

taking stock

The National Procurement Strategy for Local Government

One Year On



national **procurement** strategy
for local government



Office of the
Deputy Prime Minister

Creating sustainable communities



Local Government Association





foreword

Many councils have already achieved significant progress in adopting 'world-class' procurement practices. They have secured commitment from their leaders, chief executives, members and officers towards making procurement a top priority supported by the necessary resources.

The publication of the joint ODPM/LGA *National Procurement Strategy for Local Government* in 2003 has encouraged more councils to implement best practice. The Strategy is about all local authorities achieving the highest standards of service delivery. Effective, efficient, resourceful and prudent procurement will continue to be a top priority, as councils work towards achieving all the Strategy's three-year milestones, and also because of the strong call of the local government efficiency agenda.

The National Procurement Strategy and the Efficiency Review are thus complementary as both are encouraging every council to make a real, positive and sustainable difference to the communities that we serve on a daily basis. We must ensure that our citizens receive efficient services that truly meet their needs – crucially without compromising quality in any way.

This is a real challenge for local government. However, as this 'One Year On' Report demonstrates, many councils have already attained significant progress in meeting the targets in the *National Procurement Strategy*. More needs to be done. This Report sets out progress to date, identifies issues that need to be addressed and provides recommendations for action so that authorities are able to firmly focus delivery on the Strategy's milestones.

In taking action on the findings of the Report authorities can look for support from the nine Regional Centres of Excellence, the IDeA, 4Ps and our other partners. The ODPM and LGA will continue to monitor progress in this area over the next few years and our National Procurement Champion, Tim Byles, will be promoting to local government the benefits of high quality procurement performance.

We are grateful to the IDeA for their hard work in putting this Report together as well as for their continuing assistance to councils in meeting the challenges of the local government modernisation agenda.

Phil Hope MP
Local Government Minister

and

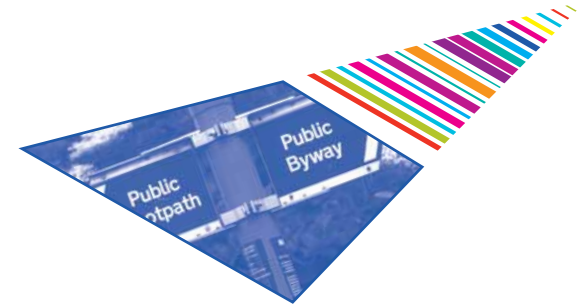
Sir Sandy Bruce-Lockhart
Chairman of the Local Government Association



contents

preface	by Tim Byles, National Procurement Champion	3
highlights		5
chapter 1	a year of achievement	9
chapter 2	policy context	23
chapter 3	providing leadership and building capacity	37
chapter 4	partnering and collaboration	47
chapter 5	doing business electronically	57
chapter 6	stimulating markets and achieving community benefits	65
chapter 7	next steps	75
annex	technical note	88





preface

It is hard to believe that little more than one year has gone by since the launch of the National Procurement Strategy for local government. A great deal of activity has taken place throughout local government in response to the strategy which, itself, has become part of the broader efficiency agenda.

In the early stages, I established a Chief Executives' Taskforce comprising the Chief Executives of the host authorities for the then Centres of Procurement Excellence. The Taskforce has gone from strength to strength and now plays a pivotal role in ensuring that support, expertise and resources which can enable local authorities to implement the National Procurement Strategy and address the broader efficiency agenda are channelled through the nine Centres of Excellence.

The Centres themselves began life with a £7.2 million budget covering the period 2004/05 – 2005/06 with the focus very much on enabling local authorities to achieve the key milestones in the national strategy. This report clearly demonstrates the progress already made on that agenda.

The ODPM has provided additional resources in excess of £20 million for the period 2004/05 – 2005/06 to enable the Centres to act as the lead Change Agent for local government in each region, co-ordinating and channelling support from a wide range of other Change Agents and key stakeholders to enable the efficiency target of 7.5% to be achieved by all local authorities by 31 March 2008.

Leaders and Chief Executives of local authorities will soon be signing off the first of the Annual Efficiency Statements required from all local authorities over the next three years. The statements will set out how the efficiencies required will be achieved. The Centres will play a key role in ensuring that the local authority led plans are supported, particularly through wider collaborative working within and across the tiers and with other partners in the wider public sector.

Local Government is leading the way in response to the need for the highest standards in procurement and changes in working practices so that efficiencies can be achieved to support the delivery of the wide range of improved public services for which we have responsibility. It will be important for us all to continue to build on the early momentum over the middle and long term.

Tim Byles
National Procurement Champion





highlights

There are important achievements to be recorded in the local government sector.

- **there is better leadership and a higher profile for procurement.** 70% of councils have a member-level procurement champion (only 13% reported strong member involvement in 2000) and 86% have a designated chief officer to champion the modernisation of procurement (compare 28% strongly involved in 2000).
- **a more strategic approach to procurement spend is being adopted.** The sector currently spends £40billion with third parties. The majority (87%) of councils now have a corporate procurement strategy in place compared to the 2000 baseline (27%). Regional Centres of Excellence are driving a more strategic approach at regional and sub-regional levels.
- **procurement is being professionalised and corporate capacity is increasing.** 53% of councils have a corporate procurement team led by a professional head of procurement (up from only 39% in 2000).
- **collaboration is proceeding within local government and across the wider public sector.** The nine Regional Centres of Excellence have been established as a catalyst for collaboration. 83% of councils are already making use of purchasing consortia (up from 67%) and 63% now use national framework agreements (GCat, SCat etc) compared to 31% in 2000.

However, more needs to be done to:

- **engage elected members in the wider efficiency agenda.** Member development needs to situate procurement within the context of the broader efficiency agenda, including collaboration, and developments in relation to the longer-term strategy for the sector. Skills programmes also need to be extended to service managers involved in commissioning and procurement.
- **prioritise actions that deliver efficiencies.** Included here are 'quick wins' (use of consortia and public sector frameworks), procurement cards, standardisation of contracts and specifications, streamlining of processes and gateway reviews.
- **accelerate implementation of eProcurement.** The focus should be on ePurchasing (procure-to-pay), eAuctions and eMarketplaces. Councils' IEG4 statements recognise the contribution eProcurement can make to efficiency.
- **promote the creation of shared services and joint procurement.** This includes shared procurement services. District councils in particular benefit from the scale economies.
- **open markets to small firms and the voluntary and community sector.** The VCS in particular has a lower than expected profile in local government procurement and service delivery. There is a need for greater internal and external challenge to option appraisal, and the VCS-friendly procurement practices outlined in *Think Smart... Think Voluntary Sector!* need to be implemented.

It is the conclusion of this report that the *National Procurement Strategy* should be extended through to 2007/08 to support the efficiency agenda. Further steps should be taken to integrate the NPS with the procurement strategies of the fire and police services and the emerging 10-year strategy for the sector.

Recommendations are set out in detail in **Chapter 7**.

progress at a glance

2004 milestones	2005 milestones	2006 milestones
providing leadership and building capacity		
<ul style="list-style-type: none"> ● councils to adopt a corporate procurement strategy 	<ul style="list-style-type: none"> ● single tier and county councils to carry out a health check on progress against the NPS and guidance 	<ul style="list-style-type: none"> ● district councils to have carried out a health check on progress against the NPS and guidance
<ul style="list-style-type: none"> ● strategy to be owned by members and senior managers 		
partnering and collaboration		
<ul style="list-style-type: none"> ● single tiers and county councils to have an approach to partnering in construction and service delivery set out 	<ul style="list-style-type: none"> ● average time from OJEU notice to contract award to be reduced by 10% 	<ul style="list-style-type: none"> ● average time from OJEU notice to contract award to be reduced by 25%
<ul style="list-style-type: none"> ● district councils to have an approach to partnering in construction and service delivery 	<ul style="list-style-type: none"> ● smaller district councils to be collaborating with others on procurement 	
<ul style="list-style-type: none"> ● councils to have approach to collaboration set out 	<ul style="list-style-type: none"> ● councils to identify opportunities to create shared services 	
<ul style="list-style-type: none"> ● councils to have approach to new trading powers set out 		
<ul style="list-style-type: none"> ● appraisal of service delivery models included in Best Value reviews 		
doing business electronically		
	<ul style="list-style-type: none"> ● councils to have implemented appropriate e-Procurement solution 	<ul style="list-style-type: none"> ● councils to be using an appropriate e-Marketplace
	<ul style="list-style-type: none"> ● councils to be using Government Procurement Card or equivalent for low value purchases 	

2004 milestones	2005 milestones	2006 milestones
stimulating markets and achieving community benefits		
<ul style="list-style-type: none"> ● councils to address relationship of procurement to community plan, workforce issues, diversity and equality, and sustainability 	<ul style="list-style-type: none"> ● councils to have signed up to national concordat for SMEs 	
<ul style="list-style-type: none"> ● councils to address how to encourage diverse and competitive market supply, including small firms, voluntary and community sectors 	<ul style="list-style-type: none"> ● councils to invite proposals for delivery of specified community benefits 	
<ul style="list-style-type: none"> ● councils to consult with staff on employment issues in procurement processes and contracts 		
<ul style="list-style-type: none"> ● councils to build sustainability into strategy, processes and contracts 		
<ul style="list-style-type: none"> ● councils to conclude a compact with local voluntary and community sector 		
<ul style="list-style-type: none"> ● councils to publish a 'Selling to the council' guide on website 		
<ul style="list-style-type: none"> ● procurement processes for partnerships to include an information memorandum to prospective bidders 		
<ul style="list-style-type: none"> ● procurement processes for partnerships to include invitation to bidders to demonstrate effective use of their supply chain 		

key

- green generally implemented across the sector
- red not being widely implemented across the sector
- amber being actively implemented across the sector
- black no data



chapter 1:
a year of achievement

introduction

The first year of the ODPM/LGA *National Procurement Strategy* (NPS) has been a year of achievement for local government. As this report explains, there is much progress to report. With the 2005 milestones already in sight there is, of course, more to be done as well.

Partnership between LGA, ODPM, other government departments, IDeA, EO and 4ps, suppliers and professional bodies has driven the NPS forward and remains critical to its successful implementation.

There have been significant developments since the launch of the NPS. In particular, the programme to implement the Government's Efficiency Review (and its embodiment in CPA 2005) and the debate about local:vision, the 10 year strategy for the sector, constitute an important new policy context. It is clear that the modernisation of local government procurement and commissioning and contract management practices, the central objective of the NPS, will be critical to the delivery of both.

One year on from the launch of the NPS this report:

- takes stock of the progress made by councils throughout England in the first year of the NPS
- highlights the contribution being made by the Regional Centres of Excellence (RCEs), the LGA Performance Partnership (IDeA, EO and 4ps) and the Local Government Taskforce (LGTF)
- proposes next steps in the context of the efficiency agenda and the dialogue about a longer-term strategy for the sector.

In *Suitcase Studies*, published in parallel with this report, IDeA showcases a number of examples of good practice in local government identified through the Agency's 'procurement fitness check' programme.

The structure of the present report mirrors the major themes of the NPS.

Chapter 2 reviews changes in the policy context. **Chapter 3** looks at progress in relation to leadership and capacity building. Partnering and collaboration are examined in **Chapter 4**, while **Chapter 5** takes stock of progress on e-procurement. Market stimulation and community benefits are the subject of **Chapter 6**. **Chapter 7** draws together proposals for next steps.

In assessing achievements, the report draws on the following research findings:

DETR 2000	Local Authority Procurement – A Research Report (Baseline study to inform the Byatt Review)
IDeA 2004	Baseline Survey 2004 (report on progress against 2004 NPS milestones for the Regional Centres of Excellence)
INLOGOV 2004	Evaluating the Local Government Procurement Agenda – National Procurement Strategy Milestones 2004
NePP 2004	2004 Survey Results (state of play with eProcurement)
LGTF 2004	2004 Penetration Survey (Rethinking Construction principles)

The two primary sources of data on progress used in this report are:

- IDeA's 2004 baseline survey for the Regional Centres of Excellence. In total 253 responses were received constituting a statistically reliable 65 per cent response rate. Summary findings are published with kind permission of the RCEs.
- initial results from the ODPM-commissioned four-year evaluation of the local government procurement agenda (being conducted by INLOGOV at the University of Birmingham). 157 councils responded to the INLOGOV survey (a 40 per cent response rate). District councils were under-represented making generalisations about their situation more difficult.

Further, more detailed, data in relation to the 2004 position will become available when ODPM publish their full baseline report.

Other sources of data include NePP and LGTF surveys which contribute a richer picture of developments in relation to eProcurement and Rethinking Construction respectively. Data on the number of nationally-registered local compacts with the VCS is provided courtesy of The Compact (February 2005).

To illuminate the longer-term direction of travel, the position at end 2004 is compared (in so far as possible) with the 'pre-Byatt' baseline established by DETR 2000. The source is stated for any other baseline data.

For further information on the data used in this report, please consult the technical note in the **Annex**.

Based on the data available at this time, generalisations are made about progress across the whole sector against the milestones using the following system:

- **green** Generally implemented across the sector
- **amber** Being actively implemented across the sector
- **red** Not being widely implemented across the sector
- **black** No data

Clearly 'red' status is not necessarily a cause for concern if the milestone is set for 2006. However, if it relates to a 2004 or 2005 milestone it signals a need for further attention and this is reflected in the recommendations.

