John Healey
Minister of State for Local Government

Dear Minister,

I enclose my report *Review of arrangements for efficiencies from smarter procurement in local government*

Central to the efficiencies sought from local government as a result of CSR07 is the contribution to the savings target which is expected to arise from improved procurement.

What is very clear to me is the improvement that has been made in recent years in procurement practice. But having said this, the scope to improve further is also very apparent. A number of agencies both within local government framework and also the wider public sector are assisting to this end. Collaborative working is growing and the benefits that this brings are becoming apparent. However, the scene is also one warranting a clearer overall sense of direction and co-ordination. As can be seen from my proposals these are issues that I have focused upon.

I have sought to make recommendations that are pragmatic and capable of early implementation which I believe will enhance Value for Money and improve procurement outcomes.

I am grateful for the support that I have received from your officials, others in the civil service, and the wide range of contributors who have responded candidly to my questions.

I hope that my report does assist in the quest to improve the effectiveness of procurement in local government.

Bill Roots
February 2009
1 Introduction

1.1 During the 2007 Comprehensive Spending review (CSR07) period (2008-09 to 2010-11), English councils are collectively required to achieve £4.9bn cash-releasing efficiency gains. Delivering Value for Money in Local Government (the VfM Delivery Plan)\(^1\) set an expectation that nearly 60% of this total (£2.8bn) would arise through smarter procurement.

1.2 As my Report highlights, substantial actions are underway by the Regional Improvement and Efficiency Partnerships (RIEPs) and others to enhance procurement efficiency – but the last fundamental review of local government procurement took place in 2001, and with a challenge on this scale it is vital that the strategic direction of the VfM Delivery Plan is properly implemented. Indeed if anything the significance of procurement will only increase in future Spending Review rounds.

1.3 Earlier this year, the Minister of State for Local Government, John Healey, tasked officials with implementing an independent Procurement Efficiency Review focused on how CSR07 support arrangements can best be shaped to achieve the efficiency challenge. The focus of my Review, therefore, is on practical recommendations that can be quickly acted on by relevant organisations, such as the RIEPs.

1.4 My Review focuses on the procurement of goods, services and capital items undertaken by councils which contribute to the £4.9bn target. Where connections to other public bodies such as schools and police could bring efficiency benefits to councils, I have included them in my considerations.

1.5 My Review has covered the following fundamental issues:

- Assessment of the effectiveness of procurement support already provided, (e.g. by RIEPs, OGC, 4ps), including barriers to take-up of opportunities;
- Recommendations of ways to strengthen support activity and/or general procurement efficiency practice.

---

\(^1\) [http://www.communities.gov.uk/publications/localgovernment/deliveringvalueformoney](http://www.communities.gov.uk/publications/localgovernment/deliveringvalueformoney)
2 Policy context

2.1 Councils are autonomous bodies with local democratic accountability. Subject to their legal duties, including Best Value and public procurement law, local authorities are responsible for taking their own procurement decisions.

2.2 The National Procurement Strategy (NPS) was launched in 2003 to promote good practice in procurement. Its key messages were that councils should build up their capacity; take up further opportunities for collaborative working; implement further steps on e-procurement; and stimulate markets. The NPS Final Report published in 2008 showed good progress had been made against the vast majority of milestones, but that further work was required to implement the vision.

2.3 In recent years – particularly as set out in Strong and Prosperous Communities (the 2006 Local Government White Paper) – the Government has increasingly sought a devolutionary relationship with councils, allowing more room for local decision making and innovation:

- Audit Commission research (Changing Gear) from 2001 shows top performing councils have strong capacity and self-direction. They are aware of their performance, have support and commitment from members and staff, are open to challenge but willing to take difficult choices and try radical new ways to improve services.
- Cardiff University research (Implications of local devolution for efficiency and effectiveness in service delivery) for the Lyons Review of local government finance in 2005 found evidence that a top down approach hampers innovation, that “initiative overload” prevents them concentrating on service delivery; that partnership working is easier without too much top down pressure.

2.4 Central to this process of devolution, the new Performance Framework means fewer targets, less reporting and reduced inspection for councils. The National Improvement and Efficiency Strategy means the sector increasingly takes responsibility for its own improvement activity, allowing the best to innovate and setting out a clear process for challenging underperformance.

2.5 The VfM Delivery Plan builds on the successes of the 2004 Spending Review (SR04) period to set out a route map to achieving £4.9 billion cash-releasing efficiency. Councils continue to have flexibility on how and where to obtain efficiencies, reflecting their local circumstances.

---

2 http://www.communities.gov.uk/publications/localgovernment/procurementstrategy
3 http://www.communities.gov.uk/publications/localgovernment/strongprosperous
4 http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryId=&ProdID=D33284C4-1BCE-4b13-8E52-7C85EDC7413F
5 http://www.communities.gov.uk/publications/localgovernment/efficiency
3 Procurement spending pattern

3.1 The sums spent on procurement by local authorities are huge. In 2007, the then Regional Centres of Excellence (RCEs) commissioned the first and largest study of supplier spend across local authorities ever undertaken. The study found that:

- £42 billion is spent by local government on external contracts – over 40% of all its expenditure;
- £12 billion of this is spent on commodities, goods and services;
- £13 billion is spent on constructing and maintaining buildings and roads;
- £6 billion is spent on adult social care; and
- £3 billion is spent on waste services.

Top 30 Spend categories (Proclass Level 2)

This chart illustrates the top 30 categories of spend by councils:
- The top three categories account for 37% spend
- The top ten categories account for 60% spend
- The top 22 categories account for 80% spend

It should be noted that such spend includes elements outside the £55 billion baseline, in particular the Building Schools for the Future programme.
4 Current arrangements for supporting procurement efficiency

4.1 Current arrangements to support the achievement of procurement efficiency savings in the local government sector are fragmented and coordination mechanisms are underdeveloped.

