



Procurement Agency  
*for* **Essex**

Achieving  
Value For Money

2005/6 Annual Report



# The Procurement Agency for Essex



**"I am delighted to see that our own Procurement Agency for Essex is continuing to demonstrate an excellent return on investment for us. It is leading the way in Collaborative Procurement by expanding its influence in new and challenging areas of spend and working with other partners in Essex and beyond to help deliver the Efficiency Agenda and pave the way for sharing back office services across the County."**

**Paul Coen, Chief Executive,  
Essex County Council**

**A self-funding Local Government Procurement Agency, formed by the Essex Chief Executives in April 2003.**

"Our Mission is to Promote Collaborative Procurement in Essex" We aim to do this by:

- Bringing about – Procurement related savings, efficiencies and other benefits to members.
- Sharing best practice, knowledge, information, documentation and capacity.
- Providing training and Procurement related commercial support to member organisations
- Representing Essex Procurement both regionally and nationally.
- Promoting & maintaining high Procurement standards in the following areas:
  - Procurement skills, ability and integrity
  - Procurement methods & processes.
  - Procurement Information Systems & Infrastructure
  - Procurement innovation and creativity

**Visit [www.paessex.gov.uk](http://www.paessex.gov.uk) or contact Victoria Chitticks ( [Victoria.Chitticks@essexcc.gov.uk](mailto:Victoria.Chitticks@essexcc.gov.uk) , 01245 431818) to feedback any comments and for more information about the Procurement Agency for Essex.**





# Director's Summary

On behalf of the management board I am pleased to present the **second Annual Report** for the Procurement Agency for Essex (PAE). This year I have decided to use the annual report to highlight the key achievements realised within this financial year and also to feature some of the exciting new projects that we have launched during the year.

This has been another landmark year for Procurement Professionals in local government. The efficiency agenda has become the catalyst for many new and exciting initiatives. The PAE is moving 'beyond the obvious' and bringing modern Procurement skills and techniques to new and challenging areas of spend to get to the higher efficiency targets that are now required.

This report demonstrates how the PAE working with others including the CoE's for the Eastern Region & London is responding to that challenge by constantly evolving and leading by example. Projects undertaken this year span a broad range of disciplines and topical Procurement themes. Examples include:

1. The brokering of an innovative '**Shared Procurement Service / Hub**' for smaller District Councils, this is being led by Braintree District Council and is the first of its kind for local government in the country.
2. Benchmarking and implementing smarter ways of buying and managing energy,
3. Recycling & re-using stairlifts to ensure a better deal for service users and the environment.
4. Carrying out market research that has explored and exploited the crucial role that Small to Medium Enterprises (SME's) and the Voluntary and Community Sector (VCS) can play within the 'Supporting People' market place.



I hope you find the report useful and I would welcome you to contact us or visit our website if you want to know more about the work we are doing or would like to feedback any comments. Best wishes.

## **PAE Elected Board Members**

### **Dave Wheller, FCIPS**

Chairman, PAE Board

Head of Procurement Essex County Council

### **Stuart Elrick**

Deputy Chairman, PAE Board

Chief Corporate Services Officer, Maldon District Council

### **John Hunter**

Treasurer, Corporate Head of Policy, Performance and Procurement, Castle Point Borough Council

### **John Wickes**

Secretary, Head of Procurement, Braintree District Council

# 1. Activity & Performance Review

## 1.1 Introduction

The PAE enjoys strong support and backing from the **Essex Chief Executives** and commitment at this level is vital to its continued success. Its dedicated Management Board meet quarterly to steer the PAE on its course and the Operational Team also meet **voluntarily** every six weeks to ensure that projects move forward and the collaborative network remains buoyant and healthy.

This year the PAE has strengthened its links with its sister organisations the **HR Strategic Forum** and the **Essex Online Partnership**. These strategic forums have become single points of contacts for the Agency to gain access to the Essex HR

and IT communities respectively. This is invaluable to the PAE as it promotes better communication and buy in and also makes the process of collaborative working more timely and effective.

The Agency staff (**Janet Chinnery, Sarah Studd & Jenny Simkin**) all work tirelessly and with great enthusiasm to ensure that the PAE continues to deliver on its promises.