The following abbreviations are employed:

EMB	Ethnic minority business
SE	Social enterprise
SME	Small or medium-sized enterprise
VCO	Voluntary or community organisation
VCS	Voluntary and community sector
WE	Women's enterprise

goals of the strategy

The goals of the *National Procurement Strategy* are announced in its opening chapters. Here it states that the Government's vision of world-class public services is critically dependent on efficient and effective procurement and contract management. The NPS translates this vision into a number of overarching strategic objectives to be achieved by 2006. These objectives are reproduced in **Box 1**.

In anticipation of the Government's Efficiency Review (see below) the NPS cites the scale of procurement spend in the sector as evidence of the need for a strategic approach at national level: **'Each year councils in England spend almost £40 billion of public money 'externally'. This represents about half of local government's overall expenditure. It is vital that this money is spent wisely and that best value is obtained'**.



box one the vision

Our vision for local public services can only be realised if councils adopt world-class practices in procurement and the management of contracts and supplier relationships.

Our objective is that by 2006 all councils will be:

- delivering significantly better quality public services that meet the needs of all local citizens through sustainable partnerships they have forged with a range of public, private, social enterprise and voluntary sector organisations
- confidently operating a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- achieving continuous improvement from all categories of procurement expenditure, by putting in place an appropriate procurement strategy and the necessary resources for implementation
- obtaining greater value for money by collaborating with partners at local, regional, national and European levels
- realising economic, social and environmental benefits for their communities through their procurement activities
- demonstrating improvement in equality and opportunity for businesses, service users and council staff
- Stimulating markets and using their buying power creatively to drive innovation in the design, construction and delivery of services.

Benefits to individual councils are also articulated in the NPS (**Box 2**). Those benefits include improved public services and savings that can be redirected to the frontline or into keeping council tax low (These are themes that feature strongly in the efficiency agenda, see below). The Strategy also encourages councils to use their spending power to shape markets and to reap 'community benefits' (economic, social and environmental) in line with community strategies.



box two NPS benefits for councils

The principal benefits to councils of adopting the approach set out in the National Procurement Strategy are:

- you will establish partnerships with private, voluntary and public sector suppliers to help you deliver improvement of public services and the renewal of public assets like schools, libraries and highways, on time and to cost
- you will build quality design into procurement of assets to improve the built and natural environment for local citizens, including the learning environment for school students
- you will make more creative use of buying power to stimulate innovation in the market, including innovations in service delivery and products, for example, that make use of recycled materials or fair trade products

- you will make savings realised through more efficient procurement that can be channelled into priority services or into council tax reductions
- you will achieve economies and efficiencies and improve effectiveness through procurement, so that you fulfil your obligation under Best Value to improve continuously

You will comply with the procurement regulations (EC rules) to reduce the likelihood of legal challenge

- you will implement good practice in procurement to reduce the likelihood of time and cost overruns, poor quality and contract failures
- you will remove unnecessary 'red tape' to reduce time and costs for councils and suppliers alike.

national programmes

To support councils in the implementation of the NPS the Government and LGA agreed to pump-prime two new national programmes:

- regional centres of excellence
- national training and development programmes

regional centres of excellence

The nine Regional Centres of Excellence (RCEs) were announced in February 2004. Each received an initial allocation of £400,000 to gear up for the delivery of the tasks mapped out in the NPS (**Box 3**).

In line with the Government's Efficiency Review, in November 2004 ODPM announced that the remit of the centres had been extended to include the procurement (construction and FM and commodities) and corporate and transactional services work streams of the efficiency programme (see below). Over £20 million in additional funds is being made available over the next two years to support this expanded role.

The extended role of the RCEs is set out in *Delivering Efficiency in Local Services 2 – Further Guidance for Local Authorities* (January 2005) (see **Box 4**)

At national level a Chief Executives' Taskforce, chaired by Tim Byles (Chief Executive of Norfolk County Council), the Procurement Champion, provides strategic direction. Operational matters are dealt with in the Regional Directors' Group.

Barry Quirk (Chief Executive of the London Borough of Lewisham) has been designated the Efficiency Champion.

The work of the RCEs is showcased throughout this report.



box three regional centres of excellence

Centres of excellence in procurement and project management will be created throughout the regions.

The purpose of the centres of excellence is to:

- develop centres of procurement and project management expertise
- communicate the key messages in the National Procurement Strategy for Local Government
- disseminate good practice in procurement, project management and partnering
- provide high quality procurement advice to authorities in the region including, in particular, smaller authorities without procurement resources of their own
- promote collaborative procurement where this could lead to improved value for money in the acquisition of assets, services and supplies
- promote the development of eProcurement in the region in collaboration with the National eProcurement Project

- develop, manage and co-ordinate a pool of experienced procurement professionals and project managers to be shared between councils in the region
- act as a focus for training and development in procurement and project management skills extending beyond the three year horizon of the proposed national skills training programme
- streamline and co-ordinate pre-qualification procedures in the region
- gather market intelligence and disseminate it in the region
- collate and publicise information on bidding opportunities
- capture learning from projects for sharing across the region and nationally.

The centres of excellence will be a catalyst for collaboration in each region. They may be based on existing partnerships or consortia or new ones formed expressly for this purpose.

NPS page 16



box four efficiency review remit of the regional centres of excellence

At the centre of our regional delivery model are the re-purposed Centres of Procurement Excellence, which will provide support to local authorities to achieve efficiencies in:

- procurement of commodity goods and services
- procurement of construction and facilities management
- corporate services, and
- transactional services

The Centres are hosted by, run by and act for local authorities, and receive core funding through the Challenge Fund and Capacity Building Fund. The main roles for the RCEs include:

- acting as the first point of contact for local authorities in relation to the efficiency agenda

- co-ordinating and analysing data relating to local authority performance across the four workstreams to enable decision makers in authorities to understand the options for improved performance
- providing support, including identifying and bringing to bear available resources, to local authority-led projects designed to achieve efficiencies
- developing opportunities for shared working across local authorities and the wider public sector, involving, where appropriate, the private sector and the voluntary and community sectors
- co-ordinating the support for local authorities to ensure that the efforts of individual organisations support the needs of the region.

The Chief Executives; Taskforce, along with ODPM and LGA, is establishing a Strategic Implementation Framework in order to co-ordinate interaction between change agents.

RCEs will have strong links to many Government Departments' change programmes and the OGC's work on efficiency.

training and development

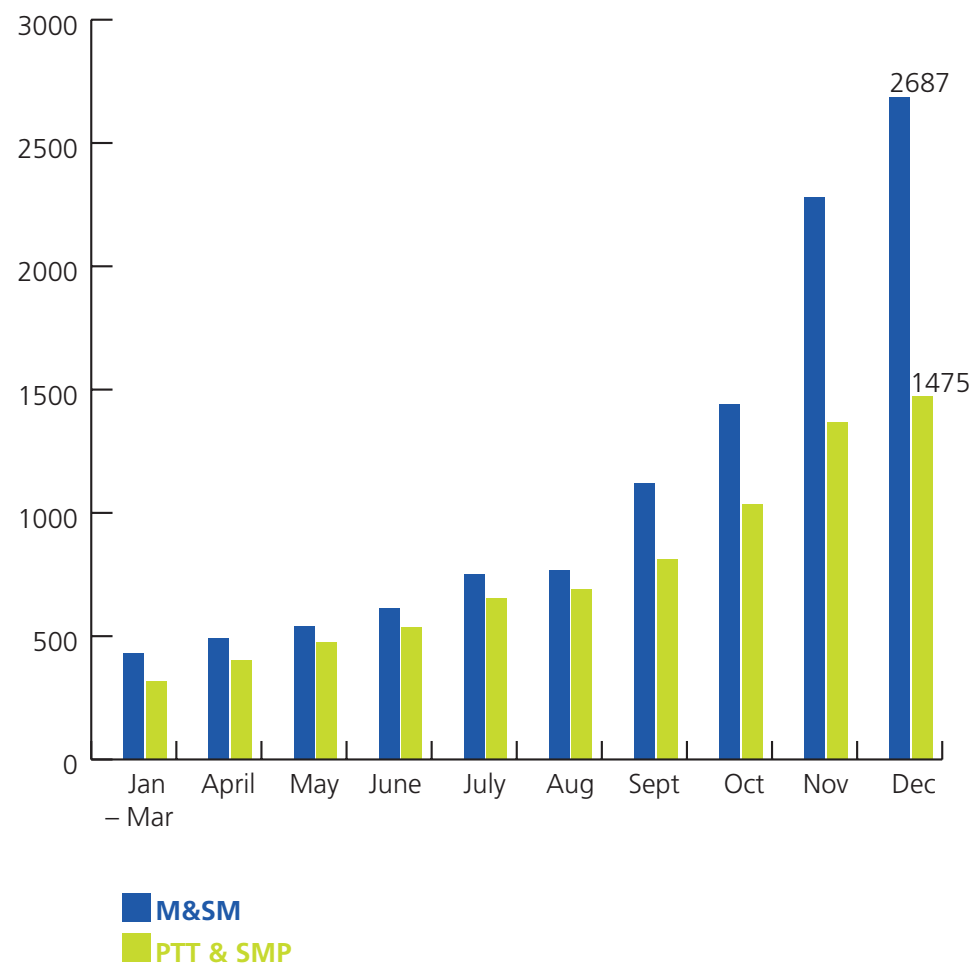
The skills development programme called for in the NPS (**Box 5**) has been designed and rolled out by 4ps in partnership with IDeA and EO. Skills frameworks for procurement and project management in the sector were developed by the LGA Performance Partnership and published together with guidance by the Employers Organisation (www.lg-employers.gov.uk/skills/procurement/index.html)

The skills programme comprises:

- member and senior management training (M&SM), two half-day workshops delivered jointly by 4ps and IDeA, is targeted on poor and weak councils and districts.
- training for project teams (PTT), delivered by 4ps, comprises five events to help project teams manage the procurement process through the procurement cycle
- individuals seeking to improve particular skills (from negotiation to EU procurement rules) can access six modules that have been put in place with a range of specialist training providers (SMP).

The demand for these events has grown rapidly in the first year as illustrated in the table to the right.

cumulative take-up to end december
participant days



These events have been well received. Against a target quality feedback score, on a 1 – 5 scale, of 3.6 all the programmes have performed very well.

The certificate of competence in local government procurement will be launched in 2005. It will be awarded by the Chartered Institute of Purchasing and Supply (CIPS) on satisfactory completion of both the foundation stage of the CIPS graduate diploma and a local government module designed in collaboration with IDeA and the Society of Procurement Officers (SOPO). The local government module will be delivered through the medium of eLearning.

A further eLearning product is being developed to meet the needs of budget holders. This will be delivered through IDeA's Learning Pool.

other national programmes

Other national programmes delivered by the LGA Performance Partnership have continued to support the building of capability and capacity in the sector and the successful delivery of procurement projects. These include:

- know-how (IDeA, 4ps, EO)
- project support (4ps)
- gateway reviews (4ps)
- fitness checks (IDeA)

IDeA's *Procurement Essentials* was launched in parallel with the NPS and constitutes the top-level implementation guidance. Short, pocket guides have also been widely circulated and form the core curriculum for Member and Senior Manager training (see above).

More detailed guidance on a range of topics has followed from IDeA including local performance indicators for procurement (with the Audit Commission, SOPO and 4ps) and sustainability. IDeA Knowledge (www.idea.gov.uk/knowledge) also hosts the National eProcurement Project toolkit and other materials on eProcurement.

The main 4ps know-how product is the procurement pack (see **Chapter 2** on the policy context). These packs are comprehensive procurement guidance manuals that are being developed to cover all the major sectors in local government where PFI and PPP schemes are being developed. The toolkit includes, in many instances, model sector specific contracts that will be 'signed off' by HM Treasury as compliant with relevant HM Treasury standard contract drafting for PFI schemes.

A corporate services procurement pack is being developed in response to the Government's Efficiency Review. It is designed to help councils with efficiency in transactional, corporate and ICT functions. Launch is planned for summer 2005.

Procurement packs are complemented by case studies and project information briefings focused on particular topics. In 2005 efficiency review topics will be emphasised.

4ps leads nationally on behalf of the sector on both the NHS LIFT and Building Schools for the Future (BSF) initiatives. In the case of LIFT, an extranet has been developed for councils and a panel of legal and financial advisers has also been established.

EO provides advice and guidance on pensions and workforce and diversity issues in procurement. EO has published an agreed dispute resolution procedure for dealing with disagreements over the implementation of the code of practice on workforce matters (circular 03/2003) and in collaboration with IDeA and 4ps, EO has published model contract clauses and guidance to support the implementation of the code.

4ps project support team played a key advocacy role in securing the allocation of a further £7billion funding for local government PFI schemes through Spending Review 2004. To date the team has worked with over 200 councils and has supported some 120 public-private partnership projects to become operational and deliver improved public services. Project support is delivered in all those sectors where PFI funding is available and those that are prioritised in the Government's Efficiency Review and by the LGA.

4ps also provides project support to over 120 councils involved in NHS LIFT and support and assistance to 300 LEAs involved in BSF.

Both 4ps gateway reviews and IDeA fitness checks provide an independent assessment and external challenge for councils and do so through the use of peers (practitioners from local government and the wider public sector). Gateway reviews focus on major projects while fitness checks look at organisational strategy and capability.