4.2 Broadly, support is provided by a combination of the following (considered further below):
   - Government (DCLG, OGC, other departments)
   - Sector (RIEPs, Professional Buying Organisations, LGA Group)
   - Others (including professional bodies).

Government

Department for Communities and Local Government

4.3 CSR07 arrangements for local government efficiency are set out in a Value for Money Delivery Plan, negotiated with HM Treasury, and supported by nearly £0.5bn funding for the improvement and efficiency agenda, intended to help councils deliver £4.9bn efficiencies and successful Local Area Agreements. This sum includes a £115m capital Efficiency and Transformation Fund.

4.4 There are separate arrangements for the fire and rescue service (including a National Procurement Strategy for that sector) and the housing sector.

4.5 Under the National Improvement and Efficiency Strategy (NIES), agreed with LGA, the Department grant-funds the nine RIEPs (see below), and through Revenue Support Grant top-slice the Department contributes to the funding of programmes delivered by specified bodies in the LGA Group (including 4ps and IDeA).

4.6 The Homes and Communities Agency (a new executive agency) has, among other things, a mandate to support the recycling of surplus land into housing development including through PPP models involving joint venture Local Housing Companies.

4.7 The Department’s Procurement Capability Review (2007) included a number of recommendations aimed at strengthening the Department’s commercial capability and recommended that mechanisms be developed to challenge and scrutinise procurement efficiencies in local government. It stated that the NIES should include specific targets and plans in that area. An improvement plan is in place.

7 http://www.ogc.gov.uk/procurement_documents_procurement_capability_reviews.asp
Office of Government Commerce

4.8 At the start of SR04, OGC led on delivery of the Efficiency Programme (a role later returned to HM Treasury) including the “wider public sector” dimension. This included providing a limited amount of funding (from the Efficiency Challenge Fund) and practical support to the nine RCEs (predecessors of the RIEPs described below).

4.9 The CSR07 Transforming Government Procurement strategy8 gave OGC a clear focus on central civil government but recognised the need for a continuing role in the wider public sector due to the significance of the sector’s spend. OGC’s collaborative procurement programme has continued to engage with RIEPs and the sector’s Professional Buying Organisations (PBOs).

4.10 Under the collaborative procurement programme category boards bring together stakeholders from across the public sector to develop strategies for improved VfM. Wave 1 comprises energy, fleet, office solutions and travel. Wave 2 focuses on ICT and professional services. Food and construction may form future waves.

4.11 The Operational Efficiency Programme (OEP)9 announced by the Chief Secretary to the Treasury in July 2008 aims to intensify the search for efficiency savings through collaborative procurement and also through better property asset management.

4.12 OGC Buying Solutions (an executive agency of OGC) is a PBO (one of 43 nationwide) that puts in place framework agreements for goods and services (Catalist) and managed service solutions that are available to the whole public sector. It includes a specific focus on deals with suppliers that exercise significant market power (e.g. Microsoft).

Department of Health

4.13 In a major policy initiative, the Department is working with local authorities to progressively implement “personalisation” (self-directed support and individual budgets) in adult social care – Putting People First (PPF).10 On the health side, a world-class commissioning programme (WCC) is being implemented for Primary Care Trusts.

4.14 The Department sponsors the Care Services Improvement Partnership (CSIP) to deliver social care support programmes including support to the transformation envisaged by PPF. This includes changes to the commissioning framework, and within that, the way services are procured. The Care Services Efficiency Delivery programme (CSED), within the same family of services, has a specific focus on efficiency projects (e.g. tools to improve demand forecasting).

4.15 CSIP works at national level in the Joint Improvement Partnership (JIP) with other stakeholders, including the LGA Group, and regionally through regional JIPs whose activities have been progressively aligned and integrated with those of the RIEPs.

---

8 http://www.hm-treasury.gov.uk/5485.htm
9 http://www.hm-treasury.gov.uk/vfm_operational_efficiency.htm
4.16 From December 2008 CSIP activities will be mainstreamed into the Department and NHS regional structures (SHAs).

4.17 The NHS Local Improvement Finance Trust initiative (NHS LIFT)\(^{11}\) is an initiative which supports procurement of facilities required to deliver health and health-related services (including social care and recreation). There are 51 schemes being developed across England led centrally by an organisation established jointly by the Department of Health and PUK, called Partnerships for Health (PfH). 4ps supports local authorities in the programme.

**Department for Children, Schools and Families**

4.18 A new joint planning and commissioning framework for children, young people and maternity services was introduced in 2006 and it has been extended to schools. Resources to support implementation and a range of effective practice case studies are available on the Department’s website.

4.19 Support to children’s services commissioning and, within that, the procurement of services has been provided by a DCSF-led commissioning support programme using sector-based expertise. So far the programme has provided support to nearly two-thirds of Children’s Trusts. A £20m commissioning support programme is being launched later in 2008. Eight regional commissioning pilots were set up in 2007.

4.20 Partnerships for Schools (PfS) was set up by DCSF and Partnerships UK to manage the Building Schools for the Future (BSF) programme. PfS provides support to council procurement teams on issues including education, ICT, design, project management, procurement, financial and legal matters. It also assists in the evaluation and selection of private sector partners. 4ps provide support to local authorities in the programme including gateway reviews (see below).

4.21 The Education Procurement Centre (EPC) provides support across the education system including general procurement advice and an electronic marketplace (OPEN) designed specifically for schools.

