

BARKERS

COMMERCIAL CONSULTANCY 



ESSEX FIRE & RESCUE

**PROCUREMENT REVIEW SUMMARY AND
RECOMMENDATIONS**

APRIL 2021

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INTRODUCTION

Barkers was engaged by Essex Fire & Rescue to review the Procurement Department and the procedures and processes that exist. This focused on four key areas:

1. **Procurement Policy and Procedures** – review existing strategy, end to end practices, demand management, engagement with the business, contracting and reporting.
2. **Savings opportunities** – identification of opportunities to reduce third party spend based on 12 months spend data (Apr - Mar FY1920) from Coda Dream (c.£16.9m), TranMan (c.£1.1m) and Purchase Card transactions (£211k).
3. **Governance and Reporting** – consideration of factors such as actionable reporting information, department reporting, supplier performance, risk and management.
4. **Organisation & Right size review** – capacity and capability of resource, volume and type of procurement activity (including potential additional activity), with recommendations of an optimal team structure.

In summary, there are opportunities for:

- Adding more value whilst also simplifying ways of working, e.g. set a savings target and reduce the high number of invoices through consolidation
- Re-defining procurement to focus on distinct strategic activities
- Developing a culture where everyone recognises their shared responsibilities and roles in managing the businesses costs.

This report seeks to cover all relevant aspects identified in the RSM report whilst also providing additional detailed recommendations related to improvements to the procurement practices of Essex Fire & Rescue.



KEY FINDINGS

The following table summarises the key findings from the initial discovery phase which includes 12 interviews made up of 5 individuals from the Procurement team and 7 business stakeholders.

From the data provided, the overall annual spend of Essex Fire & Rescue was c.£16.9m across the c.50 fire station sites (FY19/20 non-pay data). The Procurement team currently report to the Corporate Services Director managing a total contract value of £21.2m (c.£6m per annum).

FY19/20 is the most recent full financial year, to understand expenditures trends fully it would be necessary to undertake a review comparing at least three full financial years to collate the key differences. It should be also be noted that FY20/21 will likely contain Covid-19 related expenditures, for example PPE. The effect of Covid-19 may have had a marked difference in comparison with the previous 10 months.

	Summary	Key Concerns
Procurement Policy and Procedures		
	<ul style="list-style-type: none"> Limited visibility of the Procurement Strategy within the business The Procurement Policy and Procedures focus entirely on public procurement rules Little or no contract management or supply chain risk management takes place No set preferred or approved suppliers 	<ul style="list-style-type: none"> Reasonable risk that not all the relevant contracts are held on the Delta contract database despite procedure While contract renewals are monitored in Delta, there is no consolidated view of a procurement pipeline to assess forthcoming projects and thereon align with the internal stakeholders Lack of tools and templates to support the Procurement Team e.g. contract management framework, supplier review templates
Savings opportunities		
	<ul style="list-style-type: none"> There were no Category Plans or spend analysis available for review There were no Stakeholder Maps or Plans available for review Feedback from the business that Procurement is not aligned to their business objectives While the supplier list has been rationalised, there is a growing number of suppliers owing to business-driven reactive supplier arrangements 	<ul style="list-style-type: none"> Not a savings or value creation centric organisation, offers a low-level delivery of savings benefits to the business budget holders Anecdotal evidence suggests that invoices with PO numbers are low, but this would require exploration, as there is a lack of reporting available. It is likely that invoices are being received prior to purchase orders being raised, meaning that the business is missing the opportunity for volume discounts or enhanced terms of business. Contract management framework not visible as a key procurement activity No structure to analyse the market and achieve best value outcomes for the business

