

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

19 JUNE 2007

REPORT OF THE DIRECTOR OF FINANCE

RESTRUCTURE OF THE PROCURE TO PAY SERVICE

1. EXECUTIVE SUMMARY

- 1.1. This report informs Committee of the Executive Board decision on 12 April 2007 to approve the review of the procurement and payments services to enable better working practices, achieve savings and facilitate the delivery of a key element of the three year efficiency plan.
- 1.2. The report examines the structure of the Procure to Pay Section (P2P) in the light of the implementation of the electronic procurement system and the development of the Procurement cornerstone project under the efficiency plan.
- 1.3. This represents a service re-engineering saving and, as such, is reported to the relevant Overview and Scrutiny Committee.

2. BACKGROUND

- 2.1. The proposed P2P section consists of the Procurement and Payments sections. The merger of both sections was approved by the Cabinet on 12 January 2006. The centralisation of Payments was also approved at that time. The implementation of both the iProcurement and Accounts Payable system became operational on 5 April 2006.
- 2.2. With the implementation of the new system, new procedures and processes have been introduced and benefits are being realised. In the light of budget pressures and the need for efficiency and savings, it is appropriate to review the structure of the section to meet future challenges.
- 2.3. Appendix 1 summarises the challenges for change along with a strategy chart.

3. CORPORATE PROCUREMENT UNIT (CPU) RESTRUCTURE

3.1 Background

- 3.3.1. The procurement model adopted, within the iProcurement system was that all those goods and services, often standard in specification, that could be contained in contracts would become "catalogues" on the system for users to raise orders on line. All catalogues/contracts have been subjected to a full procurement exercise, and are therefore compliant, delivering value and achieving maximum benefit, capturing all Council requirements under one contract.

- 3.1.2. The other form of procurement, non-catalogue for non-standard items, has been facilitated by the introduction of Departmental Purchasing Co-ordinators (DPC), whose duties are to raise all non-catalogue orders on the system, whilst ensuring that value is being obtained and that the procedure is fully compliant with Contract Procedure Rules. There are, at present, 44 DPC in the Council, some carrying out their duties on a full time basis, but most for only part of their time. It was always envisaged that at some point in the future, when sufficient catalogue coverage of requirements was achieved, that all procurement would be centralised, and that the DPC role would no longer be required in the departments.
- 3.1.3. Centralisation will streamline the procurement process, reduce the number of staff sourcing requirements, enable the aggregation of Council spending and facilitate more efficient and demonstrable compliance issues required in all procurement activity. This report does not deal with this issue, but it will feature as part of the emerging efficiency plan and will be the subject of a future report.

3.2 Rationale for Proposals

- 3.2.1. The new structure is designed to put in place an infrastructure that will facilitate the centralisation of all Council supplies and services procurement activity in the future.
- 3.2.2. The structure supports the procurement process and departments in delivery of the savings that are outlined within the efficiency plan. Although the specialist areas of Social Care and Construction and Civil Engineering procurement would remain the responsibility of their respective departments, under the proposed structure, Corporate Procurement would take a much more proactive role within these specialist areas of procurement.
- 3.2.3. All Council procurement activity will be conducted, on line, through the Oracle System. Officers will initiate and approve requisitions which will either produce catalogue purchase orders automatically to the supplier or, for non-catalogue requests, the requisition will be directed electronically to CPU for sourcing and production of a non-catalogue purchase order.

3.3 Proposed Structure

- 3.3.1. The proposed structure consists of three teams, two procurement teams and one systems administration team (Appendix 2). Each procurement team will consist of a Senior Procurement Officer, two Procurement Officers, two Trainee Procurement Officers. Each team will have specific category responsibility split between :

Site Operations

ICT
Office
Transport & Travel
Education
Social Care
Business Services
Financial Services
Insurance Services

Business Operations

Catering
Site Management
Construction and Works
Health and Safety
Grounds Maintenance
Culture and Leisure Services
Health and Safety Services
Utilities and Fuel

3.3.2. Procurement activity will be on three distinct levels:-

- (i) Level 1: Day to Day non-catalogue requisitions/aggregation of requirements reporting.
- (ii) Level 2: Day to Day Contracts/Renewable Contracts/Single Action Contracts – Medium Risk.
- (iii) Level 3: Strategic/High Value/High Risk – Gateway Reviews.

3.3.3. In addition to the overall operational procurement duties, each team will be responsible for one of the following:-

- (i) 'e' strategy – systems development.
- (ii) Compliance – equalities, third sector, sustainability.