4.22 The Department’s *Procurement Capability Review* (2007) highlighted, among other things, that a commercial strategy spanning the whole system was required including, in particular, schools. An improvement plan is in place.

**Department for Environment, Food and Rural Affairs**

4.23 In waste management, Defra’s principal objective is to mobilise infrastructure investment to avoid the cost (including EU penalties) and environmental impact of continued disposal to landfill. Higher recycling rates and greater efficiencies in waste collection are also aims. These are among the tasks of the Department’s *Waste Implementation Programme* (WIP).\(^{12}\)


4.24 PFI projects and collaboration among local authorities on a regional basis are key features of the Waste Infrastructure Delivery Programme stream within WIP.

4.25 Practical support includes guidance, skills development and the supply of experienced “transactors” for major local authority waste infrastructure projects. Partnerships UK and 4ps (see below) are partners in delivery of the programme.

4.26 The 2007 Procurement Capability Review highlights Defra’s market development activities in the waste sector and increased use of PFI but does not expressly address relations with local government. An improvement plan is being actioned.

Highways Agency

4.27 Achieving Efficiency Gains from Collaborative Road Procurement is the industry strategy (first put in place for SR04) for achieving efficiencies across the national and local road networks. It is supported by implementation guidance, fact sheets and case studies.

4.28 Delivery of strategic objectives in this area is overseen by stakeholders in the Highways Efficiency Liaison Group (HELG) which includes regional representatives. Practical opportunities for collaboration are explored by the Agency’s Collaboration and Efficiency Team.

4.29 The DFT Procurement Capability Review (2007), which includes the Highways Agency, does not expressly address collaborative roads procurement or relations with local government.

Department for Business, Enterprise and Regulatory Reform

4.30 For small firms, Anne Glover, Chief Executive of Amadeus Capital Partners, is currently leading an independent inquiry into the barriers to winning a greater proportion of public sector contracts, and the practicality of setting a 30% monetary target for all public sector procurement opportunities to be secured by small firms. This inquiry is due to report their findings and recommendations in time for the Pre-Budget Report later this year.

4.31 Construction comprises a significant element of local authority spending. The Construction Commitments is the industry strategy for achieving improved construction procurement and project delivery and was launched in June 2008. There is supporting guidance material on collaborative procurement and on the effective integration of supply chains. It is in part intended to help deliver the £2.6 billion efficiency savings identified in the NAO’s 2005 report Improving public services through better construction. Better coordination of the public sector construction policy and procurement function was a key recommendation of the recent Business and Enterprise Committee report, Construction Matters. This report called for the creation of the role of Chief Construction Officer within the Civil Service. BERR has announced its intention to consult on the potential terms and scope of any possible role.

The nine RIEPs are a central plank of the CSR07 National Improvement and Efficiency Strategy (NIES). These local authority partnerships were created by bringing the sector’s regional Improvement Partnerships together with the sector-hosted RCEs that constituted the SR04 “regional delivery mechanism” for the Efficiency Programme. For the CSR07 period, the Government has set out indicative funding of £185m for the RIEPs.

The RIEPs are at different stages of development. However, every RIEP has published a Regional Improvement and Efficiency Strategy (RIES) and more detailed delivery plans are being developed.

The South-East RIES (as an example) includes workstreams on adult social care, children’s services, corporate transformation, waste resource management, construction and asset management. Most regions have activities in these areas, some also highlighting commodity goods and services (e.g. London has a particular focus on energy).

The South-East partnership, the largest, has 3 FTEs – including an Assistant Director (AD) – allocated to procurement. Currently, four regions have an AD dedicated to procurement. In a number of cases staffing structures are still being finalised. Reliance is also placed on the resources of member authorities. In Yorkshire and Humber, for example, regional activity on procurement is coordinated by Leeds City Council.

Much of the work of the RIEPs is taken forward through sub-regional partnerships. A pattern of procurement hubs (shared services among councils and other partners) is emerging in some parts of the country with support from the RIEPs (e.g. Greater Manchester in the North-West, Lincolnshire and Northamptonshire in the East Midlands).

There is a “tripartite” governance structure comprising the LGA (Improvement Board), the RIEP Member Forum/Chief Executives’ Task Group (CXTG) and the Department. The CXTG is made up of local authority chief executives from each of the nine regions, together with representatives from LGA Group and the Department. RIEP Directors meet regularly as the Improvement and Efficiency Advisory Network (IEAN). National programme management is undertaken with the support of a small Programme Office.

Cross-sector teams (spanning the activities of the RIEPs and LGA Group) are in place or under development for programmes ranging from climate change and community empowerment to business transformation. These provide a mechanism for engaging with the programmes of relevant Government departments.

There are RIEPs taking the lead in all the major areas of improvement and efficiency. The South-East is the lead RIEP for energy, construction, adult social care and waste management. It is also the interim lead on procurement, though this role is being transferred to Yorkshire and Humber. The West Midlands leads on children’s services, while the South West is the lead RIEP for asset management and business transformation.
The RIEP Procurement Network meets regularly to share learning and common challenges around procurement, avoid duplication in initiatives across the regions and discuss collaborative projects. Rather than develop a separate programme, the work of this group maps onto the OGC collaborative procurement programme.

At the last IEAN meeting (September 2008), RIEP directors agreed that there is a need to review the membership and strategic function of this group as well as to ensure all regions are represented.

Professional Buying Organisations

There is a long history of collaborative procurement in the local government sector which began before the creation of the RIEPs and RCEs before them. Collaboration has been strongest in the commodity goods and services field.