We would also like to thank all of the member organisations who have used their own resources to front up PAE framework and other contractual arrangements, thanks in Particular to the Procurement Teams at Braintree District Council and Essex County Council for their outstanding support and commitment to the agency.



### Case Study 1 – Stairlifts ‘a better deal for service users & the environment’

#### Expected Benefits

- 12% (**approx £240k annually**) reduction in the whole life cost of the service measured against the current baseline cost.
- Rather than the normal 2-5 yr warranty period, service users will enjoy a high quality product, fully maintained and **“worry free”** for life
- Stairlifts will be **recycled** and **re-used**
- One integrated & consistent service operating across the whole of Essex
- Working in Partnership to rationalise products, processes & eliminate waste from the system

#### Learning

- Developing an outline business case proved to be an excellent way of communicating the objectives of the project and gaining buy in.
- Setting up a ‘virtual project board’ to communicate and agree each key stage of the Procurement via email s a great way of working as it cuts down on the amount of time and travel required for meetings.
- Consultations with Occupational Therapists, Environmental Health Officers and Housing Officers across Essex as well as the ODPM and Providers, ensured that everyone was committed to the project and was able to influence it.



## 1.2 Return on investment (roi)



The Agency set out to deliver savings for 2005/6 equal to 2 times ROI i.e. twice the value of the annual membership contribution for each member organisation (approx total of £360k across all members) whilst staying within its assigned budget. It has achieved both of these targets and also raised over £50k in additional income. This will result in the transfer of a surplus to the accounts for the 2006/7 period which will be ploughed back into collaborative projects.

## 1.3 Rolling work program

The 2005-6 work program that was outlined in last years business plan has evolved during the course of the year. Because of changing business priorities and further consultation some new projects have been taken on and some planned projects did not go a head. The PAE board have recently agreed to plan on the basis of a 'rolling work program' whereby adjustments will be managed by the Director and all changes will be subject to review and scrutiny at the quarterly board meetings.

### Case Study 2 – Light Commercial Vehicles & Staff Cars

Braintree District Council has worked with the PAE to develop a number of vehicles related agreements. Those already let include Refuse Freighters, contract hire with maintenance of light commercial vehicles and more recently contract hire with maintenance of Staff Cars. The refuse freighters framework, which boasts an innovative “pick and mix” specification has already been utilised by many PAE members, along with local authorities all over the country and yielded significant savings on purchase price.

#### Benefits

- Circa **10%** reduction in purchase price of refuse freighters and big discounts on LCV's and staff cars (**£4k per vehicle** on some models compared to previously paid prices)
- Fully tendered in accordance with EU Procurement Directives
- **Pick and Mix** Refuse Freighter Specification allows users to have visibility of pricing and “build in” additional options to meet individual requirements.
- Single master hire agreement for all suppliers on the staff cars framework
- **“User Chooser”** lease car framework allows maximum flexibility for members

### Case Study 3 – Basildon District Council, Temp Agency Staff

Basildon DC worked with the agency to implement a PAE framework arrangement for temporary clerical staff. The framework arrangement benefits from economies of scale derived from the combined buying power of all the PAE members across Essex. Basildon were already using the same manpower provider under a local agreement so a clear comparison was able to be made against what is achievable as a single entity compared with a collaborative approach.

#### Benefits

- Savings in excess of **£100,000** per annum (compared to existing baseline costs)
- Preferential 'Big Customer' treatment with a leading service provider
- Access to the best people and specialist HR advice & guidance.
- Shared training & development cost with other PAE members i.e. training videos etc

#### Learning

- Letting framework arrangements is only the start of the process, implementing them locally, and managing them to ensure they **'continuously improve'** and stay 'live' is what drives the value and benefits.



## 1.4 Maintaining a balanced project portfolio

This year the PAE has moved beyond the 'easy targets' and tried to achieve a balanced portfolio of Procurement projects by taking into account the following factors:

- **Timeframe** – medium term change & quick wins
- **Multi discipline** e.g. IT, HR, Transport, Housing, Social Care,
- **High & low spend categories** e.g. Energy, Market Research
- **PAE role** as – Consortia / Change Agent / Procurement dept i.e. providing training and consultancy and

performing specific work for many individual members as well as acting as a consortium via framework arrangements.