To date 4ps has delivered 92 gateway reviews. 388 reviewers have been trained and 70 deployed on reviews. There is 100 per cent positive feedback and 75 per cent of chief executives report a significant impact on their project. 4ps will work with the RCEs to deliver exemplar projects including collaborative projects under the gateway review process.

IDeA has carried out 86 procurement fitness checks targeted on districts and councils rated poor and weak under CPA. Some 60 peers (procurement professionals) have participated in the programme taking learning back to their organisations. 'Good' or 'excellent' ratings have been given by every chief executive that has received a fitness check. IDeA is changing its model in order to provide external challenge to council's own self-assessments. External challenge will be delivered jointly with RCEs. More in-depth support to improvement will be available on demand including the 'classic' peer review model.

local government taskforce

The LGTF was formed in 2000 to encourage and assist councils to adopt the principles of Rethinking Construction. These principles were contained within the report of the Construction Task Force, chaired by Sir John Egan, in 1998. Outputs from the 'Rethinking the Construction Client' National debate that took place in 2001 to develop Rethinking Construction thinking, identified the following six guidelines:

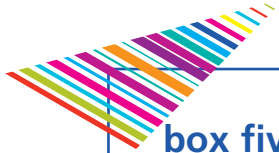
- traditional processes of selection should be radically changed because they do not lead to best value
- an integrated team which includes the client should be formed before design and maintained throughout delivery
- contracts should lead to mutual benefit for all parties and be based on a target and whole life cost approach
- suppliers should be selected by best value and not by lowest price: this can be achieved within EC and central government procurement guidelines
- performance measurement should be used to underpin continuous improvement within a collaborative working process
- culture and processes should be changed so that collaborative rather than confrontational working is achieved.

The LGTF acts as a lobby group for and on behalf of local government practitioners, both with central government, and with the construction industry. It works under the umbrella of Constructing Excellence, which is the successor body to Rethinking Construction Ltd and the DTI's Construction Best Practice Programme. The remit of Constructing Excellence is to endorse best practice and continue encouraging organisations, both large and small, to implement Rethinking Construction principles through a network of best practice clubs, regional cluster groups and demonstration projects.

Following the publication of the Byatt report, the LGTF was largely responsible for the linking of construction with all other forms of local government procurement within the *National Procurement Strategy*. The LGTF has supported the NPS, and indeed made a submission to the work of Sir Peter Gershon, in his research for the Efficiency Review. The LGTF believes wholeheartedly that the adoption of the Rethinking Construction principles, will help local authorities meet, and indeed exceed, their efficiency targets.

The LGTF has been nominated by ODPM as the lead organisation for the delivery of the construction strand of the Efficiency Review. The LGTF aids practitioners in their work by the publication of guidance and newsletters, which are freely available on their web-site. Their most recent publication *Ten Key Issues and How to Address Them*, has been made widely available to local authority practitioners, and the new Regional Centres of Excellence.

The LGTF has been actively involved in the establishment of those regional centres, and has established dynamic links, with each of these, the Constructing Excellence regional network, and their own Regional Champions.



box five procurement training and development

Two training and development programmes will be piloted. The overall objectives are to:

- enhance members' and senior managers' leadership skills by equipping them to take a strategic role in procurement and partnering
- train project team members in the key skills necessary for the successful delivery of major procurement projects and the management of strategic partnerships.

IDeA and 4ps have been entrusted with the task of developing these training and development programmes. They will be delivered in association with a range of training providers and the regional bodies.

In a separate initiative, IDeA and 4ps are working with the Chartered Institute of Purchasing and Supply and the Society of Procurement Officers, on the development of an affordable route to professional training for procurement staff working in local government that will fulfil a role similar to the 'certificate of competence in purchasing and supply' in civil central government. The feasibility of building experience in procurement into the Graduate Development Programme developed by the EO is also being explored.



chapter 2:

policy context

the changing policy context

The NPS outlined a number of strands of government policy with a bearing on local government procurement and sought to integrate them within the strategy.

There have been three major developments since the launch of the strategy in October 2003:

- the Government's Efficiency Review (the 'Gershon Review')
- the debate about local:vision a 10-year strategy for the sector
- further integration of health and social care, and education and children's services.

efficiency review

The Government's Efficiency Review (*Releasing Resources for the Frontline*) was published in July 2004 and its recommendations were mainstreamed into the government's three-year spending plans (2005/06 to 2007/08) through Spending Review 2004. Arrangements for delivery in the local government sector are set out in two ODPM guidance packs, *Delivering Efficiency in Local Services* (November 2004, and January 2005).

The Government foresees significant efficiency gains being delivered through smarter public procurement. This includes procurement of commodities (goods and services) and construction and facilities management as well as within the major service blocks (education and children's services, adult social care, social housing and supporting people, environmental services, local transport, culture and leisure, corporate services, transactional services (revenues and benefits) and fire and rescue services.

Real terms reductions in prices and transaction costs are cashable efficiency gains. Procurements that deliver improved productivity or higher performance standards for the same cost produce non-cashable efficiency gains. Both count towards the overall annual target of 2.5 per cent efficiency gains.

Collaboration across the public sector to aggregate requirements, standardisation of contracts and specifications, streamlining of procurement processes, creation of shared procurement services, implementation of eProcurement solutions (including eAuctions) and further partnering (particularly in construction, highways and waste) are all seen as critical to the delivery of the efficiency programme.

From 1 April 2005, the Office of Government Commerce's (OGC) remit widens to cover smarter procurement and better project management across the whole public sector, including local government. OGC has established two 'change agents' (co-ordinated procurement and smarter construction) that will work with ODPM, LGA, the Regional Centres of Excellence and other stakeholders to help councils deliver the procurement efficiency gains.

Other government departments will be working with councils and RCEs on procurement within specific sectors. Their main focus will be on identifying and seizing opportunities for efficiency gains. A number are also undertaking market studies and developing procurement best practice resources. The latter include:

- DFES** Guidance on commissioning of children's services
- DH** Best practices in commissioning of adult social care
- ODPM** Sharing of best practice across social housing procurement
- DEFRA** Waste procurement toolkit
- DFT** Good practice guidance on procurement of bus services
- Highways Agency** Sharing of best practice in roads procurement
- DCMS** Best practice in libraries procurement

DFES has established a Centre for Procurement Performance (CPP) to help deliver efficiencies across the whole education and children's services system.

FireBuy, a national centre of excellence in procurement, is being established for the fire and rescue service and there are plans to set up a similar centre for the police service.

local:vision – the ten-year strategy

In July 2004 ODPM published a consultation paper on the future of local government, developing a 10 Year Vision and a series of 'daughter' documents have been published beginning with *Vibrant Local Leadership* and *Citizen Engagement* and *Public Services: Why Neighbourhoods Matter*. Further documents are expected by March 2005 on the performance framework and service delivery. These are intended to lay the foundations for a debate about the future of the sector that may culminate in the publication of a White Paper.

The LGA supports the objective of improving efficiency across the public sector and considers that local government can demonstrate a considerable track record of efficiency improvements on which to build. The LGA's initial views on the future shape of local governance are set out in the manifesto for local communities (*Independence, Opportunity, Trust*) and supporting documents (e.g. *Stronger political leadership, better local government*).

In its 10 Year Vision document the Government calls for:

'stronger challenges to current performance levels, including effective ways to deal with persistent under-performance. A reduced reliance on pressure from central Government through targets, inspections, and other levers, must be balanced by greater internal and external challenge. This should include challenge from within the organisation and challenges from local people, either as users, potential users or taxpayers. For many services, a viable market of alternative providers should also provide a challenge to the current model of provision, so offering a genuine alternative and driving up standards' (page 16).

The existence of a 'viable market of alternative providers' as one of the incentives in the performance management regime for councils is increasingly referred to as 'contestability'.

'The development of a contestable and competitive supply base can provide opportunities for greater innovation, efficiencies and higher quality services. Councils should play an active part in the development of the supply base, attracting new service providers including public service providers such as councils with excellent service teams who could provide those services to others. Securing the benefits of this wider and more efficient supply base will depend on councils adopting progressive procurement and commissioning strategies, recognising the strong link between good procurement and performance improvement' (page 16)

The document goes on to outline the potential role of 'personalisation' and 'choice' within a new performance management system:

'Services should be designed, delivered and joined up around the needs and preferences of users wherever possible with the users involved in the key stages of design, development and review. In many areas, users are demanding more personalised services, including choices about the services provided and the ways they can be accessed.'

More opportunities for tailoring services to meet the needs and expectations of users should be developed, including options about the services that are provided, how they are accessed and delivered, and who provides them. This will also need to address the impact that offering more choice and personalised services may have on equity and efficiency ' (page 17)

'The empowerment of users to challenge performance is a potentially powerful driver for improvements in services. It can be a positive force in shaping services around the needs and preferences of users. It means developing mechanisms for users and local people effectively to challenge councils when things go wrong in individual cases and collectively in the face of persistent poor performance. This might include the right to demand an alternative model of provision when a service is not meeting expectations' (p18)

ODPM's 5 – Year Strategy (*Sustainable Communities – People, Places and Prosperity*) clarifies that **'For some services this may mean giving users a choice of different products, services or providers – or redesigning the way a service works using choice, as is done when local authorities adopt choice-based lettings schemes. For other services it may mean providing something better tailored to the individual'** (para 4.19, p31)

Why Neighbourhoods Matter describes the potential scope of a **'neighbourhood charter'** as covering empowerment of neighbourhoods to require co-operation by local service providers, to take responsibility for/ownership of local assets, trigger action by service providers and agree neighbourhood contracts with service providers (sometimes referred to as 'collective choice').

'In some instances it may be appropriate for a neighbourhood body (or a number of neighbourhood bodies working together) to agree a neighbourhood contract with the local authority or service provider to agree minimum standards across a wide range of services to reflect local priorities. This could provide a service guarantee to people in the neighbourhood. The formation of contracts between service providers and neighbourhood bodies might be an effective way of ensuring sustainable improvements in public service delivery and providing for avenues of redress when these are not met' (para 82 at page 22)

Both the Government and the LGA recognise that a future such as this will require significant cultural change. It will also require a sophisticated approach to the management of external resources. The successful delivery of personalisation, choice and contestability in the provision of public services will be critically dependent on the modernisation of commissioning and procurement strategies and practices (in the widest sense – i.e. including the sourcing of services from other public sector bodies as well as the private and voluntary and community sectors). Skills in procurement and contract and relationship management will be needed in all council services and neighbourhoods will require them too. The demands of innovation will need to be balanced with the demands of efficiency.

further integration of health and adult social care, and education and children's services

The integration of public services around outcomes for service users (a 'whole system' approach), personalisation and the themes of 'voice, choice and contestability' are central features of government strategies in relation to health and adult social care, and education and children's services. *Every Child Matters* sets out the government's vision for children's services and a green paper on the vision for adult social care is expected shortly.

The LGA has set out its own vision, including governance and accountability arrangements for partnerships, in two joint publications with the NHS Confederation and the Association of Directors of Social Services: *Our Future in Our Hands – Putting People at the Centre of Social Care and Serving Children Well – A New Vision for Children's Services*.

'Direct payments' were first introduced in the mid-1990s with the intention of supporting independent living and giving service users greater flexibility in the choice of services. The integration of health and social care commissioning and delivery was put on a new statutory footing by the Health Act 1999 (s31 partnerships) and the Health and Social Care Act 2001 subsequently made provision for the creation of care trusts.

The statutory backbone for integrated children's services has been supplied by the Children Act 2004, which implements proposals contained in the 2003 green paper *Every Child Matters*. The expectation is that integrated children's trusts will be established.

In line with arrangements in place for adult care, the new system for children's services will focus around:

- inter-agency governance
- integrated strategy (the planning and commissioning framework including pooled budgets)
- integrated common processes (including assessment)
- integrated frontline delivery.

The independent sector (including the VCS) already plays a significant role in both adult social care and certain children's services. The government's strategy is to involve the VCS throughout all stages of the commissioning cycle for children's services (*Working with Voluntary and Community Organisations to Deliver Change for Children and Young People*, DFES 2004).

The commissioning model will clearly emerge strongly in children's services (as it already has in adult care). Contestability will be built in. In the voluntary sector strategy it is explained that:

'Commissioners in the children's trust environment will be expected to apply best value principles in deciding how, and by whom, services are to be delivered, and to ensure that there is a level playing field for potential providers, whether in-house, voluntary, community or private sector.'
(para 67 at page 21)

Commissioning skills (a broader set of skills than procurement and contract management) will clearly be critical to the delivery of this programme. Guidance is to be provided by DFES.

In preparation, a joint paper on *Commissioning Children's Services and the Role of the Voluntary and Community Sector* (February 2005) has been published by the LGA, IDeA, the Connaught Group of Voluntary Organisations, NCH and the National Council of Voluntary Childcare Organisations.

other developments

Other significant developments in policy and best practice since the launch of the NPS are outlined below.

