

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

16 MARCH 2011

REPORT OF THE DIRECTOR OF FINANCE

PROCUREMENT – REVIEW OF CONTRACT EFFICIENCIES 2010-11

1. EXECUTIVE SUMMARY

- 1.1. Cabinet on 5 November 2009 approved a projected procurement savings target of £682,000 for 2010/11 for those areas of expenditure involving corporate contracts. This report informs Members of progress towards achieving this savings target and other procurement initiatives that have a direct impact on service departments. It also outlines possible procurement efficiencies for 2011-12. Cabinet on 9 December 2010 agreed to include procurement savings of £2m in the budget for 2011-12.

2. BACKGROUND

- 2.1. The procurement culture and practices of the Council are subject to inspection and measured against the National Procurement Strategy Milestones in delivering value and efficiency.
- 2.2. With the establishment of the North West Regional Improvement and Efficiency Partnership, the Government set a regional savings target of £249 million to be delivered through best practice procurement.
- 2.3. The project within the Strategic Change Programme for Procurement is targeted to deliver savings of £2m per year from procurement activity.
- 2.4. The Procurement Strategy, most recently approved by Cabinet on 4 February 2010, states that one of the key objectives of procurement is:
- ‘Contributing to Council savings targets by continually challenging procurement arrangements and seeking opportunities to reduce prices, improve quality, maximize efficiency and achieve greater outcomes for the residents of Wirral.’
- 2.5. The Council spends annually in excess of £170m on goods, works and services. Procurement and commissioning across the Council is required to ensure that this expenditure is subject to rigorous, competitive and compliant processes which will achieve maximum value for money in support of front line services.

3. EFFICIENCIES 2010/11

- 3.1. Appendix 1 details the current estimated savings in 2010/11 with a projected savings figure of £2,288,690. In a number of areas although the contract has been let it has not been possible to make any savings. The schedule is analysed between contracts that are specific to individual departments and those that are of a corporate nature and is summarised below:

Category	Contract Value p.a. £	Contract savings	
		2010/11 £	Additional in 2011/12 £
PROCUREMENT WORK COMPLETED			
Adult Social Services	50,000	-	-
Law/HR/Asset Management	2,158,852	156,448	-
Children and Young People	1,712,000	18,216	2,084
Finance	4,081,173	325,500	2,921
Technical Services	9,985,189	366,416	135,583
Corporate Contracts	10,976,000	590,899	180,000
Corporate Services	5,038,875	170,499	33,850
TOTAL PROCUREMENT COMPLETED	34,002,089	1,627,978	354,438

	Contract Value p.a. £	Contract savings	
		2010/11 £	Additional in 2011/12 £
PROCUREMENT WORK TO BE COMPLETED 2010/11			
Law HR and Asset Management	340,000	15,000	15,000
Children and Young People	50,000	-	-
Adult social services	238,000	2,702	3,783
Finance	641,810	20,720	26,229
Technical Services	20,288,066	466,332	401,966
Corporate Contracts	1,546,624	154,500	170,500
Corporate Services	95,000	1,458	1,042
TOTAL PROCUREMENT to be COMPLETED 2010/11	23,199,500	660,712	618,520

TOTAL SAVING 2010/11

2,288,690

TOTAL SAVING 2011/12

972,958

- 3.2. The efficiencies achieved to date for 2010/11 total £1,627,978 with a projection of an additional £660,712 to be delivered during the remainder of the year.

4. EFFICIENCIES 2011-12

- 4.1. Appendix 2 shows the contracts that will form the work plan for procurement activities in 2011/12, the values of which are summarised below:

WORKPLAN 2011/12	Annual Value £
Children & Young People	15,817,960
Corporate contracts	3,674,166
Corporate Services	120,000
Adult Social Services	13,056,666
Finance	4,139,575
Law, HR and Asset Management	636,666
Technical Services	9,093,000
TOTAL VALUE OF PROCUREMENT WORK	46,418,033

- 4.2. Service departments may bring forward other specific areas of activity that will add to this plan and create additional efficiencies. The role of the Procurement Team will be to assist departments to ensure appropriate processes are followed and that best value is obtained when letting contracts.
- 4.3. To avoid duplication between procurement efficiencies and efficiency proposals submitted by Chief Officers, I am only recommending agreement to proposed efficiencies from Corporate Contracts in this report. It will be for each Chief Officer to propose any savings from their specific contracts.
- 4.4. **Corporate Contracts Projected Efficiencies**

	£000
Projected full year effect of 2010/11 contracts	£350
Projected new contracts in 2011/12	£184 (assumed 5 % saving)
Total	£534