Governance and Reporting		
	<ul style="list-style-type: none"> • Little or no meaningful reporting to track project activity taking place within the function • No tracking of ongoing cost management, and the Savings Report not updated consistently • No reporting was evidenced which monitors the Procure-to-Pay cycle, e.g. retrospective PO's, late Goods Receipt Notes • Poor demand management planning with the business 	<ul style="list-style-type: none"> • Not achieving the most efficient performance from the team or supply base • Function is not focussed on monitoring objectives and outcomes of contracts • Lack of department metrics means Procurement is unable to describe its value to the business to its peers or to the Corporate Service Director • Lack of business engagement to drive 1) alignment to business objectives and 2) added value, meaning key procurement activity is missed e.g. expired contracts results in extensions (rolling-on) with aggregate values increasing without appropriate steps to comply with the procurement rules.
Organisation & Right size review		
	<ul style="list-style-type: none"> • Team role not clearly understood by the business, seen as mostly administrative • High value activity takes places outside of the Procurement function • The highest commercial priorities do not receive a proportionate allocation of procurement resources. 	<ul style="list-style-type: none"> • Most of procurement activity is undertaken by functional staff in Property & Fleet who have not received any formal procurement or commercial training. They are making buying decisions on behalf of the Service, which could have a negative impact on value for money attained • The procurement operating model is unclear e.g. centralised, centre-led or decentralised.

BACKGROUND

Barkers were asked by the Director of Corporate Services to perform a Procurement Review to assess the efficiency and effectiveness of processes, structures and the team today. To do this we interviewed key members of the Procurement community and senior business stakeholders while completing a rapid analysis of the expenditure and supply base.

During the analysis, Barkers interviewed 11 key members of staff and 1 external network collaborator, a total of 12 stakeholders. We subsequently reviewed all available and relevant policies, procedures, processes, transactional and spend data sources. Many common themes emerged from the interviews. The people interviewed;

Name	Position & Title
Natalie Quickenden	Assistant Director of HR
Neil Cross	Chief Finance Officer
Sarah Taylor	Head of ICT
Jon Doherty	Property Services Manager
Peter Warner	Fleet Workshops – Engineering Manager
Dianne Perkins	ICT Business Partner
Sheldon Dyer	Head of purchasing & supply
Sarah Smith	Purchase & Supply - Contracts Officer
Mike Eldridge	Purchase & Supply – Admin Assistant
Mike Williams	Purchase & Supply - Purchasing Officer
Dawn Lowrie	Purchase & Supply - Purchasing Officer
Tina Butler	Network Collaborator (Kent Fire)

Barkers also performed a “rapid review” of the spend, invoice and contract data. It should be noted that in the timeframe we have not been able to cleanse or challenge this data.

This report provides detailed recommendations related to improvements to the procurement practices of Essex Fire & Rescue.

CURRENT SITUATION

The following section highlights our observations across each of the four focus areas;

Procurement Policy and Procedures

1. The Service lacks a strong Procurement Strategy or Procurement Service Order document which describes the function's goals against overall business objectives, processes and roadmap for the Service. Relevant document in this regard focuses more on the procurement spend thresholds and related governance.
2. While a Procurement Policy exists the key messages for the procurement process and rules are lost in the detail, and does not include how the business will control and manage its expenditure
3. Where involved, the Procurement team source the appropriate collaborative framework contracts in which to conduct mini-competitions. OJEU exercises are not commonplace and when undertaken the 'open procedure' is mostly utilised.
4. There is an inconsistent approach to systemising the contracting element of procurement through a lack of templates, which could reduce the level of contracting effort each time.
5. There is little or no contract management taking place (obtaining best value through the contract life cycle and managing supplier risk).
6. Function is not focussed on monitoring objectives and outcomes of contracts.
7. The current structure creates a focus upon day-to-day material management, purchase order management and reactive supplier management across the Procurement team, preventing them from focusing on other value adding activities.
8. The Procurement Team does have the right focus on using collaborative frameworks where possible, so as to optimise timelines, but there is a lack of clarity on the different framework channels being used (e.g. G-Cloud, ESPO, CCS) and the reasons for using one channel over another.
9. Currently there are commercial disputes which demand business resource to address and resolve commercial issues e.g. Cleaning, Waste & Recycling management. Common factors leading to this include poor specification arising from issues between the business and procurement. The lack of a systemised methods of assessing risk and a lack of engagement with the business means the business feels the function is focused more on the contracting element rather than the business outcome.
10. Basic operational supplier reviews are being undertaken by the relevant business unit, but they are not strategic reviews of supplier relationships and they are not conducted alongside the procurement team to address and follow-up.
11. There is no segmentation of the supply base to assess risks and opportunities in a planned/logical fashion. All parties believe that they know who the most important and strategic suppliers are; but also suggest that obtaining better value from these relationships can be challenging.



