



Category Management in English Local Councils

Survey Results

Author: Ken Cole FCIPS

Date: 11th April 2016

Version: 1.0 Final



©SPS Consultancy Services Ltd 2016



SPS Staines
Knyvett House
Watermans Business Park
The Causeway
Staines, TW18 3BA

Telephone: 01784 895040

Fax: 01784 898360

Email: info@sps-consultancy.co.uk

Web: www.sps-consultancy.co.uk

CONTENTS

1.	One Minute Summary	4
2.	About the Survey	5
3.	Research Findings	6
	3.1 Respondents	6
	3.2 Category Management in Use	7
	3.3 Where is Category Management Used	8
	3.4 Collaboration	10
4.	Conclusions	11
	Appendix A – Survey Questions	13

1. ONE MINUTE SUMMARY

For many people working in the procurement profession, category management is an article of faith in terms of improving overall value and managing the supply chain. The argument put forward to support this assertion is that it is proven in the retail and manufacturing sectors, so it is bound to work in the public sector too. What this view does not take into account is the different drivers and ethos of the public sector and, above all, the change management required to make it work.

Against this background we undertook a further survey in local government this year to act as a comparison to a similar one we did in 2012. The results achieved, albeit with a larger group of respondents, showed little change from last time and held no immediate surprises:

- ◆ It is mostly tier one local authorities that are using it, while tier two local authorities could not justify the case
- ◆ ICT remains the most popular category where it is practised
- ◆ Salaries offered remain comparable to the private sector

The detail, often backed up by further comments, shows some more interesting trends:

- ◆ Some local authorities are struggling to make the business case for category management – is there a threshold where it becomes feasible
- ◆ Quite a few category managers manage more than one category – fine when the markets and supply base are similar, but perhaps not if they are diverse
- ◆ Some category teams are organised around vertical departments, such as Estates – is this an alternative model
- ◆ Collaboration between local authorities, let alone the wider public sector, is still a problem. How does this sit with the emerging devolution patterns and what can be done to make collaboration the first option for consideration

We do not have the immediate answers to all of the above points, but the discussion needs to start soon so that we can influence future events rather than simply react to them.

2. ABOUT THE SURVEY

This short report analyses the outcomes from the category management survey that was carried out by SPS Consultancy Services from 18th January to 2nd March 2016. The survey was designed to ascertain just how established category management is across English local councils and what, if any barriers, existed to its wider uptake. A similar survey was undertaken in 2011/12. Wherever possible, we have tried to use identical or similar questions to allow us to make comparisons and identify potential trends.

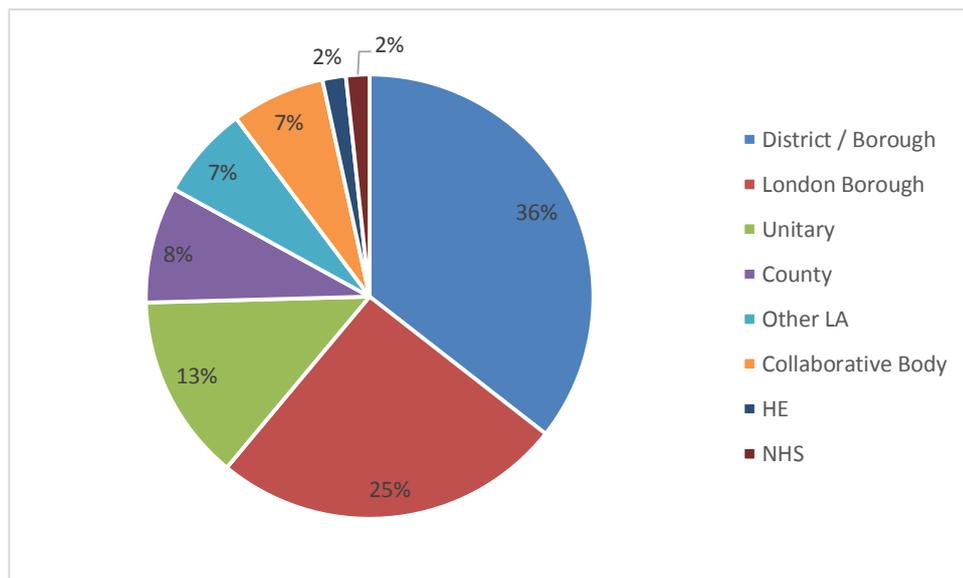
An invitation to participate was made to SPS contacts and those of other SPS Associates. The survey was also forwarded by some Local Government Association (LGA) regional offices.

