



# HAVING IT ALL

*How and why councils must realise the true potential of procurement and commissioning*

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*A white paper by Ken Cole FCIPS*





*Doing 'more with less' is now the primary focus for local authorities grappling with annual budgetary restrictions of around 7%. Many are taking a leap of faith and adopting radical new approaches to front line service design and some are making wholly unpopular cut backs. But this white paper shows how substantial and immediate savings can be made in a far less complicated and less controversial way, by looking closer to home at procurement and commissioning. By giving worked examples of the savings that can be made and the tools that can be used to achieve them, this paper should be seen as a guide to the 'first principle' of doing more with less: that is, start by generating savings through smarter back office and procurement, thereby reducing the need to cut to core services. It is an important strategy that local authorities should all be actioning if they hope to avoid some tough decisions about the front line in the near future.*

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## The One Minute Summary

Local government faces the biggest financial squeeze in its recent history presenting elected Members and officers alike with tough and often unpopular decisions. While most local authorities already have plans in place for getting through the current financial year, many are struggling to find new sources of cashable savings beyond 2012/13. At the same time demand for many services, particularly care provision for the elderly is growing because of demographic factors and there are strong demand driven inflationary pressures feeding through from other service areas. Even policies such as 'personalisation' are forcing local authorities to rethink their current service delivery and in some cases improve both choice and quality.

Procurement and commissioning expenditure across English councils accounts for over £50 billion per annum: a major potential source of sustainable cashable savings which could go a long way to filling local budget deficits. The tools and techniques to "have it all" - making savings while protecting key service delivery - are there, and many officers are willing to use them at every opportunity. But previous attempts by English local government to make progress with savings delivery on a scale which is both achievable and, arguably, essential, have never delivered anything near their potential.

Central government has discovered how to make significant procurement savings happen as has the Scottish public sector. English local government needs to learn quickly how to follow suit, otherwise it may become the last remaining soft touch of the UK public sector for suppliers and eventually be pushed into action by an impatient Whitehall that will have already squeezed most departmental third party spending.

This white paper sets out how and why local authority procurement change can and must become a reality, as well as providing pointers to resources that can be utilized in making the changes a reality. In conclusion, it throws down the gauntlet to those local authorities that want to "have it all": improving their services, freezing council taxes and balancing their budgets.

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## Part I - The Art of the Possible

***“We propose that departments set specific targets to reduce these costs within two years. We believe that savings of over £400M a year are achievable. This represents over 5% of the annual expenditure on goods and services.”***

Those words could easily have appeared in any Council committee paper or strategy document in the last year - with perhaps a slightly less ambitious savings figure.

They were actually written in 1984 by a team of civil servants and private sector specialists in a report<sup>1</sup> to the then Prime Minister, which led to the launch of the Government Purchasing Initiative (GPI) in the same year.

Over twenty five years, six re-launches, countless high profile private sector appointments and innumerable studies later, central government is at last getting to grips with its procurement expenditure. For the first time, it is (through the efforts of the Cabinet Office's Efficiency and Reform Group (ERG)) delivering some significant cashable gains. Pivotal to this progress has been a 'McClelland style'<sup>2</sup> approach towards procurement, similar to that adopted by the Scottish public sector in 2007. This approach is based on two simple principles:

- ◆ Speaking as one organization when dealing with major contractors - an approach used by Whitehall to gain reductions of around £800 million<sup>3</sup> in spending with key suppliers during the 2010/11 financial year
- ◆ Single contracts for all the routine commodities<sup>4</sup> that are mandatory to every public body - an approach adopted by UK central government in 2010, supported by e-Auctions and guaranteed throughput volumes

Central government progress with procurement reform still has a long way to go, particularly on extending the range of commodities where it contracts as a single customer and on data standards / quality. But for the first time it is removing significant costs by leveraging the Crown's purchasing influence in markets and with key suppliers. Critics argue that these savings were achieved by simply buying less or simplifying reporting procedures to gain some cost reductions. This may be in part the case, but in challenging financial times, demand management and creative negotiation are still valid and effective means of saving money.

But where does this leave English local government: larger and more fragmented than Scotland, and left out of Whitehall's efforts to tackle central departmental suppliers? Simply put, in a precarious state, as councils will become the softest target for suppliers who are being forced to remove costs, reduce excessive margins and forego cost uplifts by other parts of the public sector who have embraced procurement reform. English local authorities cannot afford to wait another 25 years before getting significant savings from their £50+ billion combined annual procurement and commissioning expenditure. Particularly if, as a survey<sup>5</sup> we recently conducted found, around 83% of senior local government officers believe that the current difficult financial climate will last for between three and ten years. If these officers are right, local authorities will find it increasingly hard to balance the books given that many of their services are demand led (e.g. social care provision).

