

Agenda Item	15 (a)
Report No	RES/65/17

HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 15 November 2017

Report Title: **Commercial & Procurement Shared Services Savings Update**

Report By: Director of Corporate Resources

1. Purpose/Executive Summary

- 1.1 This report provides an update on the position as at 23/10/17 of the delivery of procurement related savings that the Commercial and Procurement Shared Services (C&PSS) have been involved in.
- 1.2 This report provides information on savings that have been Achieved, are In Progress and others that are in a Pipeline programme of work.
- 1.3 This report helps to demonstrate the value that the C&PSS deliver to the Council through procurements – both where leading on procurements with Services and also projects that Services lead on with additional support from C&PSS.
- 1.4 Appendix 1 provides more detail of Achieved, In Progress and Procurement Pipeline savings.

2. Recommendations

- 2.1 Members are asked to :
 - (i) consider the position on procurement related savings;
 - (ii) note progress to date and savings achieved;
 - (iii) note the role of the C&PSS in enabling the delivery of Service savings

3. Savings Progress

3.1 A 2017/2018 procurement savings target of £1.35m was agreed for the Commercial and Procurement Shared Services by this Committee at its meeting in August 2016 when the principle of a shared service with Aberdeen City and Aberdeenshire Councils was agreed. The Shared Service commenced in mid-January 2017.

3.2 Achievements, progress and a forecast against the 2017/2018 savings target is shown in Table 1:

Table 1: Total of All 2017/2018 Savings Identified as at 23rd October 2017

SAVINGS ACHIEVED TODATE	£1,381,992	X	CONFIDENCE 100 FACTOR %	X	TIME 100 FACTOR %	=	£1,381,992
SAVINGS IN PROGRESS	£201,299	X	CONFIDENCE 90 FACTOR %	X	TIME 100 FACTOR %	=	£181,169
SAVINGS IN PIPELINE	£156,114	X	CONFIDENCE 80 FACTOR %	X	TIME 100 FACTOR %	=	£124,891
SAVINGS IN ADDITIONAL TARGET PIPELINE	£46,461	X	CONFIDENCE 70 FACTOR %	X	TIME 100 FACTOR %	=	£32,523
TOTAL ALL SAVINGS IDENTIFIED TO DATE	£1,785,865		TOTAL FACTORED SAVING				£1,720,574

Confidence and Time factors are shown to help demonstrate that the migration of a potential saving into an actual saving is influenced by external and internal factors, and until work is complete cannot be fully quantified with certainty.

- 3.3 Table 1 above illustrates the total value of work either complete or underway. It does however need to be recognised that the scale of the success of the Shared Service can be viewed in two ways. Firstly work that results in direct new cashable savings for the Council through reduced priced for goods and services. This is reflected in Table 2 below.
- 3.4 Secondly, the Shared Service has supported work within Services to deliver efficiency savings that are accounted elsewhere within the Council's overall budget, for example Transformation Savings Programme. It has also achieved savings that will be credited to either Capital or the Housing Revenue Account. It is important to recognise both this distinction, and the overall scale of work undertaken, as it is only new savings within the General Fund that are credited against the Procurement Savings Target. The full benefits and value of the Shared Service therefore outweigh the new cashable savings against the Council's Revenue Budget.
- 3.5 Position against the Procurement Savings Target

Table 2 shows the allocation of Savings against the Procurement Savings Target -

Table 2

Budget Type	Achieved	In Progress	In Pipeline *	Pipeline Target*	Total
2017/18 fully effect from 2016/17 procurements	£20,463	-	-	-	£20,463
Revenue Savings	£227,413	£54,980	£143,614	£46,461	£472,468
Income Generation (including rebates)	£207,046	£7,232	-	-	£214,278
HRA	£6,882	-	-	-	£6,882
TOTAL	£461,804	£62,212	£143,614	£46,461	£714,091

* The C&PSS created an initial procurement pipeline in early 2017/18; work is in the earlier stages of these procurements. As greater clarity on a procurement becomes available it will move into the In Progress category. This will include the identification of budget types – which will enable Table 2 to be continually updated.

Savings targets associated with these procurements for 2017/18 totals £190,075 with potential links to revenue budgets. Additionally within the pipeline and pipeline targets there is a further potential of £12,500 savings associated with capital and/or enablement savings.

