

EFFICIENT GOVERNMENT FUND – TAYSIDE PROCUREMENT CONSORTIUM

Abstract

This report recommends the Committee approves the commissioning of Capgemini UK plc to undertake a Scope and Readiness Assessment (SRA) of procurement practices in Angus Council as detailed in the SRA paper appended to this report.

1 RECOMMENDATION

The Resources and Central Services Committee is recommended to:

1. note the progress of the Efficient Government Fund bid made by the three Tayside local authorities for funding from the Scottish Executive to assess the benefits of shared procurement practice within the Tayside area
2. approve for their part the commissioning of Capgemini UK plc to undertake a Scope and Readiness Assessment (SRA) of procurement practices in Angus Council as detailed in the SRA paper appended to this report.
3. note and approve the resource implications contained in this report
4. note that the outcome of the Scope and Readiness Assessment by Capgemini will be reported back to the committee for consideration early in 2006.

2 BACKGROUND

Report 1076/04 to the Strategic policy committee on 14 September by the Chief Executive outlined the response to the Efficient Government Initiative which invited public sector bodies to work more collaboratively to improve efficiency. The strategy was to release resources from support services to improve front line services. The Scottish Executive created the Efficient Government Fund (EGF) and invited local authorities to submit bids for additional funding to support initiatives, which would deliver these objectives.

The three local authorities in Tayside and initially NHS Tayside agreed to work on the concept of collaborative procurement as being one such area of activity which would be capable of meeting the criteria of the Efficient Government Initiative and was likely to secure the savings and efficiencies required. The consortium included senior officers from each council with the Director of Finance and Director of Property Services representing Angus Council.

In early 2005, the three Tayside local authorities, lead by the Director of Finance of Dundee City Council, submitted a stage 1 bid to the Scottish Executive under the Efficient Government Initiative for funding to develop a joint procurement strategy including the option to develop e-procurement.

The bid was developed in consultation with the Scottish Executive and with their advice, a revised stage 1 bid was submitted in July 2005. At this stage, the consortium consisted of the three local authorities only as NHS Tayside had already signed on to e-Procurement Scotland and were operating that e-procurement system.

The stage 1 bid was successful and with further advice from the Scottish Executive, the consortium agreed that to progress to a stage 2 bid, it was necessary to establish the business case for taking the procurement strategy forward. The business case would include an assessment of procurement practice in each of the three local authorities and the development of procurement and e-procurement within each authority. This is referred to as the Scope and Readiness Assessment (SRA) appended to this report.

Members will be aware that since 1 April 2005, Angus Council has been an associate member of the abc consortium. This procurement initiative is intended to deliver economies of scale through collaborative buying and compliance with EU and other regulations. An initial report on the success of this initiative will be submitted to the committee before the end of the year.

The EGF bid is intended to deliver a more comprehensive procurement package including an assessment of current procurement practice, advice on more corporate procurement services and how procurement can be delivered electronically – i.e. e-procurement.

Essentially, the main benefits of a procurement consortium (e.g. abc) are lower commodity prices through greater buying power (economies of scale) while e-procurement is a system of managing procurement electronically from the stages of purchasing through to payment and thereby reducing the transaction costs associated with the ordering of goods and services.

The Scottish Executive has highlighted in a number of reports (and in the Local Government Scotland Act 2003) the need for sound procurement practices in local authorities as being a key factor in the delivery of efficient government. The Executive itself has adopted electronic procurement and in pursuit of the Prime Minister's target of delivering public services electronically by 2005, has actively promoted e-procurement in the public sector.

The programme implemented by the Executive to deliver e-procurement is eProcurement Scotland and is capable of being used by any public sector organisation in Scotland. The programme is managed by the ePS programme office and the service is provided by a company called Capgemini UK plc.

3 PROPOSAL

The consortium under the advice of the Scottish Executive has agreed for Capgemini UK plc to prepare a Scope and Readiness Assessment of the three authorities and develop a combined procurement strategy, including an e-procurement strategy as a business case and submission document for stage 2 EGF.

The detail of the proposal is appended to this report.

4 OBJECTIVES OF THE SCOPE AND READINESS ASSESSMENT (SRA)

1. To develop a strategy and a set of standard processes for procurement throughout the Tayside Procurement Consortium;
2. To develop an implementation plan for eProcurement Scotland in the three councils;
3. To develop a business case and submission document for Stage 2 Efficient Government Funding.