12. The Procurement and Finance Team do not have access to TranMan (asset management and ERP tool) which channels c.£1.1m (FY19/20) of Fleet spend, and access is as stated by a stakeholder as '*...exclusively*' held by Fleet.
13. Contracts for ICT, Fleet and Property are managed by the respective business units, and expired contracts are not dealt with adequately within appropriate timelines. Contracts are subsequently extended without consequence for non-compliance to public procurement spend thresholds. Interview meetings and documentation has referenced Cleaning Contract, Waste & Recycling to name a few.
14. The Property Department is outsourcing the tendering of construction and other property management activities such as refurbishments through third party Property Consultants. There is no visibility of business cases or documentation produced by the Consultants for review, validation or record keeping or building a toolkit.

Savings Opportunities

1. Procurement does not have a negotiated savings centric proposition, and this is more owing to public tendering rules governed by the Public Contracts Regulations (PCR) 2015 but does measure savings against budgets. There is inconsistent tracking of savings delivery by the department.
2. A limiting factor for accessing savings opportunities is the current organisational structure, where Contracts and Purchasing Officers are spending their time on running mini-tenders from collaborative frameworks, purchase order raising, systems and materials management. This prevents proper engagement with the business to:
 - establish their operational needs
 - create suitable plans to obtain better value from the market
 - manage the on-going contract life cycle.
3. Little or no analysis of expenditure patterns have been demonstrated with no procurement plans with timelines and outcomes established.
4. Interviews suggested a high proportion of invoicing being received prior to purchase orders being raised, meaning that the business is missing the opportunity for volume discounts or enhanced terms of business. This indicates that the appropriate due diligence for spend sign-off has not be undertaken (no credit checks) and appropriate contracting processes overlooked, and in some circumstances only a MoU in place.
5. The Procure-to-Pay system is creating a substantial amount of activity with many suppliers sending individual invoices per transaction. As an example, Buznl, the stationer and consumables supplier have 264 invoices (total spend of c.£54K) taking place within one-year FY19/20 (see Internal Data Section for details). Business efficiency benefits could be gained by addressing this.
6. Our rapid review indicates that there are a large number of Categories of spend with long supplier lists which would indicate savings opportunities being missed.

Governance and Reporting

1. There is little or no reporting in the Procurement function which is used to manage the productivity and effectiveness of the function from systems data.
2. Lack of department metrics means Procurement is unable to describe its value to the business, its peers or the Corporate Service Director. It is suggested that much of the reason for this is the lack of recognition.
3. There is no management tracking of the procurement project pipeline, the associated deadlines, outcomes and tagged resources.
4. Inconsistent engagement:
 - with the business to understand their needs and the context of the procurement
 - with stakeholders for business objectives alignment.
5. There are 3 channels for logging spend, and there is little evidence to show active management of each channel, which in turn reduces overall transparency.
 - Coda Dream - a Finance system (FY19/20 c.£16.9m)
 - TranMan (annual spend of c.£1.1m) which contains PO and spend information, also an ERP
 - Purchase card transactions with an annual spend of c.£211K.
6. As there are no procurement plans, there is no method to track the performance of the Procurement team.
7. Delta is the Services' Contract database, but there is a lack of visibility
 - On whether the database contains all relevant contracts
 - On how it is monitored for contracted suppliers or renewals
8. The current structure of having procurement devolved allows for suppliers who have previously supplied goods and services to the business to be entrenched without appropriate timely reviews and benchmarking. There appears to be a choice over which supplier to use; this prevents the Procurement team from achieving better value since Procurement cannot influence or direct expenditure effectively.
9. The process for chasing goods receipt is manual, and requestors push for retrospective PO's to be raised, the process is triggered when the Service receives an invoice without a PO number.
10. Every year the Service reports on invoice payment, and the metrics state that payment is over 95% made on time or before the required date. Overall, adherence to 30-day payment term is reasonably consistent.