3.6 Additional savings

The C&PSS provides assistance with delivering Capital and Enablement Savings.

Table 3 shows the allocation of Savings against these two types.

Table 3 – Savings – Capital and Enablement 2017/2018

Budget Type	Achieved	In Progress	In Pipeline	Total
Capital	£44,640	£39,087	£12,500	£96,227
Enablement	£875,548	£100,000	-	£975,548
TOTAL	£920,188	£139,087	£12,500	£1,071,775

Capital savings cover where the C&PSS have worked with a Service on a Capital budget related project/procurement.

Enablement savings includes projects/procurements where the C&PSS have worked with a Service to deliver an efficiency; however, the efficiency is not able to be recorded against revenue savings. This may be due to either the project is already included within another corporate savings target or the work results in a cost avoidance as opposed to a cashable saving. Two examples are shown below to demonstrate this:-

- a) School and Public Transport – an enablement saving of £767,000 was achieved and was allocated to the Transport Transformational Savings Project. Representatives from the C&PSS (and the Highland Procurement Unit as was previously) worked within a cross-service team to enable the delivery of this saving across a period exceeding 2 years.
- b) The C&PSS assisted in negotiations with the contractor for the CCTV Fire Security Systems – the contract was extended for a further 12 month period, however, the extension negotiations enabled both the removal of an anticipated contractual annual price increase and the inclusion of additional cameras and services. These negotiations identified cost avoidance and additional services to the value of £108,548.

4. **2018/2019**

- 4.1 Savings of £3,906 have been achieved in relation to the 2018/2019 budget and a number of procurements that are in progress have a potential target of £369,485. This will increase as more projects move from the pipeline programme into work activity with Services. The introduction of Service Work Plans within the Contract Standing Orders will assist the C&PSS establishing and maintaining an overall pipeline programme and helps to identify both Service and efficiency priorities.

5. **Reporting**

- 5.1 The C&PSS provide regular savings updates to the Procurement Board within Highland Council.

6. Implications

- 6.1 Resource – no specific implication other than those highlighted within the report. As reported in the Corporate Revenue Monitoring Report, the total new cashable savings in 2017/18 will fall short of the budget target. However this report highlights the wider value of the Shared Service.
- 6.2 Legal – no specific implications
- 6.3 Community (Equality, Poverty and Rural) – no specific implications within this report. However the Procurement Strategy (separate item on today's agenda) recognises and seeks to support local businesses across the Highlands.
- 6.4 Climate Change / Carbon Clever – no specific implications
- 6.5 Risk – competitive tendering processes may exceed or fall short of targets, resource allocation and the provision of management information is critical to time delivery of savings. There is therefore always a degree of uncertainty around absolute savings targets.
- 6.6 Gaelic – no specific implications

Designation: Director of Corporate Resources

Date: 6 November 2017

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Shared Services

Background Papers: None

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C&PSS SAVINGS ACHIEVED @ 23 OCTOBER 2017

Saving Description and Type							
Description	2017/18 Full Year Effect Included in 2016/17 Procurement Savings Template	Revenue Savings	Capital Savings	HRA Saving	Enablement Savings	Income Generation including Rebates	Overall Savings
Savings Achieved and Processed to Finance	£	£	£		£	£	£
Food Provisions	4,713						4,713
Janitorial Supplies	9,349						9,349
General Stationery & Paper	1,635						1,635
Road Salt Stevedoring Services	177						177
Cattle and Deer Grids	1,846						1,846
Construction Information Management System	1,550						1,550
IT Consumables	1,193						1,193
Interpretation Services - Telephone Language Line		444					444
Payment Processing Services (temporary contract)		197					197
Electrical Materials - Rebate						4376	4,376
Plumbing and Heating Materials - Rebate						5017	5,017
Garden Aid Services		35,124					35,124
Housing Support Services		52,799					52,799
Multihog Vehicle		27,360	44,640				72,000
Scot Gov Electricity Wholesale Rate		66,608					66,608
Vehicle Disposals						135,000	135,000
Transport Route Savings					767,000		767,000
Occupational Health		6212					6,212
Groceries - Rebate						12850	12,850
Telecare Support				6,722			6,722
Frozen Food - Rebate						49803	49,803
Winter Road Forecasting Services		5,982					5,982
Frozen Food		19,430					19,430
Purchase Card Rebate		13,257		160			13,417
CCTV Fire Security Systems - contract negotiation extensions removed price increases					108,548		108,548
Total Savings Achieved and Processed to Finance	20,463	227,413	44,640	6,882	875,548	207,046	1,381,992

