

# EFFICIENCY, GERSHON AND PROCUREMENT

everything you need to know



**SOLACE**  
Society of Local Authority  
Chief Executives and Senior Managers

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Everything you ever wanted to know about procurement, partnership, productivity and efficiency but were afraid to ask...

## Foreword from Tim Byles, Chief Executive, Norfolk County Council

Ahead of the outcome of the 2004 Spending Review (SRO4), which will be announced by Chancellor Gordon Brown in July, the focus of attention in both central and local government has been on the achievement of efficiency savings. The spotlight has moved on to excellence in procurement as a means of achieving significant cashable savings which can be used to bolster much needed frontline services and reduce pressure on growth in taxation.

Sir Peter Gershon's Efficiency Review Team grabbed the headlines earlier in the year with leaks of savings targets of up to £15 billion. Whilst the Treasury does not intend to publish the report itself, its conclusions will form an important element of the SRO4 announcement. As a minimum, government at both national and

local level can be expected to achieve efficiencies of 2.5 per cent per year over the next three years.

The Office of the Deputy Prime Minister has also been working hard on the development and implementation of best in class procurement practices and has published the National Procurement Strategy for local government, which is intended to be implemented over the next couple of years, facilitated by nine regionally-based Centres of Procurement Excellence. The Centres will be a gateway through which advice, support and other resources will be channelled to enable local authorities to achieve efficiency savings, in particular through working collaboratively, maximising their purchasing power and developing innovative vehicles through which services

can be delivered without creating unsustainable pressure on budgets.

It is important that local government takes ownership of the efficiency agenda, both in order to manage the political and managerial challenges, but also to take maximum advantage of the opportunities being made available. This short guide summarises many of the issues relevant to using procurement as a means of improving efficiency and provides a vocabulary for Members and Officers alike to enable proper consideration of those issues.



# introduction

Local government can feel justifiably pleased with itself for the overall improvements in the quality of the services it provides. The inventiveness and dedication of people throughout local government has resulted in more responsive and better run services over recent years. All this has been achieved in the face of increased demands and higher customer expectations.

For its part, the Government will point to its own successful policy of the carrot of increased funding and the stick of more inspection through best value and the CPA. It would say these are what has driven improvement.

Government policy is now moving on. The future is likely to see fewer inspections and it is certain to see less 'new money'. The emphasis is shifting to using resources 'smartly', to make more use of the private sector and to use efficiency savings to fund investment in frontline services. As the Government's

willingness to use capping powers has shown, it is very serious about the need for local authorities to be seen to be 'prudent'.

The efficiency saving agenda is driven, not surprisingly, by the Treasury who set up the Gershon Review. The Spending Review 2004 is likely to set demanding savings targets for local government for years to come.

Local government should not feel persecuted. All government departments are covered by the Review, some of which are riper for plucking than local government. But it could find itself in the crossfire between government departments if it is not careful. Departments are keen to maintain their independence over their 'territory' and avoid a position where the Treasury dictates to them.

The Office of the Deputy Prime Minister (ODPM) has signalled its intentions through the National

Procurement Strategy - a joint ODPM and Local Government Association (LGA) document. This recognises that procurement is the key to savings as local authorities collectively spend more than £40 billion a year.

Delivery of the Strategy will be guided by nine Centres of Procurement Excellence based in councils. The way in which local government responds to the challenge of implementing the Strategy and delivering savings could have a big impact on its future autonomy. It is no secret that the Office of Government Commerce (OGC) wants to set up 'centres of excellence' in each government department and wanted to set up regional Commercial Development Units led by 'change agents' to promote savings in local government. This could present an opportunity for local government. An ODPM model for the future sees the Centres of Procurement Excellence as the change agents – delivering improvement for local government and for the Treasury.

If local government fails to grasp the opportunity, the Units could be run from outside local government and as such be insensitive to issues that concern councils, such as equal opportunities and sustainable communities.

However, if the current model of the Centres of Procurement Excellence is not thought to be delivering, even they may move from local government control - perhaps to the Government Regional Offices.

In the short term, the OGC will be concentrating on getting central government into shape to respond to efficiency saving targets, so local government has time – perhaps two to four years – in which to make a success of the National Procurement Strategy.

