

**MANCHESTER CITY COUNCIL  
REPORT FOR RESOLUTION**

**REPORT TO: PERSONNEL COMMITTEE**

**REPORT OF: THE CITY TREASURER**

**DATE: 13 NOVEMBER 2007**

**SUBJECT: PROPOSED SENIOR MANAGEMENT STRUCTURE FOR  
CENTRAL CORPORATE PROCUREMENT SERVICE**

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**PURPOSE OF REPORT**

To set out the proposed senior management structure for a Corporate Procurement function.

**RECOMMENDATIONS**

The Committee is recommended to:

1. Approve the establishment of a new post of Group Manager (Systems and Strategies) which will also deputise for the post of Head of Corporate Procurement at a salary level of Grade 10+10% (£40287 to £43035).
2. Grant delegated authority to the City Treasurer acting in consultation with the Head of Corporate Personnel, responsibility for developing new job descriptions and, where appropriate, arrangements for appointments to posts within the revised structure.
3. Grant delegated authority to the City Treasurer in conjunction with the Head of Corporate Personnel, to approve and implement the detailed organisational arrangements below the posts set out in this report.

**FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET**

The proposals for the overall procurement staffing structure will result in an overall salary saving of approximately £200,000 per annum inclusive of salary related on costs.

This saving is based on the new centralised procurement function delivering an improved service with around 10 full time equivalent staff less than the existing devolved structure. The revenue budget savings generated from improved procurement by the central procurement function are currently projected at:

2007/08: £13.5m

2008/09: £7m (£20.5M cumulative)

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**WARDS AFFECTED:**

None

**IMPLICATIONS FOR KEY COUNCIL POLICIES:**

|              |                     |             |            |
|--------------|---------------------|-------------|------------|
| Anti-poverty | Equal Opportunities | Environment | Employment |
| No           | No                  | No          | No         |

## **1. INTRODUCTION**

- 1.1 The role of the City Council's corporate procurement function changed radically following the internal Best Value Review in 2001 and has continued to evolve in response to the national and local agendas and a local Audit Commission Value for Money review undertaken during 2002.
- 1.2 Subsequently, a project mandate was approved in October 2005 detailing a procurement Service Improvement Project under the governance of the Manchester Improvement Programme. This mandate for change would ensure the Council's new approach to procurement will result in a more effective and efficient operation.

## **2. BACKGROUND**

- 2.1 The Procurement Service Improvement Project (SIP) formed part of the portfolio of projects that make up the Manchester Improvement Programme (MIP) and sits in the wider Back Office key programme area.
- 2.2 The overall vision and purpose of the project is to provide best value in procuring the goods and services required by the Council, ensuring the right products are provided at the right time for the right price, whilst operating in a way which is consistent with promoting wider Council policies, aims and objectives. In achieving this vision the procurement process will consider environmental issues and sustainable procurement as well as promoting the local economy.
- 2.3 Appropriate use of collaborative arrangements and the ability to operate flexibly will ensure the procurement service will be able to meet the needs of the Council now and respond to changes in the Council's needs in the future.
- 2.4 The approach taken by the project has involved research and information gathering across the Council with key stakeholders as well as extensive research external to the Authority.
- 2.5 The outcome of the research and consultation to date has identified significant scope for service improvement; specifically in the areas of:

### Centralised procurement function

Over 120 staff are involved in procurement activity across the Council to varying degrees equating to approximately 40 full time equivalents. This leads to missed opportunities to maximise economic, social, environmental and sustainability benefits from the City Council's combined buying power, together with minimal focus on developing new procurement strategies and systems.

### Best practice procurement model

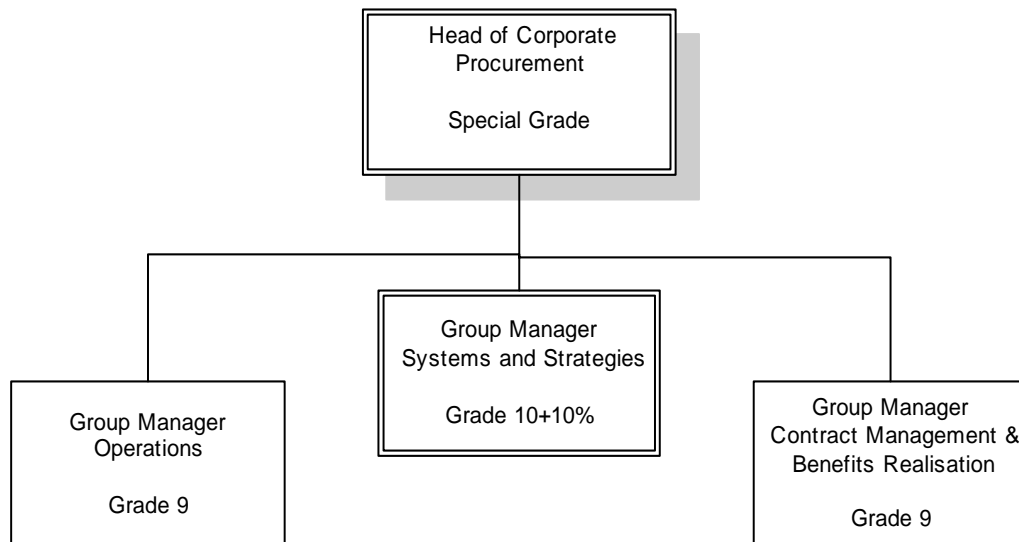
Inconsistent application of best practice procurement principles and processes resulting in under use of corporate contracts, lack of contract management and supplier performance and lower than expected benefits realisation.

