delivering the Objectives

The Procurement Hub's aim is to enable the sub region to deliver a streamlined, efficient, effective and skilled service that has the capacity and expertise to manage its supply chain and contracts to deliver real cashable savings for AGMA

and the region, as a legacy after the initial REIP 3 year funding life time of the Hub.

At a high level the objectives are to:

- Demonstrate measurable cash savings (Efficiency Programme) in order to demonstrate the sustainability of a shared resource
- Develop Improvement in Procurement in individual Authorities;
- Share procurement training across the sub region to ensure consistent performance and delivery
- Supporting a process to improve the levels of competence in procurement across AGMA and to help member Authorities to achieve a minimum of Level 3 UoR KLOE
- Addressing resource deficits by managing collaboration across AGMA members
- Removing duplication
- Undertaking research and sharing information across the sub regions, region and nationally
- Aggregating spend where it offers most value for money
- Providing training and guidance to the AGMA procurement community.

Work is underway in all the above areas in both the NWIEP Regional Strategy & AGMA to ensure the objectives are delivered.

These objectives are in line with the wider AGMA collaboration principles as outlined in Appendix C.

3.2 Category Procurement

A plan of category procurement is in place within the Hub with a number of projects already completed with others in the planning stage.

The following projects have generated projected savings of £290k (target of £0k set in year one as this was seen as a build year) within effectively a shortened year one, due to the late arrival of key staff. In year one the Hub with therefore be cost neutral.

- Vehicles
- Stationery
- Due North Software

Other categories being worked upon within year 2 (2009/10) include the following categories:

- Consultancy

- e-Recruitment
- e-Executive Search
- Chemicals (Pest Control)
- Telephony (Mobile & Convergence)
- IT Equipment (e-auction)
- Adult Social Care (Aids & Adaptations)
- Adult Social Care (Residential Care)
- Design & Print

Further categories for collaborations will be identified from current work being undertaken in evaluating procurement plans within member Authorities. Some of the areas above are also being explored by other groups within AGAM and the approach to Procurement and benefits identification will need to be joined up in order to derive maximum benefit for the member Authorities and reduce risk of double counting.

3.3 Developing individual LA Procurement Services – Category Management

Reviews of LA Procurement has commenced based on the Capita Skills Audit conducted with each authority in February 2009 and Performance Management. These reviews were Hub led and managed. This work should now be used as the basis of an Improvement Programme with AGMA members, where appropriate. The Hub will assist in the delivery of the LA's objectives with the following remits:

- AGMA Procurement Hub: To support delivery of Regional Procurement Strategies, develop and disseminate best practice and to ensure a joined up approach to Procurement. Engage with LA's in an Improvement Programme to deliver best practice procurement. Through the evaluation, re-design & implementation of a Best Practice Procurement Model Service with each LA, including the establishment of Category Managers to manage specific commodities across all member LA's.

- AGMA Project Management Group: To debate and disseminate best practice, promote and assess continuous improvement with regards to Hub activities. Further working groups may be created to help deliver on other specific areas as the need arises.

3.4 Developing Regional Links

The AGMA Procurement Hub is one of five procurement hubs within the North West region. The development of these hubs is supported by a Regional Procurement Programme managed by Manchester City Council and funded by NWIEP. The aim of the regional programme is to develop and support regional strategies and to facilitate knowledge sharing within the region.

The AGMA Procurement Hub plays a key role in supporting the regional programme and attends the monthly board meetings. It is also planned via the proposed Improvement work stream that AGMA will support a procurement training programme. Examples of activities include; a full Procurement Day in Manchester on the 30th September to review good procurement practice, look at new tender / contract legislation. Additional training will also come from the region, with Lancashire Hub facilitating and with additional funding provided from NWIEP. Blackpool MBC & Salford Council also lead on the Regional Procurement Standards Group, ensuring a common approach to procurement across the region.

4. The AGMA Procurement Journey – Transformation, Improvement & Efficiency

The development of collaborative Procurement Hubs should be seen as a key element in the procurement journey that Local Authorities are undertaking. The majority of AGMA Authorities have invested in procurement but many are yet to see the full return on that investment. The Procurement Hub should be utilized as an enabler for Councils to assist them to achieve their individual, challenging savings targets via the Hub.

This change in approach would increase the return of investment, as the Hub will continue to provide efficiencies through collaborative procurement of contracts and also provide individual Local Authorities with the ability to identify and realize their own procurement targets. The success of this approach is illustrated in the Bolton example in Section 8.

4.1 Transformation & Improvement in AGMA Authorities

All Authorities participating in collaborative working will need to agree to adopt and implement a new organisational approach and procedures, to enable the Hub to support them to deliver and be successful and this may required additional resource from within the Local Authority.

Modern procurement works from an alternative commercial basis of which the key focus is “how **not** to spend money or time” rather than “how do we save” as keeping the LA’s cash is more important than trying to get it back after it is committed via cost reduction in later years. Supplier Relationship Management (SRM) enables us to drive this strategy by getting suppliers to do more for us, i.e. better solutions for Local Authorities.

4.2 Developing Good Hub Working

It is proposed to develop and deliver a programme of improvement across Greater Manchester Authorities, focusing resources & expertise on an individual Local Authority to design a best practice procurement service, complete with

category managers, having responsibility across member LA's for commodity purchases.

