



cutting through complexity

Procurement Fitness Check for: Merthyr Tydfil

Output from the on-line survey and telephone
meetings

December 2013



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Fitness Check – Procurement Maturity Assessment

Background and Approach

Background

- In March 2012, the Minister for Finance commissioned a review into 'Maximising the Impact of Welsh Procurement Policy'. That review recommended the re-introduction of capability assessments or fitness checks, which the Minister subsequently confirmed would be re-introduced. This is also supported by the Public Service Leadership Group (PSLG) chaired by the Minister for Local Government and Communities.
- After a competitive tender, KPMG were appointed by Value Wales (within the Welsh Government) to deliver these capability assessments for all the Local Authorities in Wales.
- The objective of this work was to determine whether organisational procurement capability is adequate and also enable organisations to identify their strengths and areas for improvement. These assessments include actions for improvement which are to be presented to senior management at each Local authority and a copy is to be provided to Value Wales.
- Value Wales intends to provide on-going support for improvement through a 'Procurement Development Service' concept. This support will be linked to national improvement themes that this work identifies within Local Authorities across Wales.

Approach

- Value Wales provided the, previously developed, Welsh Government Capability Model, which KPMG used to develop an on-line questionnaire to assess the Local Authorities capability against this model.
- Each local authority was invited to prepare a list of staff who would be asked to complete the on-line questionnaire confidentially. These staff were either directly or in-directly involved in procurement and the list was intended to cover procurement across the authority.
- KPMG analysed the responses and prepared an initial assessment of the authority's procurement capability (based on the Welsh Government's maturity model). This assessment was then tested and moderated in telephone interviews conducted with the authority's key procurement managers and stakeholders.
- The output of this analysis and these interviews is presented here in this report, together with KPMG's recommended actions for improvement.
- These actions for improvement recognise the activities that are already on-going and planned within the authority and are intended to support those activities and provide practical advice to support the improvements.

Next Steps

- Once this report has been approved by the Head of Procurement and other senior stakeholders at the authority (if appropriate), it will be sent to Value Wales.
- A copy of the two-page executive summary (only) will be provided to the Minister.
- KPMG will also prepare an overall report that summarises the assessments across all the Authorities, identifies common themes for improvement and makes recommendations for Value Wales on how it can support the Authorities through its Procurement Development Service.

Fitness Check – Procurement Maturity Assessment

Merthyr Tydfil Executive Summary

Overall Maturity Rating

Developing towards Conforming

Organisational Context

- Merthyr Tydfil have a small central procurement team with devolved procurement and commissioning occurring across the organisation.
- Procurement is seeing a shift in its profile across the organisation as the team establishes stronger relationships and demonstrates value.
- The overall maturity score puts Merthyr Tydfil at the cusp of the 'Conforming' element of the Value Wales Maturity Model.
- Confidence is growing in the procurement team as the profile is raised and processes are becoming more consistent, this is also aided by the close collaborative relationships set up by the central procurement team with surrounding Local Authorities, where service level agreements have been established to buy procurement expertise and manpower when required.
- The current focus for procurement and their interactions with the Departments, is to achieve cashable savings and ensure compliance to policies and regulations. Not taking a longer term, strategic view of procurement has been a conscious choice by the central team but this is now a priority.
- New P2P system introduced 18 months ago has increased the organisations capability. It will support more detailed analysis of spend and enforce compliance once it has been embedded across the organisation.

Model Dimension

Recommended Actions

Procurement leadership & governance

- Finalise internal structure and clarify reporting lines of the central team under a more central Department Head, which will assist in empowering procurement to move forward in a strategic role with greater and visible senior leadership support.

Procurement strategy & objectives

- Central procurement should be involved in all strategic planning across the Departments to ensure strategic planning and a category view of spend achieved, from a commercial perspective not only a service delivery perspective.

Defining the supply need

- Departments to work with the central procurement team to develop strategic category management processes to aid in savings identification and delivery. This could be achieved through a formalised engagement strategy with Departments.

Commodity/project strategies and collaborative procurement

- Formalise the current process of support for local SMEs, for example, programs encouraging involvement in upcoming procurement activities.

Contract and supplier management

- Involvement in contract and supplier management by the central team to continue to develop commercial supplier relationships, rather than operationally driven performance which should also positively impact upon savings realisation.

Key purchasing processes and systems

- Define clear P2P input guidelines to allow effective contract spend analysis in real time, with formal monthly analysis between procurement and Departments.

People

- Utilise qualifications, professionalism and experience of central team to raise procurement's within the Departments and to enable knowledge transfer. Establish a formalised coaching and mentoring programme with a neighbouring local authority.

Performance management

- Identify, record and share savings influenced by internal team to raise profile of service offering and improve data inputs to P2P system to allow for quality analysis to be provided to Departments on spend monthly.