Local authority sector PBOs operate in most English regions (some straddle several regions) and grew out of local authority purchasing consortia (some of which were privatised during the 1980s). They generally include schools, fire and rescue authorities and often the police among their customers.

The larger sector PBOs are structured as joint committees of local authorities (Yorkshire Purchasing Organisation, Eastern Shires Purchasing Organisation, North East Purchasing Organisation, West Mercia Supplies). The Central Buying Consortium is an exception. Some consortia specialise in particular commodities (e.g. LASER in energy).

The five major PBOs in the sector (see above) work together as the Pro5 group. They are engaged in the OGC collaborative procurement programme and represented on a number of category boards (a process that is being extended).

There is some history of (sub-) regional collaboration in other categories (e.g. adult social care, children’s services, waste management) but the PBOs do not have a central role there or in construction.

LGA Group

The LGA and CBI have developed a joint plan (Improving the Strategic Commissioning of Public Services) that aims to improve how councils, businesses and the third sector work together, in terms of the strategic commissioning of services, procurement and contract management.

Key elements of the plan are to identify skills shortages in strategic commissioning and procurement, sponsor joint training and work with improvement agencies to deliver support and raise the profile of commissioning.

The LGA-CBI forum will also undertake detailed work to identify the implications of strategic commissioning for procurement and contracting, with a view to offering practical guidance on new models of service delivery.

http://www.lga.gov.uk/lga/core/page.do?pageId=765473
4.50 The LGA/RIEP Local Government Sustainable Procurement Strategy\(^\text{15}\) includes recommendations on collaboration to reduce the cost of buying green commodities and to pull through innovations in green technologies. An implementation plan for this sector response to the report of the Sustainable Procurement Taskforce (Simms Report) is being worked up by a national stakeholder group coordinated by the North East RIEP.

**Public-Private Partnerships Programme (4ps)**

4.51 4ps, a member of the LGA Group, provides best practice advice, peer and delivery support on all aspects of large project and programme management and efficiency.

4.52 Support is provided to 35 of the highest profile and largest local government PPP/PFI infrastructure and service projects in the areas of waste management, housing, leisure, highways management and street lighting, schools, corporate and transactional services, leisure, police, and fire, including specific support packages relating to programmes such as BSF, WIDP and LIFT (described above).

4.53 Over 200 skills and training events have been delivered to local authority teams on all aspects of programme and project management, efficiency, transformational change strategic commissioning.

4.54 Standardised documentation and guidance has been published on procurement and programme management covering all the major local government sectors including procurement packs providing standardised contracts, payment mechanisms, output specifications and related documentation in waste management, housing, leisure, highways management, corporate services, street lighting and fire.

4.55 As part of its corporate and transactional shared services work, 4Ps are leading a project to develop a shared services model, business case and delivery options. The project includes workstreams on the scope for BPI across corporate and transactional services to maximise savings, and the key legal issues involved.

**Improvement and Development Agency for Local Government (IDeA)**

4.56 The Agency (also a member of the LGA Group) played a central role, together with 4ps, in the delivery of procurement support under the 2003-2007 ODPM-LGA National Procurement Strategy for Local Government.

4.57 As part of its current peer review programme, the Agency offers a corporate peer review which, among other things, covers strategic commissioning, smarter procurement, asset management and other aspects of resource management and stand-alone resource management/efficiency, people management and customer service peer reviews.

4.58 The Agency is supporting Capital Ambition (the London RIEP) in the development of a bespoke efficiency peer review programme for London with the potential for this model to be deployed by other regions leading to the creation, among other things, of an efficiency best practice knowledge base for the sector.

\(^{15}\) [http://www.idea.gov.uk/idk/core/page.do?pageld=5246448](http://www.idea.gov.uk/idk/core/page.do?pageld=5246448)
Under the Office of the Third Sector’s (OTS) public sector action plan (*Partnership in Public Services*)\(^{16}\) the Agency is hosting phase 1 of a public-sector wide programme aimed at improving commissioning from the third sector. The centrepiece is a training programme for 2,000 commissioners. Phase 1 ends mid-2009 and follow-on activity is being tendered by OTS.

Through its Local Government Information House (LGIH) subsidiary, IDeA has procured a number of ICT-based solutions on behalf of the sector collectively including the National Land Information System, National Land and Property Gazetteer, Mapping Services Agreement and IDeA Marketplace.

**Other**

A large number of professional and trade bodies are, to varying degrees, involved in improving local government performance on procurement. Some of the key ones are highlighted below.

**Chartered Institute of Purchasing and Supply**

CIPS is the professional institute. Its main focus is on leadership, skills (including the system of professional qualifications) and professional practice. CIPS has partnered with OGC to create a Public Sector Faculty which is open to wider public sector members.

**Society of Procurement Officers**

SOPO has a broader membership than CIPS and it is one of the means through which the interests of the sector Professional Buying Organisations are represented. The Society produces good practice publications, stages events and runs a well-used online forum through which practitioners actively share resources.

**Chartered Institute of Public Finance and Accountancy**

Within the CIPFA group, practical support on procurement is provided on a subscriber basis through the Institute of Public Finance (IPF) performance improvement network and there is a similar network for asset management and planning.

The Society of District Council Treasurers (SDCT) is working with CIPFA to develop a business case for a shared financial service across district councils. The project has been part-funded by the Department.

---

Local Government Task Force

4.66 The LGTF (launched in 2000 and part of the Constructing Excellence family since 2004) has its origins in the Egan Report (Rethinking Construction) and is sponsored by BERR and the Department. It supports innovation through demonstration projects and outputs include good practice guidance and case studies. Its future is currently under review.