Local government needs to show central government that it has grasped the agenda set out in the Gershon Review, especially in terms of Gershon's workstreams - procurement of goods and services, procurement of construction and property, back office costs, transactional services

and productive time. Ideas are being developed for a model that proposes three levels of savings, the top two of which are more challenging than the Gershon targets.

Councils are not starting from a weak position. There are examples of good practice in procurement and partnering throughout local government. However, there is still a great deal to do to bring everyone up to the standard of the best. Management and cultural change will be needed, skills have to be developed and priorities have to be set.



# All you need to know about ...

## ... The Gershon Review

### *We're supposed to save how much?*

Sir Peter Gershon's job is to make the money go further. He has carried out an Efficiency Review for the Government aimed at releasing resources into frontline services and cutting the bureaucracy faced by frontline professionals.

The full results of the Review are not likely to become public, but they are sure to influence the **Spending Review 2004**, which in turn will set the scene for local government spending for the next few years.

And – if the leaks are accurate – councils may need to find overall efficiencies of between 3 to 4 per cent of net expenditure in the coming year, with bigger savings expected in some areas in future years.

Gershon (and the Government) sees local government's £40+ billion annual bill for the **procurement of goods and services** as being ripe for savings. He has also set his sights on the **procurement of construction and property, back office costs, transactional services and productive time**. There is more about these areas below, but for now, this is what Gershon thinks we can save.

Procurement of goods and services				
2006/07 7-10%	2007/08 12-15%	2008/09 17-20%	2009/10 25-30%	
Procurement of construction and property				
2006/07 3-5%	2007/08 7-10%	2008/09 12-15%	2009/10 17-20%	
Back office				
2006/07 0.4-0.6%	2007/08 0.6-0.8%	2008/09 0.8-1%	2009/10 1-1.2%	
Transactional services				
2005/06 3-5%	2006/07 7-10%	2007/08 12-15%	2008/09 17-20%	2009/10 25-30%
Productive time				
2005/06 3-5%	2006/07 7-10%	2007/08	2008/09	2009/10



### **... Gershon on goods and services**

#### ***Procurement of goods and services***

Local government spends more than £40 billion a year on goods and services. Gershon didn't need a team of rocket scientists to work out that there is money to be saved by aggregating overall demand for goods and services so that suppliers are forced to reduce prices.

Although councils already do this in a number of ways, such as the use of **purchasing consortia**, **framework agreements** and other arrangements, for the most part we all buy goods and services separately. This creates a large number of suppliers, significant overheads and comparatively high prices.

However, meeting the efficiency targets outlined above will be quite a challenge. For a start, we will need to establish baselines so we can measure the savings. And we will have to develop new ways of working, learn quickly from each other and work collaboratively to deliver the (cheaper) goods. The

**Centres of Procurement Excellence** will help us in this by supporting councils to implement the **National Procurement Strategy**.

### **... Procurement of construction and property**

#### ***Building a better (but cheaper) future?***

Gershon sees some big savings in this area. It's just as well then that local government is off to a good start thanks to the **Rethinking Construction** initiative. Local government is a major player in the procurement of construction projects such as roads, bridges and property. This kind of procurement involves large amounts of money, long timescales and significant risks.

To meet the targets, all of local government must adopt the Rethinking Construction principles. This means that individual local authorities should be more prepared to enter into collaborative arrangements and strategic partnerships with the public and private sectors.

The issue of setting baselines applies here as much as for the procurement of goods and services.

### **... Gershon on the back office**

#### ***What's going on back there?***

The 'back office' may sound quite homely and small business-like, but as we know, Gershon is talking about corporate resource services such as finance, human resources, information and communications technology (ICT) and estate management. These are all services that support frontline staff and are key to the efficient management of resources.

Gershon has been looking at what improvements could be made if back office functions were provided more efficiently and if best practice was achieved consistently and rapidly.

It may be that there are big savings to be had through the aggregation of services into single coherent units, such as service centres, or through entering into a strategic partnership with a public or private sector company, or some form of

joint venture company. This could be an area where collaboration at above sub-regional level may result in more significant savings and higher quality.

