



Strategic Supplier Intelligence
Phase 1
(Gershon)

Project Initiation Document

Version 1.0

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Document History

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Table of Contents

1	SUMMARY	4
2	CONTEXT	5
3	OBJECTIVES	6
4	PROJECT ORGANISATION AND APPROACH	8
4.1	ORGANISATION	8
4.1.1	Project Sponsor	8
4.1.2	Project Executive.....	8
4.1.3	Project Manager	8
4.1.4	Project Board.....	8
4.2.1	Project Meeting Frequency.....	9
4.2.2	Informal Checkpoint Reports	9
4.2.3	Highlight Reports	9
4.2.4	Escalation	9
4.3	CHANGE CONTROL	10
5	PARTNERSHIP	11
5.1	PARTICIPATING AUTHORITIES	11
6	DELIVERABLES (OUTPUTS AND OUTCOMES)	13
7	IMPLEMENTATION	14
7.1	LOCAL	14
7.2	FORWARD STRATEGY AND EXTERNAL ROLL-OUT.....	14
8	FUNDING AND RESOURCES	15
9	RISK ASSESSMENT	16
10	ESTIMATED VALUE	18
11	MONITORING AND REVIEW	19
11.1	MONITORING	19
11.2	PROJECT PROGRAMME.....	19

11.3 PROJECT MILESTONES19

12 PARTNER AUTHORISATION.....20

1 Summary

Led by the London Fire and Emergency Planning Authority and sponsored by the Chief Executive of the London Borough of Islington, this is an important project for London local government in the context of the Gershon Review. Making the most of supplier intelligence to support London's collective negotiating power in its relationships with key suppliers is vital to the shared service agenda.

London local authorities spend £8 billion annually on goods and services. The top 100 suppliers in London account for about 25% of this total and the top 1,000 for nearly 60%. Collectively, London authorities can account for over 70% of the turnover for some of these suppliers and are therefore in a very strong position to ensure the best possible outcomes in terms of quality, value for money and innovation. As a rule, anything over 2% of a company's annual turnover is considered to be significant in terms of influence.

This is a recommended programme of work designed to enable London boroughs to get better deals in key markets using supplier intelligence gathered, processed and analysed through the LCE.

Phase 1 of this project will prove the concept. It will augment data gathered from London boroughs on existing contracts and expenditure analysis outcomes by means of 'information arbitrage' – high added value financial and business intelligence on companies derived from a variety of sources for use in negotiations – and prepare specific supplier relationship management (SRM) strategies for up to 10 top suppliers drawn from the waste collection, social care, ICT and leisure services markets.

This project's objectives are to:

- Support the achievement of efficiency gains beyond tactical commodity and services ;
- Focus resources on areas of greatest longer term potential
- Encourage the management of supplier relationships at the appropriate level (Borough, regionally or sub-regionally);
- Understand optimum trading mechanisms and collaboration formats;
- Embed a more commercial approach to supplier intelligence gathering and relationship management.

2 Context

This project is important to London local government in the context of Sir Peter Gershon's *Independent Review of Public Sector Efficiency*, published in July 2004. It is reliant on the successful take-up of the Contracts Register Service (CRS) and the continued availability of summary Expenditure Analysis data

In terms of projects, there will be direct links to the following LCE projects:

- Contract and Relationship Management in London;
- Delivering Cashable Savings and Efficiencies in the Delivery of Environmental Services in London;
- Delivering efficiency savings through more effective procurement of Agency, Temporary & Interim staff; and
- Procurement of Consultancy and Professional Services.

There will be indirect links to:

- "Buying a Better London" – SME/BME/Economic Regeneration.

We are also collaborating with the OGC's Supplier Relations Division, which is seeking to achieve a similar outcome for central government.

This project also enjoys the support of the Director of Shared Services at the Cabinet Office.

3 Objectives

3.1 Aims of the Project

In this first phase of the project, a Project Team established and led by the London Fire and Emergency Planning Authority will deliver a programme of work to support the delivery of better deals for London local authorities by:

- Getting people to buy into a more commercially-minded view of strategic supplier intelligence through top-level management sponsorship;
- Obtain vital management information from CRS (the Contracts Register System already being implemented by LCE that will gather and process data pertaining to existing contracts across all London boroughs);
- Categorising suppliers and contractors according to levels of expenditure, risk and criticality to determine those types of contract, supplier or market that need proactive management and can prove the concept;
- Gaining the collaborative mandate from London boroughs using established officer interest groups and consortia in key service sectors;
- Determining risks for London boroughs in key supply markets such as relative strengths or vulnerabilities of players, market conditions, financial failure, political, logistical, contingency planning, etc;
- Compiling separate Supplier Relationship Management strategies for up to 10 principal suppliers to prove the concept;
- Recommending where these strategies are best owned and implemented (Borough, regionally or sub-regionally);
- Integrating this work with other LCE projects and the work of the OGC Supplier Relations Division to attain the best results, and
- Demonstrating the opportunities for significant improvements in quality and value that can be gained if authorities collaborate and secure a mandate for these SRM strategies.