The Procurement Hub will undertake the following actions to support individual Authorities to modernise their Procurement function to enable them to maximise the benefits from Collaborative contracts.

It is anticipated that each review will take approximately 3 months or less for the more developed Authorities. The following is an outline of the activities which would take place over the review period:

Month 1

The Procurement Hub team will be based in the Procurement Office and undertake the following actions; Review the Procurement strategy and Vision.
Analyse spend and contract arrangements to identify potential quick wins.
Review procurement structure against best practice model.
Assess the skills within procurement to identify existing skills and gaps that need to be addressed.
Assess the back office systems and controls on contract usage and identify maverick spend.
Review the Authorities Procurement Regulations to identify potential barriers to collaborative working.

Month 2

The Procurement review team will present a detailed report on their findings on each of the areas detailed above to the Authorities Senior Management Team. The report will contain detailed recommendations and proposed action plan to develop and streamline the procurement function.

Month 3 and beyond

The Procurement Hub will provide hands on support to the Authorities procurement staff to implement the action plan.
The Procurement Hub will continue to manage the process until the plan has been implemented and working effectively and delivering benefits to the individual Authority.

It should be noted that where skills gaps are identified and additional full time resources are required by the Authority, this will be the responsibility of the Authority to fill as this cannot be funded from the Hubs limited budget.

An overview of the requirements for good collaborative working within the procurement Hub is outlined further in the NWIEP document "Making Procurement Groups Work" (attached at Appendix B) and should be read in

conjunction with this document. In summary the document encourages the following:

- Establishing Leadership
- Governance Agreed
- Amended Local Policies
- Stakeholder Mapping Undertaken
- Ensuring Engagement
- Identifying Need Correctly
- Spend Analysis Undertaken & Refreshed
- A Standard Approach Established
- Contract & Supplier Management Enforced
- Sustainable Procurement Considered
- Appropriate Advertising
- Communication Undertaken

Follow up work based on the 2009 Capita Skills analysis should be completed to ensure procurement skills are improved. A competency framework / units of skill showing individuals the mechanism of where they are in relation to the competencies required to complete a specific role with in the LA or AGMA. This will also be helpful to show individuals a framework that informs them, as well as LA's and AGMA where the total procurement family resides and in the required resource to deliver "Best in Class Procurement".

The AGMA Hub will provide its experience and capability to LA's in order to improve their Procurement capability. Investing in the right people for global category management with the correct attributes and ability is the true investment for the future.

The category manager role allows AGMA's key commodities to be managed effectively, rather than have 10 people look at one single commodity at each LA, AGMA can have 10 Category Managers look at 10 commodities across Manchester community. This provides a ten fold increase in possibilities and deliverable benefits and effectively speeds up the process and makes good use of time and resource – a major element to gain Efficiency.

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How: Improvement of Procurement & Category Managers

Category Management on a commodity basis is also a very good opportunity for the Procurement Service team. Individuals effectively gain extremely good experience in what in effect is a "global" role. Thus Procurement staff can see career enhancement and at the same time deliver Efficiency & Improvement for AGMA.

5. Additional Procurement Services

There are a number of areas that will require skilled procurement input going forward, some examples of these are:

5.1 Supporting the Improvement & Efficiency Programme Office

There is an increasing need for the Hub to support the Efficiency Programme Office to enable them to deliver efficiencies across the 10 identified service areas. The Hub expects an increasing symbiotic relationship between the Improvement & Efficiency Programme Office as delivery of projects gets underway.

5.2 Key Lines of Enquiry & Use of Resources Assessments

Changes are being implemented within the new Corporate Area Assessments to increase the emphasis on procurement and commissioning. Key Line of Enquiry 2.1 (KLOE) asks:

Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? To meet this requirement the organisation should show that it:

- has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs;
- involves local people, partners, staff and suppliers in commissioning services;
- seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT;
- understands the supply market and seeks to influence and develop that market;
- evaluates different options (internal, external and jointly with partners) for procuring services and supplies; and reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives.

There is also further emphasis on a commissioning process that can be defined as “one in which the authority seeks to secure the best outcomes for their local communities by making use of all available resources – without regard for whether services are provided in-house, externally or through various forms of partnership”

The statutory guidance links commissioning to securing positive outcomes and best value as below:

In fulfilling the duty of best value, local authorities should seek to achieve a balance between potentially, but not necessarily, competing objectives, in particular:

- responding to the needs of all sections of the community including those groups with complex or specialist needs;
- seeking to address the whole-life costs of decisions, focusing on early intervention and achieving sustainable outcomes;
- exploiting economies of scale; and
- achieving locally-responsive services.

As such, local authorities will need to review their procurement plans and practices to ensure the above is considered. Improved and standardised procurement services across AGMA and increased collaborative working will help to address a number of these factors through improved streamlined procurement teams, improved processes and many considerations can be undertaken once on behalf of all Hub members, reducing effort required in each Authority to obtain good Use of Resources evaluations.

5.3 Local Economies

In the current economic climate there is an increase demand to ensure that local suppliers are given opportunity to bid for the supply of goods and services. This can deliver benefits to both the local economy and the purchasing authority. However any tendering must be done within EU regulations and may result in additional effort if frameworks are currently utilised.