The survey was undertaken using SurveyMonkey. Copies of the questions are at Appendix A.

3. RESEARCH FINDINGS

3.1 Respondents

The survey attracted 63 responses from 59 organisations. The chart below shows the types of organisations who participated. 43 (68%) of respondents provided their name and email details so that they could receive a copy of these results.



The responses received although not large, compared with similar surveys are still encouraging. The following table shows the numbers expressed as a percentage of the English local councils. The percentage of each type of council replying to the survey was up compared to last time.

Type	Unique Responses	Total in England	Percentage of Council's covered by survey
County	5	27	19%
London Borough	15	33	45%
Unitary	8	56	14%
District / Borough (non-Metropolitan)	21	201	10%

Table 1 – responses as a percentage of number of council by type

Table 2 below shows the type of organisations who responded by region

	East of England	London	North West	South East	South West	Unknown	Total
Collaborative Body	1		3			1	5
County	1			3	1		5

	East of England	London	North West	South East	South West	Unknown	Total
District / Borough	22						22
Higher Education	1						1
London Borough	1	16					17
NHS	1						1
Other LA	1	1			1	1	4
Unitary	2		4	1	1		8
Total	30	17	7	4	3	2	63

Table 2 – type of organisations who responded by region

3.2 Category Management in Use

WHO IS USING CATEGORY MANAGEMENT

About half (32 out of 60) of organisations are using Category Management with 5 further councils planning on introducing it. This equates almost exactly to the findings of 2012.

Table 3 shows the percentage of organisations who responded who are using Category Management or who plan to introduce it:

Collaborative Body (e.g. AGMA)	100%
NHS	100%
London Borough	93%
County	80%
Other LA	75%
Unitary	75%
District / Borough	24%

Table 3 – percentage of organisations using / planning to use category management

Out of the 40% (23) of local authorities who are not using it; the vast majority (83%) of these are District / Borough councils. This is not surprising given that it is very difficult to justify the appointment of category managers in an organisation where third party spend rarely exceed £30M per annum.

Of the five organisations who are planning to introduce it, four stated this would be during 2016; with one saying they didn't have a timescale.

WHY ARE COUNCILS NOT USING CATEGORY MANAGEMENT

We gave the respondents 5 options from which they could select as many reasons as they wished.

8 | Category Management in English Local Councils – Survey Results

Organisation too small	12
No management support for it	7
No resources (time or money) to do it	7
No business case / unclear of its value	5
Insufficient management information	4

Table 4 – Reasons why councils did not use category management

As expected, most felt that their organisations were too small to justify it. Out of the 12 responses, 10 were from District / Borough councils. Of the 6 larger councils who are not using it, the main reason was 'no management support'. This suggests that there could be a case to be made for selling the benefits of category management as a concept and that alternative delivery models could be offered to smaller District / Borough Councils.

3.3 Where is Category Management Used

Respondents were asked "In which categories does your organisation practice category management?" Multiple answers were possible. The results are shown below.