Fitness Check – Procurement Maturity Assessment

Merthyr Tydfil Executive Summary

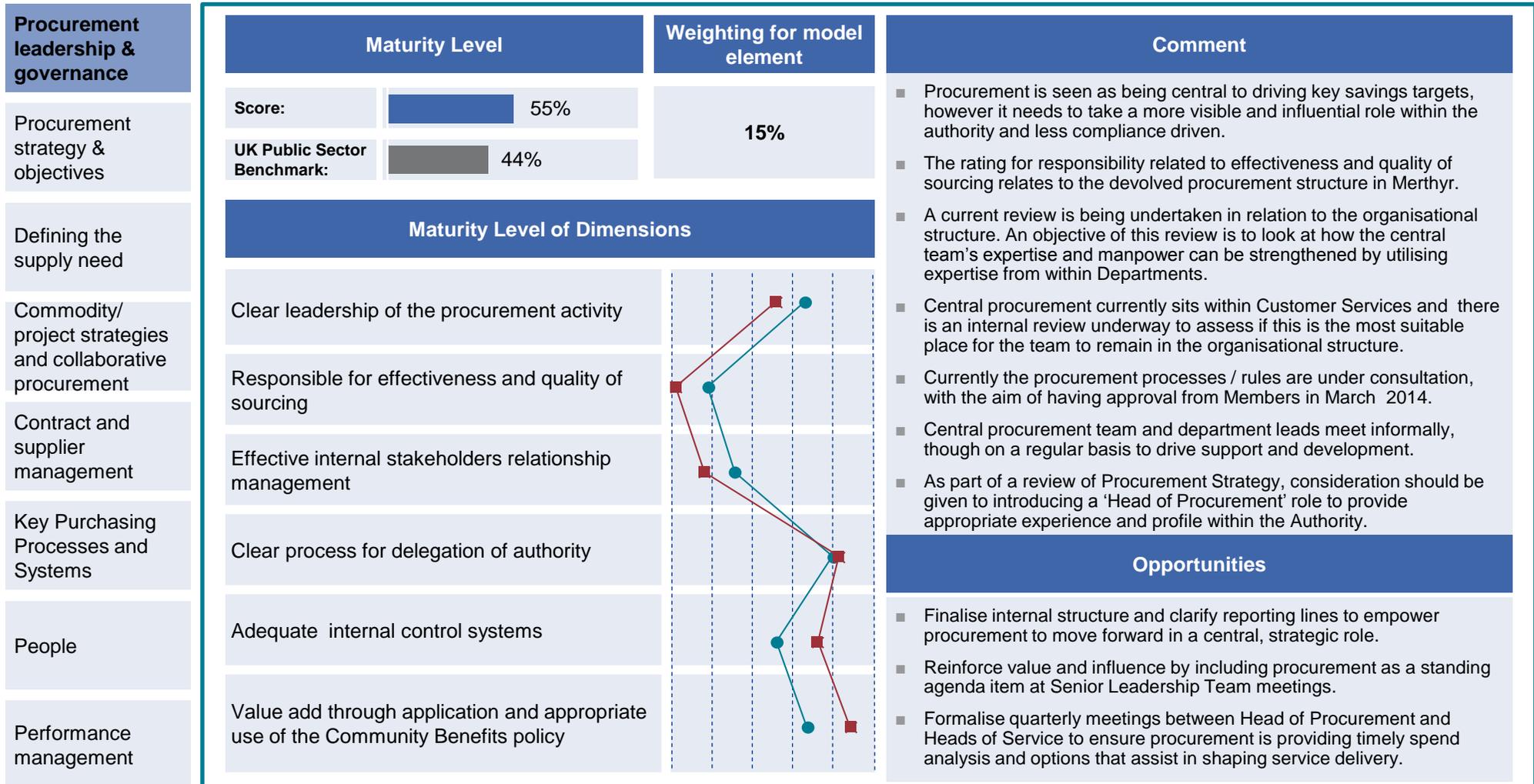
Model Dimension	Comparison	Welsh Gaps	UK Public Sector Gaps	Comments
Procurement leadership & governance		2	11	Internal structure, makeup and location of central procurement team currently under review
Procurement strategy & objectives		24	34	Strategy in place, but not well known across the authority
Defining the supply need		4	15	Little data analysis or proactive spend review due to limited capacity of central procurement team
Commodity/project strategies and collaborative procurement		4	10	SLA agreement with Caerphilly to buy procurement expertise and manpower
Contract and supplier management		13	37	Central contracts register initiative underway
Key purchasing processes and systems		11	29	Procsolve P2P system introduced 18 months ago, but still not being used to its full potential
People		4		Central team continuing to develop, with good relationships established across the organisation
Performance management		17	2	Once P2P system fully embedded tracking of spend and more detailed analysis should improve

● Merthyr Tydfil Average Maturity Grade
 ● Average of Welsh Authorities
 ● UK Public Sector Benchmark