<p>EU procurement rules</p>	<p>In January 2005 OGC published guidance on how the consolidated public sector directive (due to come into force in January 2006) will impact on the efficiency agenda.</p> <p>www.ogc.gov.uk/embedded_object.asp?docid=1002693</p> <p>Guidance on framework agreements and EU developments and on technical specifications was updated during 2004.</p> <p>See also sustainability and VCS guidance below.</p>
<p>strategic partnering</p>	<p>ODPM's Strategic Partnering Taskforce delivered its final report in April 2004. The outputs of the knowledge programme include the <i>Rethinking Service Delivery series: An Introduction to Strategic Service Delivery Partnerships</i> (December 2003), <i>From Vision to Outline Business Case</i> (April 2003), <i>Public-Public Partnerships</i> (April 2004) and <i>Outline Business Case to Contract Signing</i> (April 2004).</p> <p>Technical notes include <i>Payment Mechanisms</i> and <i>Risk Management</i> (February 2004) and <i>Employment and Partnerships</i> (March 2004). <i>Partnering and Procurement News</i> continues to be published.</p> <p>www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=3995&l=3</p> <p>The Treasury published <i>Value for Money Assessment</i> guidance in August 2004 to support implementation of <i>PFI: Meeting the Investment Challenge</i> (July 2003). This is mandatory for all PFI schemes, including those in local government.</p> <p>www.hm-treasury.gov.uk/documents/public_private_partnerships/key_documents/ppp_keydocs_vfm.cfm</p> <p>In view of the <i>Meeting the Investment Challenge</i> presumption against PFI to deliver ICT-enabled projects, OGC has published an online <i>Decision Map for Project Strategy and Procurement</i> and model contracts that replace and expand on the previous Treasury guidance <i>Standardisation of PFI Contracts – IT</i>. (The latest version of the decision map can be applied to any procurement decision).</p> <p>www.ogc.gov.uk/sdtkdev/new_content/decisionmap/0_index.htm</p> <p>Spending Review 2004 announced both a further allocation of £7 billion for local government PFI schemes and an intention to reform the PFI grant regime in the sector. In January 2005 ODPM announced arrangements that will introduce a 'level playing field' with conventionally – financed projects.</p> <p>www.odpm.gov.uk/pns/DisplayPN.cgi?pn_id=2005_0012</p> <p>See also streamlining the procurement process on the following page.</p>
<p>trading</p>	<p>ODPM implemented the trading provisions of the Local Government Act 2003 through the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2004 (SI 2004/1705) which came into force on 29 July 2004. The <i>General Power to Trade in Function-Related Activities Through a Company</i> (July 2004) is guidance.</p> <p>www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_030056.pdf</p>

streamlining the procurement process

In December 2003, the Regulatory Impact Unit of the Cabinet Office and OGC published *Making a Difference – Reducing Bureaucracy in Central Civil Government Procurement*. Agreed actions set in train a range of measures to speed up the procurement process and reduce costs, including further contract standardisation.

www.cabinetoffice.gov.uk/regulation/docs/pst/pdf/ccgpmain.pdf

IDeA and the Audit Commission jointly published *Local Performance Indicators for Procurement* in January 2005. Among other things, this includes performance indicators that enable councils to measure the speed of the procurement process and advisors' costs on a standard basis. The indicators can be accessed online through the joint Library of Local Performance Indicators:

www.local-pi-library.gov.uk

Greater standardisation of the PFI procurement process is a long-standing objective. In April 2004 HM Treasury published version 3 of *Standardisation of PFI Contracts* (SoPC 3).

www.ogc.gov.uk/sdtkdev/new_content/decisionmap/tcintro.html

An updated local government supplement to SoPC 3 was published by 4ps.

www.4ps.co.uk/Documents/Publications/SoPC%203%20Guidance.htm

4ps continues to support the standardisation of PFI and other forms of public-private partnership in specific sectors through the publication of procurement packs.

Together with the Waste Resources Action Programme (WRAP) launched a procurement pack for waste management in July 2004.

As part of a package of support to the Decent Homes programme, ODPM and 4ps launched a procurement pack for housing PFI in November 2004.

www.4ps.gov.uk

January 2005 saw the publication of 4ps/Institute of Highways and Transportation guidance on the procurement of local authority transport schemes.

www.4ps.gov.uk/Documents/Publications/Transport%20guide%20Jan2005.pdf

A procurement pack for procurement of joint service centres (one-stop-shop multi-agency facilities) via PFI or NHS LIFT will be published by 4ps in March 2005.

Procurement packs for corporate services, high ways management/street scene and social services are under development and scheduled for launch in 2005.

Standard terms and conditions of contract (for ICT and general goods and services) published by OGC for civil central government (updated March 2004) are intended to meet a variety of needs including the presumption against PFI for ICT contracts and simplification for small suppliers (see also small firms below) as well as contributing to the acceleration of procurements and cost reduction.

www.ogc.gov.uk/sdtkdev/new_content/decisionmap/tcintro.html

OGC has also published model clauses on confidentiality in the context of the Freedom of Information Act 2000.

www.ogc.gov.uk/index.asp?docid=1002400

see also workforce matters on model clauses.

<p>gateway reviews</p>	<p>Following a refresh, a revised OGC gateway review model has applied since January 2004. www.ogc.gov.uk/index.asp?id=377</p> <p>4ps delivers gateway reviews in the local government sector. The process has been revised and refined and a 'readiness to proceed' process to assist smaller projects has been developed. www.4ps.gov.uk</p>
<p>eProcurement</p>	<p>Based on a study of the National eProcurement Project (NePP) pilot projects, in March 2004 ODPM published <i>The Benefits of eProcurement</i>. www.localgovnp.org.uk/nepp/webfiles/National%20Projects/nepp/Benefits%20Overview.pdf</p> <p>A range of further practical guidance has been published and is available from NePP on the National Projects website. www.localgovnp.org/default.asp?sID=1100774268953</p> <p>NePP material is also available via the procurement resource on the IDeA Knowledge website. www.idea.gov.uk/knowledge</p> <p>A revised edition of OGC's <i>eProcurement – Cutting Through the Hype</i> (known as 'Blue Frog II') will be published early in 2005. www.ogc.gov.uk/index.asp?docid=2314</p> <p>Guidance on eAuctions is also available. www.ogc.gov.uk/index.asp?docid=1001034</p> <p>In January 2005 OGC appointed a preferred bidder to develop a procure-to-pay eMarketplace known as 'Zanzibar'. www.ogc.gov.uk/index.asp?docid=1001430</p>
<p>markets and competition</p>	<p>ODPM has commissioned studies of local government markets in the context of the 10 Year Strategy ('contestability').</p> <p>The aim of the project is to identify how markets for a variety of council services might be further developed in the future, in order to support the successful implementation of the Strategy. The project is examining all sources of current and potential future supply, including the public, private and voluntary sectors. It is focused on the opportunities for Government, councils and suppliers to work together more effectively to develop a more diverse market for local services. June 2005 is the target completion date.</p> <p>As part of its work on the implementation of <i>Every Child Matters</i> DFES has published a report that scopes the market for children's services. This includes consideration of the contestability of markets for a range of services. www.dfes.gov.uk/research/data/uploadfiles/RW24A.doc</p> <p>The Department of Health is undertaking a similar piece of research on the adult social care market as part of the Care Services Efficiency Delivery programme.</p> <p>The recommendations of the OGC report <i>Increasing Competition and Improving Long-Term Capacity Planning in the Government Market Place</i> (the 'Kelly report') are being implemented through an action plan adopted in December 2003.</p> <p>'The overall intention is to make the public sector better at planning its procurements and communicating its needs to industry in a way that best uses available capacity within markets and enables industry to respond effectively, innovatively and at an affordable price'. www.ogc.gov.uk/index.asp?docid=1002160 www.ogc.gov.uk/embedded_object.asp?docid=1002151</p>

<p>markets and competition</p>	<p>Detailed market studies are underway, beginning with construction. The second 'Kelly market' to be examined will be waste management. OGC guidelines on the policy and legal issues surrounding reduction of the risk of over-dependency on a supplier are available www.ogc.gov.uk/embedded_object.asp?docid=1002151</p> <p>In September 2004 the Office of Fair Trading (OFT) published the findings of its market study into the impact of public procurement on competition (see also SME sector below). www.oft.gov.uk/news/press+releases/statements/2004/procurement.htm</p> <p style="text-align: right;">see also small firms below</p>
<p>small firms</p>	<p>Many of the NPS milestones are aligned to the landmark Better Regulation Task Force/Small Business Council report <i>Government: Supporter and Customer</i>.</p> <p>Having run pilots in the West Midlands and Haringey, in January 2005 the DTI's Small Business Service and OGC announced plans to establish a national procurement portal for sub-threshold requirements (the 'SME portal' for short). The intention is that the portal will enable public sector buyers to post opportunities for contracts below the EU thresholds and will enable suppliers to register their interest through a simplified pre-qualification process. www.ogc.gov.uk/index.asp?id=58&app=press_release.asp&process=full_record&recordid=89</p> <p>The development of an SME-friendly concordat was a further recommendation of <i>Government: Supporter</i> (also captured in the NPS). The concordat and good practice guidance for local authorities are scheduled for publication early in 2005.</p> <p>Draft supply chain management guidance issued by OGC for consultation in January 2005 addresses the opening up of supply chains to SMEs, VCOs, EMBs, SEs and WEs (as well as Kelly recommendations). www.ogc.gov.uk/sdkdev/new_content/supchainmgmt_pubsectprocurev2.5.1.pdf</p>
<p>voluntary and community organisations</p>	<p>Following on from the Treasury's 2002 <i>Cross-Cutting Review of the Role of the Voluntary and Community Sector in Service Delivery</i> (discussed in the NPS), in June 2004 the Home Office Active Communities Unit published <i>ChangeUp</i> a capacity building and infrastructure framework for the VCS. This is supported by an investment of £80m over 2003/04-2005/06. www.homeoffice.gov.uk/comrace/active/developing/index.html</p> <p>In addition, the Government has allocated £125m to a three-year investment fund <i>Futurebuilders</i> which aims to modernise the sector and focuses on delivery of key public services by VCOs. www.futurebuilders-england.org.uk</p> <p><i>Think Smart... Think Voluntary Sector!</i> (OGC and ACU, June 2004) is good practice guidance on the procurement of services from the VCS. www.homeoffice.gov.uk/comrace/active/funding/index.html</p> <p>The national register of local compacts, guidance and news can be found on The Compact website: www.thecompact.org.uk/C2B/document_tree/ViewACategory.asp?CategoryID=125</p> <p>The idea of regional VCS compacts is now being discussed with stakeholders. www.thecompact.org.uk/C2B/PressOffice/display.asp?ID=114&Type=2</p>

<p>social enterprise</p>	<p>A statutory framework for 'community interest companies' (CICs), a new type of company designed for social enterprises who want to use their profits and assets for the public good, has been introduced by the Companies (Audit, Investigations and Community Enterprise) Act 2004. It is intended that CICs will be able to register from April 2005.</p> <p>www.dti.gov.uk/cics/</p> <p><i>Public Procurement – A Toolkit for Social Enterprises</i> (DTI, October 2003) fulfils the commitment made in <i>Social Enterprise – A Strategy for Success</i> (see NPS) to provide guidance to the sector on securing public sector contracts.</p> <p>www.sbs.gov.uk/content/socialenterprise/procure_text.pdf</p> <p>The social enterprise movement has followed up with <i>Social Enterprise – The Procurement Challenge</i> (Social Enterprise Magazine).</p> <p>www.sbs.gov.uk/content/socialenterprise/procurement_suppl.pdf</p> <p><i>Proactive Procurement</i> (Co-operatives UK/Social Enterprise East of England).</p> <p>www.cooperatives-uk.coop/live/cme474.htm</p>
<p>women's enterprise</p>	<p>In 2003 the DTI's Small Business Service published <i>A Strategic Framework for Women's Enterprise</i>.</p> <p>www.sbs.gov.uk/content/consultations/womensframework.pdf</p> <p>This was followed in November 2004 by a toolkit <i>The Case for Women's Enterprise</i>.</p>
<p>workforce issues</p>	<p>A further round of DTI consultation on draft regulations amending the TUPE regulations is scheduled for March 2005 with the intention that the new regulations will come into force in October 2005.</p> <p>Last year the Employers Organisation, in collaboration with IDeA and 4ps, published a model contract clause with explanatory notes to support the implementation of the ODPM Code of Practice on Workforce Matters (Circular 03/2003) and a dispute resolution mechanism.</p> <p>www.lg-employers.gov.uk/people/hr_procurement/code.html</p> <p>4ps procurement packs in corporate drafting addressing TUPE, pensions and workforce code issues in the context of PFI/PP</p>

sustainability

The Government has announced that from November 2003, all central government departments must apply minimum environmental standards in new contracts when purchasing certain types of product, which cover aspects such as energy efficiency, recycled content and biodegradability.

To assist departments in achieving this standard, a number of environmental 'Quick Wins' have been identified. To further support this initiative, OGCbuying.solutions has published on its website a list of 'Quick Wins' products and services included in its framework agreements. The list is being kept under review with the intention of widening coverage over time.

The new emphasis on environmental standards represents a significant shift in public sector procurement practice. To assist authorities in meeting this aim, the Joint Note on Environmental Issues in Purchasing, which provides guidance to public buyers, has been revised by OGC and DEFRA (30 October 2003).

www.sustainable-development.gov.uk/sdig/improving/partf/eip2003/pdf/eip2003.pdf

The Joint Note demonstrates, through practical examples, how environmental issues can and should be integrated appropriately into each stage of the procurement process. It makes clear that the Government's policy of achieving value for money in procurement applies to the award stage of procurement processes. It is for Departments to decide what to buy and to set the specification, in the context of their overall objectives and subject to the normal public expenditure tests of need, affordability and cost-effectiveness. It is at this early stage that there is most scope to consider environmental issues.