4.67 The Housing Forum within the same group works on a similar range of issues in the social housing sector.

Procurement for Housing

4.68 Procurement for Housing (sponsored by the Housing Corporation, Chartered Institute of Housing and National Housing Federation among others) provides support to the social housing sector, aiming to generate savings by harnessing collective purchasing power to reduce procurement costs.
5 Stakeholder consultation

5.1 Key points from interviews are that:

- There is a lack of procurement / commissioning skills within local authorities, particularly in shire districts;

- The landscape of support is fragmented, causing confusion to councils as to what is available and what is best for them;

- To be effective, strategy has to be developed on a sector by sector, area by area basis;

- These are still relatively early days for the development of national strategies on purchase of commodity goods and services – more can be done to promote aggregation within a devolved framework;

- These are still relatively early days for the RIEPs;

- There is much expertise outside the RIEPs including leading-edge local authorities, formal and informal consortia, for example the lead shown by Hampshire on construction that can potentially be tapped into;

- There is much potential for constructive pro-active dialogue with the private sector, who often also find the system too fragmented; and,

- There is a clear need for the production and dissemination of clear, useful procurement spend and contract information.
6 Recommendations

6.1 A large number of initiatives are underway across a wide range of services and the role; significance and status of procurement have developed enormously in the last few years. Many of these actions take place on an individual, rather than co-ordinated basis. There is much scope for improved arrangements.

6.2 I have adopted an overarching approach so as to give focus to issues which I believe will improve both the effectiveness and value for money of procurement in local government.

6.3 In particular, I set out recommendations to clarify and co-ordinate the roles of key players in this field, to strengthen the lines of accountability for their actions, and promote a better balance of support funding being placed where it is most needed.

6.4 My recommendations are grouped into the following categories:
   - Leadership;
   - A new deal for delivering procurement support;
   - Funding and activity rebalanced more to where it is most needed;
   - Stronger flows of information;
   - Good practice checklist to challenge ineffective practices;
   - Actions for non-government organisations to consider.

Leadership

6.5 There is presently no-one who is charged with nationally championing, giving direction and coordination to the local government procurement agenda. I see this as a key omission which requires urgent attention. I have considered a number of options including an enhanced role for the OGC; promoting greater coordination amongst the RIEPs or a Chief Executive from the Chief Executives’ Task Group taking on role. The role will however be time consuming and challenging at least for the first two years (as can be seen from the summary of the tasks attached to the role in Annex C). It is for this reason that it is more realistic to seek the appointment of a recently retired (or one about to retire) Chief Executive to undertake this role. Careful attention will need to be given to the person appointed given the characteristics sought and the breadth of the tasks to be undertaken.

Recommendation (1):
That a national champion for Procurement be appointed to undertake the role as set out in Annex C for at least two years when the nature of continuing need can be reassessed.
6.6 Solutions to effective procurement in individual spend areas (service or commodity as appropriate) can be quite different. The Procurement Champion should ensure as a priority that, while recognising existing arrangements, future arrangements for key spend areas demonstrate the appropriate degree of integrity and that they are tailored and effective, forging close relationships with the appropriate government departments. Solutions will in practice vary, depending upon what is being acquired, from a national one (e.g. for energy) to a very local one, helping to ensure a mixed economy of service provision in geographical areas.

**Recommendation (2):**
That the Procurement Champion focus efforts on key spend areas, recognising existing arrangements – where these are effective – and liaising closely with relevant Government departments.

6.7 Procurement operates below the strategic level in most local authorities, which means that control of third party spend is fragmented, and the ability to drive coordinated savings effectively is limited. Local authorities need to be encouraged to give more weight to this function, as part of their overall strategy for outcomes, efficiency and value for money.

**Recommendation (3):**
That the LGA through the Improvement Board and Procurement Champion promote the importance of the procurement function to local members and local authority Chief Executives.

**New Deal for delivering Procurement Support**

6.8 There is considerable discussion and strongly held views on the level at which procurement (in terms of mass) is best undertaken. Work is developing to strengthen co-ordination between the RIEPs, OGC and Pro5 consortia, but it needs impetus, and action to bring together other agencies operating in the procurement field such as SOPO, other professional bodies, specific local authorities who demonstrate expertise and other buying consortia.

6.9 What councils need is *clarity of approach on roles and responsibilities*. This should take the form of a pragmatic matrix setting out who does what, nationally; regionally; sub regionally, etc.
6.10 *The Regional Improvement and Efficiency Partnerships* – who have £185m indicative funding from the Department during CSR07 – must be central to delivering procurement support.

6.11 The achievements being sought from RIEPs are not easy to ascertain from the analysis currently available. But there is a big prize to be grasped here: by demonstrating in hard tangible terms what they can deliver, RIEPs will win the confidence of councils and councillors, the Department, and HM Treasury, so positioning themselves for the long term. It would be deeply unfortunate for RIEPs to suffer the short term approach applied to RCEs.

**Recommendation (4):**
Working with key players across the public and private sector the RIEPs should act as the conduit for ‘best deals’. This could involve the RIEPs themselves providing procurement services or the use “pools of excellence” within local government or the wider public sector – with local authorities deciding for themselves which deals to buy into.

**Recommendation (5):**
Each RIEPs’ future annual budget and work-plan should be supported by a clear statement of the achievements being sought – expressed in measurable terms.

**Recommendation (6):**
It would strengthen the role of RIEPs if each RIEP Regional Director reported on the efficiency achievements of their region on an annual basis to constituent councils.