Supporting the NWIEP Procurement strategy of implementing Due North Software, a web enabled function which will allow local /SME businesses to see and apply for opportunities on line, AGMA will quickly make full use of this tool.

This software is a valuable tool for AGMA, as the data base will hold current opportunities, existing and new contracts, providing a single location to share knowledge about our supply and supplier network across the region. This will potentially contribute to delivering additional cashable savings both at local, sub regional and regional levels.

As a minimum, authorities will need to be able to measure spend with local economies and show how they engage with that community. The use of the Due North regional supplier portal and holding supplier days will help to support Local Authorities in this area.

6. Performance Monitoring

Local authorities will need to see continued value in the Hub in order for it to be sustainable. For evidence to be available to prove efficiency savings obtained

and added value achieved, Performance Monitoring will be required both within the Hub and within participating Authorities.

To aid this process a series of Key Performance Indicators have been established as outlined in Appendix D. Delivery against these indicators will be reported via established governance and boards.

7. Conclusion

In summary this Report recommends the implementation of four high level objectives:

1) **Transformation & Improvement**: Hub to become a Centre of Excellence and work through each LA Procurement Service to design/develop and deliver a consistent model across AGMA. Consistent operating model, processes, information gathering, structures to be implemented (with some local flexibility). This would require an open door policy to the Procurement Hub to ensure good practice & commonality across AGMA.

2) **Category Management implementation** – Assigned LA procurement lead on agreed commodities by a single Council for its AGMA partners. e.g. Energy, A category manager based in one local authority, recommends & secures the contract for the other members.

3) **Efficiencies:** Continue to deliver cashable savings by category, with individual choice on buy in to contracts as and when - with a clear understanding from stakeholders of the potential savings outcome. Work & support other groups by providing procurement services. e.g. Improvement & Efficiency Programme Office, VfM Group.

4**) Alignment**: Ensure the AGMA sub-region is fully aligned to the NWIEP Regional organizational structure, objectives & strategy. To achieve this it is recommend that AGMA integrates the Procurement Hub & Trafford Procurement, so as to be consistent with NWIEP / Manchester City Council Model, ensuring sustainability & best use of resources for both the Hub, LA's and NWIEP.

8. Next Steps

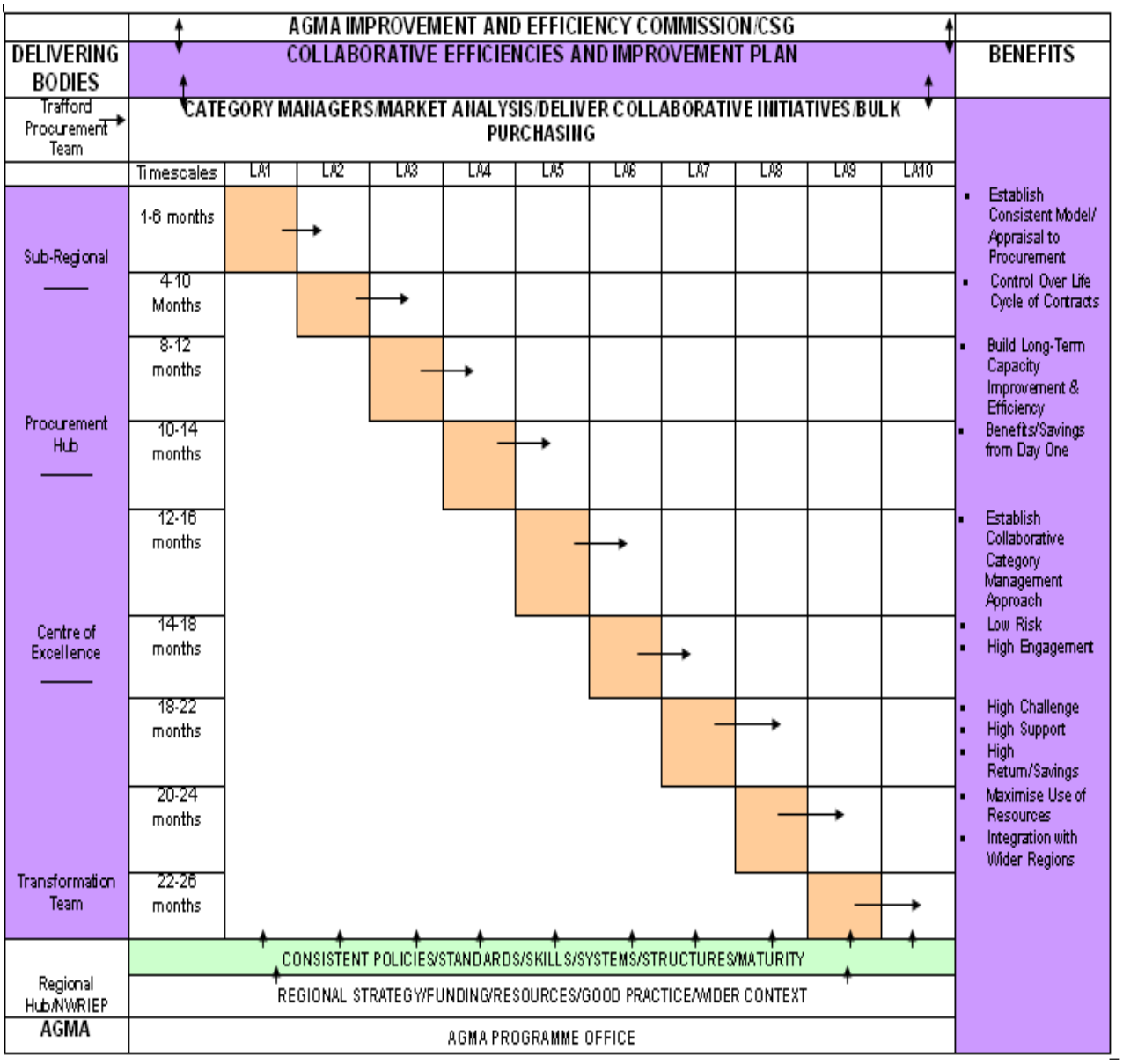
The process and principles outlined this document has been adopted by Bolton with the following impact:

- Senior Procurement Officer from Manchester seconded full time to Bolton supported by Manchester's Procurement Manager for 2.5 days a week and Manchester's Head of Procurement for around 1 day per week

- Benchmarking of prices paid on major contracts common to both Authorities
- Initial Procurement savings target of £2.5 million identified some of which have now been delivered
- Detailed contract register produced
- Meetings held with all service heads to discuss potential for savings through smarter procurement
- Spend analysis to identify current spend profile between local, Regional and National suppliers

Bolton are also working with Bury on a number of collaborative contracts for horticultural equipment , fleet and looking at areas where mutual benefit can be gained from joining together.

A number of other Authorities have committed to the process including Stockport, Rochdale, Trafford and Manchester. Following the approval process, plans would be developed with the Regional Hub, to establish and deploy a Procurement Transformation Team on a rolling basis through the member Authorities.


AGMA IMPROVEMENT AND EFFICIENCY COMMISSION/CSG
DELIVERING BODIES
COLLABORATIVE EFFICIENCIES AND IMPROVEMENT PLAN
BENEFITS
Trafford Procurement Team
CATEGORY MANAGERS/MARKET ANALYSIS/DELIVER COLLABORATIVE INITIATIVES/BULK PURCHASING
Timescales
LA1
LA2
LA3
LA4
LA5
LA6
LA7
LA8
LA9
LA10
Sub-Regional
Procurement Hub
Centre of Excellence
Transformation Team
1-6 months
4-10 Months
8-12 months
10-14 months
12-16 months
14-18 months
18-22 months
20-24 months
22-26 months
Establish Consistent Model/ Appraisal to Procurement
Control Over Life Cycle of Contracts
Build Long-Term Capacity Improvement & Efficiency
Benefits/Savings from Day One
Establish Collaborative Category Management Approach
Low Risk
High Engagement
High Challenge
High Support
High Return/Savings
Maximise Use of Resources
Integration with Wider Regions
CONSISTENT POLICIES/STANDARDS/SKILLS/SYSTEMS/STRUCTURES/MATURITY
Regional Hub/NWRIEP
REGIONAL STRATEGY/FUNDING/RESOURCES/GOOD PRACTICE/WIDER CONTEXT
AGMA
AGMA PROGRAMME OFFICE

APPENDIX A

Appendix B

NWIEP Procurement Programme

Making Procurement Groups Work

Version 0.2

Revision History

Version	Date	Author	Description
0.1	18/2/2009	Neil Hind	Initial Draft
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Ian Brown	Manchester City Council
Heads of Procurement	All NW Councils
Heads of Finance	All NW Councils
Regional Hub Leads	5 x Sub Regional Hubs

Introduction

This document is aimed at local authority Chief Executives, Directors of Finance (Section 151 Officers), Heads of Procurement and all other operational professionals directly or indirectly engaged in procurement. This document examines what a successful procurement group (or collaboration) may look like and evaluates how success could be measured. The document follows on from the earlier published North West Improvement and Efficiency Partnership (NWIEP) Procurement Strategy and NWIEP Procurement Business Plan.

Communities and Local Government (CLG) analysis suggested that £4.7 billion of savings are achievable during the CSR07 period. It was expected that 57% of that figure would be achieved through smarter procurement. For the period April 2008 to March 2011 this gave the North West region an overall savings target of £753 million (£251m annually) of which £429 million is expected from smarter procurement.

The recently published NI179 Value for Money figures show that North West local authorities plan to make efficiency savings of £174m this financial year (08/09). However, with an expected efficiency contribution of £753m from the region during the 3 year CSR07 period, this shows a possible shortfall of £77m for year 1. No figures are available to show the expected contribution of procurement to that efficiency contribution. Therefore, the benefits of collaborative procurement need to be fully documented and understood within the region.

Background

Although it is expected that the regional procurement programme and the sub-regional procurement hubs will make a contribution to the regional's efficiency figures, it is clear that the majority of these efficiency savings will be generated from within each individual authority. However, a key objective for the NWIEP has been to deliver significant savings achieved through collaborative procurement, achieved by a fully mature management of local government third party spend.

There is around £6.9 billion third party procurement spending across the 47 North West authorities. This is being procured via over 4 million transactions per year across around 200,000 different suppliers. As such there are ample opportunities for group or collaborative procurement within the region. The creation of sub-regional procurement hubs is underway to ensure a more efficiency management of that spend.