### **... Gershon on transactional services**

#### ***Feeling the benefit of change?***

Gershon has his sights on two areas in particular: the collection of council tax and the administration of benefit payments. These two activities are carried out by a large number of district and unitary councils - mostly individually. Aggregating these regionally, or even nationally, could result in significant savings.

Thinking wider than Gershon, local government could consider the administration of payroll, pensions, accounts receivable and accounts payable as examples of transactional services. There are some collaborative arrangements in these areas, such as strategic partnerships with the private sector, and there may be scope for big savings through ideas such as new public companies.

Savings on transactional services will also come about from the use of **e-Procurement**

### **... Gershon on productive time**

#### ***Playing for time***

According to Gershon, in key services such as education, the majority of resources are already spent on frontline staffing. However, he says that many staff are frustrated about the amount of time they have to spend serving the organisation rather than their customers if support functions are inefficient or if too much time is spent customising straightforward tasks.

So, local government needs to spend a bit of productive time looking carefully at who does what and how much of what they do is time well-spent: process mapping and job redesign are how we often talk about this process.

### **... A model for savings**

#### ***Doing it our way?***

How can local government achieve a level of savings that is in line with - or better than - those envisaged by

Gershon? One model that has been discussed suggests three levels of savings that authorities could aspire to:

- basic
- intermediate
- advanced.

*Basic* savings would result if an authority just implemented the **National Procurement Strategy**. Measures such as having a procurement strategy in place that leads to greater efficiency and less duplication could yield savings of 2.5 to 3 per cent on net spending in the first two to three years.

*Intermediate* level savings are more ambitious. A local authority would have to build on the principles of good procurement. Some changes to current ways of working would be necessary, although the existing structure of local government would remain. For example it could mean working more collaboratively with other councils and setting up new vehicles for procurement where one council acts as a lead authority for a regional grouping of 50 or so authorities. Savings of up to 10 per cent of net spending are anticipated at this level.

*Advanced* level savings would be challenging for authorities. They would be the result of more radical measures, such as the creation of **trading companies** to deliver key services for groups of councils. The idea would be to stimulate more contestability and a market where one does not currently exist. These would not be private sector companies that had to deliver dividends to shareholders - 'profits' would be reinvested in services. This approach has the potential for savings of 20 to 30 per cent.

### **... The National Procurement Strategy**

#### ***The ODPM strikes back (with help from the LGA)***

It isn't just the Treasury and Gershon that recognise the savings to be made from better procurement. The ODPM and the LGA outpaced the Office of Government Commerce and produced a National Procurement Strategy for local government in 2003. The Strategy "sets out how central and local government, working together with partners from the public, private and voluntary sectors, intend to set about improving local procurement".

The Strategy follows a 2001 review of local government procurement in England, *Delivering Better Services for Citizens*, by Sir Ian **Byatt** for the LGA.

The National Procurement Strategy sets milestones for all councils to achieve between 2004 and 2006. One of its main recommendations was to set up a network of **Centres of Procurement Excellence**, another is to pilot two training and development programmes for Members, senior managers and project team members.

It is based around five themes designed to deliver a vision that places procurement at the heart of the drive for better and more cost effective services that enable greater choice for citizens:

- cultural shift
- providing leadership and building capacity
- partnering and collaboration
- doing business electronically
- stimulating markets and achieving community benefits.

The benefits to authorities of adopting the Strategy are set out. In short, they are that it helps councils to:

- set up a range of partnerships to help them deliver service improvements and renew assets
- build quality design into the procurement of assets
- make more creative use of buying power to stimulate innovation in the market
- make savings that can be channelled into priority services or council tax reductions
- achieve economies and efficiencies and improve effectiveness through procurement
- comply with European procurement rules
- implement good practice in procurement
- cut red tape.

### **... The Spending Review 2004**

#### ***Spend, spend, spend***

Spending Reviews set firm and fixed three-year Departmental Expenditure Limits and, through Public Service Agreements, define

the key improvements that the public can expect from these resources.