Guidance on social issues in procurement is currently being updated. OGC guidance on fair and ethical trading can be found here

www.ogc.gov.uk/embedded_object.asp?docid=1001597

IDeA's good practice guidance on Sustainability and Local Government Procurement was published in November 2004.

www.idea.gov.uk/knowledge

The public sector in England spends £1.8 billion on food and catering services. The Government wants to use this buying power to help deliver the principle aims of the Government's Strategy for Sustainable Farming and Food in England. That is the purpose of the Public Sector Food Procurement Initiative (PSFPI) launched by DEFRA in August 2003.

www.defra.gov.uk/farm/sustain/procurement/

Resources include guidance, case studies and a catering services and food procurement toolkit

www.defra.gov.uk/farm/sustain/procurement/sellingpublic.htm



chapter 3:



providing leadership and
building capacity






key theme: providing leadership and building capacity

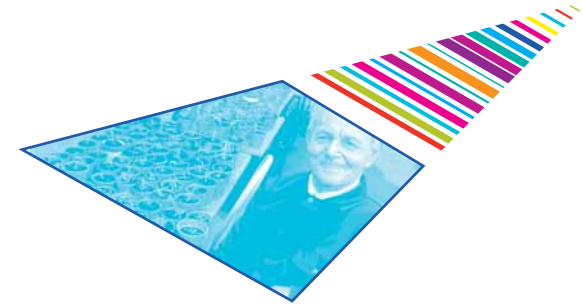
The strategic objective is that there should be a commitment from the top of each council (leader, chief executive, procurement champion) to procurement excellence by managing it strategically and resourcing it adequately.

achievements – providing leadership and building capacity

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>corporate procurement strategy</p> <p>By 2004 every council should adopt a corporate procurement strategy, based on a Best Value or other review.</p> <p>The strategy should be owned by members and senior managers and its implementation monitored regularly.</p>	<p>Demonstrate political leadership of procurement.</p> <p>Demonstrate managerial leadership of procurement.</p> <p>Implement a corporate procurement strategy.</p> <p>Establish a centre of expertise in procurement and project management.</p>	<p>One quarter of English councils (27 per cent) have a written procurement strategy in place.</p> <p>Members reported as being 'strongly involved' in the development of the strategy in 13 per cent of cases.</p>	<p>The great majority of councils (87 per cent) report having a procurement strategy in place.</p> <p>A similar proportion (80 per cent) have aligned the procurement strategy with the council's strategic objectives. However, 54 per cent are yet to align the strategies with the NPS milestones.</p>	<p>68 per cent of councils report having a procurement strategy.</p> <p>In only 45 per cent of cases is the procurement strategy reported to be in full effect; 22 per cent approved but not implemented; 31 per cent in preparation.</p> <p>Councils were asked to rate (on a scale of 1 to 5) whether their strategy is 'owned by political and managerial leaders' and whether it is 'widely understood'. A score of '1' represented 'not at all' and '5' represented completely.</p>	<p> (implementation)</p> <p> (ownership and understanding)</p>

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
	<p>Carry out a skills audit and implement a training and development programme.</p> <p>Review and redesign procurement processes.</p> <p>Review and revise procurement procedures.</p> <p>Maintain transparency.</p> <p>Audit compliance.</p> <p>Ensure early involvement.</p> <p>Make best use of buying power.</p> <p>Implement an appropriate e-Procurement solution.</p> <p>Manage major procurements as projects and introduce gateway reviews.</p> <p>Manage contracts and supplier relationships.</p> <p>Measure performance of the procurement function.</p>	<p>28 per cent of councils have a chief officer on the corporate management team strongly involved in strategy development.</p> <p>Around a third of councils have a 'central procurement unit' (CPU). Most often the CPU's role is confined to letting and managing corporate contracts and frameworks for commodity goods and services.</p>	<p>Half (53 per cent) state that they have carried out a cross-cutting (best value) review of procurement that can inform the strategy.</p> <p>70 per cent have an elected member champion to act as an internal change agent. 86 per cent have a chief officer champion who performs a parallel role on the corporate management team.</p>	<p>Of those councils with a procurement strategy in full effect, 21 per cent believe it is completely owned by political and managerial leaders and 39 per cent gave a score of 4 out of 5 for ownership at this level.</p> <p>Only 4 per cent believe the strategy is completely understood across the council. 17 per cent gave a score of 4 out of 5 for understanding across the council.</p> <p>55 per cent of councils have set targets in relation to the NPS milestones.</p> <p>Few councils have other procurement performance indicators in place (e.g. 'off contract' purchases 11 per cent; speed of procurement 17 per cent; spend with SMEs 6 per cent; spend with VCS 3 per cent).</p>	

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>Health checks – single tier and county councils</p> <p>By 2005 every single tier and county council should carry out a health check on progress against this National Strategy and the associated guidance as part of their corporate procurement strategy.</p>		N/A. Introduced through NPS	<p>The majority of single tier and county councils (79 per cent) completed IDeA's self-assessment questionnaire.</p> <p>19 single tier or county councils have sought external challenge through IDeA's 'procurement fitness check'</p>	52 per cent of single tier and county councils completed INLOGOV's self-assessment questionnaire.	
<p>Health checks – districts</p> <p>By 2006 every district council should have carried out a health check on progress against this National Strategy and the guidance endorsed as part of their corporate strategy.</p>		N/A. Introduced through NPS	<p>More than half of all district councils (56 per cent) completed IDeA's self-assessment questionnaire.</p> <p>54 district councils have sought external challenge through IDeA's 'procurement fitness check'.</p>	34 per cent of district councils completed INLOGOV's self-assessment questionnaire.	
<p>Regional centres of excellence</p> <p>By 2005 every council should be involved with a regional centre of excellence in procurement and project management</p>		RCEs established in 2004 in response to NPS and Efficiency Review.	Even at this early stage there is a high level of support for RCEs with 44 per cent of councils viewing them as 'fundamental to improving our procurement performance' and an additional 37 per cent stating their support.	14 per cent of councils report having worked with their RCE in 2003-04 to improve their procurement performance and a further 66 per cent plan to do so in 2004-05. 17 per cent have worked with their RCE on joint procurement in 03-04 and a further 55 per cent plan to do so in 2004-05.	



spotlight on the South East RCE

The South East Centre of Excellence (SECE) is hosted by Kent County Council and based in County Hall, Maidstone. Three staff joined the SECE in November 2004, Dr Andrew Larner as Director and Steve Dunkerley and Alison Greer as Programme Managers.

There are 74 Councils in the South East, the largest number of the 9 English regions. This breaks down into 8 distinct areas: Kent, East Sussex, West Sussex, Hampshire & Isle of White, Surrey, Berkshire, Oxfordshire and Buckinghamshire. The region comprises twelve unitary councils, seven county councils, and fifty-five districts councils.

A Management Board that has representatives drawn from each part of the region and each type of local authority governs the SECE. In addition some members of the Management Board lead workstreams which represent the key areas of non-pay spend within the region. These are:

- back office, led by Mike Taylor, Director at Surrey County Council
- buildings, led by Andrew Smith, Director at Hampshire County Council
- equipment & supplies, led by Gerry Palmer, Corporate procurement manager at Wealden District Council
- social care, led by John Dixon, Director at West Sussex County Council
- transport, led by Dave McKibbin, Director at Oxfordshire County Council
- waste, led by Duncan Jordan, Assistant Director at East Sussex County Council.

The role of the SECE is to support councils in the South East to implement the National Procurement Strategy and to deliver the efficiency targets identified by the ODPM. The SECE is a clearing-house for advice and guidance to councils and for organisations offering support within the region. The strategy of the SECE is to support innovative efficiency projects that are either scaleable or repeatable within the South East.

In addition to the Management Board, the SECE is developing a Member Forum. The role of the Forum is not only to consider the support required by Members, but also to consider the policy implications of the projects undertaken in the region, for example the sharing of back office services across Adur, Horsham and Mid-Sussex District Councils.

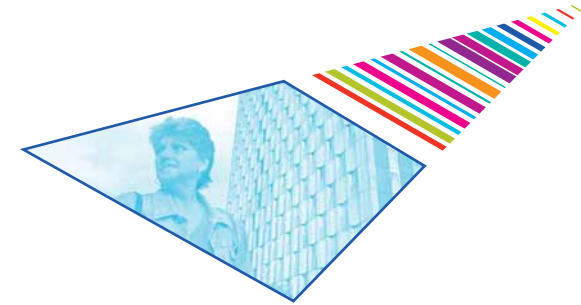
The SECE is also committed to working with other Regional Centres of Excellence and other parts of the public sector, to reduce duplication and to increase the available efficiency gains. The SECE has taken the lead on behalf of the 9 Regional Centres of Excellence for Adult Social Care and supports the East Region's lead on waste management. The SECE has already developed strong links with the NHS Purchasing and Supply Agency and will be piloting the use of NHS logistics with a group of district councils within the South East. The arrangements being developed with the NHS will allow councils (in all regions) to benefit from far greater purchasing power.

Programme plans for 2005 / 2006 are being finalised by the individual Workstreams. Activities started to date include:

- develop a SECE web site (currently www.kent.gov.uk/sece until registration of the domain www.sece.gov.uk is complete) and newsletter (www.kent.gov.uk/sece/downloads.html)
- publication of the SECE business plan (www.kent.gov.uk/sece/pdfs/busplan1.pdf)
- regional spend-analysis. The objectives of this analysis are to validate the regional spend analysis completed in 2004, develop further the understanding of opportunities in district councils and identify the spend with small business (including the type of business used)
- a survey of the contracts let by South East Councils and break points within the South East to help identify fertile areas for collaboration (www.surveymonkey.com/s.asp?u=68148830554)
- a procurement of both purchasing cards and eProcurement solutions for councils in the South East
- regional approach to key contracts including: non-domestic rates and waste management.

The Centre is also co-ordinating with the central bodies of local government including the LGA, the IDeA and 4ps. The SECE is working with the IDeA on behalf of the Regional Centres of Excellence in developing the National Opportunities Database a repository and set of tools to monitor progress and help identify areas of collaboration for councils.

For further enquiries about the SECE please contact Andrew Larner
email andrew.larner@kent.gov.uk
telephone 01622 696 317).



spotlight on North West RCE

The North West Centre was launched in May 2004 at Manchester Airport.

Tameside MBC is hosting the Centre on behalf of the Association of Greater Manchester Councils (AGMA) and is working with Liverpool City Council to develop it.

A two-tier governance structure has been adopted, with a Stakeholder Group representing stakeholder interests and taking a hands-off strategic role, and a Management Board whose focus is the operational management of the Centre.

The Steering Group comprises representation from all participating authorities, chaired by the Chief Executive of Tameside MBC. The Group is responsible for ratifying recommendations from the Management Group and overseeing the financial position of the Centre and progress against outcomes. It will meet three times in the first year with the potential for one AGM in future years. Decisions can be made through correspondence. Membership is at chief executive level.

The Management Board comprises 16 executive roles representing the diversity of authorities in the region and four non-executive roles. Membership is at chief executive or director level. The executive members are: Tameside, Bolton, Liverpool, Manchester, Rochdale, St Helens, Blackpool, Warrington, Cheshire, Lancashire, Cumbria together with a district council from each of the counties of Cheshire, Lancashire and Cumbria. The fire and rescue service and the police service each have a representative on the Board. The five non-executive members are 4ps, ODPM, IDeA, the NW Chamber of Commerce and a representative from the voluntary and community sector. The non-executive members provide an independent overview of activities and provide another perspective to decision making. The Board is responsible for monitoring the performance of the Centre's Director and team and providing direction and guidance. It is chaired by the Chief Executive of Tameside MBC. The deputy chair is the Chief Executive of Rochdale.

The Director is Colin Cram. Assistant Director is Beth Loudon. The Director and his team will drive the delivery of the business plan providing support and direction to the workstreams within it and coordinated advice and guidance to members. He will establish and implement a communications strategy; he will work with other regional centres and relevant national bodies.

The Director is responsible for ensuring that the needs of all authorities are taken into account as far as possible in the work of the Centre and for promoting the benefits of the Centre and motivating authorities and partners to participate, particularly in action groups. The Director and staff will provide hands-on delivery of the business plan as far as possible to reduce the burden on participants but will act as mainly facilitators in recognition of their limited resources. They will also liaise with Government bodies and other partners to represent the needs of the North West. The Director will drive the delivery of the business plan and produce regular progress reports for the Management Board.

The Centre has eight inter-related workstreams plus the work of the central unit. Within this framework are contained specific projects and tasks, which are designed to achieve the centres strategic objectives. Some workstreams have had their initial meetings and updates will be posted on the Centre's website:

www.nwcope.org.uk

eProcurement

This is the technology workstream. It will draw heavily on the work of the National eProcurement Project and that of the North West eGovernment Group (NWeGG).