**Recommendation (7):**
The Department and HM Treasury should aim to promote continuity in support arrangements for RIEPs in the next Spending Review.
New deal for delivering procurement support – model of streamlined, effective procurement support

6.12 As well as facilitating deals, all RIEPs should pay attention to availability and sustainability of skills. The current availability of relevant skills including ‘commercial savvy’ is patchy; and it dominated by some, but not all, of the larger local authorities. This work should access, and build on, existing schemes such as that run by 4ps.

**Recommendation (8):**
Regional and sub regional solutions should become more widely available, driven by RIEPs, taking account of the availability of relevant expertise within local government but also including Government Departments, professional associations and 4ps etc.

6.13 The LGA (through the Improvement Board) should ensure the *Improvement and Development Agency* and 4ps provide a good fit with the overall improvement and efficiency landscape. It should ensure that there is a focal point of expertise on procurement for efficiency for RIEPs and their councils; supporting the role of the Procurement Champion.

**Recommendation (9):**
The work programme should include key items of guidance for councils, including skills support, and the dissemination of online advice on such issues as EU procurement rules, model contracts, Small and Medium Enterprises (SMEs), Social Enterprise and VCS engagement plans, innovative solutions, national market intelligence, and good practice, as noted under recommendations 8, 16 and 18.
Recommendation (10):
As with RIEPs, the IDeA has an important national role to play in underpinning councils’ actions for greater efficiency through procurement. It should work with the LGA, Procurement Champion, CXTG, and the Department to firm up and implement a strong, effective role in CSR07.

6.14 OGC is working on pan-government collaborative actions for a number of key commodity goods and services, such as energy. OGC has promoted joint working with local authorities and relationships are now improved, and a voluntary approach – strongly marketed by, and made accessible through, RIEPs and the Pro 5 consortia – carries the prospect of real benefits.

Recommendation (11):
The Procurement Champion, in association with OGC, should co-ordinate and influence buying organisations and RIEPs to develop the delivery of national and regional solutions supporting the overall collaborative strategies. Key to this will be ensuring consistent communication via RIEPs and local authority members of opportunities to councils from the landscape as a whole, including benefits from a collaborative approach.

Recommendation (12):
OGC promote collation and dissemination of good practice and information on its pan-government collaboration actions, working with the Procurement Champion and RIEPs.

Balance of funding and activity where it is most needed

6.15 My view of the thrust of current activity at present by the fairly recently created RIEPs is currently much more towards improvement than efficiency. Given the current economic climate, this cannot be right, and I believe that planned activity for 2009-10 and 2010-11 should be carefully reviewed. If some re-direction is still possible in 2008-09, this should be sought.

Recommendation (13):
RIEPs should review their current planned work programmes and ensure that the right balance of attention and resources is given to efficiency issues, including procurement.
6.16 For the Procurement Champion to operate effectively, he or she will need dedicated support and ability to commission framework contracts, guidance, market data and toolkits if they are to reach out effectively at national level.

**Recommendation (14):**
That the Department works with the LGA and CXTG to agree a suitable package of resources for the Procurement Champion.

### Information

6.17 Finding out who is doing what is often difficult. This leads to authorities letting many contracts individually or in small groups when best practice would argue for greater collaboration. A contracts database is needed. It would be unrealistic to seek to establish this nationally as this would take too long. Instead, each RIEP should set such information up integrating with work already being undertaken by OGC.

**Recommendation (15):**
Each RIEP sets up a database of contracts let in its area consistent with a template set nationally, integrating with work already being undertaken across the public sector.

6.18 It is also difficult to find robust supplier performance data and cost comparison information— even though this has been an objective for some 30 years. The Procurement Champion should be asked to produce and implement an action plan for this issue, working in conjunction with relevant professional bodies in local government, trade associations, Government Departments and OGC as appropriate.

**Recommendation (16):**
That this issue be taken forward by the Procurement Champion as set out above.

6.19 There should be a concerted effort by the Procurement Champion and RIEPs to develop a robust evidence base on the potential scope for procurement efficiency by sector and by area.

**Recommendation (17):**
That this issue be taken forward by the Procurement Champion as set out above.
Implementing good practice

6.19 Many that I have spoken to in undertaking this review from both the public sector and the service providers have stressed the importance of early engagement with likely suppliers to understand the market and the products offered. Effective specifications (that should always be seeking Value for Money) which are flexible depending on the market and what is being acquired and focused contract monitoring are critical to success. Local authorities should be encouraged to develop further their links with the VCS, SMEs and Social Enterprises. The special needs of these organisations need to be recognised to enable them to respond to procurement and commissioning opportunities. There is no doubt that in the appropriate circumstances they offer value for money.

**Recommendation (18):**
That the Procurement Champion press relevant professional organisations, OGC, RIEPs and councils as appropriate to undertake actions to improve standards of engagement with suppliers, including SMEs, Social Enterprises and VCS providers.

6.20 A number of interviewees, from both public and private sector, have stressed concerns that a blanket approach to European legislation is often adopted, leading to an over elaborate procurement process.

6.21 A similar theme that the private sector have stressed to me is that the cost and potential value (in profit terms) of tendering for small and repetitive procurements can mean that many potential suppliers do not apply.

**Recommendation (19):**
That the Procurement Champion together with the OGC and others as appropriate takes the lead in promoting and disseminating a streamlined, clear approach to implementation of European legislation.

**Recommendation (20):**
That the Procurement Champion presses RIEPs, councils, professional organisations and others as appropriate to promote a ‘horses for courses’ approach to procurement and commissioning processes and practice. An integral part of this approach should be addressing ways to stimulate markets and removing barriers to entry for smaller suppliers.
6.22 The potential conflict between the pursuit of effective procurement and other national policies (such as sustainability, or the development of the local economy and SMEs) has been stressed to me. Local authorities often do have to make difficult choices; but with support, the agendas can also sometimes be positively aligned – as when electronic advertising of contracts to a broader range of SME suppliers leads to better prices. Innovation needs to be encouraged through pilots etc. Procurement also needs to be directed to achieving a range of service outcomes, rather than individual or narrowly defined outputs.