- **Procurement challenges** – efficiency / vfm, sustainability, supply chain risk, market analysis and diversity.



### Case Study 4 – A Smarter Way to Buy Energy !

In April 2005 the PAE commissioned John Hall & Associates to carry out a benchmarking exercise amongst its member councils to understand how effectively it was buying energy. The report highlighted a number of issues and opportunities. The PAE followed up this report by working with its members to review a range of potential options before finally recommending working in partnership with **OGC BS** to procure energy in a smarter way (i.e. buying wholesale and when market conditions are favourable.) many Essex and other eastern regional Councils are now working towards adopting this new methodology.

#### Benefits

- **£100,000 per annum** (cost avoidance achieved) owing to a 50% discount granted to the PAE on managed service commission
- Potential future savings / cost avoidance measured in **£millions** by managing the time to market which is a crucial factor in the highly volatile energy market place.
- Fully EU compliant arrangement which negates the need for a costly annual tender process
- Helped raise awareness of energy procurement, management and conservation.
- Peace of mind for Councils to feel they are doing everything possible to control rising costs

#### Learning

- Efficiencies can also be unlocked by changing the process of Procurement i.e. the way services are purchased rather than focusing entirely on the service itself.
- This work has now generated another project that will focus on energy bureau services that will help to conserve and manage energy consumption more effectively.



## 2. Procurement hub / shared services

The efficiency agenda and the National Procurement Strategy are raising the profile of Procurement and this is making more and more demands upon Local Government to invest in their own Procurement resources. This increased demand for Procurement skills and expertise has caused a recognised national skills shortage and staff costs have increased as a result.

Many smaller District Councils do not have any Professional Procurement staff of their own and cannot afford to set up their own Procurement teams. The PAE has

recognised this problem and is now working with a group of Councils in Essex to expand the work of the Agency by creating a shared Procurement resource, this is planned to be partly operational by mid 2006. This resource will operate from Braintree District Council and work to an agreed service level with the other member Councils. The SLA will cover all aspects of Procurement i.e.

letting and managing

new and existing contracts, strategy, planning, consultancy & advice, purchasing compliance, systems & processes.

The **Procurement Hub** will let Contracts on behalf of the PAE and the PAE will co-ordinate Procurement activity in the Hub with the rest of Essex and beyond.



**“The innovative and collaborative approach to procurement in Essex demonstrates how working together can pay dividends for the council tax payer. Without the procurement expertise offered through the PAE, it is unlikely that such financial savings or product improvement would have been achieved. Procurement is at the heart of our business and we must continue to develop a shared professional service if we are to give greater value.**

Allan Reid, Chief Executive,  
Braintree District Council

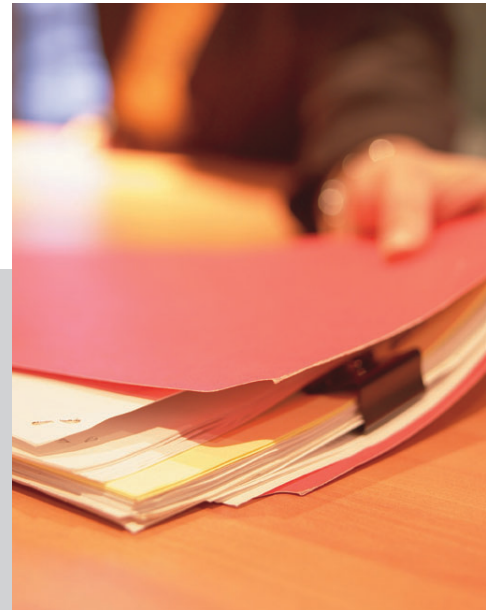


## 2.1 Is the hub another procurement agency ?

**No**, the 'Hub' **extends** the work of the PAE by providing a resource to allow smaller Districts Councils to take action to realise the benefits that the PAE is making possible with more besides.

The PAE does not have the resources to ensure that its arrangements are implemented locally by each member organisation, yet **local implementation is crucial** to achieving benefits and many smaller Councils just do not have the resources carry it out. Similarly the benefits from collaboration for all PAE members are hampered if some links in the chain lack the resources to feed into the Procurement processes and collaborative activity.