This white paper identifies what English local government CAN do to save money in our very challenging financial environment. Drawing upon the approach and positive achievements from

<sup>1</sup> ISBN 0 11 430002 - December 1984 Cabinet Office

<sup>2</sup> Published December 2006 ISBN 0-7559-4999-4 – Review of Public Procurement in Scotland

<sup>3</sup> Claim made by Francis Maude reported last November 2010 in various media outlets following the renegotiation of central government contracts with major suppliers

<sup>4</sup> The pros and cons of adopting a McClelland approach in English local government were explored in our 2008 White Paper: Implementing McClelland – Learning from the Byatt Experience – <http://library.sps-consultancy.co.uk/documents/white-papers/implementing-mcclelland.pdf>

<sup>5</sup> Conducted by SPS in May 2011. Findings can be downloaded from <http://library.sps-consultancy.co.uk/documents/miscellaneous/sp-s-may-2011-survey-results.pdf>

McClelland and UK central government and illustrating what some English local authorities have already achieved in certain expenditure categories, we propose a basis for transformation that any local authority facing difficult decisions can embrace, if elected Members from all parties and their chief officers are prepared to get involved.

## Part 2 - Treating Symptoms not Causes - the Missed Opportunity?

Millions of pounds have been invested in pursuit of local government 'procurement transformation'<sup>6</sup> since 2004, through Regional Centres of Excellence (RCEs) / Regional Improvement and Efficiency Partnerships (RIEPs), and a multitude of regional initiatives and projects. Some excellent localised successes - notably with e-Auctions and collaborative contracts - have been achieved. However the fact that few of the RIEPs will continue to operate beyond the 2010/11 financial year is evidence of the uncertain return on investment this approach has delivered to local authorities: nowhere near full potential and certainly not adequate to tackle the financial challenges of the coming years.

Councils know that a fresh approach - one which can deliver hard, sustained, cashable savings without a catastrophic effect on service provision - is needed.

In our recent national survey, we asked senior local government officers, including many procurement and commissioning professionals, what were the two areas most capable of delivering new sources of cashable savings between now and 2013. 68% believed that improving their own procurement and commissioning approach would produce the needed savings, while over half mentioned increasing the number of shared service arrangements.

What, if anything, is stopping this being done? Respondents to our survey suggest the biggest constraint on individual authorities is not a lack of urgency or of will, but of resources. But how far is this a genuine obstacle to commissioning and procurement? And if it isn't this, what else lies behind the failure to date of English local authorities to 'crack' this? Evidence from what local authorities have learned from seven years of RIEP and RCE projects suggests that:

- ◆ Throwing large amounts of money at procurement / commissioning can help but has not delivered anywhere near the scale of savings needed
- ◆ EU Public Procurement directives, although constraining and over zealously applied in the UK, slow things down but aren't terminal obstacles to saving money
- ◆ Commercial techniques are proven and work in many scenarios: ranging from e-Auctions, cost uplift management and demand management to good old fashioned negotiation
- ◆ Commercial skill sets are in short supply in-house and thinly deployed, but can be borrowed or brought in from external sources (as central government has done)
- ◆ Good quality expenditure data is still hard to come by in local government, but there is more than enough analysis and trend data to drive savings programmes (within +/- 5% variation due to miscoding)
- ◆ Proper collaborative contracts deliver results, provided they have confirmed volumes and are managed in partnership with the contractor, rather than by the contractor
- ◆ Technology solutions are to be found in abundance, and mostly work when implemented properly and not 'bespoke' or run in parallel with legacy paper based systems

Put simply, there should be a great deal of optimism; as many of the necessary elements for more efficient and effective procurement and commissioning at local authority level are already in place and working. However, alone they have clearly been insufficient for a major breakthrough capable of delivering local authorities the strategic procurement capability they've been looking for. So what's missing?

<sup>6</sup> No common definition exists with which the local government can readily identify and which can govern the radical transformation needed in the way the public sector manages and controls its third party expenditure

Martin Jay describes the current public sector procurement landscape in the 2009 Operational Efficiency Programme<sup>7</sup> (OEP) as *“inefficient, fragmented and uncoordinated, with at least 45 professional buying organisations (PBOs) that have evolved in an unplanned manner, over time, with varying business models, no clear common vision and no clear governance”* (see OEP sections 2.16 to 2.19). Most would agree with Jay that the landscape is fragmented, confusing and needs reform: it would be a huge advantage if the public sector was much smarter about the way it organised itself. But there's little an individual local authority can do to solve this massive, systemic problem alone, and the process of reform will take years.

We believe there is a missing element in the mix that is both achievable by local authorities, and capable of delivering highly worthwhile return on investment. This “X factor” is collaborating to exploit commercial leverage.

We are not the first to make this observation. Colin Cram<sup>8</sup> in his March 2010 report<sup>9</sup> made a compelling case for more collaboration and smarter engagement with markets and suppliers along ‘Tesco lines’. More recently two pieces of work have been carried out within the public sector: firstly the Procurement Agency for Essex (PAE)’s unique cross sector<sup>10</sup> research published in late 2010, which showed how attractive the case for smarter engagement could be, just on a geographical basis. In London, a compelling case<sup>11</sup> has also been made with detailed research supported by Capital Ambition<sup>12</sup> and been signed off<sup>13</sup> by London’s 33 elected political Leaders. The Leaders endorsed:

- ◆ the estimated scope for cashable savings through greater collaborative procurement including shared contracting
- ◆ agreed that groups of boroughs should now come together to collaborate to take advantage of these opportunities following the principles set out in the report in order to maximise savings and avoid duplication of effort

Some progress is being made in implementing these recommendations by London’s five sub-regional groupings, particularly in West London. But there is a question mark over the ability of these groups to deliver sufficient success in the timescales required. Good ideas and intentions are evidently not enough.

