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| <b>Committee:</b>  | <b>Date:</b>           |
| Efficiency and Performance Sub Committee   | 4 March 2015           |
| <b>Subject:</b>  | <b>Public</b>          |
| City Procurement benchmarking and 2015/16 key priorities   |                        |
| <b>Report of:</b>  | <b>For Information</b> |
| The Chamberlain  |                        |
| <p style="text-align: center;"><b>Summary</b></p> <p>This report provides Members with a summary of the findings of the second Procurement Benchmarking Review which was undertaken in September 2014 (Appendix 1), twelve months after the first one in 2013.</p> <p>City Procurement have taken the findings of the benchmarking review and have prioritised the following 4 strategic themes to greatly improve the procurement service during 2015/16 and beyond:</p> <ul style="list-style-type: none"> <li>• Operational Excellence</li> <li>• Value for Money</li> <li>• Corporate, Social Responsibility</li> <li>• Technology and innovation</li> </ul> <p><b>Recommendation</b></p> <p>Members are asked to note the report.</p> |                        |

## **Main Report**

### **Background**

1. This report provides Members with an update on the Procurement Benchmarking Review which was undertaken in September 2014 as part of the conclusion of the PP2P partnership with Accenture. This review was also conducted in 2013 and is therefore an assessment of the progress over the following 12 months. The summarised report is found in Appendix 1.
2. The Procurement Performance framework, against which our performance capabilities have been assessed, looks at organisation across six dimensions against a database of 430 organisations. The research has shown that the organisations that reach the best in class level of procurement deliver 10 times as much as it costs them to operate their procurement function whereas those classed as contenders tend to deliver 4 times as much.

3. The approach is built on 3 key dimensions of procurement: strategy, supplier relationship management: sourcing; and category management. And 3 key enablers: requisition to pay, technology and workforce and organisation.
4. City Procurement have reflected on the findings of this report – which relate to the way in which CLPS operated - and have an action based on 4 key strategic themes to continue to improve performance during 2015/16.

### **City Procurement Priorities 2015/16**

5. The Chamberlain since the benchmarking report was published in September 2014 has appointed a new Head of City Procurement in October 2014. City Procurement has prioritised 4 strategic themes that will not only improve the City's procurement service but will address some of the service weaknesses highlighted in the benchmarking report.
6. At present there is a 5 year procurement strategy being drafted by the Head of City Procurement due to be published in April/May 2015, which is based on the following 4 key themes:

- I. *Operational Excellence* – City Procurement aim to establish procurement governance, clear processes, intelligent data analysis, standard documentation, category management principles, refreshed procurement regulations and appropriate guidance, training and communications to the City to ensure we hit our key service performance indicators. The introduction of a No Purchase Order No Pay regime effective from 1<sup>st</sup> April is one of the early initiatives to enhance operational excellence.

Building an effective workforce will play a key part in developing operational excellence. City Procurement has since the time of the benchmarking report completely restructured, this was to shape the service to better fit the needs of the City. This re-structure has brought a great balance of the required skills needed and has seen 16 new recruits join the service, all qualified in procurement disciplines, instantly enhancing the resilience of the team. The aim is to strengthen this further by growing the qualified staff in the service, building an effective and flexible workforce, develop job rotation techniques, build sustainable in-house training modules and create a succession plan for critical roles.

- II. *Value for Money* – Further enhance the City's capability to make savings, increase efficiency and access market innovation in relation to contracted goods, works and services. City Procurement will aim to do this by introducing different approaches to procurement such as cost avoidance, total costs of ownership, full lifecycle costing, aggregation and collaboration.
- III. *Corporate, Social Responsibility* – Develop contracts that not only deliver value for money but that impact on the City's aims to deliver wider benefits to the community we serve through

local procurement initiatives, better access to opportunities for Small, Medium Enterprises and 3<sup>rd</sup> Sector, diversity initiatives, sustainable procurement and all procurement activities delivered in a fair and transparent manner that maximises competition.

- IV. Technology and Innovation* – City Procurement aim to investigate currently available technology to enhance the efficiency of the service across sourcing, category management, online catalogues, electronic auctions, spend and payment data analysis, e-Invoicing and accounts payable functions. As well as considering better use of technology, City Procurement will look to work in a more innovative fashion to gain greater outputs from areas such as greater partnership/collaborative working, enhanced commercial and contract management, extending the procurement service to non-City organisations and developing a supplier performance management framework.