The Hub will formalise an existing and very effective working relationship between the PAE and Braintree District Council's Procurement team. Hub members will clearly benefit from the new shared Procurement service and together the two entities (Hub & PAE) will work in partnership to create a **self financing** Procurement & Contracting entity that will deliver greater tangible benefits to **all** PAE members. The whole will indeed be greater than the sum of the parts!



### Case Study 5 – “Supporting People”

The PAE has recently completed a market testing and procurement options appraisal for **'Supporting People'**. This work was sponsored by the ODPM as part of the VIP project and also jointly funded by the CoE (East).

#### Benefits & Learning

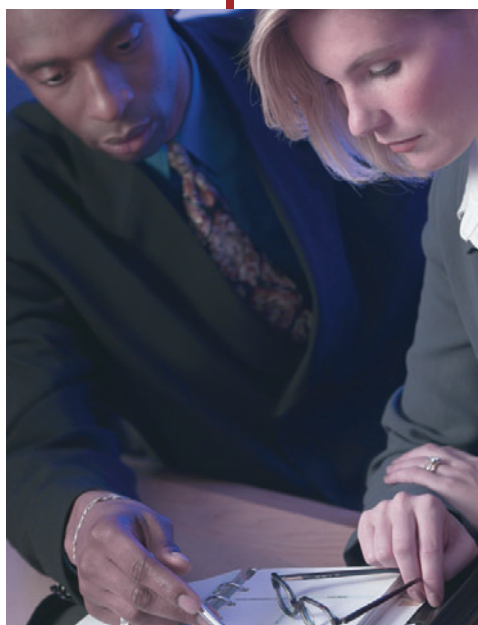
- The report will be instrumental in shaping and developing the 'Support' marketplace in Essex to ensure that the supply chain remains diverse, sustainable and capable of delivering the efficiencies and high standards that are required by Supporting People commissioning teams.
- Enabled a greater understanding of the challenges faced by SME's and the Voluntary & Community sector when working with Local Government.
- Able to target efficiencies and bring Modern Procurement skills and techniques to new and challenging market sectors to ensure better decisions and better outcomes.
- Revenue generated by the project has helped to finance other PAE collaborative projects.

**“You get back from the Agency what you put in to it, I'm pleased to say that at Colchester we are getting a lot back from our partnership with the Procurement Agency for Essex. We are glad to be helping to lead the way on a Procurement Shared Service in Essex, as the potential benefits are significant”**

**Ann Wain, Executive Director, Colchester Borough Council**



# 3. Procurement information & systems



## 3.1 Spend analysis & contract register

The PAE has now provided **3 years** of consolidated spend data for each of its members, this information is highly valued by PAE members and has become a starting point for further in-depth spend category analysis work.

This year the PAE working with Southend Unitary & Chelmsford Borough Council has piloted and implemented a contract register service that will not only meet the requirements of the

national Procurement strategy but will allow members to manage contracts more effectively and enable the PAE to align contract dates ready for future collaboration.

## 3.2 Essex marketplace & supplier portal

The vast majority of Essex Councils are now also members of Essex Marketplace. Marketplace is the engine behind the Purchase to Pay (P2P) process and it helps to ensure that buyers gain access to and use the arrangements that the PAE has put in place. The PAE continues to work closely with EGS to ensure that:

- The process of buying is made as simple as possible ideally in just a few clicks of a mouse!
- Users gain access to an increasing range of catalogues that offer choice and extremely competitive arrangements that are continually checked & benchmarked.
- Management information and other functionality available from the system is being used.

The Supplier Portal which is a sister product of Essex marketplace offers great potential for the future. The Portal will change the way in which we engage and work with suppliers and providers. The PAE wants to use the Portal to:

- Make it easier for suppliers particularly SME's and the Voluntary and Community Sector to work with us.
- Reduce the bureaucracy and duplication that surrounds the prequalification and short listing process.
- Improve our understanding of the shape and size of the markets that we influence.

### Case Study 6 – Janitorial Supplies – Collaboration with the Idea / Marketplace

Braintree District Council has awarded a framework agreement, on behalf of the PAE and IDEa:Marketplace. This agreement has been awarded to **Bunzl** and encapsulates the requirements from most members of the PAE and Marketplace. The framework will enable members to aggregate volumes and drive prices down.