So why do “procurement transformation” projects like this never perform to their full potential, as we so badly need them to do? The reason it has not been possible to ‘crack local government procurement’, as one London borough CEO put it, is encapsulated in two words - ‘managing change’. Many people talk glibly about change, but very few understand what it takes to successfully manage any programme encapsulating radical change. Many projects collapse or fail to deliver for no other reason than people failing to manage the change. The challenge is summarised superbly in ‘The Catalyst for Change Programme’<sup>14</sup> which says, **“the greatest barrier to success is typically not the technical complexity of new techniques, processes and systems, but the ability or willingness of an organisation and its people to accept ownership of the changes that are required”**.

In simple terms the changes required are not owned and/or understood by those that they affect.

Sir Peter Gershon in his 2004 report<sup>15</sup> argues for the need to introduce teams of change agents<sup>16</sup> comprising **“people who have experience of delivering change” in order to “provide expertise...to realise the full savings potential in their area of focus.”**

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### Exemplar Approaches to Energy

Launched in 2006, the award winning London Energy Project (LEP) ensures London’s local government optimises the way it acquires and manages its energy needs. It also works directly on legislative compliance, reducing consumption and driving up standards on energy management – more in Appendix C

<sup>7</sup> H M Treasury ISBN 978-1-84532-587-9, it covered five topics, back office operations and IT, collaborative procurement, asset management and sales, property and local incentives and empowerment

<sup>8</sup> Former Chief Executive of the NW Centre of Excellence – now Director of Marc I

<sup>9</sup> Towards Tesco published in March 2010

<sup>10</sup> Involving local authorities, emergency services, and higher education

<sup>11</sup> Delivering for London – Modernising local authority procurement

<sup>12</sup> London’s RIEP now absorbed in London Councils

<sup>13</sup> Meeting held 14 December 2010 – minutes can be downloaded from [http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=4342](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=4342)

<sup>14</sup> Published in 1993 by the Home Office PROMIS Project

<sup>15</sup> Releasing resources to the front line – July 2004 ISBN 1-84532-032-8

<sup>16</sup> Page 13, paragraph 2.9

RIEPs were originally designed to act as change agents; however, their ability to undertake that role was hampered by pressure from central government to spread their resources across an immense agenda<sup>17</sup> rather than concentrating on making a real difference in a few restricted areas (e.g. cost reduction).

Meanwhile, central government itself spent over twenty five years trying to cajole, persuade and embarrass departments to sign up to modernising procurement and found out that unless it is managed as a change exercise little will happen. The scale of the challenge is summarised by Machiavelli<sup>18</sup>:

*“It ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old conditions and lukewarm defenders among those who may do well under the new.”*

<sup>17</sup> This included improvement and even social issues, such as reducing the level of teenage pregnancies

<sup>18</sup> Extract from 'The Prince'

## Part 3 - Building the New Commercialism

The third party expenditure for bought in goods and services in English local government is far larger than total central government spend excluding the MOD. Third party expenditure is the second largest expenditure item in a local authority's accounts behind staff costs and is a prime candidate for contributing significantly to the financial reductions that all local authorities will be required to make. Outcomes from multi-authority e-Auctions, contracts and projects such as Partners in Parking<sup>19</sup> shows that collaborative working between authorities combined with smarter engagement with key suppliers and markets does yield significant cashable savings. These savings are way in excess of what any single authority could ever achieve alone.

With so much enthusiasm for making direct savings with procurement / commissioning, local authorities clearly do not lack the urgency or will to look to it to help with deficit reduction. The only real question left is why, in most cases, it is not being asked to contribute as much as it can?

Two factors are at work here. Firstly, the perception of procurement / commissioning, in many public sector organisations, is one of a poor reputation for service and delivery with little or no value added to service department activities. In some, avoiding lawyers and procurement officers is seen as the best way to "getting things done". Secondly, any interference or coercion to join with others or do things differently is perceived to conflict with the fundamental principles of departmental autonomy and hence control. These factors between them turn the promotion of collaborative working and smarter engagement into an exercise of attrition. Common arguments against change include:

- ◆ "We have different requirements to others - everything from paving slabs and vehicles to back office systems and energy"
- ◆ "Our rules do not allow us to share contracts"
- ◆ "We can do it better on our own"
- ◆ "We have outsourced to the private sector so have already made the savings"

These arguments are all red herrings. The underlying issue is fear of change, of losing control, of being seen to have not done well, of losing one's livelihood.

Fear is usually created by an absence of any clear vision from the top about what the future could look like combined with no communication as to how this would work 'on the ground'. In the world of local government procurement and commissioning, as with central government up until the change of government in 2010, there has been no common vision actively promoted, and little leadership.

Scotland led the way with McClelland in 2006. Actively backed by the Scottish Government, including the First Minister, the 32 local authorities and 14 regional NHS Boards have a common vision and have been told to stop duplicating effort by each contracting for the same things. Similarly, Francis Maude has taken the lead in central government backed by a new Cabinet Office based team led by John Collington<sup>20</sup>. The recent negotiations with common suppliers were undertaken by a single team on behalf of the Crown, and central government departments are now expected to join up their requirements for common commodities.