5. STRUCTURAL AND PROCESS EFFICIENCIES

- 5.1. Future contract renewals will need to place emphasis on savings that can be made through smarter and more tightly negotiated contracts. Managing the 'Procure to Pay' (P2P) process in an efficient and effective manner is essential if the Council is going to achieve best value from its non payroll spend.
- 5.2. The Procurement Team has commenced a review of existing major contracts in accordance with Minute No 64 of Cabinet dated 22 July 2010:
- To begin 'a co-ordinated and full review of existing contracts to identify and achieve any opportunities which are in the financial interests of the Council'.*
- 5.3. The P2P Section is building upon these achievements by moving the management and control of the 'Procure to Pay' process forward to achieve further efficiencies.
- 5.4. The Procurement Strategy will be taken forward as part of the Strategic Change Programme. The overall programme plan has been presented to the Strategic Change Programme Board. A number of areas that will be considered in the plan with a view to delivering further efficiency savings include:

- (i) To support and monitor the achievement of the £8m savings target a Procurement Programme Project Board has been formed, which will also review, co-ordinate and oversee all strategic procurement activity.
- (ii) The management of non-catalogue purchasing activity which will reduce the number of purchasing co-ordinators in departments rationalising the function into the P2P Section.
- (iii) The Procurement Team intend, as part of the change programme, to migrate to a full Category Management approach in all Council Procurement.
- (iv) Further adoption of electronic processes for payment of invoices and rationalisation of resources which include procurement cards, electronic file transfers and the OPEN process for schools (see below).
- (v) Council Spend Analysis using an online database in collaboration with the Merseyside Procurement Group.
- (vi) Electronic Contracts Management system adopting the Council 'e portal' in collaboration with the Merseyside Procurement Group and the North West Improvement and Efficiency Partnership.
- (vii) Bench marking to establish value comparisons is an essential element of the procurement process, it helps the Council to measure value in the various markets within which it operates and provides information when establishing the outcomes and processes in procurement projects.
- (viii) Online procurement for educational needs (OPEN) is being used in collaboration with the Procurement Team in 96 schools. The system, which has been implemented by the Educational Procurement Centre, part of the Department for Education, will enable schools to purchase all of their needs electronically.

5.5 As each element develops it will be possible to estimate potential savings. These will be reported to Cabinet as they arise.

6. **FINANCIAL IMPLICATIONS**

- 6.1. Procurement efficiencies from corporate contracts totalling approximately £745,399 for 2010/11 should be achieved.
- 6.2. Overall total procurement efficiencies of £2.29m for 2010-11 should be achieved.
- 6.3. Efficiencies totalling £534,000 should be achievable from corporate contracts for 2011/12.

7. **STAFFING IMPLICATIONS**

- 7.1. There are none arising directly from this report.

8. **EQUAL OPPORTUNITIES IMPLICATIONS**

- 8.1. There are none arising directly from this report.

9. **COMMUNITY SAFETY IMPLICATIONS**

9.1. There are none arising directly from this report.

10. **LOCAL AGENDA 21 IMPLICATIONS**

10.1. There are none arising directly from this report.

11. **PLANNING IMPLICATIONS**

11.1. There are none arising directly from this report.

12. **ANTI-POVERTY IMPLICATIONS**

12.1. There are none arising directly from this report.

13. **HUMAN RIGHTS IMPLICATIONS**

13.1. There are none arising directly from this report.

14. **SOCIAL INCLUSION IMPLICATIONS**

14.1. There are none arising directly from this report.

15. **LOCAL MEMBER SUPPORT IMPLICATIONS**

15.1. There are no particular implications for any Member or Ward.

16. **BACKGROUND PAPERS**

16.1. Procurement Strategy – February 2010.

17. **RECOMMENDATIONS**

17.1. That Members note the procurement efficiencies delivered in 2010/11.

17.2. That Members note the inclusion of procurement savings of £2m in the budget for 2011-12

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/43/11

APPENDIX 1

EFFICIENCY SAVINGS FROM CONTRACTS 2010-11

Contract savings

Category	Contract Value	Term Months	2010/11	Additional in
	p.a.		2010/11	2011/12
	£		£	£

PROCUREMENT WORK COMPLETED

Adult Social Services

Chair of Safeguarding Adults Partnership Board	50,000	12	0	0
Total Adult Social Services	50,000		0	0

Law/HR/Asset Management

HR & Payroll System	127,500	60	132,500	0
Initial Implementation of Job Evaluation for Senior Structures & Ongoing Support	2,000,000	60	0	0
Provision of Business Support Consultancy for Community Asset Transfer Programme	20,000	36	0	0
Office Accommodation Consultancy	11,352	24	23,948	0
Total Law/HR/Asset Management	2,158,852		156,448	0