With regards to procurement collaboration can be simply defined as:

> *"A management approach used by two or more organisations to achieve specific business objectives by maximising the effectiveness of each participant's resources."*

Collaboration on procurement and purchasing arrangements is designed to achieve benefits of economies of scale and also to achieve better value for money. All procurement of goods and services should be based on value for money, having due regard to propriety and regularity. Value for money also needs to consider sustainability factors within its evaluation.

To be effective, collaboration and group procurement needs:

- Full and reliable information regarding who is purchasing what, from whom and through what means. This may require organisations to agree some form of common coding system such as ProClass and undertakes purchase spend analysis. A common coding system can enable cost comparisons of the price paid for an item by other organisation, easier exchange of procurement information and aggregation of demand to provide for greater procurement leverage;
- Effective management of that information both within and between organisations and an overview of the extent to which collaboration is being used, to what effect and how it might be developed further;
- A willingness by departments and organisations to share information, trust each other and demonstrate the same willingness in their dealings with suppliers, where procurement rules allow;

- In the case of 'piggy backing' onto another department's contract, a contractual relationship and terms which allow the interests of the authorised user of that contract to be protected as those of the main signatory;
- A clear understanding of the added value role of ‘other procurement agencies' (such as buying consortium) in achieving effective procurement;
- Recognition that collaboration could involve the 'lead' organisation an additional cost and a mechanism for dealing with this;
- Agreement on joint funding of the procurement/implementation process; and
- Procuring such technical or other support as is necessary that cannot be met from within the participant organisations, such as specific technical expertise.

Organisations wishing to participate in collaborative procurement need to ensure that they have addressed each of these points and have embedded collaborative procurement within their organisation. A simple senior management checklist is included in Appendix A.

Although current thinking is around standardising and improving on current procurement practices the establishment of sub-regional procurement hubs should be see as an embryonic “procurement plus” service for local authorities. With the additional investment being supplied and the possibility of additional resources, from more joint procurement, the hubs will hopefully be able to offer additional procurement services to those currently available to local authorities.

Obtaining Value for Money

Obtaining value for money must be the key factor in undertaking collaborative procurement. Better value for money from procurement can be achieved in many ways by improvement in efficiency and effectiveness, for example:

- Getting an increased level of quality of service at the same cost or added value items;
- Avoiding unnecessary purchases;
- Ensuring that user needs are met but not exceeded;
- Specifying the purchasing requirement in output terms enabling suppliers to recommend cost-effective and innovative solutions to that need;
- Optimising the cost of delivering a service or goods over the full life of the contract rather than minimising the initial price;
- Introducing incentives into the contract to ensure continuous cost quality improvements throughout the period of the contract;
- Aggregating transactions to obtain volume discounts;
- Collaboration with other collaborations or agencies to ensure that the best prices are obtained and better discounts from bulk buying are obtained;
- Reducing the cost of buying goods or services by streamlining procurement and finance processes.

Collaborative procurement is sometimes seen as a process where the additional costs may outweigh the perceived benefits. Additional time maybe required to agree on common specification and to obtain all necessary information from those participating in the procurement. However, the benefits, where all participants use the final agreement, normally outweigh any costs or additional effort that has been incurred.

Components of Good Group Procurement

A number of components of good group procurement and collaboration have been identified that will help the region further develop and embed its sub-regional working within local authorities as listed below.

Leadership Established

Leadership from the highest level within participating organisations is essential to ensure that group procurement is successful. This needs to be at a strategic level and not just operational requirements. Strategic procurement covers the whole procurement cycle from identification of need to the contract management and review process. It is therefore wider than traditional purchasing, which normally covers only the tendering and contracting parts of the process.

Much more emphasis should be placed on the work that needs to be done engaging with key stakeholders and understanding the market before the tendering process begins, and in ensuring that the contract continues to meet the users' requirements after award.

Governance Agreed

The governance between all group organisations must be agreed any maintained if the collaboration is to be successful. All parties need to be comfortable with the governance and agree to a common set of Terms of Reference for the group.

Once the leadership and governance is established, it would be hoped that a relationship of trust would develop between the participating organisations. Members will need to be comfortable and have faith that the lead authority will have undertaken the necessary legal and procurement obligations.

Amended Local Policies

Each member authority will usually have in place procurement and other policies that the council will be working to. These will need to be amended to take account of any sub-regional and regional policies that may be developed. This may mean that the council will need to amend the focus of some of its current strategies to take account of the collaborative working.

A previous issue has been around different Standing Orders between collaborating organisations. Each member may have different levels at which various procurement activities would be initiated. Ideally, these would need to be standardised across each authority.

Stakeholder Mapping Undertaken

Group working can increase the number of stakeholders affected by any planned procurement. Where there are a large number of potential stakeholders, for example when developing a strategy for a collaborative contract, it may not be possible to have all stakeholders represented within the project.

In these circumstances, Stakeholder Mapping is a useful technique to identify who should be represented based upon their likely impact upon the success of the project and their level of engagement. Work should then be planned to ensure these wider stakeholders are kept informed or progress by effective communications.

Ensuring Engagement

All members of the group will need to fully engage with the planned procurement for it to be successful. Those with knowledge of required volumes and specifications from each organisation will need to be engaged and committed to the project.

Members of the group should be given opportunity to opt out of collaborative projects at key stages but this needs to be justifiable to senior management. However, once an organisation has committed to the procurement exercise it must stay engaged.