3.3.4. Teams will formulate savings targets for contracts at project review stage and report on progress accordingly.

3.3.5. The Systems Administration Team will report directly to the Procurement Manager and will consist of a Systems Administration Manager, Systems Administration Officer and two Administration Officers. It will support the whole P2P section in all technical aspects of the Oracle System, including development, training (Council departments), system reports and helpdesk provision to the P2P system users throughout the Council, and catalogue information load and maintenance, in addition to general administrative duties.

3.3.6. CPU in co-operation with Departments will deliver, as part of the Gershon efficiency target, a combined procurement saving over the three years to 31 March 2008 of in excess of £8.2m. This new proposed structure is designed to support departments to continue to deliver the Gershon efficiency agenda, and begin to address the considerable challenges that the efficiency plan sets out for procurement as a cornerstone element.

4. CORPORATE PAYMENTS TEAM (CPT) RESTRUCTURE

4.1. Overview

4.1.1. The CPT proposed structure has been designed to ensure the efficient and prompt payment of creditors, within terms, or 30 days from receipt of invoice in line with Best Value Performance Indicator 8.

4.2. Background

4.2.1. Since the implementation of the Accounts Payable IT system, the centralisation of payments has been approved by Cabinet on 12 January 2006. Coupled with the centralisation of payments, approval was given to the merger of the section with Corporate Procurement.

- 4.2.2. The report noted that the Corporate Services 1 Business Team had identified within service departments (excluding Finance) that prior to centralisation 11 staff were engaged in the payment of invoices. However, only 5 staff actually transferred into the Section by the implementation date. This contributed to some of the payment difficulties that occurred at implementation and led to the need to recruit temporary staff. A formal re-structure of the Section is now proposed, with the experience of the past twelve months and future service delivery being uppermost in its design.
- 4.2.3 The report further identified that service departments would be expected to make cost savings to compensate for the payments function being transferred to Finance. Based upon an assumed grading of scale 2 (plus on cost) this is calculated at approximately £200,000.

4.3. Proposed Structure

- 4.3.1. The proposed structure as shown at Appendix 3 consists of two payments teams, each with category responsibilities similar to the CPU teams. This will create synergy within the whole of the P2P section and facilitate the efficient solving of supply and payment queries.
- 4.3.2. The structure includes a Payments Manager and Payments Officer, who will be responsible for the overall management of CPT. The Payment Manager will have particular responsibility for the development of electronic invoicing and the performance of the team. Performance information reporting and monitoring will be the responsibility of the Payments Officer.
- 4.3.3. There will be two Senior Payments Clerks each supervising a team of five Payment Clerks (two of whom will be engaged on up to a maximum of a two year contract, to allow for a reduction in staff when full electronic invoicing is implemented) . Each will be responsible for processing and validating invoices, supplier file loading and day to day invoice queries.

5. P2P MANAGEMENT AND SUPPORT

- 5.1. The overall management of the P2P section remains the same, with the Corporate Procurement Manager and Procurement Service Manager as deputy with particular responsibility for the CPU.
- 5.2. In addition since the implementation of the Oracle system, support has been provided by the Information and Advice Team within the Call Centre. This team takes initial queries and has the knowledge to deal with many of these. In this way only those queries of a more detailed nature are passed through to the Payments/Procurement Section. This arrangement has proved successful and therefore it should continue under the revised structure.

6. FINANCIAL IMPLICATIONS

6.1. The resources available and those likely to be needed depending upon the detailed grading by the Head of Human Resources are:

	Available £000	Required £000	Difference £000
1. CPU Staffing (including on costs)	548	535	(13)
2. CPT Staffing (including on costs)	371	304	(67)
3. Training Budget	<u>-</u>	<u>25</u>	<u>25</u>
	<u>919</u>	<u>864</u>	<u>(55)</u>

6.2 This proposed saving is in addition to the £200,000 identified in paragraph 4.2.3 above.

7. STAFFING IMPLICATIONS

7.1. The current and proposed staffing establishments are:

	<u>Current</u>	<u>Proposed</u>
Corporate Procurement Manager	1	1
Procurement Team	7	15
Payments Team	<u>18.82</u>	<u>14</u>
	<u>26.82</u>	<u>30</u>

7.2. The detailed proposals and gradings are subject to further discussion with the Head of Human Resources and Trades Unions and will be subject to a future report to the Employment and Appointments Committee.