Children and Young People

Light Catering Equipment	20,000	24	15,300	0
Schools Risk Ranking Inspection & Reporting Programme	40,000	12	0	0
Children's Advocacy Services	62,000	12	2,916	2,084
Neighbourhood Learning in Deprived Communities	1,590,000	12	0	0
Total Children and Young People	1,712,000		18,216	2,084

Finance

Leasing Consultancy	20,000	12	0	0
Enhancements to Oracle CRM in Relation to Changes to Domestic Bin Provisions	22,475	3	15,500	2,921
Support and Maintenance of McAfee TOPS/TEN Suite 2010 - 2011	42,324	12	0	0
Implementation, Maintenance & Support of an E-Forms Package	120,000	24	4,800	0
Purchase of Servers, Racking, UPS, Installation and 5 years Support and Maintenance.	160,000	60	16,700	0
Mobile Voice and Data	216,374	48	0	0
MPF Far East and Emerging Markets	3,500,000	48	288,500	0
Total Finance	4,081,173		325,500	2,921

Technical Services

Supply of Tyres	40,000	24	4,000	0
Rock salt	100,000	24	7,000	0
Supply & Maintenance of Fire Fighting Equipment	92,400	36	3,333	1,667
Construction Employment Integrator	111,000	24	21,750	7,250
Automatic Meter Reading	800,000	60	18,333	1,666
Electricity Metering Street Lighting	1,500,000	12	137,000	0
Integrated Transport	2,881,587	36	175,000	125,000
Streetlighting (Electricity) Contract	4,460,202	36	0	0
Total Technical Services	9,985,189		366,416	135,583

Corporate Contracts

Telecoms - Provision of Network Equipment & Services	4,325,000	24	41,666	8,333
Supply & Installation of Office Desking, Seating & Storage	80,000	24	3,200	0
Reprographics Services	93,000	36	0	0
TUCO/SNUPI Provision of Water Coolers	50,000	24	2,000	0
Supply and Delivery of Cold Food	300,000	36	33,333	16,667
Advertising Services	600,000	36	100,000	0

Agency Staff	2,500,000	48	250,000	155,000
Business Travel	1,400,000	36	45,000	
Postal Services	800,000	36	53,000	
First Aid	15,000	36	700	
Merseyside Information Services	655,000	36	25,000	
Supply of Groceries	158,000	36	37,000	
Total Corporate Contracts	10,976,000		590,899	180,000

Corporate Services

Target Hardening	100,000	12	0	0
Floating Resettlement Support	725,000	36	101,250	0
Free Loft & cavity Insulation Programme	4,196,000	48	66,666	33,334
Concession for the Provision of Mobile Catering in Wirral for Kites Over the Mersey	0	12	2,583	516
Provision Of Retained Retail And Commercial Leisure Consultancy Advice	17,875	36	0	0
Total Corporate Services	5,038,875		170,499	33,850

TOTAL PROCUREMENT COMPLETED	34,002,089		1,627,978	354,438
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PROCUREMENT WORK TO BE COMPLETED 2010/11

Contract savings

	Contract Value p.a. £	Term Months	2010/11 £	Additional in 2011/12 £
Law HR and Asset Management				
Procurement & Implementation of Integrated Legal Case Management, Time Management & Court Bundling Systems	40,000	60	0	0
Alleygates	300,000	36	15,000	15,000
Total Law HR and Asset Management	340,000		15,000	15,000
Children and Young People				
Post Adoption Support Services	50,000	12	0	0
Total Children and Young People	50,000		0	0
Adult Social Services				
Disposal of Clinical / Medical waste	10,000	36	0	0
Care Services - Mendell Court	200,000	12	0	0
Campervan	28,000	12	2,702	3,783
Total Adult Social Services	238,000		2,702	3,783
Finance				
Provision of Support & Maintenance for Apple Macintosh Computers, Servers, Associated Peripherals and Software	8,410	24	0	0
IT Health Check	15,000	12	5,500	5,500
Voice Recorder	25,000	12	520	729
Procurement & Implementation of Internet & Front of House Card Payment Solutions	100,000	60	0	0

MPF Property Estate Management	265,000	48	0	0
Cash Collection	218,400	36	14,700	20,000
E book	10,000	12	0	0
Total Finance	641,810		20,720	26,229