Degrees of Engagement Model

Increasing Enrolment

	Definition	Objectives of Communication	Evidence of Successful Engagement	Typical Media used
Advocacy and Ownership	Invests resources and personal time. Leads others. Acts in new ways.	Attain full commitment and internalisation of change.	Acts as a champion. Provides resources. Supports change, encourages others.	One-to-one meetings, sharing of programme products.
Commitment and Action	Participates actively to help achieve change.	Involve in transition, secure active participation.	Takes part in groups, carries out actions to support change, attends training, answers questions.	Small group workshops and meetings, training, 'sandpit' environments, reference guides,
Support and Buy-in	Positive perception of change, supports initiative delivery.	Gain support, persuade of benefits, reassure about risks.	Supportive of aims. Allocates time for meetings/ engagement. Suggests courses of action.	Workshops, interviews, phone calls, emails, demos.
Understanding	Comprehends scale, scope and rationale of change. *Note: Understanding can lead to negative reaction too.*	Broaden awareness, achieve understanding.	Understands aims, content and timescale. Asks questions, expresses opinions.	Briefings, emails, voicemails, brochures.
Awareness	Knows change is happening and in which areas.	Inform, stimulate curiosity, prepare ground for future comms.	Associates change with organisation's aims. Expresses interest/ enthusiasm/ concern.	Emails, website banners, articles in newsletters, "advertising".

Source: Scottish Executive

The diagram above illustrates the degrees of engagement that the procurement groups should consider for each procurement activity.

Identifying Need Correctly

The need for any planned group procurement needs to be identified. The project must define the scope of the commodity to be covered within this strategy by breaking the commodity down into classes or sub-commodities. It must also identify is such a category is suitable for a group or collaborative procurement.

The key characteristics for each commodity should be identified and agreed as below:

- Functionality
- End User Requirements
- Wider Organisation's Requirements
- Future Trends
- Constraints

There must a common agreement for these for the collaboration to succeed.

Spend Analysis Undertaken & Refreshed

A detailed understanding of the current spend and likely future requirements of participating organisations is key to a commodity strategy development and group plan. In order to develop clear spend conclusions, it is important to gather current expenditure and demand data at the correct level of detail and to consolidate the information into a standard format.

The five key areas of analysis are:

- Total Expenditure and Volume
- Expenditure by Commodity and Sub-Commodity
- Expenditure by Division or Department
- Expenditure by Supplier
- Future Demand projections where possible

A number of North West local authorities have undertaken purchase spend analysis (the majority with Spikes Cavell) but the majority of this data is now out of date. A common understanding of spend within the group is essential so a collaborative plan can be maintained.

A Standard Approach Established

A standardised approach to procurement will be beneficial to all members. A regional project has existed for some time to establish a standard set of documents for most areas of procurement activities. These documents (available at http://www.nwce.gov.uk/docking-station) will ensure that each member of the collaboration is operating in a similar fashion. Utilising these documents should reduce re-work between collaborators.

Contract & Supplier Management Enforced

The role of any procurement group must expand beyond the actual procurement activity to encompass contract management. This is more vital then even in a collaboration to ensure that all users are receiving the required level of service and being treated in the same way.

The following items should be introduced and included within any contractual terms:

- Establish and maintain an integrated approach to Supplier and Contract and Compliance Management
- Build Appropriate Supplier and Contract Management Strategies
- Promote standardised high level frameworks enabling a consistent approach across your organisation, comparison and cross learning

- Ensure that cross functional project or category teams drive Supplier and Contract and Compliance Management activities
- Establish KPI integration between Tender Specification, Evaluation, Clarification and Ongoing Supplier & Contract Management
- Analysis of supplier current performance and performance potential
- Establish regular Supplier reviews at Contract, Commodity and Supplier Account Levels; Understanding who should attend with Roles and Responsibilities
- Encourage cross learning and transfer of leading practice throughout the procuring organisation's supply base and supply chains
- Ensure that procuring orgainisation works with the right number of capable suppliers at any point in time
- Encourage and establish local and sub-regional non-compliance measures

Depending upon the nature of the supplier relationship, regular reviews at three levels may be required.

- Contract Level
- Commodity Level
- Supplier Account Level

This will ensure that any planned efficiencies are delivered and that the needs of the users are maintained.

Sustainable Procurement Considered

Sustainable procurement is seen as new requirement but could be seen as just good practice. The weighting of sustainable issues and priority may vary between group members but a common approach should be established. In the least, procurement evaluation should be on a whole life costing basis.

When developing any commodity strategy, the project team should have reference to the Corporate Social Responsibility (CSR) obligations to which their constituent organisations may be bound. This may affect the manner in which they conduct the procurement operation and influence the sourcing options available to them These considerations can be complex, and will require to be incorporated into the procurement process within the confines of the law.

Any procurement group should establish an understanding of its constituents in the main sustainability headings as below:

- Social Issues

- Economic Issues
- Fair Trade
- Environmental Issues

Appropriate Advertising

The increase in volumes and as such costs due to aggregation will often lead to more official tenders being required. However, these and any sub-OJEU should be advertised accordingly. An advert must be prepared and sent to the Official Journal of the European Union (OJEU) where appropriate.