English local government has a choice - it can take the initiative itself to untap the true potential for cashable savings in procurement and commissioning, or run the risk of having a solution imposed on it in the next three years. The former is far more preferable than the

### Transforming On Street Parking

In 2005, Partners in Parking (PiP) was established and consisted of 6 local authorities and Transport for London (TfL). Now with 12 authorities involved, PiP has helped London local authorities collaborate and transform the way local government parking services are delivered – more in Appendix C

<sup>19</sup> A formal consortium of 12 London local authorities working towards common industry standards and reduced costs

<sup>20</sup> Recently appointed the Government's Chief Procurement Officer

latter, in order to support the sweeping cultural changes that must accompany such a move.

We believe a new commercialism is required, which recognises from the outset the diversity of local choice underpinned by a mixed economy of service delivery models that makes councils so special. At the same time it also recognises that the world has changed too. Suppliers and markets are now global and are adept at market conditioning - i.e. persuading you to buy what they want to sell rather than what you actually need. Diversity of choice can also mean greater cost. Trading with multiple authorities set on using different tendering procedures to achieve the same goal (i.e. a contract for identical or similar services and goods) costs suppliers and providers money. These costs will be retrieved through higher charges passed back to their public sector clients.

Providing local people with slightly different services does not mean that the inputs that go into their delivery such as fleet, ICT, back offices systems, highways maintenance and construction, need to be different too. These can be standardised with demand brigaded to drive down costs, encouraging markets to innovate and even strengthening the local supply base if done properly<sup>21</sup>.

The new commercialism is a structured programme that elected Members, and chief officers concerned about the future of English local government can sign up to and implement with the partners of their choice.

At present, the acquisition process, whether it is called procurement or commissioning, is heavily focused on the need for achieving competition and fulfilling statutory obligations. Typically, it is a largely administrative process, but consumes about 75% of staff effort in the life of the contract while only delivering a small fraction of the potential savings that are possible. This resource focus needs to be switched to building outcome based specifications, and building a full understanding of markets and suppliers. This will allow local authorities to pinpoint the optimum engagement model needed to derive the best outcome at less cost.

As an example, an early mapping of London local authorities' £8.9 billion annual spend suggests that at least 40% of their expenditure could be done more effectively and at less cost either through shared contracting with others or even on a regional / national basis. Taking such an approach is not undermining local choice and decision making, but about freeing up scarce local resources and taking out cost which can then be used to support local priorities and projects.

Making the new commercialism a reality is a challenging but not an impossible task if it is managed as a cultural change project, rather than just another efficiency one. At a macro level it is about signing up to a shared vision for English local government procurement / commissioning underpinned by:

- ◆ proven commercial approaches such as the use of optimum market engagement, multi-authority contracts, multi-authority procurement / commissioning teams with a multi functional composition
- ◆ a willingness to use multiple proven commercial techniques such as e-Auctions, demand management, supplier relationship development, price uplift control and face to face negotiation

How local authorities choose to deliver this in their locality should not matter, the main thing is that they are fully committed to making it a reality and working with other local authorities that also want to make things happen.

<sup>21</sup> These core principles and others are explored by Jamie Bartlett in his 2009 paper on public sector efficiency: *Getting more for less – efficiency in the public sector*, Demos, ISBN 9781906693213

To be successful at a local level, English local authorities must:

- ◆ Obtain support from all political parties. This is not a party political issue, but one about surviving in difficult financial times
- ◆ Work with like minded and willing authorities without central government direction, keeping the door open for others to join in the future
- ◆ Have support from elected Leaders and chief officers who must provide active support and leadership while the changes are introduced and bedded down
- ◆ Keep a sharp focus on removing unnecessary cost paid to third parties, this is not about reducing service levels or quality unless they are currently over specified
- ◆ Recognise that there will be a 'mixed economy' in delivery mechanisms - some may favour outsourcing, some doing things in house, while others may seek solutions in the creation of social enterprises and mutuals

On the other hand they must **avoid**:

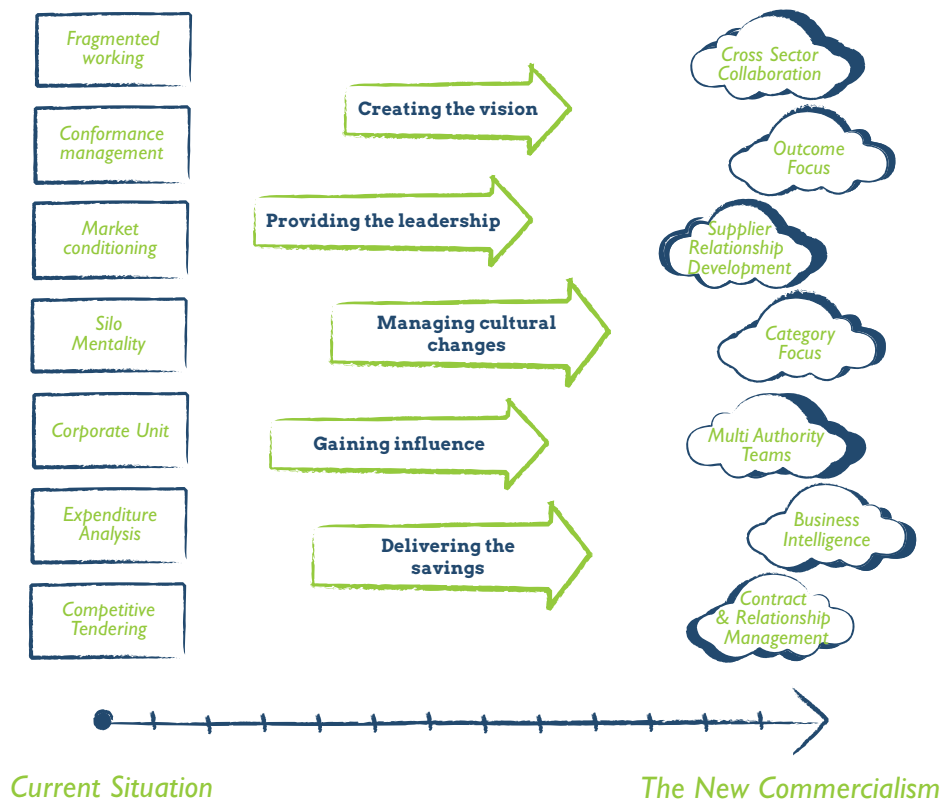
- ◆ Putting in place another 'National Procurement Strategy' or any other top down strategy for that matter - particularly if drawn up by a central government department such as Communities and Local Government (CLG)
- ◆ Expecting every local authority to want to get involved - certainly not at the outset
- ◆ Promoting a one size fits all approach to every issue
- ◆ Trying to address a multitude of other social policies at the same time such as equalities and sustainability
- ◆ Creating a multi-layer governance structure - leadership is the name of the game
- ◆ Carrying out yet more expenditure analysis and business case preparation
- ◆ Getting diverted by media trivia such as transactional analysis
- ◆ Spending vast sums of money on implementation costs, particularly in yet more 'e' technologies and consultants' reports

Fear of losing a job or being marginalised will remain a concern and even a source of opposition. Therefore there needs to be a common vision for the direction of travel and a clear plan for explaining how it is to be achieved. For those involved in the commissioning and procurement of key goods and services, signing up to the new commercialism is about nothing more than **changing focus and business priorities**. English local government does not need more or less people in this key business area. It needs to use the people and skills that it already has far more intelligently.

In setting out any vision for the future, sound change management principles dictate that it should be accompanied by a description of what opportunities lie ahead for those likely to be affected once the change comes into existence. The prospects are exciting; organisations that have made such transitions find that their people tend to have better quality and more

rewarding jobs. This can, and should, mean more pay and job security, but needs to be predicated by the actual delivery of new sources of cashable savings and improved outcomes at less cost.

### The New Commercialism - A vision for the future?



The model above illustrates the direction of travel that is not only possible but long overdue in English local government.. Who is prepared to step up to the task and make the new commercialism a model for English local government procurement and commissioning?

## Part 4 - Making it Happen

Many people, although highly supportive of the core principles and goals of the new commercialism, will have understandable concerns about the ability to make things happen. They will point to the:

- ◆ Current financial climate - where are the resources going to come from?
- ◆ Scarcity of skills to deliver
- ◆ Capacity issues created by current pressures and staff reductions
- ◆ Willingness of elected Members and chief officers to take the lead

However, while these are justifiable concerns they are not automatic barriers to achieving success. This is about change management and the acceptance and willingness of those 'in charge' to make a difference. Local government is no different to any other sector, either public or private, and it has a full range of abilities and knowledge sets. The main difference is that the private sector tends to use its people better and encourages people to take the initiative, take a risk and embrace change.

Clearly, there will be a need for some modest expenditure on training and mentoring, the former to fill skills and knowledge gaps and the latter to add direct value and act as a catalyst. But these costs can be shared. While an individual authority would struggle to justify spending £20,000 on external support, the case becomes far more compelling if the costs are shared between ten organisations committed to a shared outcome. For activities such as e-Auctions, the business case and associated Return on Investment (ROI) from sharing costs while delivering bottom line savings easily achieves an excellent 20:1 ROI, often even more.

Managing the cultural changes set out in this paper does not necessitate throwing money at the situation, especially as experience with the NHS and education over the last ten years has shown that that is not the way forward. To start with it requires simple things to happen which must be followed through until the change is fully embedded:

- ◆ Elected Leaders and chief officers must sign up to a shared vision based on common commercial principles. These can be clusters of authorities and they don't all have to be the same, it is what best suits local needs
- ◆ The vision has to be explained to the people it affects and be owned by all the people that work for the participating organisations
- ◆ Two way communications need to become the norm - everyone involved in procurement and commissioning, elected Members, officers and suppliers / providers need to be able to contribute to how things can be done better
- ◆ A top level structure needs to be put in place to oversee the changes, particularly to consider things raised by people in the organisations - all barriers need to be removed and concerns addressed openly

At this point progress can be made. There are many cash saving initiatives<sup>22</sup> that can be started such as e-Auctions, shared contracts, SRD programmes<sup>23</sup>, shared resources, and price uplift controls. There are also quite a few valuable documents<sup>24</sup> in the public domain that that can be downloaded and used.