Right size review

1. Procurement Team is buried in day-to-day activities such as tendering and admin such as purchase order raising and materials management.
2. Most of the high value procurement activity is undertaken by functional staff in Property & Fleet.
3. Procurement activity is described as being reactive; responding to urgent requirements from the business stakeholders.
4. The current structure does not allow for category management focus, as such category plans are not produced. Procurement is generalist in nature.
5. The current organisational structure, and the way the Procurement teams' roles are designed prevent them from being able to focus on the key elements of the procurement and supply chain.
6. During the interviews, Directors and Procurement recognised that for the business effectively manage it costs, change is required in both the business areas and the Procurement function.

Internal Data

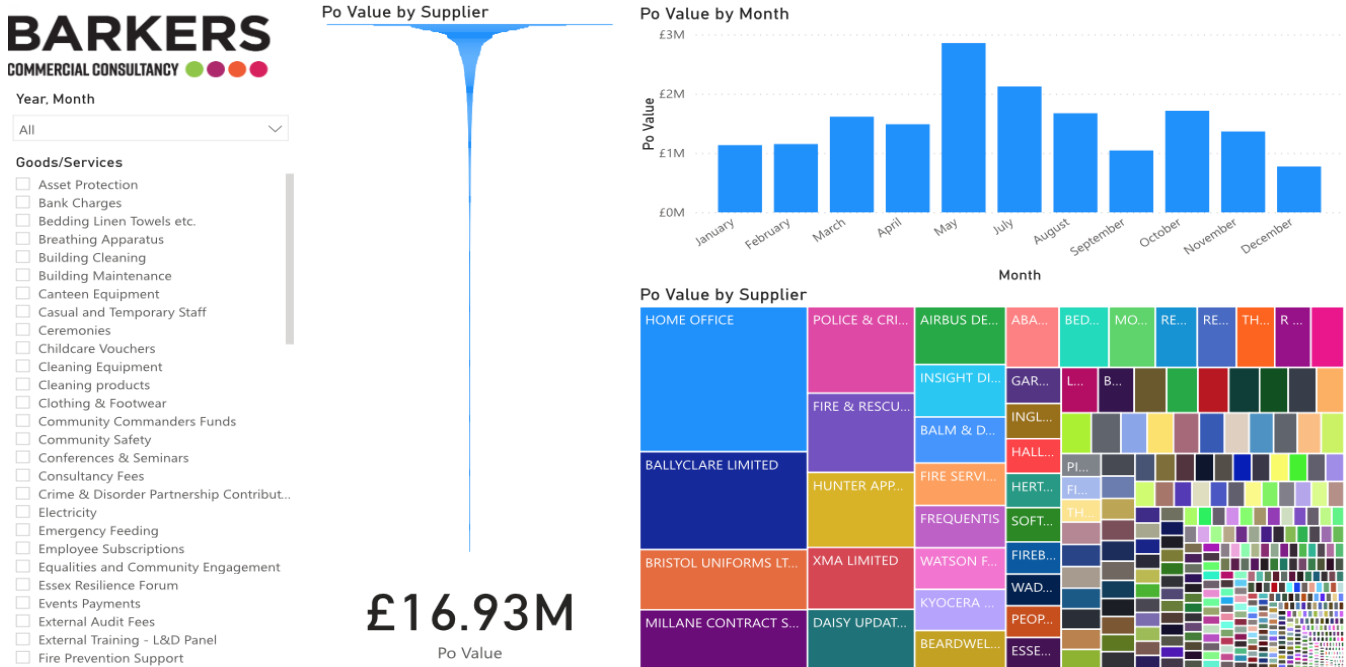
Spend Overview

The visualisation of spend across all data is dominated by Property management, PPE, construction and ICT spend. Pending more detailed analysis, there may be some expenditure hidden particularly in reference to transactions on business credit cards (c.£211K FY19/20).

Our analysis shows that there are a number of categories of spend where spend is split across very large number of suppliers. These categories are clear targets to generate savings and efficiencies. These are (in no particular order): Construction, Facilities Management, PPE and workwear, IT and Communication Networks.

The full PowerBI dashboard can be made available to allow all data to be interrogated based on the interests of individual readers of the report. The summary level data from this rapid review has been published here.