It can also be decided to advertise in other publications (e.g. the local press press, a trade magazine etc). However, procurement groups should ensure that eProcurement technologies are used so that opportunities are advertised to local businesses as a priority.

Communication Undertaken

With possibility complex procurement activities across multiple organisations a communications strategy must exist and be implemented. Different strategies maybe utilised for different procurement activities but should consider the following:

- Stakeholder Groups - Identify and target internal and external stakeholder groups
- Key Objectives - Understand why you are communicating and what you want to achieve
- Key Messages - Develop key messages to achieve objectives
- Mechanism(s) - Identify channels, develop approach and assign responsibilities
- Frequency - Decide frequency required to ensure objective is achieved

This will ensure all stakeholders are kept informed and engaged.

Benefits Tracking

With increased focus on collaborative procurement and procurement groups it will be vital that groups are able to track benefits, both cashable and non-cashable. Ten Core Principles of Benefits Measurement are listed below that will assist procurement groups in identifying and tracking such benefits.

1. The process will deliver two views of savings (based on the same inputs):
   - A Value for Money view: All "value add" activities. Savings reported for the life of the contract (reflects the business case for deciding to implement the initiative)
   - A Cash Impact view: the incremental impact on budgets. Savings last for 12 months.
   - Price increase avoidance reported separately under value for money.

2. The primary basis for the saving calculation will be % change based upon unit cost before implementation and unit cost after.
   - [Absolute saving] = [% change] * [best available spend (current or historical)]

3. A clear audit path for the saving calculation - supplier /product level detail
   - % change calculation mutually agreed by relevant purchasing/finance/end users.
   - The spend used to indicate saving must be auditable back to the supplier and procurer.

4. The benefits measurement will meet local reporting needs first, regional or national reporting should be a by-product
   - Consistent reporting

5. Savings will be identified as Local, Sub-Regional and Regional
   - Local initiatives involving nationally targeted commodities which are implemented in the current financial year will be assumed to contribute to the national target.

6. Savings will be reported as Gross and Net
   - Net savings will take into account the status of the initiative (set expectations).

7. The timing of the savings will be from the point of local commitment
   - When the organisation agrees that the deal has been implemented (order point).
   - Assumes 100% compliance.

8. Where necessary a key metric will be reported to provide saving trends.

9. In general inflation will not be included (however there may be areas for exception)

10. In order to measure and track benefits realisation, the following data should be collated on an ongoing monthly basis:

- Accounts payable spend data: by supplier by account code by period
- Transaction level purchase order data: by supplier by product by date
- Evaluation of a sourcing opportunity from a benefits perspective

By undertaking such measurements procurement groups will be able to monitor their successes and fully document the benefits obtain for those participating within the group.

Issues to Collaborative Working

There are a number of issues that need to be addressed and managed accordingly when procuring as a group as listed below. Strategies should be developed to address each in turn.

- Quick wins are not necessarily easy wins. They require strong leadership from within individual councils to adopt agreements “not invented here”.
- There is usually a big time lag between creating or identifying opportunities to their implementation. This can be anything upwards of 6 months and is more commonly 1-2 years.
- Authorities often need a lot of support for implementation. This was evident from the eAuction and eProcurement programmes of the former NWCE.
- Good quality research is often neglected but essential to underpin programmes. The purchase spend analysis was expensive and time consuming but helped sub-regions develop procurement plans.
- Many authorities seem to lack an adequate structure, focus or resource to be able to take advantage of opportunities.
- Resistance to change is evidenced in other instances by the requirement for complicated business cases and feasibility studies to prove the obvious. The creation of business cases and feasibility studies can cost a huge amount of money and is often done to try to persuade reluctant councils to climb on board an initiative.
- It is easy for the slowest or most reluctant to delay progress. Collaboration should only be between councils that are willing, fit and have internal discipline to be able to deliver on commitments and promises.
- A lack of procurement discipline within many local authorities is very expensive. This is especially prevalent within smaller local authorities.
- Specifications vary between organisations for identical services and purposes. This inhibits chances of collaboration, whether in shared services or third party spend.
- Relationships with external bodies and potential purchasing partners take time to develop, but are vital to creating ambitious programmes.
- Proper programme management and performance monitoring systems are often lacking but are vital to success.
- An opportunistic and entrepreneurial approach can frequently deliver quicker and more substantial benefits than formal commissioning; the latter can be expensive and time consuming. There needs to be a balance between the two approaches.
- Currently available procurement routes are sometimes neglected. For third party spend, collaboration must be considered at national, regional, sub-regional and local level, depending on the characteristics of the markets in which councils are operating.

- Individual councils have undermined collaborative contracts and frameworks by negotiating “one off” deals with suppliers. This should be prevented to ensure that collaboration is a success.

Acknowledgements

Information included within this document has been taken from the following sources:

- OGC Procurement Guidance: http://www.ogc.gov.uk/
- Scottish Executive Procurement Toolkit: http://www.scotland.gov.uk/
- The Chartered Institute of Purchasing and Supply: http://www.cips.org/

Appendix C: AGMA Collaboration Principals

The people of AGMA deserve the best from us as local councils. We believe we can provide better services and reduce costs by working more closely together. We accept that we will not agree on everything, but we will not let those areas where we disagree affect our achievement of our overall vision.