Overall recommendations	<ul style="list-style-type: none"> Finalise structure and reporting lines for procurement team which reinforces the team as a fundamental element of the Authorities strategy and to ensure it is truly strategic in driving savings and efficiencies, as well as compliance. Define process for using P2P system so that real time, accurate spend data and analysis can be provided to individual Departments and across the organisation through provision of a dedicated resource. Record the savings made by procurement to evidence the value added thereby increasing the profile of the team.
Likely benefits from implementing recommendations	<ul style="list-style-type: none"> Clearly articulating the procurement team’s strategy and role will assist in raising the profile of the central team. By tracking savings and benefits delivered, or assisted in being delivered in the Departments, the central team will also increase their profile and credibility. Focusing on spend analytics and contract management with Departments should identify savings opportunities to meet current savings targets.

Procurement leadership & governance

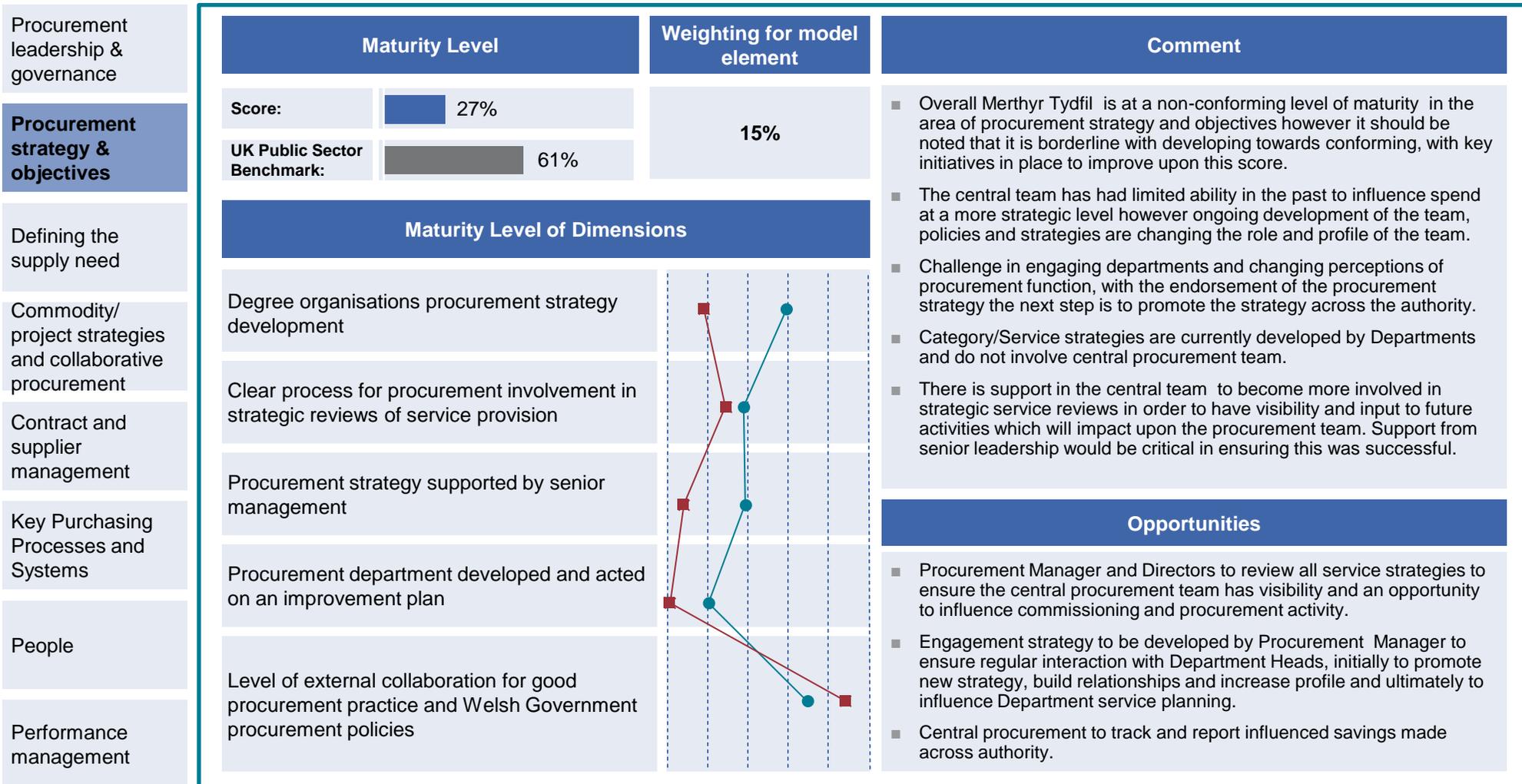
A detailed overview of the results per dimension KPMG found ...