The 2004 Spending Review will be completed in summer 2004. It will establish new departmental spending plans for 2006/07 and 2007/08 and a new set of Public Service Agreements. Spending plans for 2005/06 set in the 2002 Spending Review will not be changed. Additional funds will be targeted at frontline public service priorities on the basis of an assessment of where new resources will have the greatest impact on outcomes.

In setting out the next steps in public service reform, the Spending Review will focus in particular on increasing devolution to the frontline.

### **... Strategic Partnering Taskforce**

#### ***Take your partners***

The Taskforce was set up in September 2001 to help local government improve services by working with other organisations, whether other local authorities,

other parts of the public sector such as the NHS, or with the private and voluntary sectors. It aimed to learn from existing strategic partnering arrangements, support partnering pathfinder projects and generally promote the effectiveness of partnering.

It reported in March 2004, putting forward a set of recommendations on what can be done to make strategic service-delivery partnerships a realistic procurement option.

*Did you say **strategic service-delivery partnerships**? What are they?*

A strategic service-delivery partnership (SSP) is, in the ODPM's words "a long term partnership between organisations that work collaboratively to achieve the authority's strategic aims for delivering services. The key words are strategic and delivering services [!] – these are the defining features of SSPs. A SSP is ...designed to deliver services – rather than plan, co-ordinate or monitor the activities of the public sector agencies in the

community". It can be considered for any service.

Properly thought through and implemented, SSPs are said to increase capacity to secure a step change in efficiency; they will help break down cultural and organisational barriers to improvement; and they bring economies of scale and enable services to be delivered in a way that would not be possible for authorities working on their own.

But implementing a SSP is not an easy option. Experience shows that where objectives are genuinely shared between the partner organisations, improved services will result. This requires "a mature approach to the culture of mutual self-interest which is at the heart of all partnerships".

## **...Centres of Procurement Excellence**

### ***The keys to success?***

Whether the **National Procurement Strategy** can deliver the improvements that will keep the Treasury at bay depends, to a great extent, on the Centres of Procurement Excellence.

Nine Centres of Procurement Excellence were set up in response to a recommendation in the National Procurement Strategy. They are there to build on the existing good practice in councils, buying consortia and trading partners. They will support high performing authorities to work together as leaders and catalysts among their peers and neighbours to implement the Strategy, improve partnering practice and respond to the priorities of the **Gershon Review**.

In summary, the Centres will:

- provide support to Members and Officers in councils in their region to develop a **corporate procurement strategy**, improve the procurement of goods and services and develop procurement skills
- identify potential savings in procurement and develop and implement proposals to deliver these
- promote shared procurement
- develop contestability in public services through procurement
- stimulate the market by working with existing and new suppliers

- take forward e-procurement and e-commerce
- identify and put in place a range of partnering vehicles and company structures to deliver more and better partnership working
- provide opportunities for joint procurement with other public sector partners.

#### The Centres of Procurement Excellence are:

- North East: Gateshead MBC
- West Midlands: Worcestershire CC
- South West: Dorset CC
- North West: Tameside MBC
- South East: Kent CC
- Yorkshire and Humberside: Leeds City Council
- East Midlands: Nottinghamshire CC
- East of England: Norfolk CC
- London: Association of London Government on behalf of the London Boroughs.

The ODPM launched the Centres in November 2003, but most will not be up and running until autumn 2004.

There is as yet no common approach to the Centres and lead authorities have different views

as to how they will develop. The Chief Executives of the councils who host the Centres have formed a **Chief Executive Taskforce** to help co-ordinate and develop a national agenda.

### **... Chief Executive Taskforce** *A force for good*

Chaired by Tim Byles, Chief Executive of Norfolk CC, the Taskforce will identify executive action common to all nine regions which will collectively deliver the **National Procurement Strategy** and address the challenges of the **Gershon Efficiency Review**. Officers, acting as the regional directors of the nine Centres of Procurement Excellence, agree on the need to incorporate a common core to the nine regional procurement plans which are required.

The Taskforce will also agree the core work for all of the nine Centres; a set of minimum activities to take forward the Government's agenda AND reflect local priorities. This will help to ensure that the milestones contained in the National Procurement Strategy are achieved by all authorities. It is possible that

the Centres could develop a new best value indicator that would be achieved once an authority can report it has reached all 22 milestones.