Capgemini will undertake two workstreams to deliver this:

- Workstream 1 – Business Process Review – the current state of procurement in each council assessing procurement to pay systems, financial systems and IT support systems
- Workstream 2 – Business Case Development - the potential benefits from improved procurement across the Consortium, the operating model and organisation structure that will sustain the delivery of benefits, the investment required to deliver the benefits in terms of process re-design, eProcurement Scotl@nd implementation, organisation and people, the opportunities for cost reduction and collaborative buying, and an implementation plan for the delivery of benefits.

The work is expected to start at the beginning of October and the final report is intended to be with the three authorities by Christmas.

5 RESOURCES

The costs of Workstream 1 are incorporated in the eProcurement Scotl@nd joining fee, which will be charged to each of the 3 councils once customer agreements have been signed. If we decide not to join, then no fee will be payable. If the EGF bid is successful then this funding is expected to meet the ePS joining fees in the first year or two. Thereafter the annual cost should be met from efficiency savings gained through the adoption of the ePS system. The funding details will be made known in the final report.

It has been agreed that the costs of Workstream 2 will be borne by the Scottish Executive.

The recommended resources from each of the three councils to support the SRA between now and Christmas are as follows:

- A Senior Manager to act as **Project Sponsor and Steering Group** member on a part-time basis. This commitment will involve attendance at 2-3 Steering Group meetings and approximately half a day per week; (*Director of Property Services with support from the Acting Director of Finance*)
- A **Project Manager** on a part-time basis to act as a focal point for all activity in the Council including arrangements for interviews and data collection. This role will require 2-3 days per week; (*see para 6 below*)
- A **Finance Contact** to support the collection of expenditure and process information on a part-time basis of up to half a day per week; (*Payment/Income Manager, Finance Dept.*)
- **Departmental Input** for interviews (no more than 2 hours) and the opportunity workshop (1 day). The number of people involved will be confirmed in Scoping during the first week of the project. (*Department reps*)
- IT contact person (*Business Systems manager, IT Dept*)

6 FINANCIAL IMPLICATIONS

The costs of engaging Capgemini to undertake the Scope and Readiness Assessment will be borne by the Scottish Executive. The cost of engaging a project manager as described above is not expected to exceed £6,000 and will be met from slippage in the Property Services departmental budget.

7 HUMAN RIGHTS ACT IMPLICATIONS

There are no Human Rights Act implications specific to this report.

8 PROPERTY IMPLICATIONS

There are no property implications specific to this report.

9 CONSULTATION

The Chief Executive, the Director of Law and Administration, and the Acting Director of Finance have been consulted in the preparation of this report.

10 CONCLUSION

This commission will deliver recommendations on the further development of the council's procurement strategy, including corporate procurement and electronic procurement.

REFERENCES

Committee	Date	Report No	Subject
Strategic Policy	14.9.04	1076/04	Efficient Government Fund
Strategic Policy	22.6.04	813/04	Corporate Procurement Strategy

BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing the above report.

M G Lunny
Director of Property Services

APPENDIX 1

Tayside Procurement Consortium

ePROCUREMENT SCOTL@ND PROGRAMME

Proposal for a Scope and Readiness Assessment

V2.0

DRAFT FOR DISCUSSION

Prepared by:

Neil MacKenzie and Craig Carmichael

30 September 2005

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1. INTRODUCTION

1.1 Proposal Overview

Capgemini is delighted to have the opportunity to work with the Tayside Purchasing Consortium and the Scottish Executive to carry out a Scope & Readiness Assessment (SRA) for the implementation of eProcurement Scotl@nd in the three Councils and the development of a Business Case for Efficient Government Funding.

This provides the eProcurement Scotl@nd programme with the opportunity to take a more value-added approach to the SRA, look beyond system implementation issues and support the development of a sustainable structure for improvement in procurement practice in the Consortium. This proposal details the approach to meeting the needs of the Councils based on past experience of SRA's and our work in preparing the other business cases.

Capgemini is pleased to outline a proposal for our solution, building on our work on the eProcurement Scotl@nd programme to date. Our proposal is laid out in the following sections:

1. Introduction
2. Background
3. Aim and Objectives
4. Approach
5. Resources
6. Timing, Costs and Terms & Conditions

Questions or requests for additional information should be addressed in the first instance to:

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2. BACKGROUND

Angus, Dundee City and Perth & Kinross Councils, and other public sector bodies in the Tayside region, have recognised the potential for cost reduction and service improvement in procurement performance. They have formed the Tayside Procurement Consortium to act collaboratively to take full advantage of the joint purchasing power and e-Procurement in the context of modernising government.