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C&PSS SAVINGS IN PROGRESS @ 23 OCTOBER 2017**

Saving Description and Type							
Description	Full Year Saving	Revenue Savings	Capital Savings	HRA Saving	Enablement Savings	Income Generation including Rebates	Overall Savings
Savings Achieved and Being Processed by C&PSS		£	£	£	£	£	£
Consulting Svs SXL	37,000		37,000				37,000
Waste Management Services	1,500	1,500					1,500
Scottish Procurement Alliance rebate - construction						4,570	4,570
ICT Re-provision					100,000		100,000
Agency Workers	50,081	47,994	2087.04				50,081
Hire Car - Skye		5,486					5,486
PPE - rebate						2662	2,662
Total Savings Achieved & Processed by C&PSS		49,494	-	-	100,000	4,570	201,299

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C&PSS SAVINGS IN PIPELINE @ 23 OCTOBER 2017

Saving Description and Type				
Title	Description	Full Year Savings Target	Maximum Target Remaining 2017/18	Balance Towards 2018/19
Initial Procurement Pipeline Savings Target		£	£	£
Road Haulage	Improved pricing expected through collaborative framework agreement	50,000	15,000	35,000
Vehicle Hire	Investigating and challenging hire needs, terminating where not needed, considering cheaper alternatives, greater usage of existing resources. Intro of booking desk.	200,000	100,000	100,000
Car Club	Investigating usage of casual hire v pool car v car club v grey fleet for efficiencies	30,000	15,000	15,000
Vehicle Parts	Re-tender requirements to market - better pricing and use of Police Scotland evaluation methodology	10,000	-	10,000
Heavy Vehicles	Greater usage of new SXL framework and demand management challenge.	25,000	12,500	12,500
Tyres	Trial of different manufacturer products to identify best value for particular vehicle/usage	3,000	1,500	1,500
Training	Consider internal v external sourcing, initial short-term saving to be identified.	600	-	600
Fixed Line Telephony	Vodafone contract - amendment to contract pricing/conditions	10,000	5,000	5,000
Mobile Voice & Data	Vodafone contract - amendment to contract pricing/conditions	6,000	3,000	3,000
Construction Materials	SXL mini-comp with better pricing, controls over use of p.cards with off contract suppliers.	33,537	4,114	29,424
Construction Trade Electricians	New framework with reduced number of suppliers, improved pricing	13,000	-	13,000
Construction Trade Joiners	New framework with reduced number of suppliers, improved pricing	28,000	-	28,000
Construction Trade Plumbers	New framework with reduced number of suppliers, improved pricing	70,000	-	70,000
Total Initial Procurement Pipeline Savings Target		479,137	2017/18 156,114 SAVINGS	2018/19 323,024 SAVINGS

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NEW PROCUREMENT PIPELINE TARGET SAVINGS @ 23 OCTOBER 2017

Contractor	Contract No	Savings / Efficiency Saving / Type	Contract Start Date	Contract End Date	Estimated Contract Value £	Total Efficiency Savings £	2017/18 Efficiency Savings £	Work Completed Verified and Savings Start Date	Risks / Problems/ Issues Stopping Saving
SXL Education & Office Furniture	CM Action	Contract Renewal 1st May 2017			£175,387	£7,717	£3,859	Check & Confirm	
SXL PPE	CM Action	Contract Renewal 1st May 2017			£280,435	£2,384	£1,192	Check & Confirm	
SXL Education Materials	CM Action	Contract Renewal 1st August 2017			£761,226	£82,821	£41,411	Check & Confirm	
					£ -	£ -	£ -		
					£ -	£ -	£ -		
					£ -	£ -	£ -		
					£ -	£ -	£ -		
					£ 1,217,048	£ 92,922	£ 46,461	2017/18 SAVING	2018/19 SAVINGS