FY2019/2020 – PO Spend Analysis



Purchase Order Volume

Analysis of the purchase order volume indicates a further opportunity to generate efficiency by, having agreed strategic suppliers for services, agreeing consolidated invoicing and ordering processes to substantially reduce transaction volume with a 'No PO, no Pay' policy.

Year, Month
All

Supplier

- BOWMONK LTD
- BOXXE LIMITED
- BRAINTREE DISTRICT COUNCIL
- BRAKE BROS LTD
- BRECKLAND COUNCIL
- BREEZE OFFICE SOLUTIONS
- BRENTWOOD LOCK & SAFE CO LTD
- BRISTOL UNIFORMS LTD
- BRISTOL UNIFORMS LTD RE BRISTOL CARE
- BRITISH AUTOMATIC FIRE SPRINKLER ASSOCIATION
- BRITISH GAS
- BRITISH SAFETY COUNCIL
- BRITISH STANDARDS INSTITUTION
- BRITISH TELECOMMUNICATIONS
- BROMLEY DEMOLITION COMPANY LIMITED
- BRONZE MECHANICAL HANDLING LTD
- BSI BRITISH STANDARDS
- BSP HYDRAULICS LIMITED
- BT GLOBAL SERVICES
- BUCK & HICKMAN LTD
- BUNZL CLEANING & HYGIENE SUPPLIES
- BUREAU VERITAS UK LTD
- BUSINESS DISABILITY FORUM

Organisation_Ref

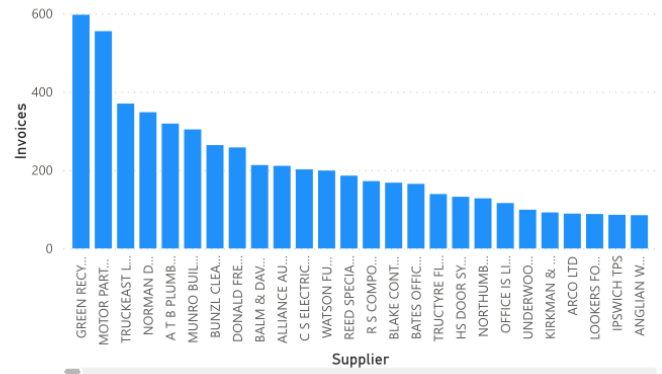
- EPFCC FRA
- Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

13K
Invoices

£16.17M
Invoice Amount (Exc VAT)

£2.4M
Invoice_line_VAT_Value

Invoices by Supplier



Invoice Amount (Exc VAT) by Goods/Services



Further analysis is required to understand the extent of electronic ordering through punch out catalogues (e.g. an Amazon type experience), where appropriate. Typical market average percentage of spend on punch-out catalogues is 30%. The best in class market average percentage of transactions via catalogue is 60%. Failure to exploit catalogues requires additional effort from the purchasing team to raise orders.

The 4 extracts below show a high number of invoicing for Motor Parts, Green Recycling, Bunzl and Bates, which all indicate the need for invoice consolidation. A further review would include benchmarking of Bunzl and Bates to attain the most economically advantageous pricing for consumables.

Supplier: Motor Parts Direct

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Year, Month
All

Supplier

- MIRAHO ASSESSMENTS
- MERSFISIDE FIRE & RESCUE AUTHORITY
- MERRINO ELECTRICAL LIMITED
- MICROSOFT LTD
- MID-ESSEX PEST CONTROL
- MIDLAND DIVING EQUIPMENT LTD
- MILLANE CONTRACT SERVICES LTD
- MILLER MEDICAL SUPPLIES LTD
- MINISTRY OF DEFENCE
- MINTIE LANDSCAPES LIMITED
- MID HUTCHINGS
- MODSIS GAUGES LIMITED
- MOMENTUM INCORPORATED LTD
- MONTHEND CLEAN LP
- MORRELL GROUP LTD
- MOTION PICTURE LICENSING COMPANY LTD
- MOTOR PARTS DIRECT
- MUR LLOYDMAN
- MVS OLIVIA DOBBIE
- MISA (BRITAIN) LTD
- MULTITONE ELECTRONICS PLC
- MURKING BUILDING SERVICES LTD
- MURKINGMARK PFSSEY