### **... The Atkinson Review of Measurement of Government Output**

#### ***When more means less***

It's one thing pumping money into the public service, but the Government wants better information about how much good that money is actually doing. Concerned that productivity seemed to be going down as investment (inputs) went up, the Government set up the Atkinson Review into the future development of government output, productivity and associated price indices. This will have implications for how local government measures its productivity.

Traditional ways of measuring activity do not tell the whole story. For example, while it may seem to be a good thing if class sizes go down while the number of teachers goes up (because there is a better teacher/pupil ratio), an activity



measure would say that the output (the amount of education delivered) had reduced. So, a more meaningful way of measuring outputs is to take the number of pupils weighted by the cost of education, quality adjusted by exam success.

Best practice from around the world says that government output should be measured in terms of the outputs produced (for example the number of healthcare treatments) rather than the inputs consumed (the number of doctors). Changes in its quality should be reflected in the output measure.

The report is due in July 2004.

### **... Incremental partnerships**

#### ***Little by little***

Partnerships, like relationships, are not always love at first sight. Partners often need time to get to know each other and let a relationship evolve. In this way, trust between partners is built up. Incremental partnerships try to create an environment in which the partner, having won the contract, isn't just left to deliver it. Instead, the idea is to provide an incentive

for the partner to work harder at the contract to develop the benefits even further.

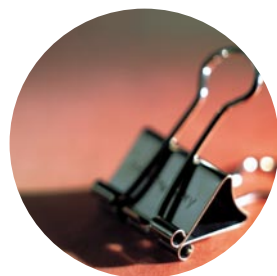
Another benefit of incremental partnering is that it takes some of the risks out of the process. More options are left open, with the authority being able to take steps when ready rather than having to plan for everything at the outset.

However, while the report of the **Strategic Partnering Taskforce** recommended that authorities should consider this type of partnership, it warned that it may not result in the step change in service delivery achievable through a large-scale **SSP**.

### **... Collaboration**

#### ***Public togetherness***

This term is used to describe the various ways in which councils and other public bodies come together to combine their buying power, to procure and commission goods, works or services jointly, or to create shared services. Collaboration is a form of public-public partnership.



### **... Joint service delivery**

#### ***Sharing the work***

The **Strategic Partnering Taskforce** report says that there is a strong case for local authorities coming together to procure services which exhibit similar features. Although there appears to be a resistance to shared service delivery by local authorities, the report says that rather than this approach leading to a loss of control by an individual authority, the delivery of these services could be shared if necessary – for example one authority could administer housing benefits while another in the group administered council tax collection.

Joint working can also be between different types of public bodies.

### **... Rethinking Construction**

#### ***Building partnerships***

Rethinking Construction reflects the recommendations made in a report under that title produced in 1998 by a taskforce led by Sir John Egan. It was commissioned by the Deputy Prime Minister to assess the efficiency of the UK Construction Industry. Among other things, the report said the construction

industry needed to address the needs and expectations of the end-user more closely and move away from traditional ways of doing business, which are restrictive and confrontational.

Rethinking Construction is the banner under which the construction industry, its clients and the Government are working together to improve UK construction performance. The objectives are to achieve radical improvements in the design, quality, customer satisfaction and sustainability of UK construction, and to be able to recruit and retain a skilled workforce at all levels by improving its employment practices and health and safety performance.

The key to efficiency savings in construction is to ensure that the Rethinking Construction principles are adopted more widely and consistently across local government as a whole.

Rethinking Construction is now part of **Constructing Excellence**, a Department of Trade and Industry organisation.

### **... Constructing Excellence**

#### ***More than bricks and mortar***

Constructing Excellence is a government body created to support continuous improvement in the construction industry. At first glance that might not seem to have much to do with local government, but its relevance comes into sharper focus when we consider Gershon's suggested efficiency savings for the **procurement of construction and property**.

Constructing Excellence brings together **Rethinking Construction** and another organisation, Construction Best Practice. It aims to achieve "a step change in construction productivity by tackling the market failures in the sector and selling the business case for continuous improvement".