### E- Auctions – Proven cashable savings in less than six months

In 2009, 16 London boroughs joined forces with 31 other public sector organisations to take part in an e-auction championed by London Councils / Capital Ambition in partnership with the (then) Office of Government Commerce. The largest event of its kind to date, the e-auction generated collective savings of £10.5 million to the participating organisations – more in Appendix C

<sup>22</sup> A list of some helpful organisations that can help you save money today, often for little or no cost, is included at Appendix A.

<sup>23</sup> A new SRD white Paper backed by SOLACE has just been released as well as a new toolkit <http://library.sps-consultancy.co.uk/documents/white-papers/srd-white-paper.pdf>

<sup>24</sup> A selection of such documents, pertinent to this white paper are included at Appendix B

Follow the first four steps and the cashable savings will start to accrue in months once the proven tools and techniques are used. Even areas previously thought as being 'squeezed' can benefit from a further look in partnership with other like minded organisations.

The prize is a big one for English local government and the ongoing transformation of public services. We do not have 25 years to spare while we test opinions and attempt to find a consensus for going forward. The changes needed to make procurement and commissioning yield significant levels of cashable savings require vision, leadership and the ability to manage and oversee cultural change. They also need to happen quickly.

This does not require excessive centralisation or other such draconian measures, but awareness of smarter engagement with markets and their associated suppliers/providers. It may also encourage greater development of other policy levers such as greater user of local businesses and the encouragement of more social enterprises / mutuals needed to make the 'big society' a reality. The timing has never been better; especially as we all know that the financial position for local government will not improve for the foreseeable future as the UK, along with most developed nations, grapples with unsustainable levels of debt.

Having it all is possible in English local government, although many will dismiss the idea as fanciful or beyond reach. Yes it is challenging, and yes it will not be achieved in one move, but beyond reach it is not. The public sector comprises the same cross section of society as the private and voluntary sectors. The essential difference is the cultural ethos. With the right leadership, inspiration and support the change is within reach.

We repeat the earlier question - who is prepared to step up to the task and make the new commercialism a model for English local government procurement and commissioning?

## Appendix A - Sources of Help and Information

We are providing this list of organisations and sources in good faith to readers. You will need to have some idea of what you are looking for first of all. In some cases you will be accessing people skills, in other cases the resources needed for the great procurement and commissioning transformation.

Organisation	Description	Contact Details
Improvement and Efficiency South East (IESE)	The former RIEP is known for its ground breaking work in areas such as <b>adult social care, waste and construction</b> plus other areas too. As it moves to an new business model, it is likely to prove to be an important partner in helping councils make things happen.	www.southeastiep.gov.uk T 01883 732957 E enquiries@southeastiep.gov.uk
Improvement East	A key focus of Improvement East is to support authorities in meeting their efficiency savings through <b>smarter procurement or innovative service delivery</b> including collaboration of services.  There is an emphasis on procurement as it is viewed as the most likely area to achieve direct savings. Also lots of good work on <b>service transformation and shared services</b> .	www.improvementeast.gov.uk T 01284 758301 E info@improvementeast.gov.uk
Electronic Services Delivery (ESD) Toolkit	The Effective Services Delivery (ESD) Toolkit is a comprehensive set of tried and tested tools, models and guidance - developed for the public sector. The focus here is <b>data standards</b> , all of which are critical to supporting collaborative working.	www.esd.org.uk/esdtoolkit/default.aspx E support@esd.org.uk  There is no phone number this is a resource
ProClass (managed by Coding International Ltd on behalf of English local government)	ProClass is the English local government <b>procurement classification</b> available at no cost to anyone to use. This site allows you to download free mappings to coding systems such as UNSPSC, Thompson and CPV and is an essential resource to any organisation wishing to drive up <b>data standards</b> .	http://websites.uk-plc.net/Coding_InternationalLtd/proclass-31509.htm  T 02380 554111
Pro 5	Pro5 gives you access to a huge selection of public sector contracts covering common goods and services, many at highly competitive prices. Pro5 consists of five local authority buying consortia, ESPO, YPO, CBC, WMS and NEPO	www.pro5.org  There is no phone number as Pro 5 is a virtual organisation made up of five separate organisations
Government Procurement Service - formerly Buying Solutions	The Government Procurement Service is the national procurement partner for all UK public services and is part of the Efficiency and Reform Group within the Cabinet Office. It is soon to be taken back in house under the new Government Procurement umbrella.  It has some great category teams and contracts, which are increasingly e-Auction enabled. Some really strong areas are <b>energy, postal services, fleet and ICT</b> and more. A great partner to join with for <b>e-Auctions</b> .	www.buyingsolutions.gov.uk  T 0345 410 2222
Improvement and Efficiency - West Midlands (IEWM)	IEWM plays a significant role in the development of sector led support both locally and nationally. Its role is to encourage collaboration, to share and develop good practice and to champion: <ul style="list-style-type: none"> <li>• Improvements to the efficiency and to the performance of local government;</li> <li>• Innovation and the transformation of public services;</li> <li>• Partnership working, place shaping and the achievement of improved service outcomes for the community.</li> </ul> All councils and partnerships in the West Midlands are actively involved with IEWM and they are supporting a range of exciting programmes and initiatives to build skills and capacity through collaboration and shared learning.	www.westmidlandsiep.gov.uk T 0121 245 0220 E info@westmidlandsiep.gov.uk
NWIEP Procurement Network	The successor to the NWIEP Procurement now includes the region's NHS and Police alongside its local authority members. The network will look to ensure that the region continues to deliver on procurement related efficiency savings with continued investment into eProcurement and the creation of regional frameworks and agreements; and to ensure improvements in procurement skills and resources.	www.nwiep.org.uk/ T 01942 705481 E neil.hind@hind.co.uk

## Appendix B - Recommended Documents for Download

The following documents relate either to this white paper or accompanying case studies. Their inclusion is done in good faith and does not constitute an endorsement by the authors and/or their organisations for this white paper or for SPS Consultancy Services Ltd.