Organisation_Ref

- Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

555
Invoices

£24.45K
Invoice Amount (Exc VAT)

£4.39K
Invoice_line_VAT_Value

Invoices by Supplier

Invoice Amount (Exc VAT) by Goods/Services

Supplier: Green Recycling

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Year, Month
All

Supplier

- GENIUS WITHIN CIC
- GLEN HOPKIN LTD
- GO MAD THINKING
- GODIVA LTD
- GOLDING AUDIO LTD
- GOTTIE TRADING LTD
- GOVNET COMMUNICATIONS
- GRATIEC LIMITED
- GRANVOLD LLC
- GRANT THORNTON UK LLP
- GRASSHOPPER (HORTICULTURAL) LTD
- GREAT LEIGHS ESTATES LTD
- GREEN NETWORK ENERGY LIMITED
- GREEN RECYCLING LIMITED
- GREYGATE CHEMICAL PRODUCTS LTD
- GRITTE LTD
- GROUNDTRUTH CONSULTING LTD
- GUYSON INTERNATIONAL LTD
- GW COMMERCIAL EQUIPMENT LIMITED
- H & M COMPRESSORS LTD
- H C SLINGSBY PLC
- H R BIRKING LTD
- H C MAW CLEAL CHINESE LTD

Organisation_Ref

- EPFCC FRA
- Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

597
Invoices

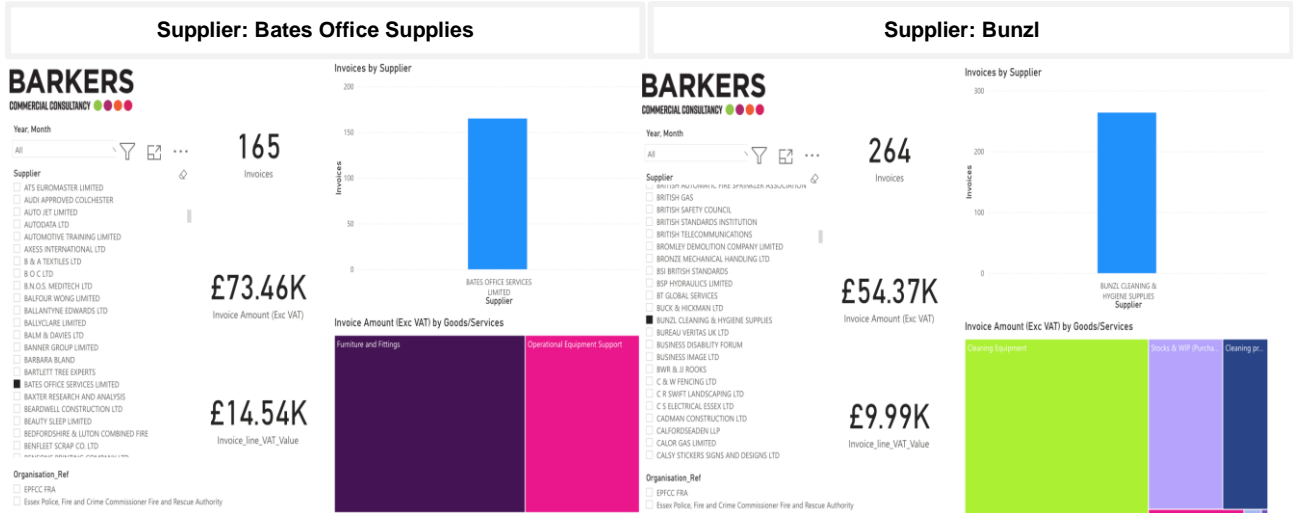
£63.1K
Invoice Amount (Exc VAT)