As well initiatives being taken by individual members, the Consortium as a whole has taken, or is considering, a number of actions to contribute to the improvement in procurement performance. Consortium activities include:

- The consideration of eProcurement Scotl@nd as the common e-Procurement platform;
- Developing a specification for the review of purchasing processes over the three Councils;
- Two of the three Councils joining the Authorities Buying Consortium (abc) to date;
- Submitting a Stage 1 bid for Efficient Government Funding (EGF) to support the improvement plan;
- Initiating discussions with the Scottish Executive eProcurement Scotl@nd team to explore options for improving performance.

In these discussions it has been determined that, if eProcurement Scotl@nd is confirmed as the e-Procurement platform, most of the Consortium's requirements can be met by a modified implementation. eProcurement Scotl@nd is routinely implemented in three phases:

- Scope & Readiness Assessment (SRA), which is essentially implementation planning (3 months);
- Initial Implementation (3 months).
- Phased full rollout and change programme (up to 18 months)

The scope of the SRA includes the majority of the Consortium's requirements for process improvement and sets the organisations up for the implementation and business benefits phases. It does, not however, include the work required to put together a business case for a Stage 2 bid for Efficient Government Funding. It has therefore been agreed to embark upon a modified SRA aimed at producing a business case at three levels:

1. Process improvement in each of the Councils and across the Consortium;
2. Joining eProcurement Scotl@nd;
3. The preparation of a Stage 2 EGF bid.

This proposal outlines the approach to be taken in carrying out the modified SRA with specific emphasis on resources required from the three Councils to create the business case.

3. AIM AND OBJECTIVES

3.1 Aim

The aim of the modified Scope & Readiness Assessment for the Tayside Procurement Consortium is to develop an implementation plan for improvement in Procurement performance that will derive maximum benefit to the members of the Consortium.

3.2 Objectives

As discussed, at an initial planning meeting on Tuesday, 20 September, 2005 the objectives of the work are threefold:

4. To develop a strategy and a set of standard processes for procurement throughout the Tayside Procurement Consortium;
5. To develop an implementation plan for eProcurement Scotl@nd in the three councils;
6. To develop a high level business case and submission document for Stage 2 Efficient Government Funding.

4. THE APPROACH

The approach to be taken in meeting the aims and objectives of the Consortium is to undertake a modified version of the eProcurement Scotl@nd Scope and Readiness Assessment (SRA) with two workstreams:

- Workstream 1 – Business Process Review;
- Workstream 2 – Business Case Development.

Workstream 1 – Business Process Review

The **aims** of this workstream will be to design and validate high level future processes, within and across the Councils, identifying the costs and benefits to the three councils.

This workstream will assess the current state of processes in all three councils through workshops, developing a detailed analysis of the current purchase-to-pay, processes and associated time and effort cycle. The work will also develop high level future state processes identifying and validating opportunities in conjunction with the staff raising and approving requisitions and orders and with Internal Audit.

This workstream will also include a technology review, which will include the basic readiness assessment for the implementation of eProcurement Scotl@nd. This will involve high level integration design recommendations for eProcurement Scotl@nd and the respective finance systems. The workstream will also identify and validate collaborative integration opportunities for the Consortium.

Activities will include:

- Gathering, validating and analysing the procurement and payment processes including resource and time cycles, to establish process baselines, in the Councils and across the three;
- Identifying strengths, weaknesses and opportunities for efficiency improvements in the Tayside Procurement Consortium;
- Assessing basic technology specifications and network capabilities against the requirements for eProcurement Scotl@nd;
- Providing a list of barriers and risks associated with the implementation and roll-out of the eProcurement Scotl@nd service and identifying an approach to the management of these barriers and risks;
- Providing options and costs for back-office integration with eProcurement Scotl@nd specific to the three Councils;
- Reviewing and reporting on Schemes of Administration and Contract Rules etc;
- Establishing an approach to benefits tracking.

The **activities and deliverables** of the Workstream 1 will be as follows:

Activities	Deliverables	Lead Responsibility	Support Responsibility
Scoping Work stream planning.	<ul style="list-style-type: none"> – Work stream plan – Risks and issues 	eProcurement Scotl@nd Team	Tayside Procurement Consortium
Run current state process workshops including measuring of time and resources.	<ul style="list-style-type: none"> – Current state processes – P2P lifecycle 	eProcurement Scotl@nd Team	Tayside Procurement Consortium
Develop an initial model based on best practice processes for discussion.	<ul style="list-style-type: none"> – Proposed future state processes – Opportunities analysis 	eProcurement Scotl@nd Team	
Run future state process workshops across departments involving key project sponsors.	<ul style="list-style-type: none"> – Validated future state processes – Opportunity 	eProcurement Scotl@nd Team	Tayside Procurement Consortium