■ Merthyr Tydfil Average Maturity Grade ● Average of Welsh Authorities

Procurement strategy and objectives

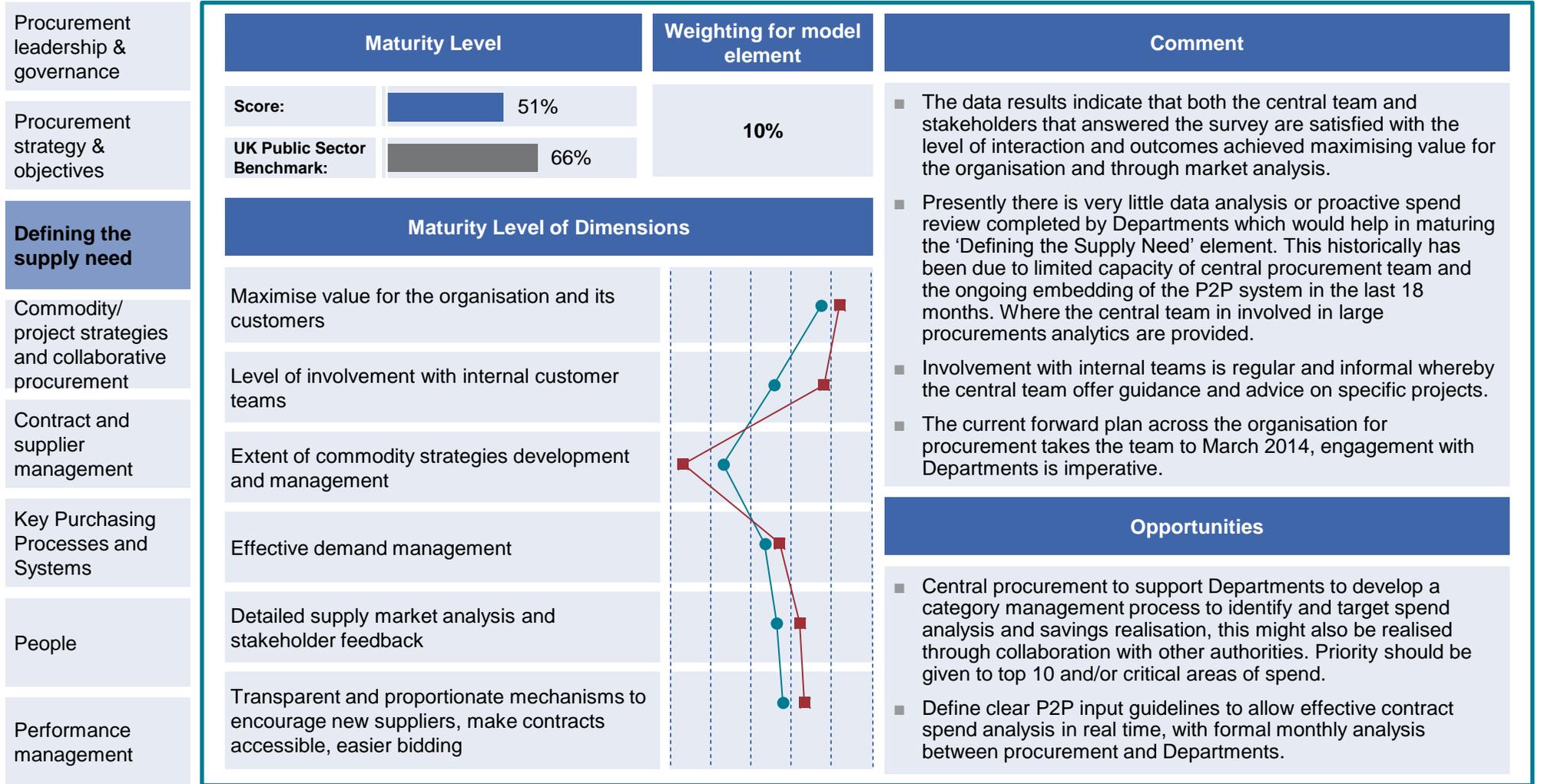
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Defining the supply need