8. EQUAL OPPORTUNITY IMPLICATIONS

8.1. There are none arising directly from this report.

9. HUMAN RIGHTS IMPLICATIONS

9.1. There are none arising from this report.

10. LOCAL AGENDA 21 IMPLICATIONS

10.1. There are none arising directly from this report.

11. COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12. PLANNING IMPLICATIONS

12.1. There are none arising directly from this report.

13. LOCAL MEMBER SUPPORT IMPLICATIONS

13.1. There are none arising directly from this report.

14. BACKGROUND PAPERS

14.1. Corporate Procurement Strategy – September 2005.

14.2. National Strategy for Local Government Procurement – ODPM/LGA – October 2003.

15. RECOMMENDATIONS

That

- (1) the Committee note the revised structure of the P2P Section; and
- (2) the detailed staffing proposals be reported to the Employment and Appointments Committee.

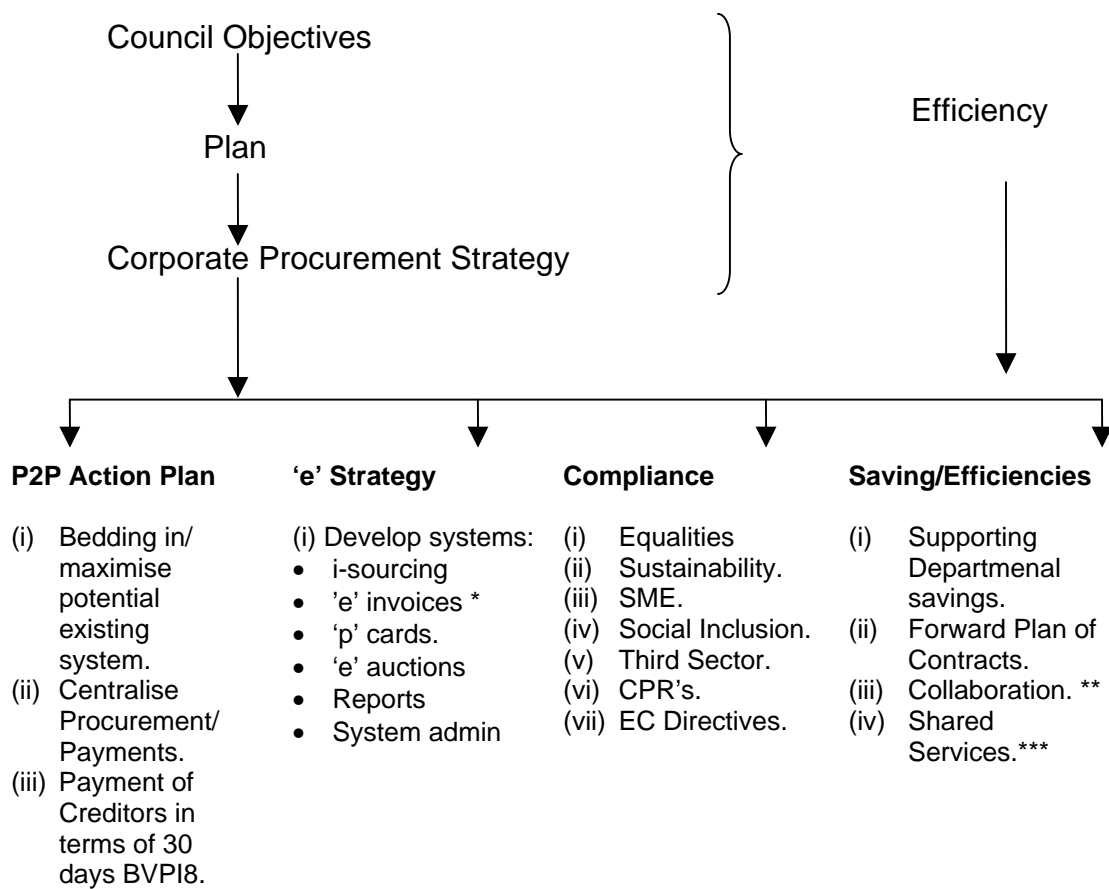
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FNCE/105/07

CHALLENGES FOR PROCURE TO PAY (P2P):

- (i) Efficiency Plan and Service Re-Engineering Targets.
- (ii) Gershon Targets.
- (iii) CPA – Best Use of Resources/Value for Money.
- (iv) Centralised P2P.
- (v) Expenditure control/management.
- (vi) Aggregated demand for Supplies and Services
- (vii) Seamless P2P process – ‘e’ Government.
- (viii) Reduction in staff in procurement/payments process.

P2P STRATEGY CHART



* The advent of 'e' invoicing streamlines the payment of creditors.

** By exploring areas such as electronic invoicing and further procurement collaboration savings should be realised

*** A longer term view might be the sharing of these services within the Merseyside Group or with other public bodies.

P2P SECTION – CORPORATE PAYMENTS TEAM

APPENDIX 3

Key: P.C.: Payments Clerk