The first meeting discussed the various issues involved and asked questions of the various approaches. Questions were asked about how these approaches would work and who would use them? Working groups for the following strands – procurement cards, eAuctions, business gateway and an eMarketplace will be set up.

standards

This workstream will promote and make available best practice. It will assemble and create standard processes and templates, how to guides, terms and conditions and model contracts.

The inaugural meeting took place in January and it was agreed that certain issues would be raised at the Management Board meeting in February to ascertain the reactions before further action is taken. It was suggested that the tender threshold figure should be the same region-wide, with the figure of £100,000 being suggested and that new wide standard terms and conditions should be implemented. It was agreed that the standard workstream would gradually formulate guidelines and advice for all local authorities for contract/tender documentation.

framework agreements

This will concentrate on producing appropriate contractual arrangements which will be available to all members and which will produce cost savings.

No launch meeting for this workstream has been held as yet. However some work has been undertaken in Knowsley which will make a contribution to the workstream. Knowsley have been working with a firm of external consultants analysing spend. Spend is currently £4 million per annum, and a saving of £1/2 million per annum is targeted via better sourcing and different procurement arrangements.

collaborative/corporate services

This will help identify opportunities for joint service provision and will oversee the implementation of such services. It will draw heavily on the work of the Strategic Partnering Taskforce and on the experience of existing arrangements, both services shared between authorities and those delivered by private sector partners.

No launch meeting for this workstream has been held as yet. However a meeting was held on 10th January 2005 with Liverpool Council where it was agreed that Liverpool would draft a paper stating what work had already been undertaken, this will be a starting point and will also provide scope as to where to go next. It is believed there may be scope for some quick wins within this workstream.

health and social care

This will investigate the needs of the social care market place and identify opportunities for market/supplier development, collaborative procurement and workforce development/procurement of labour. In this latter respect it will work closely with the capacity building workstream and the Regional Implementation Team of the Pay and Workforce Strategy for Local Government.

The health and social care workstream have not yet held their initial meeting, and this will take place in February. Work undertaken by AGMA has already moved forward. There are 10 AGMA authorities plus Blackburn and Darwen, with the possibility of others joining. AGMA are concentrating on out of authority placements for children.

construction

This workstream will be based on the work and networks of the Centre for Construction Innovation North West and Constructing Excellence in the North West. It will work to introduce and implement best practice procurement in accordance with the OGC Procurement Guidelines/Achieving Excellence in Construction/Rethinking Construction Principles etc.

The purpose of the initial meeting was to brief everyone on the proposal and gives an opportunity to determine whether it meets the needs of authorities within the North West. There is an opportunity to tailor the Workstream in order that, as far as is possible, it meets the needs of each particular authority. The construction workstream will build on work undertaken by AGMA.

local economies

This will consider issues related to the development of local economies at a regional, sub-regional and local level. It will provide assistance to local decision-making in assessing the impact down the supply chain of purchasing decisions. It will make recommendations regarding the use of the voluntary and community sector and the way in which SMEs are engaged with the Centre and with eProcurement in general.

The initial meeting took place in January 2005 and Blackpool Council updated the group on the progress that had been made in the voluntary and community sector compacts project. Benchmark Survey - 18 responses had been received and non-responses were to be chased up by the Centre. Results will be circulated to all workstreams. The group were informed by the NWDA that there is now funding for workshops on how to support small businesses. Spend analysis was discussed but considered problematic.

capacity building

This will make available training material, promote secondment opportunities, mentoring and expert advice. It will work closely with the Regional Implementation Team for the Pay and Workforce Strategy for Local Government.

Initial meeting to be arranged and discussions with NW Regional Centre and the lead council Blackburn with Darwen are taking place to discuss objectives and deliverables. An agreement needs to be established as to where the workstream should focus efforts. A steering group is now established.

Further information on the NW RCE is available from Colin Cram

email colin.cram@tameside.gov.uk

telephone 0161 342 3762



chapter 4:

partnering and
collaboration





key theme: partnering and collaboration




The strategic objective of partnering is the delivery of better services to citizens through the creation of sustainable partnerships between councils and suppliers in the public, private, social enterprise and voluntary sectors for the delivery of services and the carrying out of major projects, including construction.

The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services.



achievements – partnering and collaboration

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>strategy – partnering</p> <p>By 2004 every council's procurement strategy should set out the council's approach to partnering in service delivery and construction projects.</p>		N/A	<p>The majority of councils (72 per cent across all council types) have set out their approach to partnering in service delivery in the strategy.</p> <p>45 per cent of councils have done the same for their approach to construction partnering.</p>	<p>Of those councils with a procurement strategy in full effect, 55 per cent refer to service delivery partnering in general terms in their strategy and 38 per cent mention it specifically with targets.</p> <p>46 per cent refer to construction partnering in general terms in the procurement strategy and 31 per cent mention it specifically with targets.</p>	<p> (single tiers and countries)</p> <p> (districts)</p>

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
			<p>This breaks down into 60 per cent for single tier and county councils and 32 per cent for districts. This is to be expected given the size of district council capital programmes.</p> <p>LGTF 2004 provides a more detailed picture of progress among single tier and county councils:</p> <ul style="list-style-type: none"> • around three in five report that their corporate procurement strategy expressly embodies Rethinking Construction principles • 65 per cent report that none of their last three contracts have been awarded on price alone. • over three quarters have long term relationships with their main contractors that extend beyond a single project (2 to 10 years) • the great majority (82 per cent) use construction KPIs to manage performance, with 93 per cent measuring end-user satisfaction. 		

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>strategy – collaboration</p> <p>By 2004 every council's corporate procurement strategy should set out the council's approach to collaboration (including purchasing consortia, joint procurement and commissioning and shared services), and how it intends to use the new trading powers.</p>		N/A	N/A	<p>Where the procurement strategy is in full effect, 83 per cent of councils set out their approach to collaboration (but only 37 per do so specifically and with targets).</p> <p>29 per cent refer to trading in the strategy. Only 6 per cent do so specifically.</p>	<p> (collaboration)</p> <p> (trading)</p>
<p>option appraisal</p> <p>By 2004 every Best Value or strategic review of a service should include a robust and challenging appraisal of the different service delivery models available.</p>	<p>Carry out a challenging option appraisal.</p> <p>Examine partnering models</p> <p>Consider uses of the new trading powers.</p> <p>Examine opportunities for collaborative procurement of partnerships</p>	<p>In most councils option appraisal consists of no more than 'weighing up the advantages and disadvantages of different service models, and of making or buying the service in question'.¹</p>	<p>No more than 37 per cent of councils report external validation of the robustness of their approach to options appraisal.</p>	<p>Where the procurement strategy is in full effect the great majority of councils (84 per cent) cover option appraisal in Best Value reviews in the procurement strategy, but only half of these do so specifically with targets.</p> <p>87 per cent of all councils have published 'make or buy' guidance in a policy, manual or in another way.</p>	<p></p>

¹ *Competitive Procurement* (Audit Commission, March 2002)

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>streamlining the procurement process</p> <p>By 2005 the average time taken from Official Journal of the European Union (OJEU) notice to contract award in a project of more than one year's duration should be reduced by 10 per cent on the 2003 base.</p> <p>By 2006 the average time taken from OJEU notice to contract award in a project of more than one year's duration should be reduced by 25 per cent on the 2003 base.</p>	<p>Follow best practice in the partnership procurement process.</p> <p>Adopt a structured approach to project and risk management.</p> <p>Implement a gateway review process.</p> <p>Streamline procurement processes.</p> <p>Build continuous improvement into contracts.</p> <p>Manage relationships as well as the contract.</p>	<p>N/A.</p> <p>Introduced through NPS.</p>	<p>Only 10 per cent of councils have baselined their OJEU procurement processes in order to measure improvements in 2005 and 2006.</p>	<p>17 per cent of all councils have set targets for the speed of the procurement process.</p>	
<p>collaboration</p> <p>By 2005 smaller district councils without dedicated procurement resources of their own, should be collaborating with others, through the regional centres of excellence, to create shared services for procurement and project management.</p>	<p>Procure and commission jointly.</p> <p>Make best use of purchasing consortia.</p> <p>Open framework agreements.</p> <p>Use e-Marketplaces.</p>	<p>Less than half of all councils (43 per cent) report using purchasing consortia.</p> <p>A third (31 per cent) make use of central government frameworks.</p> <p>23 per cent of councils report buying on behalf of another council.</p>	<p>The majority of councils (83 per cent) report making use of purchasing consortia (74 per cent in the case of districts).</p> <p>Almost two-thirds (63 per cent) use central government frameworks like G-Cat and S-Cat. (39 per cent for districts).</p> <p>NePP 2004 found that 56 per cent of councils report collaboration to create shared services for procurement and project management. 50 per cent are collaborating on eProcurement initiatives.</p>	<p>76 per cent of councils are involved in using consortia and 19 per cent are considering it.</p> <p>34 per cent reported involvement in joint commissioning of health and social care (11 per cent considering), while 31 are involved in other joint procurement of services (18 per cent considering).</p> <p>For construction it is 21 per cent (32 per cent considering it).</p>	

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
				<p>56 per cent have open framework agreements (24 per cent considering).</p> <p>Involvement in creating a shared procurement function is reported by 29 per cent, while 27 per cent are considering it.</p> <p>More than one third of councils (35 per cent) report involvement in an eMarketplace and more than half are considering it (54 per cent).</p> <p>73 per cent report involvement in partnerships around eProcurement and 23 per cent are considering it.</p>	
<p>shared services</p> <p>By 2005 councils should identify opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services.</p>	Create shared services	N/A	N/A	<p>In addition to the findings above, 17 per cent of councils are involved in creating shared 'back office' services with other councils and a further 48 per cent are considering it.</p>	●



spotlight on East of England RCE

The eastern region is made up of 6 county councils, 4 unitaries and 44 district/borough councils. There is a very wide diversity in the area from councils such as Thurrock which, bordering on the edge of London is a very urban area to Norfolk at the other extreme which is almost wholly rural in nature.

The Centre in the East has set up governance arrangements which include a Management Board which is made up of chief executives or directors, one from each of the county and unitary authorities in the region plus one district council representative from each of the 6 counties. A Member Reference Forum has also been set up with similar representation to the Management Board with the addition of 4 extra members to help achieve political balance. In addition to this the Centre has also formed two groups of procurement specialists, one representing the county/unitary councils and one for district councils which meet on a regular basis.

The Centre will concentrate on a major e-procurement strategy which will facilitate the uptake of e-auctions across the region as well as allowing all local authorities to have access to electronic marketplaces.

The Centre will also continue to collect and analyse key data to enable opportunities for substantial savings in commodity purchasing and integration in corporate and transactional services to be identified. The Centre will also concentrate on developing a communications strategy to ensure that the support it can offer is fully understood and taken up by local authorities in the region.

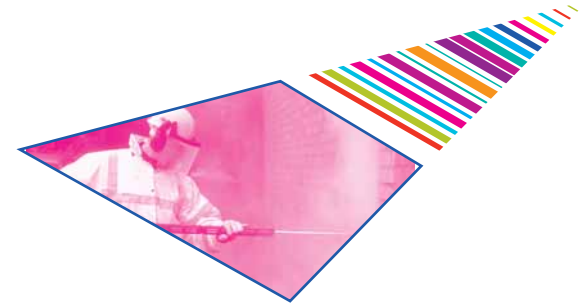
Early achievements include the following:

- the Centre has just successfully completed a supplier spend analysis which gathered information from 6 county councils, 3 unitary authorities and 14 district councils. This information is of vital importance in determining the way forward for delivering efficiencies in the region.
- temporary and agency employees – Peterborough City Council have recently (December 2004) conducted an e-auction for these services which generated very considerable unit price savings (51 per cent reduction in charges paid to providers without any adverse impact on the wages paid to individuals engaged to deliver the services) together with very substantial transactional efficiencies through a reduction in supplier base from 34 to 10, a reduction in individual transactions from 6000 per annum across the council to 240.
- Public Service Village initiative – An innovative project involving a Partnership incorporating St. Edmundsbury BC, Suffolk CC, Suffolk Police, Suffolk West PCT, West Suffolk College, the Magistrates Courts Service. This initiative explores options through which the partners might rationalise its various property/accommodations needs onto a single site. The Centre of Excellence is meeting with key managers representing the Partnership to discuss options through which the Centre of Excellence might support this major initiative.
- the Centre has supported a consortium of local authorities led by Norfolk County Council in its first eAuction which resulted in savings of over £200,000, equivalent to a reduction of over 30 per cent in previous prices.

For further information contact Steve Holland

email steve.holland@norfolk.gov.uk

telephone 01603 704014



spotlight on Yorkshire and The Humber RCE

The Yorkshire and the Humber Region consists of 22 member authorities (7 districts, 3 metropolitan districts, 4 metropolitan boroughs, 5 unitaries, 2 cities, 1 county council).

Governance arrangements for the Centre are based around a sub-regional model, with a management group comprising of a representative from the lead Authority within each sub-region, CoE Project Director and a representative from the host authority, Leeds City Council.

The regional approach across a large geographical area was deemed the most suitable, in view of the collaborations already undertaken in some of the 4 sub-regions.

The Director is currently determining a revised structure of the CoE support office in line with its more expansive role as lead change agents for local authorities and responsibilities linked to other Government Departments Efficiency targets.