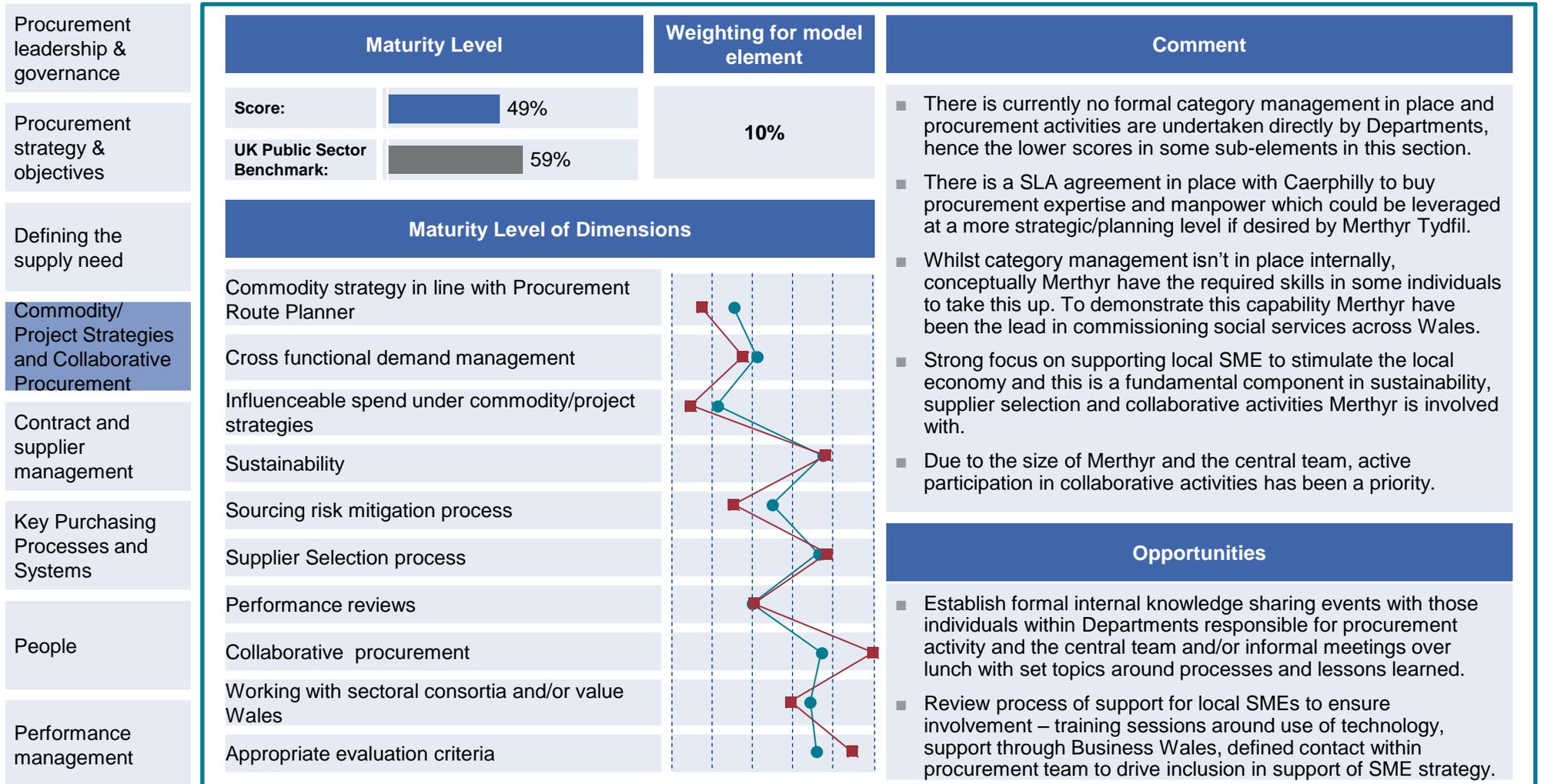
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Commodity/ project strategies and collaborative procurement