£11.65K
Invoice_line_VAT_Value

Invoices by Supplier

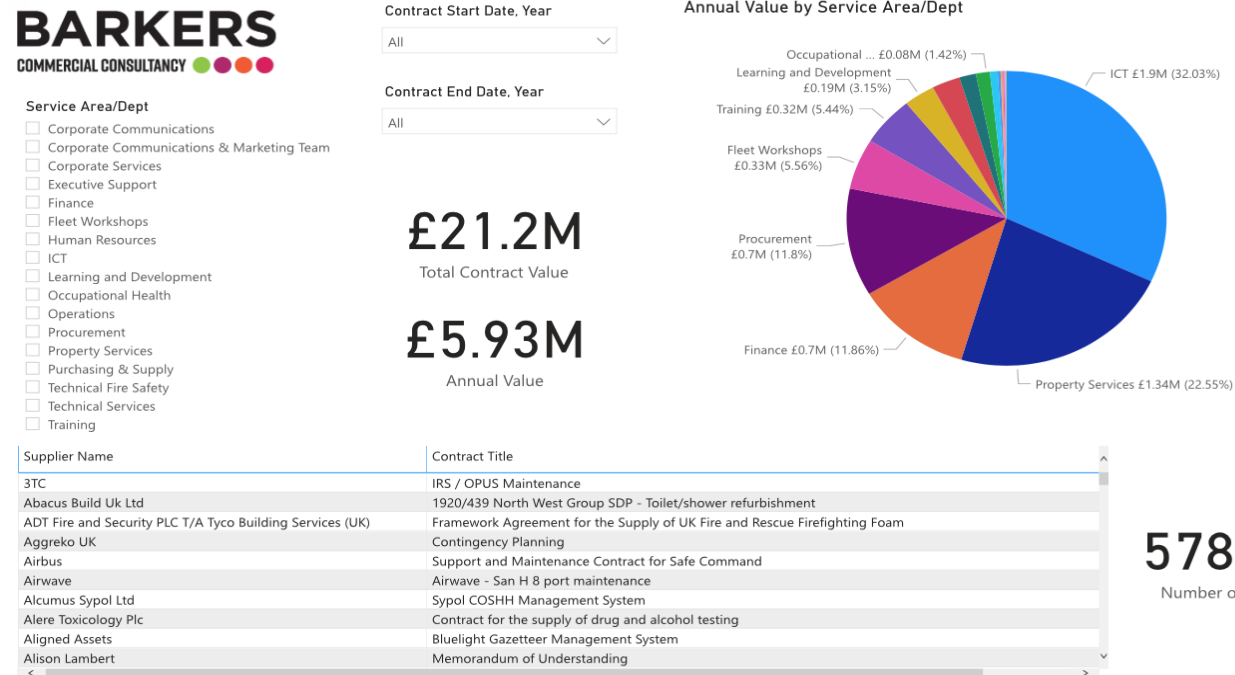
Invoice Amount (Exc VAT) by Goods/Services

We propose initially moving more low value orders to alternative payment methods, such as consolidated invoice upload. While purchasing/business credit cards are already being utilized there is little evidence to suggest better deals are being brokered, a 3-year trend analysis would provide further insights.



Contract Commitment and Term

ICT and Property Services account for over half of the total value in the contract database 'Delta'



RECOMMENDATIONS

Align Essex Fire & Rescue procurement function to it to best practice in the sector, address procurement's organisational structure and operational processes while making changes outside the function.

Phase 1: Recommended Changes

ID	Description	Priority	Difficulty
Procurement Organisation			
P1	<p>Work with senior stakeholders to establish a Procurement Service Order (PSO) by way of a strategic procurement document for revision and approval.</p> <p>Develop bitesize sessions delivered to introduce the new Service Order across the organisation. Such documents will provide guidance to the whole business (including Procurement) on how the business will achieve best value from its expenditure, how it will control its expenditure, and how it will manage risk and opportunities with Suppliers.</p>	High	Medium
P3	<p>Create a real-world example of better value at EF&R. Begin internal collaboration to build a business case and procurement plan for waste management services as a project, achieve alignment on specifications and ultimately tendering using an appropriate collaborative framework.</p> <p>Procurement to lead with sponsorship from the CFO. This would also be an opportunity to share a good strategy in which Barkers can support.</p>	High	Medium
P4	<p>Create a real-world example of better value at EF&R. Conduct an independent review and re-specify the consumable parts for spares required for the fleet</p>	High	Medium
P5	<p>Review all suppliers with more than 40 invoices being generated per year and validate processes, consider invoice consolidation and supplier rationalisation</p>	High	Medium
P6	<p>Within this structure, place all activities associated to PO raising and management with business operations and not procurement.</p>	High	Medium
Strategic Procurement			
P9	<p>Perform a review of all the key Categories where the Supplier lists are long and, working closely with the business to develop a plan to address and create savings approach in each Category.</p> <p>Of the £16.9m the spend the addressable is approximately between c.£7m – c.£9m which will require further review. The approximate figure excludes spend related to Home Office (£1.6m) and committed contract spend (c.£6m)</p> <p>Given the lack of management of many of these categories, while allowing for inaccuracy in any reporting, we anticipate savings of >10% achievable. Based on the approximate addressable spend, we would approximate savings between c.£700K - £900K to be considered achievable via this programme. Savings may comprise hard cash savings, rationalisation and cost avoidance.</p>	High	High