#### Benefits

- Direct savings. Framework prices of a random selection of goods were benchmarked against prices currently paid for exactly the same goods across three Districts and the savings ranged from **11%-17%**.
- Proactive account management (potential to reduce variety where appropriate and drive down cost)
- A one stop shop for janitorial supplies (thereby reducing transaction costs)

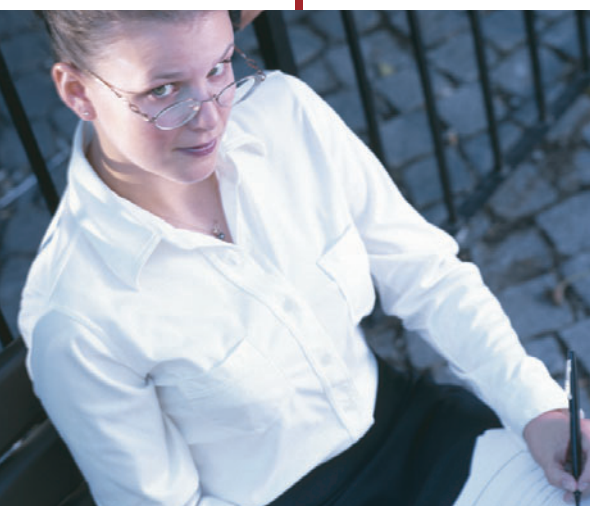
#### Learning

- Data is key. A further benefit of the framework is that we will have a readily accessible idea of what is being spent by whom and on what, enabling our future requirements to be more effectively leveraged.



# 4. Procurement training & consultancy

## 4.1 Procurement reviews



The PAE has completed 4 of the proposed 8 Procurement reviews with its member organisations who have little or no Procurement resources of their own. These reviews have been funded by the PAE with the help of a £20k grant from the Capacity Building fund. The key outcome is an action plan for each organisation that outlines specific activities and timescales for:

- Realising value and efficiency opportunities identified against specific Procurement spend categories.
- Addressing gaps and weaknesses in Procurement probity and compliance.
- Addressing gaps and weaknesses identified around Procurement systems and infrastructure e.g. Contract Database, forward plan of major Procurements.
- Engaging with the PAE collaborative network to co-ordinate and maximise Procurement effort and effectiveness across Essex.
- Addressing gaps and weaknesses identified against the National Procurement Strategy and the CPA key lines of enquiry.

### Case Study 7 – Collaboration with the HR Strategic Partnership

The PAE has a close working relationship with the HR Strategic Partnership and makes a key contribution to many of its initiatives. Work has been progressing on implementing the advertising and temporary agency contracts (let in January 2005) and on new contracting initiatives such as on line advice for HR professionals, the recruitment of temporary professional staff and interpretation and translation.

#### Benefits

- Rebates on current contracts approaching **£100,000** (last calendar year). These rebates have helped to fund HR training on change management and leadership. The rebates are also helping to fund a careers portal for Essex.
- Discovery work conducted on the use of temporary agencies to supply professional staff. Potential savings of 11% circa **£125,000** across the five Districts (excluding Essex County)
- A newly negotiated arrangement with X-Pert HR has allowed members to access the on-line advice facility at a greatly reduced and consistent rate with the added potential benefit of developing a site customised to the Essex Strategic HR Partnership. In some cases subscription rates have been **reduced by 40%**.

#### Learning

- There is rarely a one size fits all solution and a staggered approach to implementing new arrangements can be beneficial. This enables Authorities to come on board when it best suits them and their agendas, whilst allowing those keen to join the freedom to do so.



## 4.2 Corporate governance

The PAE board meet every quarter to make decisions, review the budget and strategic direction of the PAE. Similarly the operational group meet every 6 weeks to monitor and communicate the progress of the PAE work programme.

This year we have introduced the concept of the PAE '**Think Tank**' to encourage debate and innovation around Procurement in Essex. This has led to the commissioning of a white paper that will seek to advise Essex Chief Executives about the options around fundamentally re-financing and repositioning the Procurement landscape in Essex.