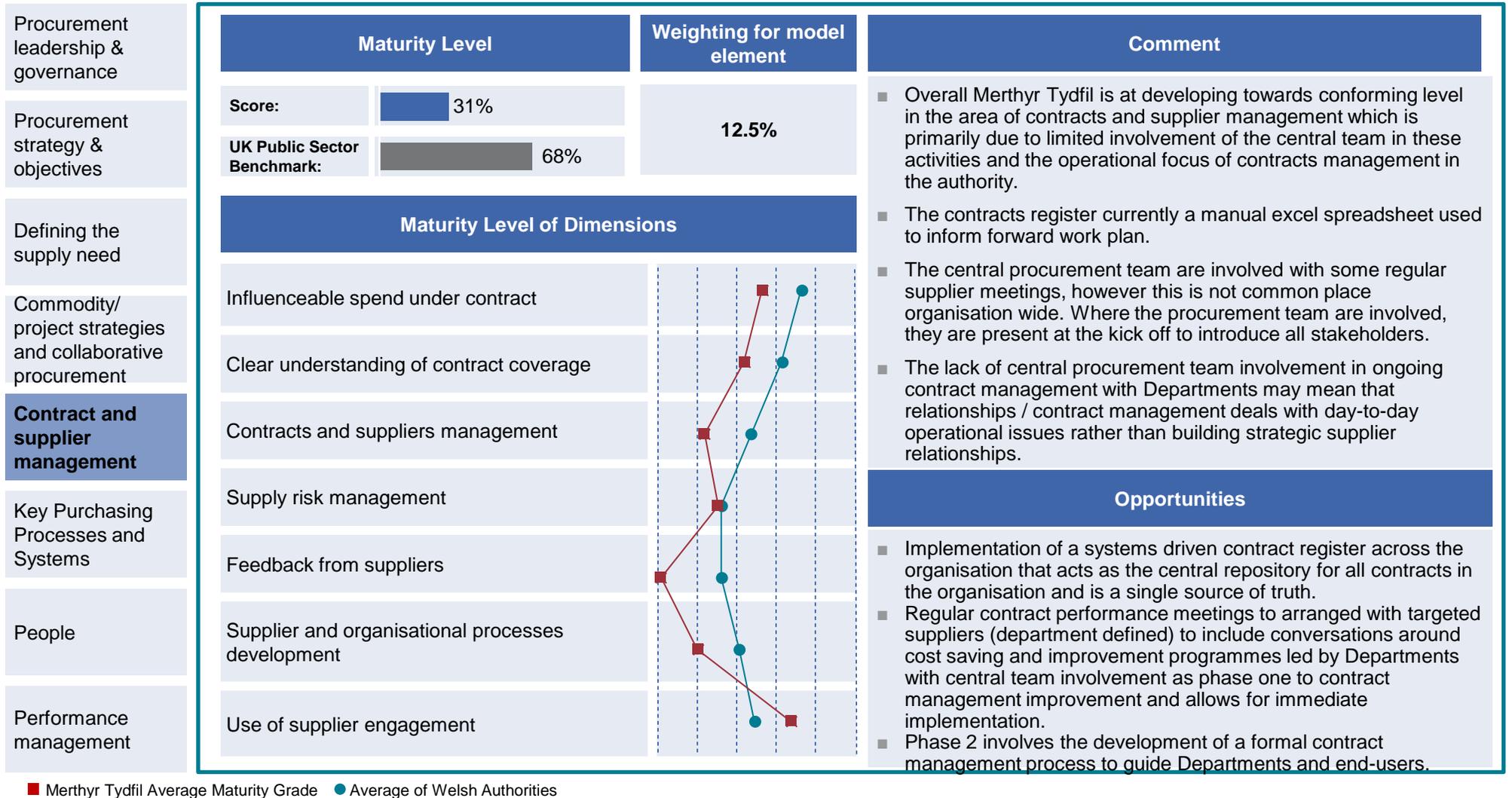
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Contract and supplier management

