

Transforming Procurement and releasing efficiencies through Category Management

What is category management?

Category management is simply a way of the council managing its buying activity by grouping together related products and services such as ICT, vehicles or stationery, across the council and mapping them onto a supplier market. Under category management, decisions about what products and services are bought, which suppliers are used and what contracts the council enters into, are made on a category-by-category basis with a view to optimising quality and maximising savings across the council as a whole.

How does it work in practice?

Leicestershire County Council was one of the first councils to adopt the principles of category management from the private sector and to implement category management systematically across all of its purchasing activity.

Implementing a category management approach enabled the council to move from having pockets of activity on procurement towards a more strategic procurement approach underpinned by category management. However it is the creation of better and more efficient services that has been the main motivation for the council and category management has proven to be an effective way for the council to release savings to reinvest in frontline services, while streamlining its procurement activity.

Establishing the business case:

Back in 2006, Leicestershire County Council estimated that it spent nearly £200m on purchasing a range of goods, works and services across a fragmented supply base of 20,000 suppliers. It's procurement approach was mainly departmental with isolated but inconsistent examples of good procurement practice.

The County Council recognised the need to address these issues to deliver its own efficiency agenda as well as the Gershon efficiency targets. As a consequence it launched a Strategic Procurement Programme in 2006/7, with the aim to:

'reduce the costs of goods and services by £9m by 2009/10 (£1.5m by 2007/8) through the implementation of a strategic approach to procurement supported by efficient systems and processes that force compliance with corporate contracts and policy.'

An early and ambitious decision was taken by the County Council to adopt category management across the whole of its procurement spend rather than to pilot the approach in one or two areas. The introduction of a central Corporate Procurement Unit helped

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ensure this was successful by offering a consistent approach and ensuring that Members and senior officers were engaged in shaping the programme and supported the idea.

Working closely with partners

A primary stakeholder and contributor to the success of this Programme has been the **Eastern Shires Purchasing Organisation (ESPO)**. ESPO helped the County Council develop category management, allocated its buyers to support the County Council's new category management structure and co-ordinated contracting information. The County Council and ESPO also jointly developed a Memorandum of Understanding between the two organisations to strengthen their relationship.

In delivering the category management approach, the County Council also worked closely with the former **East Midlands Centre of Excellence (EMCoE)**, now the **East Midlands Improvement and Efficiency Partnership (EM IEP)**. EMCoE sponsored a regional spend analysis which formed the foundation of the County Council's category management approach.

Delivering a programme of change

Having established the case for change, the development of a category management approach within the County Council involved explaining the practical implications to a range of stakeholders, launching and delivering the change as part of a wider programme which covered:

- **Organisational change** (including establishing a category management structure and a Corporate Procurement Unit as well as enhancing the County Council's relationship with its main purchasing organisation, ESPO)
- **Strategic Sourcing** (improving arrangements with suppliers to ensure that buying power and value are maximised)
- **Management Information** (developing an accurate and comprehensive suite of management information reports to support delivery of all other aspects of the programme)
- **E-procurement** (comprising the roll-out of electronic procurement and procurement cards)
- **Collaborative Procurement** (assessing and prioritising the County Council's involvement in collaborative opportunities in order to maximise the benefits of working with other agencies).

Putting it in to practice:

The process of determining the proposed categories involved:

- Analysing available procurement spend data
- Defining the scope of the procurement activity to be covered by the individual categories
- Meeting with relevant stakeholders to challenge the proposed categories and to agree their composition, ensuring that all appropriate parties had a common and agreed understanding of how procurement activity will be managed
- Confirming consistent roles and responsibilities of a new category manager post and recruiting to these posts

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- Formalising the category management role within the County Council's Contract Procedure Rules
- Ensuring consistency/common standards between the category managers by establishing key tasks and performance measures for each category (e.g. efficiency savings, key supplier performance, common documentation)
- There are currently 16 category groups covering revenue and capital spend, which have been further sub-divided into 53 sub-categories to make sure that all the County Council's procurement spend is covered.
- Recording procurement savings on a corporate Savings Tracker and reporting them regularly to key stakeholders

A further example of the way in which the category management process has been embedded is through a '**category challenge**' process which the council has engaged in for the ICT and Telecommunications category. This involved engaging a range of peers and stakeholders including neighbouring Nottinghamshire County Council, ESPO, external consultants, and the council's Corporate Procurement Unit to identify how further efficiency gains could be made in this category. The council is now progressing ideas arising from the challenge session.

What are the benefits?

Creating better services whilst saving a target of at least £9m (by 2009/10) has been the main motivation for Leicestershire County Council in creating and embedding a category management approach across all its procurement activity.

Headline achievements for the Strategic Procurement Programme include:

- £9.58m of net cashable savings achieved by 2009/10;
- An increase in procurement capability by having a new Corporate Procurement Unit and Category Management structure in operation across the whole County Council;
- A Memorandum of Understanding to maximise the relationship between the County Council and ESPO;
- New contract procedure rules approved and in place;
- A Council-wide on-line ordering tool in use (current value of orders: £11.3m);
- Purchasing cards in use across the County Council.

Recognition and sharing the learning

The County Council's approach has attracted considerable interest from other authorities across the country, helping to raise the profile of procurement both within and outside the local government arena. EM IEP continues to promote and share the work of the council regionally, the Strategic Procurement Programme was commended in an **IDeA** peer review and the council's work received further external recognition in November 2008 winning an 'Outstanding Achievement in Procurement' award from the Society of Purchasing Officers (SOPPO).

Appendix: Category groups

There are currently 16 category groups (see below), covering revenue and capital spend, which have been further sub-divided into 53 sub-categories to make sure that all the County Council's procurement spend is covered.

- Books, Journals & Multimedia
- Building & Civil Engineering
- Consultancy & Professional Services
- Design, Printing & Marketing Services
- Facilities Management
- Food & Catering Equipment/Services
- Furniture & Furnishings
- HR
- ICT
- Social Care
- Stationery & Office
- Supplies Transport
- Utilities
- Vehicles & Plant
- Waste
- Miscellaneous