A summary illustration of the proposed transformation process is given at Appendix I.

3.2 Scope of the Project

It is intended that participants in the programme will be managers in London local authorities who are responsible for procurement and/or for the management of critical contractual relationships, drawn from social care, waste, leisure services, street scene and other public service sectors.

With £8 billion of annual expenditure and many thousands of suppliers, the effective analysis and strategic use of supplier intelligence cannot be attained overnight.

This Phase 1 is intended to prove the concept and begin the collaborative process in earnest, as a prelude to lasting cultural change to be managed and delivered in future phases. This will also have significant implications on the ability of London's authorities to deliver the shared service agenda.

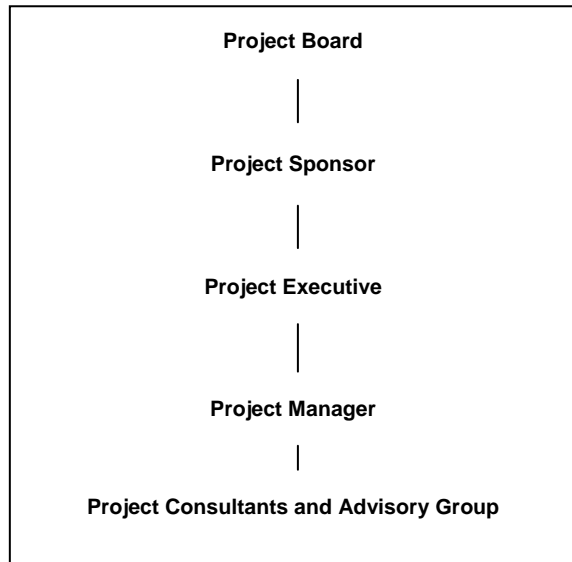
3.3 Intentions for Phase 2 onward

Having proved that better terms can be negotiated for London through the strategic use of supplier intelligence and by acting in concert, the intention will be to:

- Construct a business case to obtain, organise and manage the resources necessary to apply the concept to all of London's £8 billion annual spend on goods, services and works; and
- Share learning from the project nationally with both public authorities and suppliers outside London.

4 Project Organisation and Approach

4.1 Organisation



4.1.1 Project Sponsor

The Project Sponsor is Helen Bailey, Chief Executive, London Borough of Islington.

4.1.2 Project Executive

The Project Executive is Terry Brewer, Head of Procurement, London Fire and Emergency Planning Authority.

4.1.3 Project Manager

The Project Manager is Mark Atkinson, Head of Contracts Management Group, London Fire and Emergency Planning Authority.

4.1.4 Project Board

The Project Board will consist of:

- the Project Sponsor (or her representative) and the Project Executive (see above)
- Director, London Centre of Excellence
- Director of Shared Services, Cabinet Office
- Head of Supplier Intelligence, OGC

- Assistant Director, RCE National Procurement Programme; and
- Head of Strategic Procurement at the Royal Borough of Kensington & Chelsea.

4.1.5 Project Consultants

The lead Project Consultant is Andy Davies. The Project Consultant for information arbitrage is Alex Ranson.

4.1.6 Advisory Group

The Advisory Group established under the Contract and Relationship Management Project, chaired by the Project Manager and consisting of procurement and contract managers from a number of London local authorities, has agreed to 'double up' for this project. Its role is to give independent professional advice to the LCE Board, the Project Board and project team on the development and implementation of the programme such that the aims and objectives of the project can be met. Membership of the Advisory Group is given at 5.1 below.

4.2 Reporting Controls

4.2.1 Project Meeting Frequency

The Project Executive, Project Manager and lead Project Consultant will meet every four weeks throughout the Project.

The Project Board and Advisory Group will meet as and when they have outputs to review.

4.2.2 Informal Checkpoint Reports

The lead Project Consultant will submit a Checkpoint Report to the Project Manager at the end of each week to advise on progress during that week and on activities planned for the following week.