The Centre can highlight the following early achievements:

- governance arrangements well embedded into the CoE calendar, with sub-regional/management meetings in place since May 2004
- the Centre has concluded its website scoping study commissioned to test the feasibility of developing a system to manage and share knowledge across the region and to gain comprehensive understanding of stakeholder requirements. This has been utilised to develop the specification for the website which will be operational prior to 31 March 2005

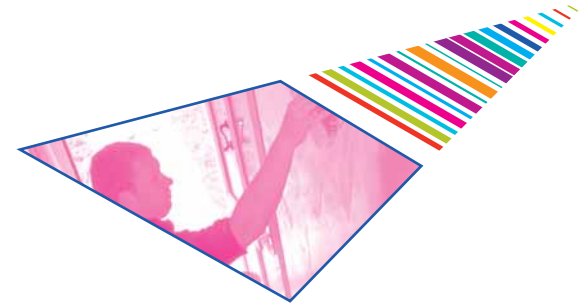
- a 'Buddying' initiative has been implemented to assist the smaller district councils with no procurement resource, the support and advice of a larger council with established procurement expertise. Allied to this the Centre is also allocates additional Procurement resource to these district councils
- Yorkshire and the Humber Centre of Excellence held a collaboration and joint service delivery event inviting senior delegates from the regions 22 councils plus police, and fire and rescue services. The aim of the event, which included guest speakers from ODPM, Government change agents, IDeA and councils was to raise awareness of the Efficiency Review and start to develop areas of efficiency gains and better ways of working through potential collaboration and joint service delivery opportunities. Post-conference, a questionnaire has been circulated to all chief executives, with the aim of developing the ideas to the next stage which will include a series of project workshops
- initial discussions have been held with companies and a scoping document established to provide a regional web-based contract and supplier management system. This vehicle will deliver efficiency opportunities via a single database of suppliers, contact details, pricing and performance data which will enable the Region to identify and manage collaborations.
- with training identified as a key priority, the Centre has arranged training to cover the new EU public procurement directives, in each of the 4 sub-regions. Authorities have also been invited to attend a presentation on developing an IT Procurement Strategy. This will be hosted by Leeds CPU.

For further information on the Yorkshire and The Humber CoE

contact Tony Wiltshire

email tony.wiltshire@leeds.gov.uk

telephone 0113 247 4483



spotlight on North East RCE

Governance arrangements were established soon after the announcement for Gateshead Council to host the NE Centre of Procurement Excellence. The Centre is accountable to the Association of NE Councils (ANEC). 10 NE local authorities are represented on both the Steering Group and Procurement Advisory Group which meet bi-monthly. The expanded remit, following the ODPM Efficiency publications, has resulted in the name being changed to the NE Centre of Excellence. To encourage and enable collaboration on a broader regional efficiency programme, an Efficiency Network is being established to include each authority's 'efficiency' officer who is responsible for developing and delivering each authority's Annual Efficiency Statement.

The work of NECE has been incorporated into the newly-established NE Local Government Improvement Partnership providing coordination with ANEC, Audit commission, Employers Organisation, Government Office NE and IDeA. This satisfies the ODPM's requirements as outlined in their recent Delivering Efficiency in Local Services guidance.

The national efficiency agenda also requires effective links to be established with other Regional Centres to assure consistency and identify collaborative opportunities on national initiatives with regional relevance. All RCE's need to establish clear arrangements with government 'change agents' to assure a consistent and effective relationship within the regions - NECE is taking the lead on behalf of all RCE's in establishing relationship with DFES Centre of Procurement Performance regarding their work with schools and LEAs.

A regional Conference took place in October 2004 with 22 of the 25 NE authorities attending. The electronic, interactive facilitation provided opportunity for all attendees to participate which was evidenced by the particularly positive evaluation and feedback. The attendees expressed a strong desire and intention

to collaborate on a sub-regional and regional basis with recognition of the relevance to develop better links with other public sector and to establish a more effective customer: supplier interface.

The afternoon workshop identified 6 priority workstreams:

- eProcurement
- capacity and skills development
- data collection and monitoring
- customer: supplier interface
- construction
- social care.

These are to be addressed in the first stage of the NECE work programme.

A programme of information-gathering, including procurement spend and training needs analysis, is currently underway to establish the shared priorities of local authorities across the region as well determining good practice. Subsequently, with the broadening of the NECE remit, additional workstreams for transactional services, corporate services, environmental services and others are being identified through direct liaison with key service deliverers including cultural services and human resources. This will enhance the necessary engagement with their respective government department change agents.

A NE Procurement Forum has been established, involving representatives from LA's, other public sector, suppliers, CBI, NE Chamber, ONE (regional development

agency), Government Office NE, Office of Government Commerce, Small Business Service and Business Links.

The NEPF will enhance the improvements being sought by the NE Centre of Excellence workstreams and will assure effective involvement of key agencies in the NE Procurement Programme.

A NECE website goes live on 14 February 2005 to provide regular updated information and opportunities for discussion forums and clear, transparent information relating to the progress of the workstreams and projects. NECE already produces a monthly e-bulletin which is distributed to a broad range of stakeholders and interested parties including relevant contacts within all local authorities.

For further information contact David Wright

email necpe@gateshead.gov.uk

telephone 0191 433 2230



chapter 5:

doing business
electronically



key theme: doing business electronically

The strategic objectives are:

- to achieve efficiencies in the procure-to-pay cycle including reduction in cycle time and reduction in transaction costs. This will free resources that can be directed into front line public services
- to use eMarketplaces to assist councils to access framework agreements and contracts.



Progress will be monitored by means of BVPI 157 which includes e-Procurement as one of the transaction types that should be carried out electronically by 2005.

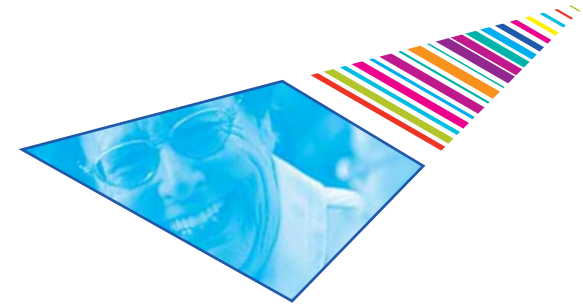
Take up of National eProcurement Project deliverables will be measured through the Implementing Electronic Government process.

achievements – eProcurement

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>strategy – eProcurement</p> <p>By 2005 every council should have implemented an appropriate eProcurement solution as part of its e-Government programme.</p>	<p>Develop an eProcurement Strategy.</p> <p>Build a business case for e-Procurement.</p> <p>Work with suppliers to promote adoption.</p> <p>Implement the solution that is right for your council.</p>	<p>45 per cent of councils state that they have not/will not address eProcurement in their corporate procurement strategies.</p> <p>11 per cent report using eTendering.</p>	<p>53 per cent of councils have an eProcurement strategy (40 per cent of districts).</p> <p>Only 42 per cent have mapped the 'procure to pay' process.</p> <p>In NePP 2004 51 per cent of councils reported having an eProcurement strategy.</p>	N/A	●

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
			<p>Most progress has been made on sourcing. 21 per cent are implementing an eSourcing solution (5 per cent fully implemented). 4 per cent are using an eTendering solution with 57 per cent expecting to do so in the next two years. 4 per cent are currently using an eAuction solution and 32 per cent expect to within two years.</p> <p>NePP reports that only 10 per cent of councils have fully implemented an ePurchasing solution and 86 per cent expect to implement one within the next two years (5 per cent are piloting). However, only 50 per cent of those implementing a solution state that it interfaces with their finance system.</p> <p>26 per cent of councils have conducted a full supplier analysis (53 per cent have done an analysis of top suppliers) and 52 per cent have or expect to carry out an impact assessment on local suppliers.</p>		

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>procurement cards</p> <p>By 2005 for low value purchases, every council should be making appropriate use of a procurement card, the Government Procurement Card (GPC) or a suitable electronic alternative.</p>	<p>Use procurement cards appropriately.</p>	<p>13 per cent of councils report using procurement cards.</p>	<p>NePP 2004 found that 16 per cent of councils have a procurement card programme (25 per cent of single tier and county councils, but only 9 per cent of districts).</p> <p>44 per cent (55 per cent and 37 per cent respectively) are planning to make use of them.</p>	<p>45 per cent of councils report using a procurement card.</p>	
<p>eMarketplaces</p> <p>By 2006 every council should be using an appropriate eMarketplace.</p>		<p>N/A</p>	<p>N/A</p>	<p>More than one third of councils (35 per cent) report involvement in an eMarketplace and more than half are considering it (54 per cent).</p>	



spotlight on the London RCE

The London Centre of Excellence (LCE) is hosted by the Association of London Government (ALG) working with the lead London Borough of Hammersmith and Fulham and the City of Westminster, all London councils and the Greater London Authority. The aim of the LCE has always been to be a 'virtual' organisation with minimal direct staffing and maximum funding available to the councils to undertake the project work with financial support from the LCE. The LCE has set itself a target of 75 per cent of the £1.65m per annum ODPM funding to be spent directly through the London authorities on the efficiency projects and work streams.

The role of Director of the LCE is covered by Ken Cole who was commissioned to prepare the three-year business plan. Ken's key focus is the delivery of the business plan and the management of and support for the work stream and exemplar projects aimed at supporting the London councils to achieve their efficiency aims and targets. The programme management function may also be undertaken externally leaving one post of LCE business manager to be filled shortly, preferably on a secondment basis.

The LCE governance arrangements include wide representation at both elected member and officer level. The ALG Leaders' Committee comprises the leaders of the 33 London councils. With the local government officers, the Committee is responsible for the overall management and operation of the LCE and relationships with Government and other external bodies, leaving the Management Board to focus on the development and delivery of the LCE business plan.

The LCE Management Board comprises:

- the Chief Executive of the ALG as Chief Executive of the LCE
- the ALG's Director of Employee and Organisational Development who leads on the LCE for the ALG
- the two lead councils (Hammersmith and Fulham and Westminster)
- two London chief executives (one in the Chair)
- a representative from the Greater London Authority (GLA)
- a representative from the Society of London Treasurers.

The ODPM Regional Director of Local Government Practice, IDeA Regional Associate for London and a representative of 4Ps are also invited to meetings of the Board.

The LCE works closely, and is building relationships, with the London Contracts and Supplies Group, Audit Commission, Office for Government Commerce, Government departments who want to work with the LCE to achieve their efficiency targets. Other partner organisations include London Connects, Greater London Enterprise and other professional bodies including SOCITM and CIPFA. The LCE also supports key officer networks including Directors of Social Services, Housing, Cultural Services and Corporate Policy and Heads of Human Resources.

The LCE has set itself the following roles:

- identifying collaborative opportunities to avoid duplication and encourage specialisation
- embedding strategic procurement in the management culture of public sector organisations in London
- acting as a library of research on savings and efficiency programmes and procurement policies
- securing funding and providing support for exemplar projects and work programmes

A web site has been developed to support the above work at www.lcpe.gov.uk.

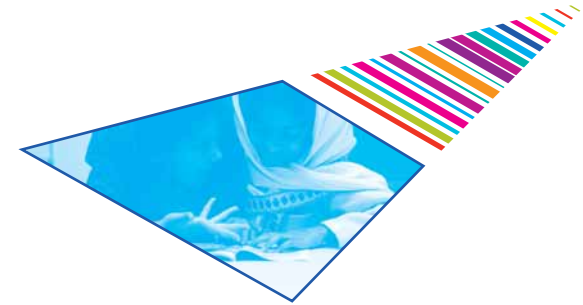
The projects supported to date include:

- temporary agency staff and consultancy
- supplier accreditation and trading effectively with Small and Medium Enterprises
- procurement training and skills development
- partnership in parking
- review contract standing orders and financial Regulations to ensure that they support collaborative contracting
- internal audit consortia
- insurance mutual (feasibility study)
- pension administration and advice
- common standard of procurement in adult social care
- efficiency in the procurement of temporary social housing in North London

For further enquiries about the LCE contact Julia Vernalls

email julia.vernalls@alg.gov.uk

telephone 020 7934 9955



spotlight on the West Midlands RCE

The West Midlands Centre of Excellence (WMCoE) is hosted by Worcestershire County Council. It is relocating from the Worcestershire's County Hall Campus to new premises in Bromsgrove in January 2005. The Centre is currently operating with six members of staff.

The West Midlands covers over 13,000 sq km and comprises two major distinct areas – one urban and the other rural. The whole region has a total population of around 5.5 million people, of which only 20 per cent live in the rural areas, while Birmingham, Coventry and the Black Country are the urban core in the centre of the region with the Potteries to the north.

The West Midlands region is divided into several sub-regions consisting of the shires: county councils and district councils in Warwickshire, Worcestershire, Shropshire and Staffordshire; metropolitan areas comprising boroughs and unitary authorities.

The Management Board holds an executive role overseeing the continual development of the Centre in accordance with the terms of reference. Board members are the Chief Executives of Worcestershire County Council (Chair), Birmingham City Council, Telford and Wrekin Borough Council, Shropshire County Council, Solihull Metropolitan Borough Council, and Tamworth Borough Council. The Director of the centre of excellence and representatives from 4ps and WMLGA attend in a non-executive capacity. It is representative of all local authorities in the region

The role of the Centre continues to be one of support to Councils in the West Midlands to implement the National Procurement Strategy and to deliver the efficiency targets set by the ODPM. The West Midlands office provides advice

and guidance on all aspects of procurement and aims to develop a support mechanism for the efficiency agenda. We have taken the national lead on children's services and a key part of our work in 2005/6 will be to find, support and share best practise both regionally and nationally.