City Procurement is developing a roadmap of key initiatives consistent with these themes that will deliver greater performance across all aspects of the procurement service.

## **Conclusion**

7. Whilst some further progress has been made between the two benchmarking reviews, there is still significant work to be done to get procurement operating at a level that will give the best outcomes for the City. Actions required are clear and form the basis of the developing Procurement Strategy and the service priorities for 2015/16.

## **Appendices**

- Appendix 1 – Summary of the Procurement Benchmarking Review 2014

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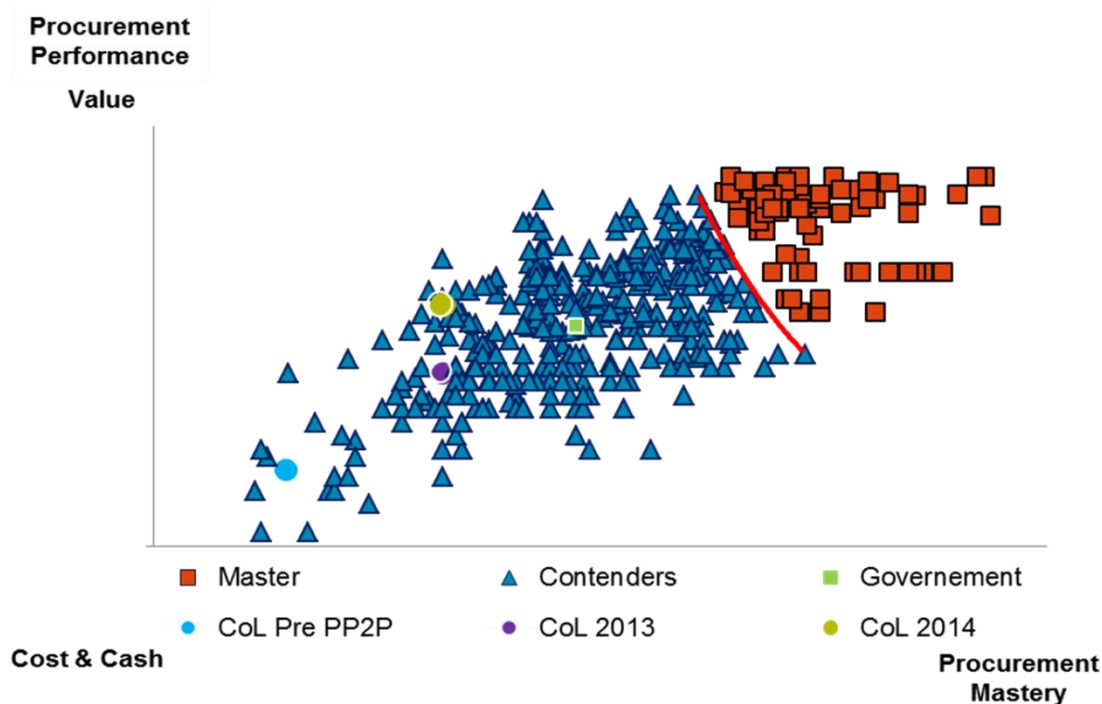
## Appendix 1