4.2.3 Highlight Reports

The lead Project Consultant will compile and the Project Manager will submit a monthly Project Highlight Report at the end of each calendar month using the standard London Centre of Excellence Project Highlight Report Template.

4.2.4 Escalation

Problems or time/budget overruns will be reported by the Project Manager to the Project Executive for direction.

If appropriate, the Project Executive will seek direction from the Project Board or the London Centre of Excellence Programme Board.

4.3 Change Control

The Project Manager will operate a change control procedure in accordance with the London Centre of Excellence Project Management Pack, using the procedure for escalation given at 4.2.4 above as appropriate.

5 Partnership

5.1 Participating Authorities

The project is led by the London Fire and Emergency Planning Authority with the sponsorship of the Chief Executive, London Borough of Islington. The project relies for its success on the active participation of London boroughs and other authorities.

The full commitment of participating boroughs is necessary to secure the mandate to agree individual supplier relationship management strategies and negotiations with suppliers.

The Advisory Group established under the Contract and Relationship Management Project, chaired by the Project Manager and consisting of a range of procurement and contract managers from London local authorities, has agreed to 'double up' for this project. Its membership is as follows:

Mark Atkinson (Chair)	Head of Contracts Management Group	London Fire & Emergency Planning Authority
Stephen Day	Head of Integrated Commissioning, Adult Services	Ealing Primary Care Trust /London Borough of Ealing
Robert Della-Sala	Head of Revenues and Benefits (Client Services)	London Borough of Hounslow
Mark Brangwyn	Head of Policy and Grants (Health & Social Care Team)	London Councils
Peter Ramage	Head of Waste Management and Street Enforcement	Royal Borough of Kensington & Chelsea
Geoff Rix	Deputy Head of Street Environment Services	London Borough of Camden
Dave Sharp	Head of Strategic Procurement	London Borough of Islington

London Councils

Key officers from the Policy team at London Councils will also participate in the project.

Stephen Benton, Head of Policy, Transport, Environment and Planning is leading the project to deliver cashable savings and efficiencies in the delivery of Environmental Services in London. The two projects will be integrated where strategic supplier intelligence can be brought to bear in managing relationships with key contractors in the waste management market.

Mark Brangwyn is Head of Policy and Grants (Health & Social Care Team) at London Councils and will be guiding the project team on issues relating to the supply market in health and social care for adults and children. He will be joining the Advisory Group.

6 Deliverables (Outputs and Outcomes)

The project deliverables are as follows:

Project Workstream	Deliverable (description)	Estimated Completion/Delivery Date
Leadership & Awareness	Report on Phase 1 submitted to LCE Management Board	14 February 2007
Supplier Categorisation	Report on Kraljic categorisation of top 20 suppliers produced	31 January 2007
Risk Management	First sectoral Risk Register produced	17 November 2006
Pilot SRM Strategies	Shortlist of suppliers for pilot SRM strategies	30 September 2006
	Pilot SRM strategies agreed with boroughs	31 December 2006
	Pilot strategies agreed with suppliers	31 March 2007

7 Implementation

7.1 *Local*

Proving the concept by improving terms for some London boroughs with a number of principal suppliers in key markets will bring local benefits to participating authorities and will generate a momentum that will lead to further deals for more boroughs.

7.2 *Forward Strategy and External Roll-Out*

The project is designed to provide a legacy and sustainability for strategic supplier intelligence and supplier relationship management in London.

London local authorities spend £8 billion annually on goods and services with thousands of suppliers. Benefits from strategic supplier intelligence cannot be attained in the short term. This Phase 1 is intended to prove the concept and begin the collaborative process in earnest, as a prelude to lasting cultural change to be managed and delivered in future phases.

It is very likely that local authorities nationally could benefit from the outputs and deliverables from this project.

8 Funding and Resources

Funding is provided by the LCE Management Board.

The resources required for the delivery of the recommended programme are as follows:

1. A Project Consultant to undertake programme management for a period of nine months commencing July 2006 to:
 - Oversee and manage the recommended programme;
 - Process and analyse key data from CRS, categorising and prioritising key suppliers according to the spend and risk/criticality;
 - Through collaboration with groups of London boroughs, develop and deliver agreed and specific SRM strategies for up to 10 top suppliers in key markets;
 - Develop plans for the execution of the strategies and a second phase of the project involving a wider range of key suppliers and markets; and
 - Integrate the recommended programme with other relevant LCE projects, such as the Contract and Relationship Management Project and the work of the OGC Supplier Relations Division.