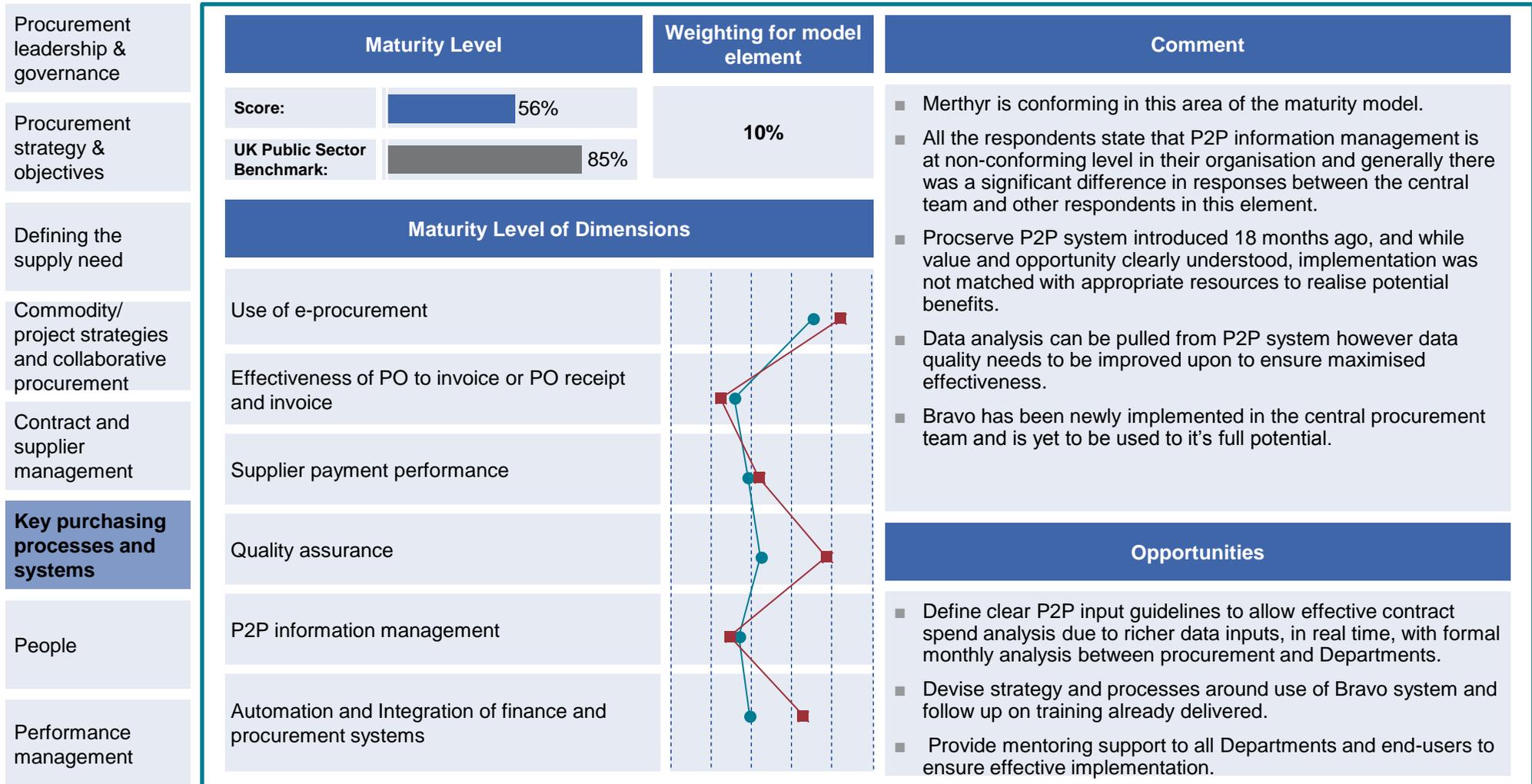
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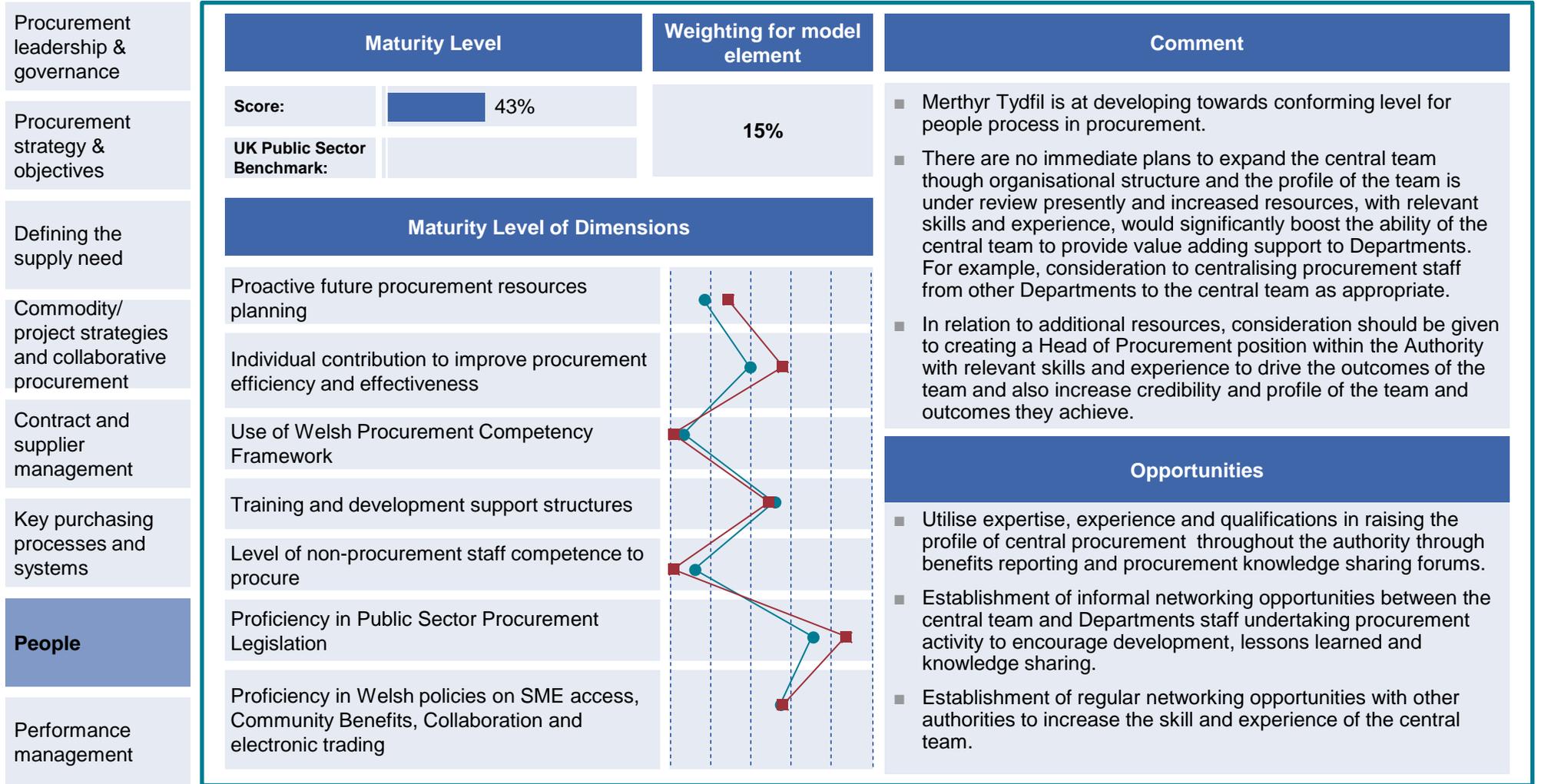
Key purchasing processes and systems

A detailed overview of the results per dimension KPMG found ...