### **3. BENEFITS OF A CENTRALISED SERVICE**

- 3.1 The redesign of the procurement service has not solely been driven by achieving efficiency savings from rationalising staff numbers. The proposed redesigned service will be fit for purpose to deliver Manchester City Council's procurement aspirations into the future.
- 3.2 A fully centralised service will deliver the lowest cost procurement service to the Council and offers the best opportunity to develop a strategic approach to procurement, delivering the expected benefits through a reliance on central procurement expertise to source and buy goods and services, with business areas providing the expertise to develop specifications and designs for specialist goods and services.
- 3.3 A central procurement function will facilitate a reduction in the costs of goods and services through negotiating contracts covering all relevant departments throughout the Council. This will also optimise economies of scale through aggregation of demand, rationalisation of the supplier base and applying professional procurement expertise. By exploiting technology to create process efficiencies, staff time will be freed up to focus on strategic contract management and supplier performance, collaborative working and other innovative procurement initiatives.

### **4. PROPOSED STRUCTURE**

- 4.1 The future procurement service will be led by a dedicated Head of Service managing and directing all procurement activity. Personnel Committee approved a new post of Head of Corporate Procurement on 20 December 2006, with the aim "to effectively co-ordinate and enhance corporate procurement management and capacity within Manchester City Council" This post was filled in March 2007.
- 4.2 To progress the development of the corporate procurement function outlined above the following senior team structure is now proposed:



4.3 Under the Head of Service, the structure will comprise three teams – Operations; Systems and Strategies; and Contract Management and Benefits Realisation. Each of these teams will have a specific procurement focus and have been developed to respond to areas of weakness identified in the existing devolved procurement function.

#### 4.4 **Systems and Strategies Team**

- 4.4.1 It is recognised that the existing procurement function lacks a strong strategic focus and that both existing and new systems and technology require dedicated resources to ensure they continue to provide the optimum platform for efficient and innovative procurement across the City Council.
- 4.4.2 To address issues identified around a weak strategic focus and lack of resource to develop systems, the Systems and Strategies team will focus on developing internal procurement strategies, liaising with other services as required such as Finance, Legal Services, Internal Audit and Corporate Technology Unit to ensure that procurement strategy and activity dovetails with and is complementary to other City Council strategies, protocols and procedures.
- 4.4.3 This team will also have the closest links with the local, regional and national procurement agendas and will work to ensure that the City Council leads on new procurement initiatives, incorporating innovation and efficiency in to the day-to-day business of the procurement service.
- 4.4.4 It is proposed that this team will be lead by the Group Manager, Systems and Strategies at a salary of Grade 10 + 10% (£40,287-£43,035). This post will also deputise for the Head of Corporate Procurement. This role will focus on developing and implementing procurement strategies and

leading on new initiatives and projects, innovation in procurement, and collaborative working.

- 4.4.5 Subject to the Committee approving the assignment of the new post it is proposed this will be advertised externally in order to attract candidates possessing the requisite skills and knowledge required to effectively undertake this role.

#### 4.5 **Operations Team**

- 4.5.1 This is the largest team and will concentrate on the continuation and development of day-to-day procurement business including e-auctions and OJEU procurement. Other e-procurement activity will be utilised by this team once initiatives are implemented and become business as usual, for example e-tendering.
- 4.5.2 This team will follow the new generic procurement model and will continue to develop more detailed plans and protocols at each stage of the cycle.
- 4.5.3 It is proposed that this team will be lead by the Group Manager, Operations which has been evaluated to Grade 9 (£33,315-£36,636).

#### 4.6 **Contract Management and Benefits Realisation Team**

- 4.6.1 In order to benefit from improved procurement through better value contracts, aggregation of spend, more efficient processes and lower organisational risk, it is essential that new contracts are adopted and fully utilised across the City Council at the earliest opportunity. In addition, it is important that contracts and supplier performance is managed throughout the contract and that potential benefits and efficiency savings are driven through to realisation.
- 4.6.2 The work of the Contract Management and Benefits Realisation Team will address these issues, ensuring that robust and rigorous systems are in place to improve contract adoption, utilisation and management, supplier performance management and benefits realisation.
- 4.6.3 This team will be lead by the Group Manager, Contract Management and Benefits Realisation has been evaluated to Grade 9 (£33,315 - £36,636).

### 5. **COMMENTS OF HEAD OF CORPORATE PERSONNEL**

- 5.1 I have worked closely with the Head of Corporate Procurement and the Procurement Service Improvement project in the development of staffing

proposals to support the delivery of revised centralised Corporate Procurement arrangements and support the overall direction of travel.

- 5.2 I agree that the salary proposed of Grade 10 +10% is appropriate for the post of Group Manager (Systems & Strategies) who will also deputise for the Head of Corporate Procurement and I am satisfied that the proposed salary will ensure that applications are received from high calibre candidates with the necessary skills, experience and attitude.
- 5.3 The two proposed posts of Group Manager, Operations and Group Manager, Contract Management and Benefits Realisation have been evaluated under the Job Evaluation Scheme and are appropriately graded at Grade 9