Cost £78,000

2. A business analyst for an estimated period of thirty days to undertake 'information arbitrage' for the selected suppliers to augment spend data.

Cost £20,000

Total Cost of Recommended Programme: £98,000

(N.B. Costs associated with benchmarking and collaborative events are assumed included in the Contract and Relationship Management Project.)

An Outline Delivery Timeline for the recommended programme is given at Appendix II.

9 Risk Assessment

Project Risk Register								
Risk Index No: / Status (e.g. 001/Open)	Description of Risk	Probability High / Medium / Low	Impact High / Medium / Low	Description of Mitigating Action	Person Responsible for resolution	Date when raised	Target date for resolution	Risk closure approved by project board?
001/Open	Lack of ownership	High	High	<ul style="list-style-type: none"> Use of Procurement Boards in boroughs where these exist Raise with the Society of London Treasurers (chaired by FD of LB Bexley) LCE Director to write to CEOs Understand key influencers 	Ken Cole	8 May 2006	Ongoing	
002/Open	Insufficient momentum/resources in the boroughs to make the implementation happen	High	High	Barriers to progress presented by lack of momentum/resources can be referred to the Advisory Board or LCE Management Board for action.	Terry Brewer	8 May 2006	Ongoing	

003/Open	Over-ambition and/or excessively high stakeholder expectations	Medium	High	Manage expectations by communicating with senior managers through the Leadership and Awareness workstream.	Andy Davies	8 May 2006	Ongoing	
004/Open	Low quality or quantity of data from Contracts Register System	Medium	Medium	SRM strategies can still be progressed but will be much better if they are backed by better data. Data may have to be obtained direct from boroughs via Heads of Procurement.	Andy Davies	8 May 2006	Ongoing	
005/Open	Unable to secure information arbitrage or the right person to do it	Medium	High	LCE Director to take steps to secure existing information arbitrage resource for the period required.	Ken Cole	8 May 2006	Ongoing	
006/Open	Unable to secure buy-in of suppliers and contractors to the process	High	High	LCE Director to write to CEOs and MDs of suppliers to introduce process Understand key influencers	Ken Cole	31 March 2007	Ongoing	

10 Estimated Value

The purpose of the project is to prove that better terms can be obtained for London boroughs from existing key suppliers if they collaborate.

London local authorities spend £8 billion annually on goods and services with thousands of suppliers. Benefits cannot be attained in the short term. This Phase 1 is intended to prove the concept and begin the collaborative process in earnest, as a prelude to lasting cultural change to be managed and delivered in future phases.

Subsequent phases will draw on this Phase 1 to evaluate the associated benefits in terms of cash savings, efficiency gain, cost avoidance, service improvement or the creation of capacity.

Until the concept is proven, the quantum of benefits cannot be pre-estimated to any useful degree of reliability. However, the following example will illustrate the potential for benefits arising from the project:

Strategic Supplier Intelligence at Work in London: an example of the Project's Potential

Four London boroughs currently enjoy a simultaneous but separate contractual relationship with the same waste collection contractor. The total estimated annual value of these contracts is £63m, representing about 6% of the contractor's UK turnover. It is planning to acquire a second contractor which serves a further six boroughs, bringing the total turnover in London to £125m.

Individually, these authorities are important customers. But until now they have not come together to discuss matters of mutual commercial interest with regard to the management of these critical contractual relationships. By acting in concert, they will become a single, more powerful negotiating partner.

A benefit improvement of just 1% in either cashable savings or improved value for money would yield a benefit of £1.25m to the participating authorities, delivering an improved public service and a payback period for this Phase 1 of the project of less than a month from completion.

11 Monitoring and Review

11.1 Monitoring

The Project Executive, Project Manager and Project Consultant will meet every four weeks throughout the project to monitor progress.

11.2 Project Programme

The outline project programme is given at Appendix II.