	County	Unitary	London Borough	District / Borough	Collaborative Body	NHS	Other LA	Total
Number of Organisations Responding	3	3	11	1	3	1	3	25
Information and Communications Technology	1	3	10	1	3	1	3	22
Facilities Management	2	3	10	1	3	0	1	20
Adult Social Care	3	3	10	1	3	0	0	20
Children's Services	3	3	9	1	3	0	0	19
Construction (repair and maintenance)	2	2	9	1	3	0	2	19
Energy	2	2	8	1	3	0	2	18
Construction (new build)	2	2	8	1	3	0	2	18
Professional Services	2	2	7	1	3	0	3	18
Transport (including Taxis)	2	3	5	1	3	1	2	17
Waste Collection / Disposal	2	2	7	1	3	1	1	17
Fleet Acquisition and Management	0	2	6	1	3	0	3	15
Office Supplies (furniture and stationery)	1	1	6	1	3	1	2	15
Postal Services	1	2	5	1	3	0	2	14
Food and Catering	0	1	6	1	3	0	2	13

Table 5 – Categories where category management expertise is present

As with last time ICT and Facilities Management were the top two areas where most category managers existed. Analysing the results, the following trends also are apparent:

- ◆ Some group their categories by business function e.g. Estates which covers Construction, repair and maintenance, facilities, energy, furniture, and consultancy or Land Management which covers Open Spaces, landscaping, and greenspace
- ◆ Children’s Services and Adult Care is often structured along market or functional lines (e.g. residential care)
- ◆ Quite a few category managers actually are responsible for multiple expenditure categories
- ◆ Some of the categories in our list are regarded as sub-categories, depending on the size of the organisation

HOW MANY CATEGORY MANAGERS DOES YOUR ORGANISATION CURRENTLY HAVE IN POST?

Table 6 shows the number of category managers employed.

Response	Number of Responses	As a Percentage
1 to 3	4	15%
4 to 7	15	56%
More than 7	8	29%

Table 6 – Numbers of category managers employed

Those with ‘more than 7’ are Counties, London Boroughs and a Unitary. Those with ‘1 to 3’ are London Boroughs. There has been a rapid growth in the number of category managers, with 4 to 7 being the most common now – up significantly on 2011/12. There is also evidence of a split between London and the rest of the UK. While numbers have grown across the country, there is evidence of no growth or even fall back in London.

WHAT IS THE AVERAGE ANNUAL SALARY RANGE YOU PAY FOR CATEGORY MANAGERS?

Response	Number of Responses	As a Percentage
Less than £40k	7	27%
£40k - £60k	17	65%
£60k - £80k	2	8%

Table 7 – the salary bands of category managers

The average salary according to Glassdoor is £45,675 (£48,000 London). Interestingly, 71% of respondents in 2011/12 stated that they paid £40k - £60k against 65% now with 21% paying less than £40K. This is a possible indication that private sector remuneration is edging away from the public sector equivalent.

3.4 Collaboration

We asked whether local authorities shared information and/or merged volumes where they have a mutual interest in the same categories.

Response	Number of Responses	As a Percentage
Yes	15	60%
No	2	8%
Depends on the Category	8	32%

Table 8 – do you collaborate with other organisations?

The two respondents who answered 'no' both shared the same reasons:

- ◆ Do not wish to lose control
- ◆ Can't agree on standard specification

Reasons given by the other respondents for taking a selective approach were:

- ◆ Procurement is often not the final decision maker
- ◆ Timescales, commitment to change and a decision to start and then get on with it
- ◆ Lack of co-ordination and reluctance to compromise
- ◆ Takes additional time - needs to be factored in early in the procurement process

This shows that there is clearly resistance to collaborate and problems with planning and coordination. Our optimum engagement analysis has consistently shown that about 40% of local government spend should be acquired, nationally, regionally or sub-regionally. Clearly, local authorities are still not using their collective influence and there is some evidence that category management is not being implemented to overcome organisational barriers and cultural attitudes.

