

E-PROCUREMENT SCOTLAND

1. BACKGROUND

- 1.1 There has been an awareness across the Council of the potential to achieve significant savings through Procurement since the Council joined the eProcurement Scotland programme in early 2004 and began to seriously engage with the public sector procurement agenda.
- 1.2 Until 2009 however and the implementation of the Process for Change programme there has been limited investment in purchasing capability by the Council and this has restricted the ability to deliver savings from Council contracts. Up until now savings have been delivered almost exclusively from collaborative contracts let by other organisations on the Council's behalf

2. RECOMMENDATIONS

- 2.1 That the Committee note the savings recognised by the Council from procurement over previous years and the significant potential for procurement activity to have a positive effect on the delivery of Council services from reducing budgets.

3. SAVINGS METHODOLOGY

- 3.1 The savings methodology applied to date has been calculated on a relatively simple basis. Price savings have only been applied where a clear baseline could be established from a previous price, either contracted or commonly purchased. The previous arrangement is the baseline and the savings are calculated for the length of the new contract, which becomes the new baseline on expiry.
- 3.2 Savings generated through Process for Change will be reflected directly in Council budgets and therefore a more rigorous methodology has been developed based on the benefits realisation methodology used for projects
- 3.3 Although cost reduction will continue to be a major objective when new contracts are being let, the new sourcing strategies will use a balanced

scorecard approach to objectives, including Enhanced Service Delivery, Internal Process Improvements and Sustainability with Cost.

4. HISTORICAL SAVINGS FIGURES

4.1 The Council has recorded cashable savings from procurement for a number of years, as follows;

CONTRACT	SAVINGS 2007/08	SAVINGS 2008/09	SAVINGS 2009/10
Stationery and Office Supplies	60,000	60,000	0
Light Vehicle Contract	37,500	50,000	62,500
Heavy Vehicle Contract	35,000	35,000	35,000
Microsoft Enterprise Licences	24,000	24,000	24,000
PCs and Laptops	71,000	120,000	0
Protective Clothing			50,000
Advertising			25,000
TOTAL	227,500	289,000	196,500

While almost all of the above contracts have been let by organisations on the Council's behalf, the Council have been instrumental in bringing many of the contracts to fruition. The light vehicle contract for example, is now used across Scotland but the concept was developed from an initial collaboration between Argyll and Bute, Renfrewshire and North Lanarkshire Councils.

The Council has also recorded non – cashable or time releasing savings from the use of the Pecos e-procurement system for purchase to pay. The savings are calculated on a transaction basis, obtained from time studies on a range of paper and e-transactions carried out by the Scottish Procurement Directorate across Argyll and Bute. The calculated saving per transaction is £3.40. The savings, over the same years are as follows;

2009/2010 £107,525 (estimated to end of March)
 2008/2009 £107,341
 2007/2008 £56,814

5. PRESENT AND FUTURE SAVINGS

5.1 The Council now has a sufficient complement of purchasing officers in place who, while still relatively inexperienced, will be able to deliver significant cost savings through better procurement practice and increasing the overall level of expenditure that is carried out under formal contract.

5.2 During 2010/11 it is expected that savings will be generated from a range of contracts covering but not restricted to postal services, car leasing, temporary and agency staff contracts, property maintenance and

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17th February 2010.