**Recommendation (21):**
That the Procurement Champion, RIEPs and/or sub regional partnerships search out and implement actions that promote both efficiency and the SME agenda, including actions already underway to enhance engagement between local authorities and different types of suppliers.

**Roles for other organisations**

6.23 I have concentrated, in the main, on actions that can be taken by the RIEPs, OGC, the Local Government Association, and the Department. I do, however, believe there are important roles that others can and should be taking.

6.24 At present it is too easy for individual authorities not to engage with the efficiency actions being undertaken by the RIEPs; sub-regional arrangements; consortia or other alliances or partnerships. This can harm Value for Money, as well as showing poor spirit in partnership working.

**Recommendation (22):**
Building on the good practice encouraged by the National Procurement Strategy, best practice would suggest that each local authority should formally review its procurement arrangements and practices at least annually.

**Recommendation (23):**
Where individual authorities consistently act alone and forestall partnership working in procurement, and this demonstrates poor Value for Money, this should be taken into account by the Audit Commission in assessing the Authority’s Use of Resources score.
I have focused my comments as I was requested to on local government but I am very aware that the real challenge and opportunity is to work with other parts of the public sector. As effective procurement develops, the scope to work with the rest of the public sector in terms of alliances offers real opportunities. The driver must be to find the most effective buying agent or agency for each commodity regardless of where they sit in the public sector.

**Recommendation (24):**
That the national local authority procurement champion be the focal point for encouraging local government to work closely in seeking its procurement needs with the wider public sector.

Information flows are vital in strengthening the pressure not only to collaborative efforts, but also in securing greater competition between suppliers and buying consortia and innovative work – good work can be stopped often by relatively junior individuals.

**Recommendation (25):**
That RIEPs, in collaboration with the LGA Improvement Board, highlight to councils on at least an annual basis, the size of savings that are lost by not undertaking greater collaborative work and/or through greater competition in the market.

The private sector is reticent in suggesting solutions that local authorities can buy into. There are companies that regularly win work in a particular spending or geographical area but only after responding to a tender process. An offered solution with reducing costs as more local authorities take up the offer should also have a role to play, as this should enhance Value for Money.

**Recommendation (26):**
That the private sector be encouraged to offer solutions to known issues rather than await a tendering process.
Annex A: Project Team

Steering group members

Bill Roots Chair
Elizabeth Buttimer Head of Procurement Network, Audit Commission
Andrew Culver Head of Corporate Procurement, DCLG
John Hayes Director of Services, Improvement and Development Agency
William Jordan Office of Government Commerce, Deputy Chief Executive
Mark Luntley Programme Director Finance, Local Government Association
Joyce Redfearn CEO, Wigan MBC and Chair of Chief Executives’ Task Group
Neil Reeder Team Leader, DCLG
David Shields Programme Director: Markets & Collaborative Procurement, OGC

Project and Secretariat support

Rehan Haidar DCLG
Andrew Cornelius DCLG
Richard Daniels DCLG
Miriam Deakin RIEP Programme Office
Lee Digings National Procurement Advisor, IDeA
Ellie Greenwood LGA
Jane Ikeagwu DCLG
Michael Read-Leah DCLG
## Annex B: Consultees and interviewees