4. CONCLUSIONS

It is nearly five years since the last survey which we carried out in 2011/12. Quite a lot has changed since then, which could be expected to materially affect the survey outcomes:

- ◆ There has been a General Election with a majority Conservative government
- ◆ Local government has continued to see a squeeze on its financial base unparalleled in recent years
- ◆ Legislation has either worked its way into the system or been introduced (E.g. Care Act) which materially changes buying patterns
- ◆ The new National Procurement Strategy has been introduced

The initial data analysis shows that much has stayed the same since last time:

- ◆ Smaller unitary and tier 2 authorities struggle to justify any investment in category management
- ◆ Collaboration still seems a major sticking point – it is more determined by individuals rather than business reasons
- ◆ Category teams still tend to be organised around business functions like Estates or FM rather categories of spend and markets
- ◆ ICT and Care Provision tend to have the most category managers both being large spend areas for tier 1 local authorities. Construction also features highly
- ◆ Salaries seem to have remained static, reflecting the public sector pay conditions over this period

The question is what, if anything has changed since we did the last survey?

The sample of respondents was higher this time, although an increased response from local authorities / organisations in the south. This would not be expected to change materially the survey outcomes.

The main changes have been more subtle

- ◆ The average number of category managers employed is up significantly. 4 -7 is the most popular band up from 35% to 56% on last time
- ◆ London is showing signs of 'going back' with less category managers than before – possibly a reflection on the fact that it has been hit with a disproportionate budget reduction
- ◆ More dedicated collaborative teams are now operating either focused on a region (such as AGMA in the North West) or a category such as energy

Management support also tends to be an issue in places. What is not clear is whether this is a genuine lack of understanding as to what it is, outright rejection or simply the fact that there is no money available to make any changes. The variations between what is outsourced and kept in-house also has a bearing on whether category management is in place and what form it takes. One head of procurement commented as follows:

“The shape and size of Councils and their history on outsourcing – matching the portfolio of contracts and externalised services can vary dramatically between the different authorities. In our case, with £180m of spend outsourced and no Leisure or Housing requirements and a current workload which will put another £40m of contracts to market via entire Service Outsourcing – a lot of Category management is swept up (in part) in the

high value/long contract arrangements this entails – so the problem becomes one of managing VFM through the contractors' supply chain."

.

APPENDIX A – SURVEY QUESTIONS

In which council do you work?

Has your council introduced category management?

- ◆ Yes
- ◆ No

Why is your authority not implementing a category management strategy? (tick all that apply)

- ◆ Organisation too small
- ◆ No business case / unclear of its value
- ◆ No resources (time or money) to do it
- ◆ Insufficient management information
- ◆ Not enough time to consider it
- ◆ No management support for it
- ◆ Other (please specify)

When do you plan to introduce it?

In which categories do you practice category management? (tick all that apply)

- ◆ Information and Communications Technology
- ◆ Postal Services
- ◆ Facilities Management
- ◆ Fleet Acquisition and Management
- ◆ Adult Social Care Transport (including Taxis)
- ◆ Children's Services
- ◆ Waste Collection / Disposal
- ◆ Energy Construction (new build)
- ◆ Construction (repair and maintenance)
- ◆ Food and Catering
- ◆ Office Supplies (furniture and stationery)
- ◆ Professional Services
- ◆ Other (please specify)

How many category managers do you currently have in post?

- ◆ 1 to 3

- ◆ 4 to 7
- ◆ More than 7

What is the average annual salary range you pay for category managers?

- ◆ Less than £40k
- ◆ £40k - £60k
- ◆ £60k - £80k
- ◆ £80k plus
- ◆ Don't Know

Do you work with other local authorities to share information and/or merge volumes where you have a mutual interest in the same categories?

- ◆ Yes
- ◆ No
- ◆ Depends on the category

What is stopping you from collaborating?

- ◆ Never thought of it
- ◆ Senior management opposed to it
- ◆ Do not wish to lose control
- ◆ No one else to collaborate with
- ◆ Can't agree on standard specification
- ◆ Other (please specify)

What is your name?

May we have your email address?