The organisation has a local government taskforce that works as a lobby group for local government and works with councils to adopt the principles of Constructing Excellence. It also identifies and disseminates best procurement practice aimed at getting the right quality, having regard to the whole life costs of the projects concerned.

### **... e-Procurement**

#### ***Log on for savings***

Effective use of information and communications technology will be one of the main ways to improve procurement efficiency. e-Procurement brings a range of benefits such as modernisation, efficiency improvements (the way people work), improved commercial relationships with suppliers, reduced costs for suppliers and a bigger marketplace. It will also improve the ability of councils to manage their supply chain more efficiently.

The National e-Procurement Project (NePP) supports and advises authorities on 100 per cent implementation of e-procurement as part of meeting the 2005 e-government target. Effective procurement, of which e-procurement is an integral part, has the potential to significantly improve the performance of councils and to save them money. This is a fast changing market and councils need to keep abreast of new solutions and exchange best practice with each other.

### ... Procurement and the CPA *The inspectors will call*

Any temptation to regard efficiency savings coupled to procurement as somehow outside the mainstream political imperatives of the council is dispelled when the magic initials 'CPA' move into view. It is likely that efficiency and value for money will appear in the new rounds of the

CPA, possibly with a focus on procurement.



Procurement is already taken into consideration. The 2002 CPA results for English upper tier

councils showed that:

- 49 councils were "responding well to the challenge of procurement"
- 48 councils "strategy was working reasonably well, but more development would enhance capacity"
- 42 councils "experience was patchy. Often the procurement strategy was new and not yet working". Of these, 39 councils "either had no strategy, were not applying it properly or were not resourcing it."

The Audit Commission, tellingly, noted that one of the reasons for high performance was "a robust approach to procurement based on a well-developed mixed economy".

### ... Government departments on the scene

#### *Too many cooks?*

It's all very well talking about joined up government, but there are several government departments with their fingers in local government's efficiency savings pie:

- The Office of the Deputy Prime Minister (ODPM): The department is not going to give up its influence over all things local government without a fight. The **National Procurement Strategy** is one way the ODPM is signalling to the Treasury that it can deliver the goods on efficiency savings.
- The Treasury: The Office of Government Commerce (OGC) belongs to the Treasury. The **Gershon Review**, remember, covers government as a whole, and it is the Treasury that has the final word on the Spending Review.

- Department of Trade and Industry (DTI): The DTI is behind **Rethinking Construction** and **Constructing Excellence**.
- Department for Education and Skills (DfES): The DfES calls the shots on school budgets. Local Education Authorities might have great plans for improving efficiency in the management of schools, but they'll have to convince the DfES first.
- Department of Health (DH): Local government works closely with Health Trusts which are guided by DH policies and priorities. Savings in joint areas, such as care, will cross sectors.
- Cabinet Office: Among other things, the Cabinet Office is the home of the e-Government Unit

### ... Byatt

Sir Ian Byatt carried out a review of local government procurement in England for the Local Government Minister and the LGA. His report, *Delivering Better Services for Citizens*, was published in 2001. It included 39 recommendations directed to local and central government, private suppliers and professional bodies. The report was the basis for

the **National Procurement Strategy**.

### ... Existing purchasing consortia

New arrangements, particularly the **Centres of Procurement Excellence**, do not take the place of existing procurement consortia. Indeed, the consortia could have a vital role in improving the efficiency of council purchasing, helping councils get the best out of procurement. The Centres will encourage authorities to use the consortia, so the consortia need to plan to expand.

### ...Corporate procurement strategies

The CPA process noted the existence (or absence) of procurement strategies. The **National Procurement Strategy** says that councils should define the contribution procurement is to make to strategic objectives, including improving services, driving up efficiency and sustainable development, and community plan objectives. Councils will need to analyse procurement spend, map the procurement portfolio, develop appropriate procurement policies, identify roles and responsibilities,



adopt a business plan and monitor its implementation using strategic performance indicators.

### ... Procurement Beacons

Authorities that perform well in construction have already been recognised through the Beacon Council scheme. Six councils were awarded Beacon Council status for **Rethinking Construction** in 2003. The Government is proposing 'Procurement Excellence' as a possible theme in Round 8 of the Beacon Council scheme.