	Prioritisation		
Analysis of the impact of moving from "current state" to "future state" processes.	<ul style="list-style-type: none"> - Gap/impact assessment - Implementation Plan 	eProcurement Scotl@nd Team	Tayside Procurement Consortium
Assess barriers and risks associated with Council networks	<ul style="list-style-type: none"> - Network assessment 	eProcurement Scotl@nd Team	Tayside Procurement Consortium and Suppliers
Assess barriers and risks associated with Council PCs	<ul style="list-style-type: none"> - PC assessment 	eProcurement Scotl@nd Team	Tayside Procurement Consortium and Suppliers
Assess and recommend integration options and costs	<ul style="list-style-type: none"> - Integration proposal 	eProcurement Scotl@nd Team	Tayside Procurement Consortium and Suppliers

Workstream 2 – Business Case Development

The **aim** of this workstream will be to deliver the business case for process improvement, eProcurement Scotl@nd and the Stage 2 bid for Efficient Government Funding.

The **objectives** of Workstream 2 will be to identify:

- The potential benefits from improved procurement across the Consortium;
- The opportunities for cost reduction and collaborative buying (with the Consortium and with other bodies eg abc and OGC);
- The operating model and organisation structure that will sustain the delivery of benefits;
- The investment required to deliver the benefits in terms of process re-design, eProcurement Scotl@nd implementation, organisation and people;
- An implementation plan for the delivery of benefits.

The approach to be taken to achieve these objectives will be based upon a Strategic Procurement methodology covering category management, organisation, processes and systems, which has been used successfully in over 300 projects worldwide.

Key **activities** will include:

- Carrying out an analysis of current expenditure to establish a project baseline;
- Developing an understanding of current procurement activities and plans across the Consortium;
- Interviewing a limited number of key staff in each of the three Councils;
- Running an opportunity assessment workshop to validate and prioritise the expenditure analysis and opportunities and derive an initial implementation plan;
- Determining the high level business case for change including the investment required to sustain benefits over time;
- Identifying quick win cost reduction opportunities.

These activities are described in more detail in Appendix 1.

In carrying out the expenditure analysis we will use a Spend Analysis Model developed specifically for use in local authorities. Using a download from each of the three Council purchase ledgers, the model will be used to match suppliers to expenditure categories. We expect to achieve a 60% match of suppliers to expenditure categories using the model and will take the analysis up to around 80% through desk research and discussions with the Councils.

The **deliverables** of the workstream will be:

- A validated profile of addressable procurement expenditure;
- A validated description of current initiatives;
- A validated portfolio of opportunities for better buying and performance improvement within Councils and across the Consortium;
- A suggested operating models including estimates of staffing levels and expertise required;
- A high level business case and implementation plan including recommendations for the organisation and structure of procurement to achieve sustainable benefit over time.

The business case and plan will also include savings targets for high level commodities, priorities including quick wins, milestones and short- and long-term resource requirements.

The **business case** will address the EGF bid requirements including:

- Aims and Objectives including SMART targets;
- Economic Appraisal including cost and benefits over the full life of the project;
- Implementation Plan with milestones and monitoring arrangements;
- Management Arrangements including staffing and partner participation;
- Finance including the potential return on investment;
- Monitoring and Evaluation including a methodology for benefits tracking;
- Sustainability through to 2010;
- Governance including Lead Partner, Accountable Officer and partnership arrangements.

5. RESOURCES

5.1 eProcurement Scotl@nd Resources

The **Scottish Executive** will provide the following resources to support the SRA process.

Role	Name	No. of Days
ePS Service Director	Steve Murray	2
Customer Services Managers	Caroline Caniffi & Lynn Peterson	12

Capgemini will provide the following resources:

Workstream 1 – Business Process Review

Role	Name	No. of Days
Project Director	Neil MacKenzie	2 Days
Workstream Lead	Simon Mollart	10 Days
Procurement Specialist	Marc Meunier	20 days
Principal Developer	Mike Duignan	9 days

Workstream 2 – Business Case Development

Role	Name	No. of Days
Project Director	Neil MacKenzie	3 Days
Workstream Lead	Craig Carmichael	13 Days
Procurement Specialist	Larissa Hastie	30 days
Data Analyst	Barry Sless	5 days

In addition to the role of Workstream Leader for Workstream 2, Craig Carmichael will take on the role of overall **Project Manager**.