### Benchmarking Review - Report Findings

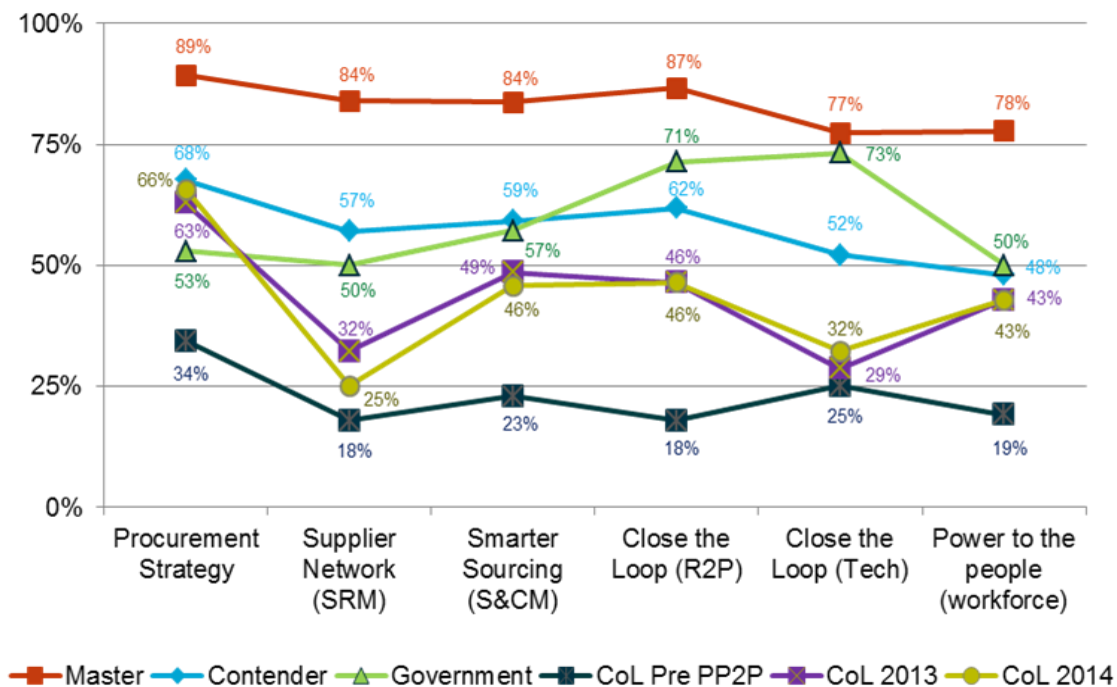
Overall the highlights of the 2014 report are that:

- It has operationally been a start/stop year, due mainly to the early termination of the PP2P partnership with Accenture and the subsequent internal restructuring. City Procurement have now laid a good foundation for the future;
- City Procurement strategy is implicit but not explicit;
- The level of spend that is now under the control of City Procurement has increased significantly;
- The requisition to pay performance has significantly improved;
- Supplier relationship management activities were deprioritised;
- Workforce and organisational gains have been made by dealing with performance issues and restructuring; and
- Stakeholders' views scored lower than the previous year: however they are optimistic for the future.

The report states that the organisation continues to make progress, moving up the performance scale in terms of value delivery (not necessarily efficiency), though not significantly along the Mastery scale. The table below illustrates this progress. In the absence of a significant improvement in Mastery, sustained procurement performance is at risk.



The diagram below shows the movement between reviews in the six dimensions of procurement mastery and also that there is still work to be done to move towards the mastery level.



### Actions recommended for further progress.

The report highlights some areas where further attention is needed in order to improve but also indicates that in some areas there has been progress.

- i. Continue to increase the spend which City Procurement influence, and generate greater value by using some demand management approaches.
- ii. Push to harmonise and standardise procurement processes across the Corporation, with exceptions by agreement not by default
- iii. Strive for more seamless integration of the requisition to pay processes
  - a. Stakeholder change management - educate and gain firm commitments to alter resistance to change at mid/lower levels in departments and then enforce change as necessary
  - b. Technology integration ensuring that with the implementation of Oracle R12 this offers a further opportunity to exploit the system functionality, integrate processes and minimise the customisations and work-arounds.
- iv. Address workforce and employee capabilities – City Procurement cannot expect to gain full stakeholder buy-in if it is not able to meet its side of the bargain
- v. Drive to ensure that procurement value is well understood and agreed upon throughout the organisation – this will also aid stakeholder buy-in

- vi. Reach deeper into the supply base to increase compliance, efficiency and innovation

In the case of i and iv, the report indicates strong progress; ii and iii there has been minimal progress and in iv and vi there has been no progress. This has been due to the focus on handover between Accenture and the City and the need to recruit a significant number of new staff.

### **Report Findings - Actions to consider**

The benchmarking review made some recommendations which are summarised as

| Report Recommendation  |
|--|
| City Procurement Strategy - Formalise a vision, and create an integrated and validated strategy                |
| Spend Analysis - Providing historic spend intelligence for prioritisation and planning                         |
| Supplier Relationship Management - Re-focus on supplier performance, collaboration, resilience of supply chain |
| Sustaining The Change - Communication, Education and Enforcement   |
| Master Data Consistency - Opportunity for spend category taxonomy standardisation in R12                       |
| Procurement Balanced Scorecard - Track and share the gains being made  |

**END**