### ... European Law

A new Procurement Directive is due to be adopted in 2004 and will become law in 2005. It aims to simplify the current three procurement Directives. The new Directive introduces a 'Competitive Dialogue' procedure for complex contracts. This will allow a dialogue between the procuring authority and the supplier when the authority is not clear about its needs, meaning that proposals can be worked up together. This procedure will be in addition to the negotiated procedure used for PFI and PPP.

### ... Framework agreements

The new Procurement Directive will allow framework agreements. These are usually non-binding arrangements, but can be formal contracts. The **National Procurement Strategy** says that councils should make intelligent use of framework agreements put in place by local authority **purchasing consortia** and other bodies and make sure that the framework agreements and contracts they let are open for use by all in the locality or region that might benefit from them.

### ... Knowledge and skills capacity

Over the next three years, the Government and the LGA propose to make a significant investment in local government to build capacity for procurement and partnering in support of the **National Procurement Strategy**. This will be carried out through the **Centres of Procurement Excellence** and national training and development programmes that are the responsibility of the Improvement and Development Agency (IDeA) and 4ps.

### ... Trading companies

Councils in the top three CPA categories can set up companies for the purpose of trading under the Local Government Act 2003. These companies can be a means by which stronger performing councils can jointly develop solutions for councils that are performing less well. Service delivery methods based on the new powers can also be a means of accessing wider markets. The new powers do not replace existing powers to trade, but will operate alongside them.

### ... Sustainable communities

Efficiency in procurement and encouraging sustainable communities are not mutually exclusive. The **National Procurement Strategy** reminds councils of their duty to prepare a community plan and their powers to promote the economic, social and environmental well-being of their communities. Provided there is compliance with EU public procurement regulations and best value, councils can work with suppliers to realise community benefits through their procurement activities. So, councils can continue

to support local employment, the local economy and local communities.

The Better Regulations Task Force is working to remove the roadblocks which stop small firms from winning a bigger share of public sector contracts. The **National Procurement Strategy** picks up specific recommendations put forward by the Task Force in May 2003, including an SME-friendly concordat. The **Local Government Procurement Forum** will develop the Concordat, agree its terms and encourage local authorities to sign up.

### ... Diversity and equality

Diversity and equality considerations should be built into procurement processes and contracts, where relevant. The Commission for Racial Equality has published detailed guides to give authorities advice on how they can carry out procurement in a way which complies with their race equality duty. One part of these guides is for contractors, explaining what they need to do. Promoting equality through procurement is

important because all groups in our communities have a right to expect that public money is spent on local services that suit their needs.

### **... The voluntary and community sector**

Last year's Treasury Cross Cutting Review into The Role of Voluntary and Community Sector in Service Delivery was conducted to explore how central and local government can work more effectively with the sector to deliver high quality services.

### **... Local Government Procurement Forum**

This is a joint national forum, convened by the ODPM, LGA and CBI in response to a recommendation of the **Byatt** report *Delivering Better Services*. The Forum considers matters affecting the wider local authority market.

### **... Public Service Boards**

Public Service Boards (PSBs) could be the 'next big thing'. They are seen as the next step from Local Strategic Partnerships. PSBs would receive funding to manage joint local programmes that involve councils, police, health, fire and so on. The Boards would be performance managed and subject to inspection by national bodies.





# case studies

## ***Norfolk County Council – Rethinking Construction***

Norfolk County Council created an innovative public/private partnership for highways maintenance services when it joined forces with construction company May Gurney in October 1998. Following consolidation, the partnership extended to include international engineering consultants Mott McDonald in 1999 and the partnership continues to evolve, striking the best balance between public and private sector skills.

Norfolk County Council has also created a limited company, Norfolk Property Consultants Limited, which provides a range of building and facilities management services, not only to the County Council, but also to more than 10 other local authorities. The company operates through a variety of innovative partnerships, ranging from delegation to full commercial trading. The company operates at the leading edge of Rethinking Construction principles and has

just finalised a 10 year strategic partnership agreement with a major metropolitan borough council, which has resulted in the creation of a new company which will compete for PFI, PPP and Building Schools for the Future (BSF) work as well as providing direct services to its partners. The Company has almost trebled its business in the last four years and anticipates a turnover of £27 million in 2004/2005.