11.3 Project Milestones

Project milestones are as follows:

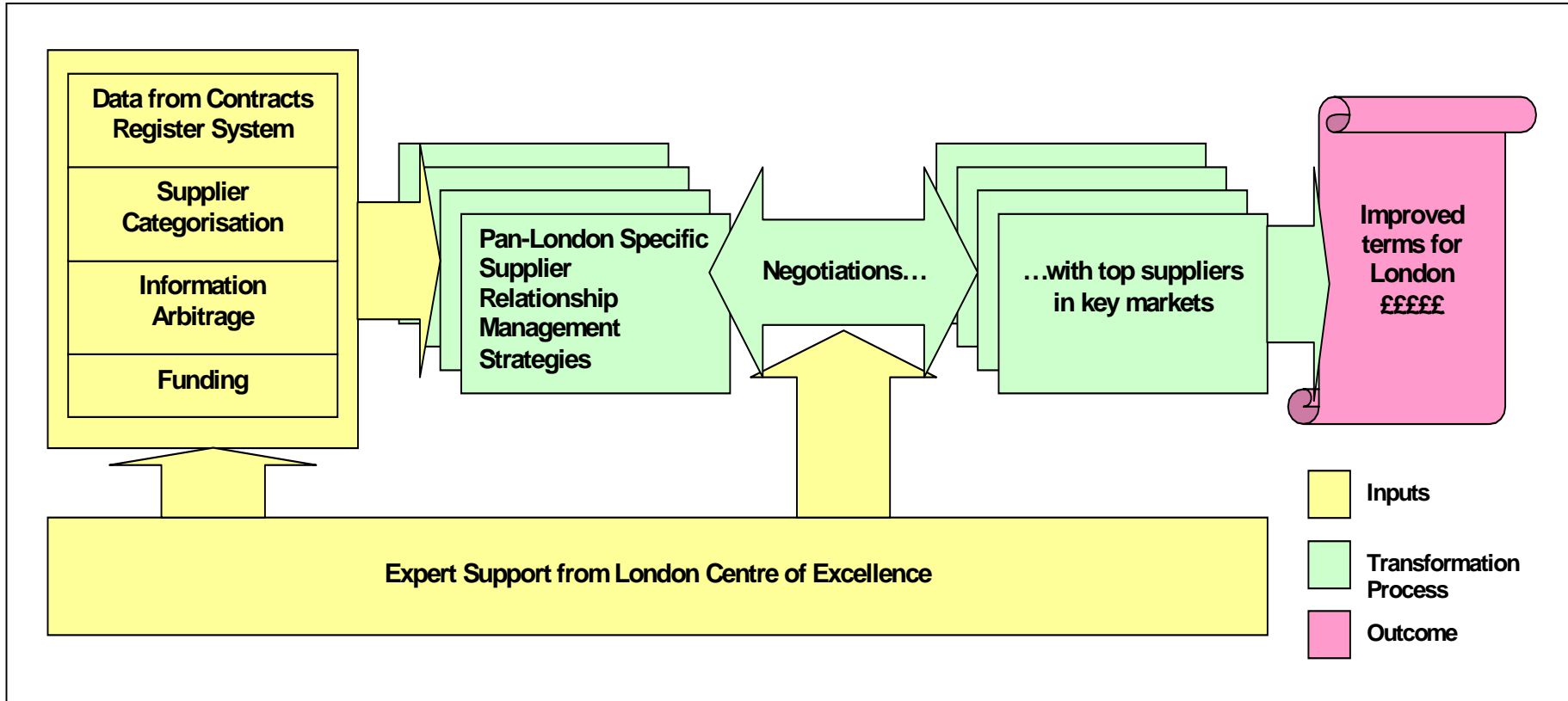
Project Workstream	Deliverable (description)	Estimated Completion/Delivery Date
Leadership and Awareness	LCE Showcase presentations	11 July 2006
	Report on Phase 1 to LCE Management Board	14 February 2007
Supplier Categorisation	First cut categorisation of top 20 suppliers	1 December 2006
Collaboration	First benchmarking event (with CRMGT)	By 30 June 2006
	Secure collective mandate to collaborate and negotiate	31 December 2006
Risk Management	Develop first sectoral risk register	17 November 2006
Pilot SRM Strategies	Shortlist for first strategies	30 September 2006
	Pilot SRM strategies agreed with boroughs	31 December 2006
	Pilot strategies agreed with suppliers	31 March 2007

12 Partner Authorisation

Please indicate approval and acceptance of this PID by the Project Board and the partner organisation leading this project.

Organisation Represented	Role	Name	Signature	Date
London Centre of Excellence	Director	Ken Cole		
London Fire and Emergency Planning Authority	Project Executive	Terry Brewer		
London Fire and Emergency Planning Authority	Project Manager	Mark Atkinson		

Appendix I – Summary Transformation Process



Appendix II - Outline Delivery Timeline for the Recommended Programme