### 4.2.1 Governance of the new procurement hub

The PAE board have agreed to act as a governing body for the new Procurement Hub and to this end the 'head of Procurement' within the hub will have a dotted reporting line into the PAE Director post. Whilst the PAE will have no executive powers over the running of the hub it will independently scrutinise 'Hub' activity and be able to influence its strategic direction to ensure that it is consistent with the aims and objectives of collaborative Procurement as a whole in Essex.

#### Case Study 8 – Collaboration with the Essex online Partnership

The PAE has been working closely with the Essex online Partners (EOLP) to establish areas of collaboration and mutual benefit. With regard to IT Hardware, the EOLP and PAE have worked up a specification for a desktop, screen, laptop and thin client device with the intention of participating in an eAuction facilitated by the OGC and Achilles (scheduled to take place week beginning 15<sup>th</sup> May 2006).

##### Benefits

- In collaborating more widely than Essex (there are many participants in the auction), the opportunity to enhance technical and procurement networks and to gain from these has been presented
- OGC supporting the service has provided advice and guidance on the implications of using the Consolidated Directive in an eAuction (unfamiliar territory for most- OGC included)
- The resulting agreement will be available to third party suppliers to the PAE/EOLP

##### Expected Benefits

- Potential costs benefits of **£300,000** (in year one) across the PAE assuming anticipated volumes are met and prices follow those achieved at previous auctions.

##### Learning

- There is a cost of attributable to potentially changing suppliers, but in this instance it was considered neither as great nor insurmountable as first perceived.



# 5. Continuous Improvement

Now that the PAE has a full complement of staff it hopes to put the following improvements in place going forward:

- Still a very young organisation, the PAE has had a wide ranging strategic and tactical agenda this year. The PAE board wants to encourage a greater focus on strategic issues and it is hoped that the revised mission statement and imminent Procurement white paper will go some way to achieving this.
- The PAE work programme will change this year, the processes around accepting and prioritising new projects need to be reviewed with greater interaction between the board and or the Operational group. A rolling work

programme with quarterly updates to the board will help in this respect.

- The working protocols will be updated to prevent duplication and take account of new learning and the operation of the new 'Procurement Hub.'



## Case Study 9 – Creation of Online Contracts Register Service

Following on from our work designing an Online Contracts Register Service (CRS) with New Information Paradigm Limited (NIP) in 2004, the CRS went live in November 2005.

This unique service allows all PAE members to input details of large contracts into a common format and share information for planning and contract alignment purposes. The CRS has now been adopted by the London Region and the PAE will soon be able to access details of London contracts as well as those from OGC and other consortia across the UK. This is not a static service and new functionality is being added on a constant basis.

### Benefits

- Annual cost to PAE members less than £350 per organisation
- Ability to share and benchmark contracts as well as plan and align future contracting activity

- A service designed around the needs of Agency members reflecting their priorities
- Supports local government procurement classification – ProClass – as a standard facility

### Expected Benefits

- Potential access to contracts outside the region including OGC and London
- Access available to the Public
- Support for the Shared Services agenda through contract alignment
- Inclusion in newly formed User Group to further advance the CRS's potential

### Learning

- Importance of having access to contract information and being able to share it if we are to achieve further cash savings
- Difficulty in co-ordinating and accessing contract information from within individual authorities
- Ensuring that service departments understand the benefits and the scope of what the CRS is designed to achieve.



## 6. Looking forward to 2006-7

The PAE is currently undertaking a strategic analysis of its operations to inform its future direction and work plan. The analysis will draw on the following:

- The results of the Procurement reviews being undertaken at 8 member Councils.
- A SWOT analysis and a review of the key external factors that are likely to impact upon the PAE.
- A review of Essex wide spend analysis trends and information from the PAE Contract Register.
- Individual consultations with PAE member organisations.

**"The progress the PAE has made in not only establishing the PAE as the leading model, but in also delivering real benefit to its members, is truly impressive. This is a wheel that should be re-invented!"**

**Adrian Gibson,  
EGS & IDeA Marketplace.**



**"The PAE is unique and is far ahead in its organisation and thinking than any other UK public sector body in delivering the efficiency agenda. I would recommend it as a model for UK roll out and am pleased to emulate it in London."**

**Ken Cole  
Director, London Regional Centre of Excellence**