### Category Management

Leveraging ICT hardware -written by Ken Cole and Alexandra Ranson

London Energy Project - Executive Overview

Pan London energy Efficiency Savings Opportunities -published by LEP and Pulse 24

Best Practice Guide on Vehicle Acquisition - published by London Councils

Government Professional Services Group – Consultancy Value Programme

Delivering for London - Modernising Local Authority Procurement - published by London Councils

### Contract and Relationship Management

You and Your Contractor - published by London Councils, first published in 2006

### Data standards and classification

Maximising Returns from Purchasing Data - Informed Business Decisions from Coding and Classification - published by CIPS

Real-time classification

Retrospective classification

### Supplier Relationship Development

SRD Toolkit - published by London Councils

SRD White Paper - published by London Councils and supported by SOLACE

You can download even more useful documents by visiting the SPS Knowledge Store [www.sps-consultancy.co.uk/knowledge-store/index.html](http://www.sps-consultancy.co.uk/knowledge-store/index.html)

## Appendix C

### Case Study

# E-auctions – savings direct to the bottom line

E-auctions are a form of 'reverse auction' conducted online with pre-qualified suppliers who are invited to compete on pre-determined award criteria. Suppliers are invited to bid decreasing prices for the contract offered in response to competitors' bids. They offer local authorities the opportunity to benefit from collaboration, generate competition and drive down costs without compromising quality.

Not all expenditure is suited to e-auctions, but in broad terms any product or service that can be commoditised into core specifications is a likely candidate. This can mean anything from ICT hardware, highways materials and vehicles through to temporary agency staff and home to school transport.

They have been successfully adopted by many local authorities but there are still many myths about how they work – the chief one is that they compromise quality.

Some notable successes include in 2009 when 16 London boroughs joined forces with 31 other public sector organisations to take part in an e-auction championed by London Councils in partnership with the (then) Office of Government Commerce. The largest event of its kind to date, the e-auction generated collective cashable savings of **£10.5 million** to the participating organisations.

London Councils' support for the e-auction procurement model has demonstrated that:

- ◆ approaching markets together and leveraging our influence does work
- ◆ developing and agreeing core specifications and commoditising high value items is possible
- ◆ coordinated programmes across London can easily outperform existing private sector arrangements that have already been outsourced – companies such as Serco, Capita and Agilyis purchased against these arrangements

Outside London, the Improvement and Efficiency West Midlands (IEWM) has also been a big user of e-auctions. Their achievements are set out in the booklet entitled simply e-Auctions [http://hub.westmidlandsiep.gov.uk/uploads/files/e-auctionss/guide%20to%20e-auctionss%20in%20west%20midlands\\_webpdf.pdf](http://hub.westmidlandsiep.gov.uk/uploads/files/e-auctionss/guide%20to%20e-auctionss%20in%20west%20midlands_webpdf.pdf)

Total cumulative savings secured via the West Midlands e-auction programme had exceeded £20m by the end of 2010. Some local authorities have secured a return on investment of 70:1. IEWM has supported many of their authorities with carrying out e-auctions including Worcestershire County Council who have secured savings of £3.5m from home to school e-auctions to date.



## Case Study

# The London Energy Project (LEP) - collaborative innovation in action

The UK public sector as a whole spends £3.8 billion per year on energy. Launched in 2006, the London Energy Project (LEP) ensures London's public sector can capitalise on opportunities to plough back efficiency gains into front-line services while providing a better deal for taxpayers.

In 2008 LEP successfully introduced Risk Managed, Aggregated Flexible Procurement (Flex Contracts) to the public energy market. This means that every London council, social housing facility, police station, fire station, hospital and clinic can benefit from better value energy supplies. Flex Contracts provide a solution to complex technical and commercial procurement issues in highly volatile market conditions. In the first three years flexible versus fixed price contracts have delivered a 4.7% cost reduction against the wholesale market average.

The introduction of Flex Contracts was the culmination of LEP's innovative engagement project that brought together London's local authorities to combine their buying power / influence while persuading Central Purchasing Bodies and utilities providers to change the basis of their supply contracts and customer service to offer Flex Contracts and continuous service improvement.

LEP also introduced the ground-breaking Local Government Energy Procurement Action Plan (2007) which enabled organisations to assess themselves against best practice standards in energy administration, management and procurement.

Since 2008, LEP has extended its influence and success into the area of Carbon Reduction Commitments (CRCs). It has developed best practice guidance and expertise that has quickly built local government capacity to reduce operational risks and overheads associated with new and costly carbon reduction regulations. Using a new approach to public private contracting it aligned its experience with Pulse 24's technical expertise. Formulated for compliance and to save time, money and carbon, it delivered £4m savings for London boroughs and identified a further £25m. It re-positioned LEP from energy procurement specialists to full category management providers and Pulse 24 from a tactical/operations service provider to a strategic provider of sector-focused management solutions.