5.2 Consortium Resources

The recommended resources from each of the three councils are as follows:

- A Senior Manager to act as **Project Sponsor and Steering Group** member on a part-time basis. This commitment will involve attendance at 2-3 Steering Group meetings and approximately half a day per week;
- A **Project Manager** on a part-time basis to act as a focal point for all activity in each Council including arrangements for interviews and data collection. This role will require 2-3 days per week;
- A **Finance Contact** to support the collection of expenditure and process information on a part-time basis of up to half a day per week;
- An **IT Contact** to provide information on technology, hardware, connectivity and other technical aspects of implementation and integration;
- **Departmental Input** for interviews (no more than 2 hours) and the opportunity workshop (1 day). The number of people involved will be confirmed in Scoping during the first week of the project.

In addition it is recommended that one council takes on the role of **Lead Partner** and the role of chairing the Steering Group. It may not be necessary to appoint an Accountable Officer at this stage but one will need to be nominated in the Stage 2 bid. The Lead Partner in Stage 2 need not be the same as for this project.

6. TIMING, COSTS AND TERMS & CONDITIONS

6.1 Timing

We confirm that the work will be complete before Christmas 2005 subject to a project start-up on 3 October 2005.

Initial implementation of eProcurement Scotl@nd will take approximately 3 months following the SRA and full implementation up to 18 months after initial implementation.

Activities in Week 1 of the project will include:

Simon

6.2 Costs and Expenses

Workstream 1 – Business Process Review

The costs of Workstream 1 are incorporated in the eProcurement Scotl@nd joining fee, which will be charged to each of the 3 councils once customer agreements have been signed.

Workstream 2 – Business Case Development

As this work is outside the normal scope of an SRA, additional costs will be incurred and it has been agreed that these costs will be borne by the Scottish Executive as the Consortium has confirmed a commitment to eProcurement Scotl@nd if Efficient Government Funding is provided.

6.3 Terms & Conditions

The terms and conditions agreed and signed up to under the existing eProcurement Scotl@nd agreement apply to this proposal.

7. CONTRACT AGREEMENT

IN WITNESS WHEREOF this Customer Agreement is executed as follows:

Executed for and on behalf of **The Tayside Procurement Consortium**

at _____ on _____ 2005

by _____

Signature

In the presence of _____

Signature by Witness _____

Executed for and on behalf of **The Scottish Ministers**

at _____ on _____ 2005

by _____

Signature

In the presence of _____

Signature by Witness _____

Executed for and on behalf of **Capgemini UK plc**

at _____ on _____ 2005

by _____

Signature

in the presence of _____

Signature by Witness _____

Appendix 1 Workstream 2, Business Case Development – Activity Breakdown

High Level Activity	Expenditure Analysis	Current Procurement	Interviews with Key Staff	Validation Workshop	Business Case	Quick Wins
Activities	<ul style="list-style-type: none"> Obtain PL data Upload data to spend model Categorise suppliers Consult with Councils 	<ul style="list-style-type: none"> Workstream Scoping Discussions with Steering Group and Project Managers Review of Audit reports, strategy document etc Assess current initiatives and future plans Explore future operating models 	<ul style="list-style-type: none"> Interviews with staff in Departments with procurement responsibility Gather information Seek savings & improvement opportunities Begin 'buy-in'/ change process Identify barriers & risks to implementation 	<ul style="list-style-type: none"> Present findings Spend Analysis As Is summary Strengths & weaknesses Opportunities Validate above Explore barriers and risk to implementation Explore next steps 	<ul style="list-style-type: none"> Determine high level business case Validate with steering group Prepare EGF Stage 2 Bid Agree Lead Partner & Accountable Officer etc 	<ul style="list-style-type: none"> Identification of opportunities for Councils to make improvements in the short-term ie before Stage 2 Implementation
Deliverables	<ul style="list-style-type: none"> Spend Analysis by supplier, category, Council and Dept. if available Business Case baseline 	<ul style="list-style-type: none"> 'As Is' summary of Procurement plans across the 3 Councils Strengths and weaknesses Improvement/savings opportunities Potential operating models and associated costs 		<ul style="list-style-type: none"> Validated spend analysis Opportunity portfolio Benefits Case Next Steps 	<ul style="list-style-type: none"> High Level Business Case Draft EGF Stage 2 Bid High Level Implementation Plan 	<ul style="list-style-type: none"> Quick Wins report and potential implementation plan
Man-Days*	15	20		7	9	In all activities
Timing	Weeks 2 to 6	Weeks 1 to 3	Weeks 2 to	Week 7	Weeks 7 to 10**	Weeks 3 to 10

* eProcurement Scotland Team ** May take additional time to circulate, refine and agree across the Councils