## ***Newham - e-procurement***

The London Borough of Newham has created a completely paperless relationship with one of its leading high transaction suppliers. Before e-procurement was adopted, 5,000 orders (total value £250,000) were placed with an error rate of over 10 per cent. Orders were placed using manual methods that took eight pieces of paper and six authorisation steps. Maverick spend of more than £50,000 was found to be with more than three suppliers.

After implementing e-procurement, 2,800 orders (total value £280,000) were placed with an error rate

of less than one per cent. Orders are completely automatic and take one piece of paper and one authorisation step. Maverick spend is less than £10,000.

### ***West Sussex – training***

West Sussex County Council is working with the Chartered Institute of Purchasing and Supply who facilitate an accredited corporate training programme. This is a 17 month programme that started with 15 participants from across the council.

### ***The Roses Marketplace – collaboration***

Nine councils (Blackpool, Cheshire, Chorley, Doncaster, East Riding, Kirklees, Lancashire, Preston and Wakefield), working with private sector partners Best Value Procurement and Lloyds TSB Bank, established the Roses Marketplace in April 2002. The key underlying principle is the desire of the councils to collaborate so they can work with a common supplier base, share best practice and share risk.

### ***Thurrock - local business initiative***

Thurrock Council and its partners set an objective to increase the amount of work, goods and services that were awarded to local business either directly or indirectly, within the applicable legal constraints. The Council adopted the objective as policy and developed strategies to try to increase the work awarded to local business. The Council has managed to increase business with local companies from 9 per cent in 1996/97 to 24 per cent by 2002/03 - by value an increase of more than £20 million.

### ***South Gloucestershire – incremental partnership***

This partnership between South Gloucestershire Council and Unisys was created because the council wanted a private sector partner with which a relationship could be developed over time to deliver a range of services.

*Some case studies are drawn from the National Procurement Strategy and the final report of the Strategic Partnering Taskforce*

# useful links

Gershon – consultation document on the Efficiency Review

<http://www.civilservice.gov.uk/reform/documents/ERconsultation.pdf>

National Strategy For Local Government Procurement

[http://www.odpm.gov.uk/stellent/groups/odpm\\_localgov/documents/page/odpm\\_locgov\\_023394.hcsp](http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_023394.hcsp)

ODPM Procurement Portal

[http://www.odpm.gov.uk/stellent/groups/odpm\\_about/documents/page/odpm\\_about\\_028976.hcsp](http://www.odpm.gov.uk/stellent/groups/odpm_about/documents/page/odpm_about_028976.hcsp)

Strategic Partnering Taskforce final report

[http://www.odpm.gov.uk/stellent/groups/odpm\\_control/documents/contentservertemplate/odpm\\_index.hcst?n=4472&l=3](http://www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=4472&l=3)

Constructing Excellence website

<http://www.constructingexcellence.org.uk/>

Atkinson Review

<http://www.statistics.gov.uk/ci/nugget.asp?id=663>

<http://www.niesr.ac.uk/aim/docs/tuke-handout.pdf>

Delivering Better Services for Citizens – the Byatt report

[http://www.odpm.gov.uk/stellent/groups/odpm\\_control/documents/contentservertemplate/odpm\\_index.hcst?n=1739&l=2](http://www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=1739&l=2)

Details of Centres for Procurement Excellence

[http://www.odpm.gov.uk/stellent/groups/odpm\\_about/documents/page/odpm\\_about\\_027531.hcsp?s=1](http://www.odpm.gov.uk/stellent/groups/odpm_about/documents/page/odpm_about_027531.hcsp?s=1)

Treasury Spending Review

[http://www.hm-treasury.gov.uk/spending\\_review/spend\\_index.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_index.cfm)

CRE Procurement guides

[http://www.cre.gov.uk/duty/duty\\_procure.html](http://www.cre.gov.uk/duty/duty_procure.html)

Office of Government Commerce

<http://www.ogc.gov.uk/>

e-Procurement

<http://www.ogc.gov.uk/index.asp?id=2361>

<http://www.nepp.org.uk/>





# notes



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