We will work together to achieve a modernised system of local government in AGMA members that:

- Provides high quality, locally responsive, seamless services, focused on local communities, neighborhoods and service users.
- Provides a single pathway to services with common “front offices” and good “back office” integration.
- Provides significant capacity to deliver value for money services that people want and need and maximises opportunities for economies of scale and efficiency gains.
- Allows councils the freedom to work collaboratively or independently with the private and third sector.
- Has a strong collaborative resource base with the size and capacity to innovate, plan, allocate resources and broker partnerships to support the work of the county, unitaries, districts and others and achieve continuous service improvement.
- Provides transparent decision making responsive to the views of customers and the local community.
- Demonstrates strong democratic accountability capable of ensuring collaboration and joined up service delivery at the local level.
- Responds strategically to the varying needs of AGMA and focuses resources accordingly.
- Provides the commanding voice for AGMA and “punches above its weight” in the North West, at Westminster, in Europe and beyond.
- Demonstrates strong and supportive relationships, enhanced through a track record of greater trust.

Appendix D – Key Performance Indicator

The below is a high level plan that each local authority should look to complete and maintain to ensure that the objectives of the procurement hub is achieved.

OBJECTIVE: Demonstrate measurable cash savings in order to demonstrate the sustainability of a shared resource

Outline:

The procurement hub will attempt aggregation of spend where it offers most value for money. As such local authorities will need to:

- Identify potential savings through a collaborative procurement activity
- Document agreed savings for their authority at contract sign off stage

Depending on the category being procured an implementation or take up plan may be needed to migrate from the current to the new provider.

Where opportunities are not implemented the local authority will need to document the reasons for this.

This will need to be repeated for each collaborative procurement activity. Where savings are achieved these can be used to contribute to NI179.

Action Who When

Identify category lead and key stakeholder(s) for category X.

Identify potential savings for category X.

Document potential savings for category X.

Develop implementation plan for category X.

Document actual savings achieved for category X.

Identify any off contract (maverick) spend for category X.

OBJECTIVE: Demonstrate efficiency savings to illustrate collaborative ‘value for money’.

Outline:

To illustrate efficiencies by undertaking procurements once instead of multiple times, contract management efficiency savings and efficiencies created by holding sub regional and regional events and training.

Each authority will need to estimate time saved from not undertaking procurement exercise and from reduced effort with regards to centralised contract management of collaborative contracts. The AGMA Procurement Hub will provide default values as agreed regionally.

Authorities will also need to record the number of training and events they attend. The AGMA Procurement Hub will assist in providing lists of events that have been held.

Action Who When

Identify and record savings from procurement activity avoidance.

Identify and record savings from reduced contract management activities.
Calculate events and training attended by local authority.

OBJECTIVE: Develop standard processes
Outline:
This will look to remove duplication, standardise processes and research and share information across the sub regions, region and nationally.
The Procurement Hub will look to release no less than 6 codes of practice per annum which could include:
- Procurement and category guidance
- Practice notes
- Recommendations for standard processes

However, these will need to be adopted by each local authority and a champion identified.
Action Who When
Identify champion for produced output.
Create plan for adoption of guidance or recommendations.
Amend any local procedures or working practices as required.
Review implementation and feedback lessons learnt.
OBJECTIVE: Share procurement training across the sub region to ensure consistent performance and delivery
Outline:
To support a process to improve the levels of competence in procurement across AGMA and to help member authorities to achieve a minimum of Level 3 UoR KLOE.
Specifically this will include:
- Providing training and guidance to the AGMA procurement community.
- To research and share information across the sub regions, region and nationally.

However, local authorities will need to implement any outputs within their own authority to ensure improved assessment results.

There are 3 specific indicators that have been identified as below.
Indicator 1: Annual indicator, with bi-monthly Board updates.
To hold annual events to improve understanding and skills
Indicator 2: Annual 09-10 target with bi-monthly updates to Board
To launch an on-line platform to support skills and development and sharing of best practice.
Indicator 3: Reported bi annually against annual target.
Produce two annual updates that capture and log all best practice that has been shared throughout the region including:
- Legislative updates

- Use of Resources
- CAA
- Procurement skills

Action Who When
Identify UoR champion and lead.
Baseline current position with regards to KLOE 2.1.
To attend and feedback internally any KLOE events.
Create plan for implementing and monitoring KLOE UoR improvement activities.
Report bi-annually on progress.
OBJECTIVE: Procurement Programme and Continuous Improvement
Outline:
The AGMA Procurement Hub will look to take account of the needs of local authorities and amend its plan as accordingly. It will also monitor its performance to ensure it continues to add benefit to the AGMA programme.
Specific activities include:
Indicator 1: To endorse a methodology to implement a standard approach to a sub regional spend analysis programme that promotes transparency of spend and savings calculations– Annual 09-10 target with bi-monthly updates to Board.
Indicator 2: Undertake at least 3 collaborative procurements per annum
Indicator 3: Customer Satisfaction and Feedback. Annual stakeholder survey to measure overall satisfaction with the Hub, with an annual measurement with 50% to 60% satisfaction level target. The survey will target the three main levels of stakeholders:

- Shared Service Board
- Procurement Board and senior stakeholder group
- Officer Groups – Procurement Officers, E-Procurement and Performance Management

Action Who When
Identify and implement approach to spend analysis.
Identify possibilities for collaborative procurement activities.
Complete stakeholder survey.