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven Alambritis</td>
<td>Head of Public Affairs</td>
<td>Federation of Small Businesses</td>
</tr>
<tr>
<td>Susan Anderson</td>
<td>Director of Public Services &amp; Skills</td>
<td>CBI</td>
</tr>
<tr>
<td>Carla Baker</td>
<td>Manager</td>
<td>Intellect</td>
</tr>
<tr>
<td>Wayne Baxter</td>
<td>Head of Procurement</td>
<td>Leeds City Council, and Y&amp;H Smarter Procurement Lead</td>
</tr>
<tr>
<td>Nick Bell</td>
<td>Head of Finance</td>
<td>Essex County Council</td>
</tr>
<tr>
<td>John Bolton</td>
<td>Director of Strategic Finance</td>
<td>Department of Health</td>
</tr>
<tr>
<td>Terry Brewer</td>
<td>Director</td>
<td>Firebuy</td>
</tr>
<tr>
<td>Stephen Bubb</td>
<td>Chief Executive</td>
<td>ACEVO</td>
</tr>
<tr>
<td>Ian Burns</td>
<td>Head of Finance</td>
<td>London Borough of Havering</td>
</tr>
<tr>
<td>Kevin Bates</td>
<td>Head of Strategic Procurement</td>
<td>Defra</td>
</tr>
<tr>
<td>Surreiya Cansoy</td>
<td>Manager</td>
<td>Intellect</td>
</tr>
<tr>
<td>Al Collier</td>
<td>Head of Procurement</td>
<td>Suffolk County Council</td>
</tr>
<tr>
<td>Philip Cox</td>
<td>Director Homes &amp; Communities Agency</td>
<td>DCLG</td>
</tr>
<tr>
<td>Colin Cram</td>
<td>Former Director of NE RCE</td>
<td>Consultant</td>
</tr>
<tr>
<td>Andrew Culver</td>
<td>Head of Procurement</td>
<td>DCLG</td>
</tr>
<tr>
<td>Karen Davenport</td>
<td>Senior Business Development Manager</td>
<td>Carillion (Construction Sector)</td>
</tr>
<tr>
<td>Charlotte Dixon</td>
<td>Head of Regional &amp; Local Transport Manager</td>
<td>DfT</td>
</tr>
<tr>
<td>Steve Dunkerley</td>
<td>Deputy Director</td>
<td>South-East RIEP</td>
</tr>
<tr>
<td>Andrew Foster</td>
<td>Assistant Director</td>
<td>East Midlands RIEP</td>
</tr>
<tr>
<td>James Fothergill</td>
<td>Head of Public Services Policy</td>
<td>CBI</td>
</tr>
<tr>
<td>Deborah Heenan</td>
<td>Deputy Director, Local Transformation, Improvement and Efficiency (LTIE)</td>
<td>DCLG</td>
</tr>
<tr>
<td>Robert Hunt</td>
<td>Legal Director</td>
<td>Veolia (waste management sector)</td>
</tr>
<tr>
<td>Jennifer Inglis</td>
<td>Head of Policy</td>
<td>Social Enterprise East Midlands</td>
</tr>
<tr>
<td>Nick Kalisperas</td>
<td>Director</td>
<td>Intellect</td>
</tr>
<tr>
<td>Paul Kirby</td>
<td>Partner in KPMG</td>
<td>KPMG</td>
</tr>
<tr>
<td>Jonathan Jones</td>
<td>Programme Manager (Procurement)</td>
<td>West Midlands RIEP</td>
</tr>
<tr>
<td>Name</td>
<td>Title</td>
<td>Organisation</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------------</td>
<td>-------------------------------------------------------------------</td>
</tr>
<tr>
<td>Duncan McLeod</td>
<td>Head of Finance</td>
<td>Brent Council</td>
</tr>
<tr>
<td>David Pointon</td>
<td>Head of Procurement</td>
<td>Portsmouth City Council and Chair of Society of Procurement Officers (SOPO)</td>
</tr>
<tr>
<td>Alan Radcliffe</td>
<td>Head of Procurement</td>
<td>Cumbria County Council</td>
</tr>
<tr>
<td>Andrew Smith</td>
<td>CEO</td>
<td>Hampshire County Council</td>
</tr>
<tr>
<td>Alice Snelling</td>
<td>Policy Advisor</td>
<td>Office of the Third Sector</td>
</tr>
<tr>
<td>Ian Taylor</td>
<td>Dept. Commercial Director</td>
<td>DCSF</td>
</tr>
<tr>
<td>Julie Towers</td>
<td>Chief Executive</td>
<td>Tribal Resourcing</td>
</tr>
<tr>
<td>Mark Upton</td>
<td>Team Leader (LTIE)</td>
<td>DCLG</td>
</tr>
<tr>
<td>Nick Walkley</td>
<td>Team Leader (LTIE)</td>
<td>DCLG</td>
</tr>
<tr>
<td>Paul White</td>
<td>Head of Procurement</td>
<td>Northamptonshire County Council</td>
</tr>
</tbody>
</table>
I have set out in the main report the importance that I attach to the proposal to create a national Local Government Procurement Champion. For ease of reference, I summarise here why I consider the role to be a crucial one.

While a wide range of initiatives are currently underway, procurement practice and development in local government needs to be better focused and organised to ensure effectiveness.

There is a strong need for someone to take on a national role to give shape and direction to activity underway or that is identified as necessary. I see this role as one that drives, shapes, influences and directs the local government procurement efficiency agenda.

I have considered a number of solutions as to who could undertake this role and I am in no doubt that it requires a person, with strong support, comprising the ability, experience and reputation to direct, influence and shape the way in which local government as a whole operates.

The person appointed must have the time, energy, and the ability to persuade others. They will enjoy respect, and have a proven track record and knowledge of procurement, efficiency and transformation issues. I see the successful candidate routinely reporting to the LGA and have set out in my Report’s recommendations the aspects of enhanced procurement practice which need the attention of this person. These points are summarised below.

The role of the Local Government Procurement Champion will undoubtedly be time-consuming and challenging, particularly for the first two years. The role can be reassessed against future needs at that stage but, given the national policy attention ascribed to public sector efficiency, I expect it to continue.

Key tasks to be undertaken are set out below. However, the role will be one that relies on self motivation and action, recognising the overall objectives of all local authorities.

1. To work with the RIEPs, OGC, Government Departments, wider public sector bodies and suppliers to establish a matrix setting out the best solutions for key spend areas in terms of national or regional (and sub regional) versus local provisioning. This is a significant piece of work which will drive overall co-ordination and influence Value for Money.

2. Establish a robust analysis of the scope to achieve procurement savings and identify the inhibitors to success. To produce action plans setting out the approach for resolving efficiency inhibitors and blockages.

3. Ensure that all regional procurement strategies and plans focus on key areas of spend and identify deals that offer the greatest prospects for savings.

4. Work with senior members of the LGA, the members overseeing RIEPs, and the Chief Executives’ Task Group to raise the importance of procurement and promote the professionalisation of the procurement function within individual local authorities.
5. To be the local government focal point in the group led by the OGC to oversee Wider Public Sector Procurement Governance Arrangements. The role should embrace in time the scope to adopt wider public sector procurement solutions.

6. Work closely with the Chief Executives’ Task Group to assist in the development of RIEPs by recommending actions to enhance efficiency on national and regional levels.

7. To embed best practice and give shape and direction to overall procurement activity in local government.

8. To encourage and assist in the production of framework contracts (where appropriate) toolkits; guidance and training; market data; supplier engagement; the application of European legislation recognising the current availability of such.

9. Work with RIEPs to improve the quality of cost and comparative data available.
Review of arrangements for efficiencies from smarter procurement in local government

By Bill Roots