



## Demand management programme results in £1.58 million savings



In 2006 Peterborough City Council set itself an ambitious target of £24m cumulative savings over five years. Already rated a 'good' authority with a commitment to achieving excellence (under Audit Commission criteria at that time) and keeping council tax low, it launched a business transformation programme to drive performance improvement and cost reduction. The council worked with V4 Services (through the MCAS Framework) to transform its procurement culture from 'reactive' to 'proactive', and to set up a strategic, commercial approach to procurement. One key project for 2008/9 was the launch of a demand management programme.

### THE CHALLENGE

- ➔ Procurement of goods and services across key areas was fragmented, uncontrolled and lacking clear guidance and processes.
- ➔ Procedures had developed organically and were inefficient and lacked consistency of implementation across the council.
- ➔ Contractors were not always given a clear picture of requirements and contracts were poorly managed.
- ➔ Discretionary spend was not monitored regularly, allowing departments/budget holders to agree individual arrangements with suppliers.

### THE SOLUTION

After conducting a spend analysis, six key areas of expenditure were identified to deliver £750k of cashable savings within the financial year 2008/9. This was to be achieved by concentrating on demand management of discretionary spend areas, namely: room hire; catering; training and conferences; agency staff; travel and accommodation; translation and interpretation; and office furniture.

- ➔ New procedures and processes were implemented for each category of spend; the guidance included more rigorous checks to question 'the need to spend'.
- ➔ New guidance was clearly communicated across the council and budget holders were briefed on the new ways of working.
- ➔ Specialist buyers were established to liaise with internal customers, check and challenge compliance and manage the supplier interface.
- ➔ A new monitoring and reporting framework was implemented with monthly reports to a nominated director and portfolio holder to ensure savings were on track and trends were visible and monitored.



### THE BENEFITS

- ➔ £1.58m was extracted from departmental budgets, double the original savings target of £750k.
- ➔ These savings have been embedded in future budgets and in 2009/10 a further £377k of new savings have been achieved through the continuing demand management process.
- ➔ Cost of resource to implement the project was £55k; return on investment (ROI) was 2800 per cent in the first year.
- ➔ The data now available through Oracle and the P2P system has informed a clear understanding of 'who' spends and 'why', paving the way for more informed budget planning and future supplier negotiations.

The procurement project has been a cornerstone of Peterborough's transformation programme. Having delivered significant savings already, it is now in a position to move to the next level, both through further initiatives and through shared services with other organisations.

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