More information can be obtained from <http://www.londoncouncils.gov.uk/capitalambition/projects/londonenergy/default.htm>

An excellent Executive Overview can be downloaded from this site for readers requiring more detail.



## Case Study

# Partners In Parking (PiP)

In 2005, Partners in Parking (PiP) was established and consisted of 6 London local authorities and Transport for London (TfL). PiP was created to provide local authorities with the ability to actively collaborate and transform the way local government parking services are delivered.

This includes (but is not limited to):

- ◆ Collaborative procurement and contract management – leveraging collective membership
- ◆ Generating savings and efficiencies; and
- ◆ Provision of resources to manage and resolve wider parking issues:

This also included the need to address calls for a more coherent and consistent set of controls and practices, and improving the ability to influence suppliers and markets. PiP set out to deliver this by initially delivering the following projects:

- ◆ Project 1: Stationery harmonisation
- ◆ Project 2: On-street technology
- ◆ Project 2b: Mobile payments
- ◆ Project 3: Payment processing and information economies

The initial business cases prepared in 2004-2005 by PiP highlighted the potential for savings based on a Net Present Value (NPV) of £55m over a five year period. The bulk of the forecasted saving was expected to come from payment processing and debt management.

In April 2007, PiP was launched with member and officer level boards underpinned by an operational constitution agreed by the seven founding authorities (five boroughs, plus the City of London and TfL). Since then five more London boroughs have joined.

To date, approximately £3m savings have been achieved namely from the street technology and mobile payments (projects 2 and 2b) alone.. In the first year the six partners ordered a total of 541 terminals, generating more than 21% of the savings predicted for this project in the business case.

Of particular interest was the way that collaborative working by the partners influenced some of the suppliers of on-street pay machines to invest in new technology and update designs. As a result of this work, nearly all potential suppliers have also indicated their intention to follow suit.

Payment by mobile phone is proving to be even better with savings coming from a variety of



sources including reduced financial loss, cash collection and machine maintenance.

PiP membership costs circa £8,000. With the average cost of a Borough procurement exercise costing circa £100k, and access to “off the shelf” pre-tendered contracts, PiP offers Boroughs the opportunity to make real savings and efficiencies..

To date, PiP has successfully achieved the following:

- ◆ Access to pre-tendered Framework contracts including: Pay by Phone, Pay and Display and Debt Recovery
- ◆ Completion of Mystery Shopper Surveys (winner of the 2010 British Parking Award for Innovation)
- ◆ Established Special Interest Groups
- ◆ Participation in new projects and initiatives;
- ◆ Access to Parking Services legal support
- ◆ Use of an award winning Blue Badge Fraud Service
- ◆ On-line PiP resources and website
- ◆ Introduction of brand new on-street pay machines containing industry standard CHIP and PIN technology
- ◆ Successful use of pay by mobile phone technology removing the need for cash payments
- ◆ Eliminating losses incurred through theft from machines

Building on the above achievements, exciting new collaborative projects are currently underway.

They include (but are not limited to):

- ◆ A new IT Procurement contract to manage PCN's, permits and suspensions
- ◆ Introduction of Electronic pocket books (E-Pocketbooks) for use by on- street enforcement officers to enable cross-council management and alignment
- ◆ The development of a Blue Badge Fraud scheme to combat fraud and misuse
- ◆ Data and Benchmarking project to implement and monitor performance capability (i.e. KPI's) across parking services
- ◆ Ongoing Mystery Shopping initiatives – a variety of new initiatives will be implemented across a variety of customer channels including e-mails, websites, customer service centres and on-street
- ◆ Shared Parking and Traffic Appeals Services (PATAS) resource – appointing a shared resource on behalf of PiP members

For more information about what Partners in Parking is doing, please go to [www.partnersinparking.com/index.php](http://www.partnersinparking.com/index.php)

Alternatively, you can email Raj Mistry (PiP Committee Chair) at [rmistry@lambeth.gov.uk](mailto:rmistry@lambeth.gov.uk)

## About the Author

### Ken Cole

Ken has had a highly successful career spanning both the public and private sectors. He is an acknowledged authority and speaker on strategic procurement in the public sector and has been the author of major white papers that have advanced thinking in areas as diverse as supplier relationship development and classification and coding. He has instigated, led and delivered a wide range of projects and assignments while also undertaking high profile appointments such as Director of the London Centre of Excellence (LCE) from 2005 to 2008 and founding Director of the Procurement Agency for Essex (PAE) in 2004. He was Commercial and Procurement Advisor to Capital Ambition until March 2011 where he produced the report 'Delivering for London – Modernising local authority procurement' which was endorsed by the 33 London elected Leaders.

He worked in central government until 1995, serving in various senior project management and procurement roles at the MOD, Home Office, Cabinet Office and HM Treasury, before moving into the private sector in 1995 where he managed the public sector division for a major ICT provider.

He is a Fellow of the Chartered Institute of Purchasing and Supply (CIPS), Fellow of the Royal Society of Arts and is a Liveryman in the Worshipful Company of Information Technologists having received the Freedom of the City of London in 1994.





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