ID	Description	Priority	Difficulty
P10	Develop a project pipeline with outcomes, sourcing options and timelines for agreement with the stakeholders and include all the expired contracts which have been extended where the aggregate spend value meets the public procurement thresholds. Set a priority to manage for CM resource allocation and sponsorship.	High	High
P11	Establish processes to monitor any excessive Waiver (single sourcing) and report as part of a monthly dashboard submitted into the Management Board.	Medium	Medium
P12	Review the need for third party Property Consultants, including Ingleton Wood and Calford Seadon (combined committed spend c.£250K).	High	Medium
P13	While there is c.£211K spent using purchase cards, the Service may consider increasing this spend to cover low public threshold expenditure e.g. up to £5K. Capturing this data on purchase cards would enable the Category Managers review, monitor and address as appropriate.	High	Medium
P14	Continue to address and report the outcomes for the RSM audit report dated 21 July 2020 and manage reporting at agreed frequencies with Audit/Finance	High	Medium
P15	Control the on-boarding and off-boarding of suppliers from the systems to ensure that the Supplier Base is actively controlled.	High	Medium

Contract Management Approach

P16	Establish a Contract management programme and toolkit. In segmenting the Supplier base by opportunity, expenditure and risk, the business will be able to focus its efforts with critical and strategic suppliers, building Executive relationships where appropriate to obtain greater value from these suppliers.	High	Medium
P17	Establish a set of Roles and Responsibilities for the business on a Category (and where necessary, Supplier) basis to ensure that the Business and Procurement's role in managing Supplier Performance is understood. The key principle to establish is that operations should manage day-to-day issues, with Category Managers (those in Procurement Team) being the commercial escalation point.	High	High
P18	Utilise the Contract Management toolkit to develop consistent approaches to Anti-Modern Slavery, Sustainability, Anti-Bribery and Corruption and Health & Safety which can be used by the Procurement team and the business to manage and mitigate risks in the Supply Chain. The scope of this should include going as deeply into the supply chain as Executive management considers appropriate to meet the business's vision and values. It may be necessary to buy Supplier Audit expertise to check on certain suppliers/supply chains	High	High

Recommended Changes outside the Procurement function

Discussions with the Directors of the business indicate that it is recognised that the business cannot be fully effective in its management of cost, and the procurement thereof, without making changes to the operations of the business, optimising the flow of activity to the procurement function.

ID	Description	Priority	Difficulty
B1	Drive a change in attitude and approach from the business stakeholders that a greater consolidation of suppliers is in the businesses interest to reduce costs. In this regard the business operations should re-focus its touch points with the procurement function (demand management, forecasting, ownership in supplier performance and relationships, and the Procure-to-Pay process). This will help drive savings creation against budget, improve engagement with the business and improve supplier relationships and performance.	High	High
B4	Provide time and resource to work with the Procurement team. This activity should be focussed on building a planned operation which reduces the need for reactive buying and so should have the appropriate reports and monitors in place.	High	High

Recommendation conclusion

The current team is operating inefficiently, bogged down in low-value transactional workload with the Contracts Officer working at full capacity on tendering activity. By implementing the Recommendations the Procurement team will be enabled to operate more efficiently and focus on higher-value activities such as business partnering, optimal tendering activity with contract and supplier management. The estimate benefit of these activities as a focus is between £700K - £990K per annum.

Report End.