Technical Services

Graffiti Removal and Prevention Services	240,000	36	15,000	7,500
Construction consultancy	2,000,000	36	0	0
Lift Maintenance Contract	210,192	48	10,000	10,000
Maintenance of Cenotaphs	27,600	24	0	0
Minibus Transport with Escort to/from Wirral Schools	881,274	36	309,000	220,000
Supply and Fitting of Vertical Blinds (SOR)	21,000	36	0	0
PACSPE Consulting	139,000	24	5,500	5,500
Schedule of rates (inc asbestos removal)	12,000,000	36	41,666	58,333
Maintenance & Breakdown of Intruder Alarm Systems for Schools, Youth Clubs & Children Centres	30,000	36	0	0
Voltage Optimisation	56,000	12	1,166	1,633
Decriminalised Parking Enforcement Services	3,250,000	60	75,000	75,000
Streetscene Services - Arboricultural	450,000	36	5,000	15,000
Supply of Automotive Products, including Batteries, Electrical and Braking products	150,000	60	2,500	7,500
Abandoned Vehicles	30,000	36	0	0
Arboriculture	450,000	36	0	0
Commercial Vehicles - Supply Framework Agreement	333,000	36	0	0
Physical Activity	20,000	12	1,500	1,500
Total Technical Services	20,288,066		466,332	401,966

Corporate contracts

Supply & Delivery of Stationery, Information Technology Consumables & Cut & Flat Paper	415,012	24	85,000	85,000
Supply, Installation & Maintenance of Photocopiers & Multi-functional Devices	889,612	24	32,000	48,000
Mobile Phone Tariff	242,000	24	37,500	37,500
Total Corporate Contracts	1,546,624		154,500	170,500

Corporate services

Cosy Homes	50,000	12	1,458	1,042
Wirral Visitor Market Research	45,000	12	0	0
Total Corporate services	95,000		1,458	1,042

**TOTAL PROCUREMENT to be
COMPLETED 2010/11****23,199,500****660,712****618,520****TOTAL SAVING 2010/2011****2,288,690****TOTAL SAVING 2011/2012****972,958**

APPENDIX 2

WORKPLAN 2011/12

Area Of Activity	Contract value £ p.a.	Term (months)
Children & Young People		
Residential short breaks	4,000,000	12
0-19 Services	5,250,000	12
Positive Activities for Young People	382,000	12
Services to Children at Risk of Sexual Exploitation	168,000	12
TUCO/SNUPI Supply and Distribution of Fresh Meat and Poultry	120,000	24
Distribution and Supply of Groceries	97,960	36
Activity Fund Plus	300,000	12
Aiming Higher for Disabled Children Services	5,500,000	24
Total Children & Young People	15,817,960	
Corporate Contracts		
Professional / Advisory Services	666,666	36
Provision of Financial Searches	6,000	36
Cleaning Materials	300,000	36
Business Consultancy Services	2,522,000	24
Supply of Confectionery, Sweets and Soft Drinks	34,500	24
Audio Visual Equipment	130,000	36
Secure Disposal of Confidential Waste	15,000	36
Total Corporate Contracts	3,674,166	
Corporate Services		
Childcare Voucher Service	100,000	12
HMRI Cost Consultancy Support	20,000	36
Total Corporate Services	120,000	
Adult Social Services		
Assistive technology / Telecare	2,966,666	36
Supported living / Dom Care	9,000,000	12
Social Care - Supplies	1,000,000	36
Supply of Tyres	20,000	36
Car Hire	70,000	36
Total Adult Social Services	13,056,666	
Finance		
MPF Property Estate Management	265,000	48
Government Gateway	38,000	12

Banking services	37,612	36
PC Hardware, Peripherals & File Server Maintenance	69,963	24
Supply, Implementation & Maintenance of an Invoice Automation System	70,000	60
Preservation Equipment	1,000	24
Preservation Archive Storage Boxes	5,000	24
MPF Actuarial Services	183,000	36
Purchase of Servers, Installation and 1 years Support and Maintenance.	50,000	48
Supply of IT Hardware	1,000,000	12
Provision of Engineering Inspection & Insurance Service	150,000	36
MPF Global Custody Services	670,000	48
MPF UK Equity Unconstrained Portfolios	1,600,000	36
Total Finance	4,139,575	
Law, HR & Asset Management		
Provision of Executive Recruitment Services	60,000	24
Taxi Demand Surveys	10,000	12
Corporate Training	466,666	36
Childcare Voucher Service	100,000	12
Total Law, HR & Asset Management	636,666	
Technical Services		
Abandoned Vehicles	10,000	36
Highways Asset Management Software	333,000	60
Street Scene Services - Grounds Maintenance (PACSPE)	8,750,000	48
Total Technical Services	9,093,000	
TOTAL VALUE OF PROCUREMENT WORK	46,418,033	