

Saving Case Study

Knowsley Metropolitan Borough Council

“...Annual cost savings of potentially £1.9 million were identified...”



Find the Savings



Get the Savings



Keep the Savings



Increase the Savings

Background

Knowsley is one of the five metropolitan districts of Merseyside. Knowsley Metropolitan Borough Council (“KMBC”) delivers services to 150,000 residents, employs 4,500 staff and spends £47m per annum on procuring goods and services from third parties.

The Challenge

Whilst KMBC had established defined business processes regarding procurement, it was identified that there were significant opportunities for improvement.

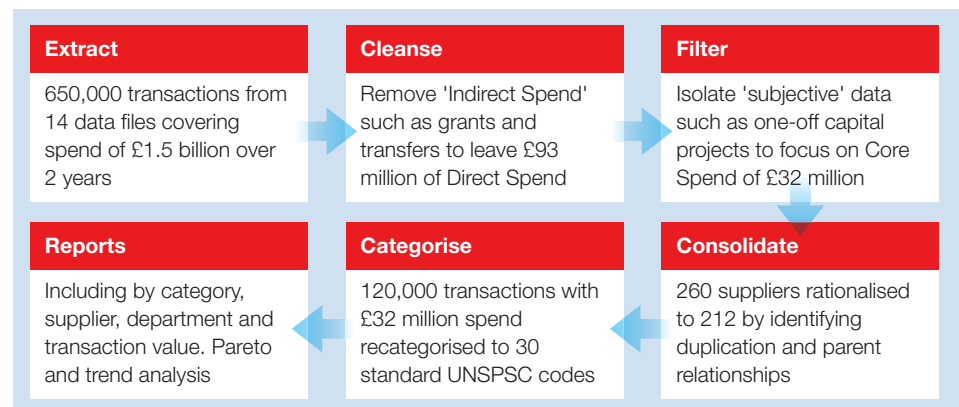
The difficulty was that procurement expenditure was spread across a large number of departments, with the associated information residing within the financial accounting system and being coded in many different ways. Consequently, it was very difficult for KMBC to collate the relevant data and establish centralised control of procurement activities.

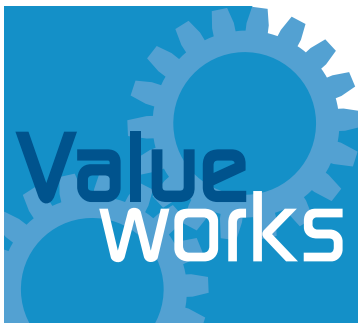
The Solution

KMBC engaged Valueworks to assist them to undertake a cost savings analysis project using Valueworks’ unique in-house Spend Analysis software product, which enabled the complex and time consuming data collation and analysis to be undertaken much more quickly and accurately than conventional methods. The project comprised a number of aspects: -

Spend Analysis

A detailed procurement expenditure profile was developed using the following methodology:





Process and Activity Assessment

The sourcing, procurement and strategic cost management activities and processes within KMBC were assessed by conducting 14 interviews with all levels of relevant employees and reviewing process documentation and relevant management information.

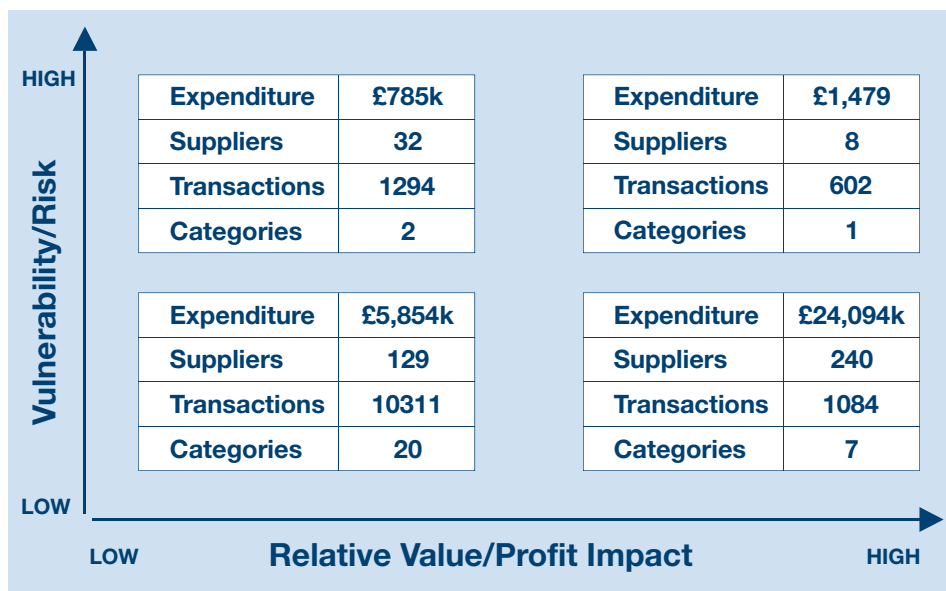
Efficiency and effectiveness were then assessed across 39 best-practice key performance indicators, in order to identify areas for improvement.

Supply Market Positioning

The procurement expenditure profile created by the spend analysis was analysed using Valueworks' Supply Market Positioning software tool, in order to identify the optimum procurement strategy for each category:

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By comparing the current KMBC strategies with the expected optimum strategies associated with each quadrant, it was possible to identify where KMBC strategies could be changed and also hence the major potential annual cost savings opportunities. These opportunities were then validated by benchmarking KMBC's costs against Valueworks' database.

Results

The key findings of the Project included:

- Although some pockets of 'best practice' existed, there were significant opportunities to improve sourcing and procurement processes and activities.
- There was an opportunity to increase the proportion of core spend that was centrally managed from 32% to an optimum level of 80%.
- A review of the contract procedure rules was required.
- Potential targeted annual cost savings of £1.9 million (14%) were identified across the core spend areas, including "quick wins" of £0.3 million per annum.

It should be noted that the identification of potential improvements and cost saving projects for KMBC was not a reflection of poor performance by KMBC, but is more indicative of the gap between public sector procurement and that of world-class private sector businesses, which have much greater resource levels.

Update

Following the cost savings analysis project, KMBC overhauled a number of its processes, and also separately engaged Valueworks to assist in the implementation of the suggested sourcing strategies in the areas of cleaning materials, fresh meat and beverages, where average savings of 27%, 22% and 13% respectively were delivered.



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"Valueworks helped us to further understand the overall benefits to be gained from improved procurement performance. By better understanding the detail of what is sourced, we have been able to develop a sourcing strategy resulting in efficiencies."

Kevin McGlone, Assistant Director Corporate Resources.