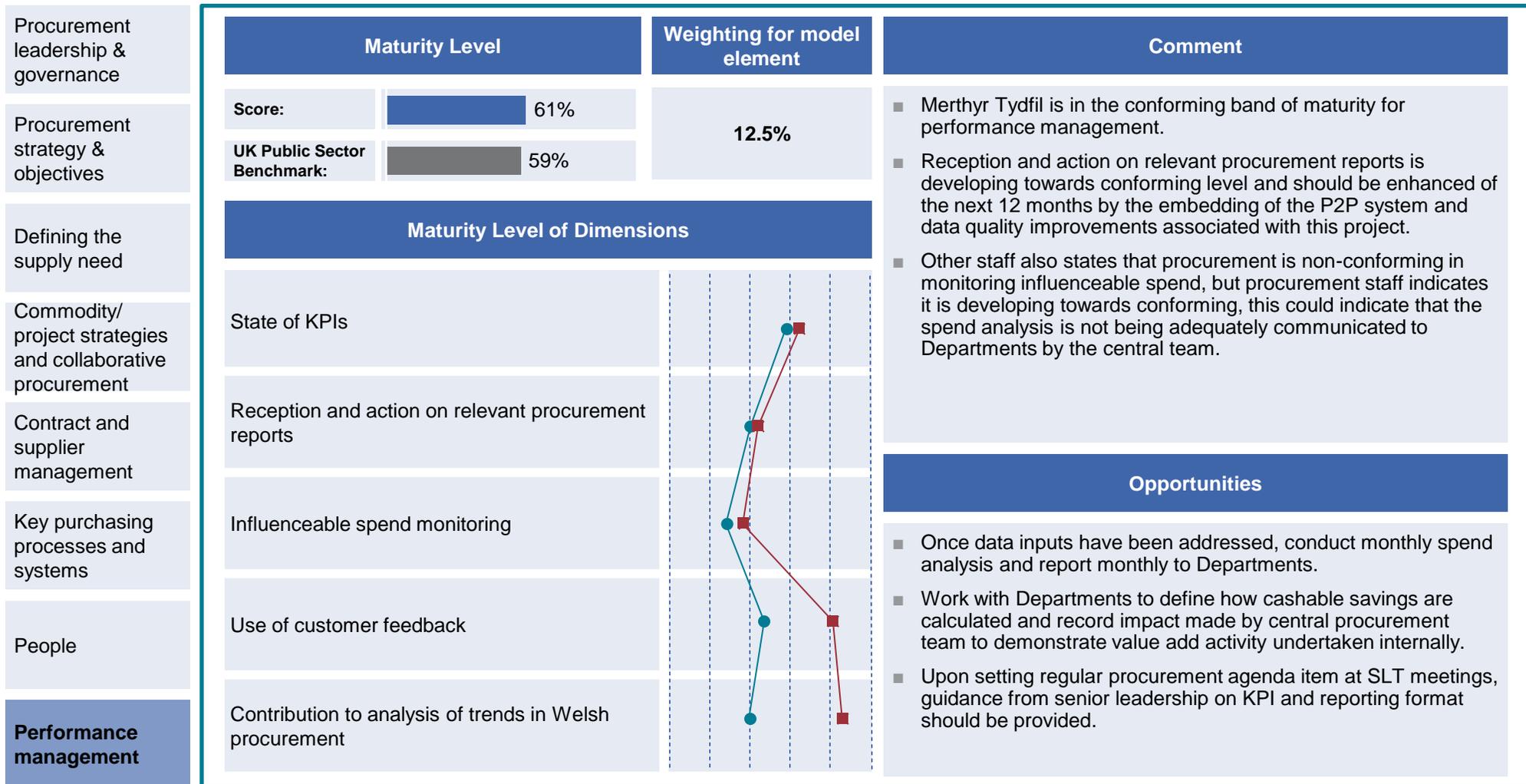
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Fitness Check – Procurement Maturity Assessment

Profile of respondents

Years Experience	Number of respondents
0-5	2
5-10	2
10-15	0
15-20	1
20-25	1
25-30	1
More than 30	0
Total	7

Contract Value responsibility	Number of respondents
Between £0 -£500K	1
Between £500K - £10m	2
Greater than £10m	4
Total	7

Qualification	Number of respondents
Degree (or equivalent)	57%
Masters	0%
MBA	0%
CIPS	14%
MCIPS	14%
Other	43%
Total	7



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