The Centre is working with Regional partners such as the WMLGA, Smart Region partners, GOWM and the RDA to ensure that we are working towards common strategic objectives for the Region: maximising benefit and avoiding duplication.

In 2004/5 the Centre has:

- surveyed local authorities and assessed positions in relation to the NPS. Follow up support and advice has been targeted. One small district that is benefiting from the help of the Centre quoted: 'As a small borough council with no corporate procurement resource we are in a difficult situation. There is no way we can afford or justify a procurement officer but we need to move on the same issues as the larger councils.'
- commenced spend analysis project (11) LAs
- web site launched and general data populated
- ICT review launched in 3 LAs
- reverse auction promoted and will be shared on website
- reviewed Local SME procurement portal
- significant project list created for review and development
- engaged with DEFRA with a food procurement project.

Key actions for 2005/6 include:

- focus the operational board to incorporate efficiency and programme management
- develop a communication strategy incorporating the recent website, newsletter and other regional networks
- review and share the results of the supplier and ICT data analysis programme, promoting opportunities for rationalisation and collaboration
- promote and develop the website launched in January 2005, analysing contract data, promoting best practise, information and exploring e market solutions
- explore regional and sub regional solutions to utilities and other commodity purchasing
- explore and consult on options for intervention within the children care sector, share knowledge on procurement of social care packages
- share good practice within back office social care – Better systems Better services, impacting on productive time and quality of service
- supporting shared service solutions for corporate service functions
- acting as a gateway to support other national partners such as IDeA and 4ps
- work with the WMLGA to enhance the member involvement through the member forum, develop efficiency and procurement champions and link this to our communication strategy
- review and develop major projects proposed by member authorities such as waste management, construction and transport

The West Midlands will continue to work closely with the other Regional Directors and develop links with the emerging National Change agents in order to ensure that the WMCoE becomes a central source of support and advice. The Centre will also continue to develop partnerships with other public sector bodies and the voluntary sector.

For further information contact Robin Edwards

email redwards4@worcestershire.gov.uk

telephone 01905 763763



chapter 6:

stimulating markets and
achieving community benefits





key theme: stimulating markets and achieving community benefits




The strategic objectives are that councils should:



- engage actively with suppliers
- use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan.



achievements – markets and community benefits

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>strategy – community benefits</p> <p>By 2004 all corporate procurement strategies should address:</p> <ul style="list-style-type: none"> • the relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability. 	<p>Build diversity and equality considerations into procurement processes and contracts, where relevant to contract.</p>	N/A	<p>Two thirds of councils (68 per cent) report that the procurement strategy is aligned with the community strategy.</p> <p>77 per cent cover workforce issues.</p> <p>Diversity and equality is addressed by 80 per cent.</p> <p>87 per cent cover sustainability.</p>	<p>30 per cent make specific reference to the community strategy (56 per cent mention in general terms).</p> <p>Sustainability is covered specifically by 42 per cent (generally by a further 54 per cent).</p> <p>In 45 per cent of cases there is only a general reference to workforce consultation, specific reference is made by 28 per cent.</p> <p>34 per cent specifically address equalities (another 58 per cent cover it generally).</p> <p>58 per cent of all councils have used CRE guidance on Race Equality and Procurement to set standards.</p>	●

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>strategy – contestability and choice</p> <p>By 2004 all corporate procurement strategies should address:</p> <ul style="list-style-type: none"> • how the council will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers. 	<p>Build choice into the procurement process</p> <p>Promote a diverse and competitive market.</p>	<p>N/A</p>	<p>Two thirds (66 per cent) of councils address competition and supplier diversity in their procurement strategies.</p>	<p>Where the procurement strategy is in full effect, 17 per cent mention specifically (with targets) the role of the voluntary sector in their strategy and 55 per cent refer to this in general terms.</p>	
<p>workforce issues</p> <p>From 2003, where relevant, all councils shall consult staff during procurement projects and build employment considerations into procurement processes and contracts, including compliance with the Local Government Act 2003, Circular 03/2003 and the associated code of practice.</p>	<p>Consult staff and build employment considerations into procurement processes and contracts, where relevant to contract.</p>	<p>N/A</p>	<p>81 per cent of councils report that they consult with staff during the procurement process in accordance with statutory requirements and guidance.</p>	<p>Where the procurement strategy is in full effect, 28 per cent specifically mention (with targets) staff consultation on employment issues and 45 per cent refer to it in general terms.</p> <p>Around two thirds of councils indicate that they consult the workforce in defining needs, developing the business case and the procurement approach.</p> <p>Workforce matters are addressed in contracts by 69 per cent in the case of services and 52 per cent for works.</p>	

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>sustainability</p> <p>By 2004 every council should build sustainability into its procurement strategy, processes and contracts.</p>	<p>Adopt whole life costs and benefits as your contract award criteria.</p> <p>Implement sustainable design and sustainable procurement strategies and build sustainability into procurement processes and contracts, where relevant to contract.</p>	<p>81 per cent cover environmental issues in specification and 53 per cent do so in contract conditions. 78 per cent consider environmental issues in bid evaluation.</p>	<p>The majority of councils (87 per cent) address sustainability in their procurement strategies.</p>	<p>Approaching half of councils with a procurement strategy in full effect, address sustainability when assessing needs, designing services, shortlisting suppliers, evaluating bids and monitoring performance.</p>	
<p>SME sector</p> <p>By 2005 every council should have signed up to the national concordat for SMEs.</p>	<p>Sign up to a 'concordat' for small and medium sized enterprises in the community.</p>	<p>N/A</p>	<p>*National concordat and guidance to be published in 2005.</p>	<p>N/A</p>	
<p>voluntary and community sector</p> <p>By 2004 every council should conclude a compact with the local voluntary and community sector.</p>	<p>Develop a local compact with the voluntary and community sector.</p>	<p>N/A</p>	<p>Only a third (33 per cent) of councils report that they have concluded a local compact with the VCS.</p> <p>*Compacts covering 64 per cent of councils have in fact been registered on the national database of local compacts.</p> <p>30 per cent report that a compact is underway and 2 per cent plan to start.</p> <p>The IDeA survey response reflects the profile that VCS compacts have within councils. (The Compact)..</p>	<p>18 per cent of all councils have an approved compact. A further third (34 per cent) anticipate having one by end 2005.</p> <p>Among these, a statement of principles is the predominant format (over half) followed by protocols. Few councils provide guidance to the VCS.</p>	

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>'Selling to...' guide and bidding opportunities</p> <p>By 2004 every council should publish a 'Selling to the council' guide on its corporate website together with details of bidding opportunities and contact details.</p>	<p>Publish a 'Selling to the Council' guide. Develop suppliers.</p>	<p>N/A</p>	<p>Only 34 per cent of councils have published a 'Selling to...' guide (of those, 52 per cent have published the guide online). Just 22 per cent publish bidding opportunities on their websites.</p>	<p>23 per cent of councils publish a guide on the internet alone, another 23 per cent have one on paper as well as the the internet. A further 5 per cent have produced it on paper alone. 51 per cent of the councils with a guide, report providing information on bidding opportunities and 20 per cent list prime contractors.</p>	
<p>marketing the council</p> <p>By 2004 procurement processes for partnerships should include:</p> <ul style="list-style-type: none"> • issuing an information memorandum to prospective bidders setting out the background to the project, the council's objectives and an outline of the procurement process and timetable, with roles and responsibilities made clear. 	<p>Market the council to suppliers.</p>	<p>N/A</p>	<p>More than half of all councils report that they provide relevant information to bidders for partnerships.</p>	<p>40 per cent of councils provide information memorandums to prospective bidders.</p>	

milestone	what councils should be doing	baseline 2000	IDeA 2004	INLOGOV 2004	status
<p>community benefits</p> <p>By 2005 every council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and add value to the community plan.</p>	<p>Invite proposals for the delivery of community benefits.</p>		<p>Around a third of councils (35 per cent) seek proposals regarding community benefits when inviting bids for partnership contracts.</p>	<p>20 per cent of councils include, as standard, issues of community well-being in services and works contracts. 10 per cent do so for goods.</p>	
<p>supply chain management</p> <p>By 2004 procurement processes for partnerships should include</p> <ul style="list-style-type: none"> • inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms; this should continue to be examined as part of contract management. 	<p>Develop supply chain partnerships.</p>	<p>N/A</p>	<p>41 per cent of councils report that they invite bidders for partnership contracts to demonstrate their track record in achieving VFM through their use of the supply chain including use of small firms.</p> <p>A smaller proportion (28 per cent) continue to examine the suppliers use of the supply chain and 39 per cent track this through contract management.</p>	<p>N/A</p>	



spotlight on the South West RCE

The South West Centre of Excellence (SWCoE) is hosted by Dorset County Council and based in Dorchester towards the East of the region. The Centre is now fully staffed and operational as of January this year.

The South West is one of the largest and most diverse regions in England. From the M4 corridor and bustling commuter belt in the East, across to the West of Cornwall local government and public requirements change enormously. To add to this complexity the region consists of seven county councils, nine unitary councils and thirty-five individual district councils. Even the districts vary in size by a factor of five between the smallest and the largest.

Like most regions, the South West is divided into seven sub-regions. These consist of the county council and all the unitaries and districts within the county boundary (with exception of West of England which is purely unitaries).

The job of the Centre is to support efficiency savings in the SW region with a series of regional programmes. It also acts as a 'first port of call' for local authorities in the region (providing general advice rather like a GP doctor's surgery and then referring to experts and specialists when required).

One key challenge: is how to provide an equitable representation of this diverse region in guiding the work and priorities of the Centre. In fact, one of the strengths of the SWCoE lies in the tight governance structure, the enthusiasm and the commitment of the CE Management Board and the practitioner Steering Group.

The practitioner Steering Board consists of one representative from each of the sub-regions, often local authority heads of procurement. The Steering Board recommends what the Centre should be working on and how funds should be spent. The strategic direction for the Centre and tacit agreement of the Steering Group's recommendations is given by the Management Board. The Management

Board consists of lead chief executives from each of the sub-regions with an equitable mix of county, unitary and district representation. Fire and rescue and police authorities are also represented.

Both bodies also provide an effective communication route into and out of each of the fifty-one local authorities in the South West.

The Steering Group and Management Board have recently laid out the direction and programme for the Centre for the coming few months. Specifically giving approval to start on a number of projects including:

- regional spend analysis (April 2005)
- eProcurement strategy across the South West
- regional contract database (April 2005)
- cross-local authority capacity building
- training and skills development
- SME and voluntary sector supply strategy across the region
- regional approach to key contracts (e.g. utilities)

The Centre is also planning to launch projects in social services, construction, corporate and transactional services, and a series of property workshops has been organised with the CoProp affiliation in the South West. The Centre is also connected with a number of other change agents and associations in the South West including IDeA, 4ps, OGC, SWEGG, SWLGA, ADSS, SWRDA to name a few.

Please address any questions about the Centre to Julian Morley
email j.morley@dorsetcc.gov.uk
telephone 01305 225423

spotlight on the East Midlands RCE

The East Midlands Centre of Excellence (EMCoE) is hosted by Nottinghamshire County Council with support from Nottingham City Council. The Centre has appointed a Director and when the establishment has been populated fully, a team of 5 support officers will be in place.

The East Midlands is the third largest region in England covering 15,630 sq km with a total population of 4.215 million (office for National statistics 2003). The region is made up of the five county areas of Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire and Northamptonshire, with four cities ; Derby, Leicester, Lincoln and Nottingham.

The region has a large industrial base, with a sizeable manufacturing industry, but in 1997 the East Midlands was ranked 37th out of 77 EU regions in relation to a range of factors associated with economic prosperity. Earnings per head, skills levels and productivity in manufacturing are all below average. The region's main industry sectors are not considered to be growth sectors.

The framework for local government within the five counties is effectively two-tier, i.e. 5 county councils and 36 district councils. The three large Cities of Nottingham, Derby and Leicester, however enjoy unitary status, together with Rutland which is a unitary county council and sits within the Leicestershire boundaries. The district councils vary in size from very small rural councils to Northampton and Lincoln which are two of the largest district councils in England.

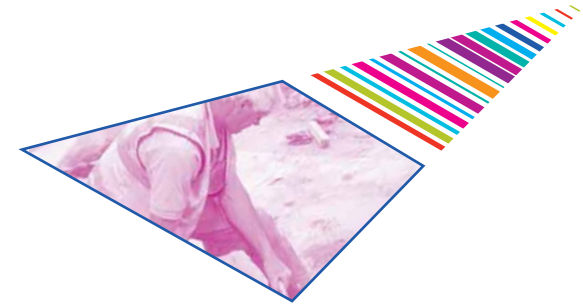
The role of the Centre is essentially to support the East Midlands councils achieve the targets established through the Efficiency Review and the National Procurement Strategy. Construction and the Constructing Excellence agenda has been allocated as a national and regional specialism. Likewise research into and the use of eAuctions as a procurement tool, is also being piloted by the EMCoE linking with the NePP and the OGC.

Given the diversity of councils within the region the governance arrangements require the establishment of a Development Group representative of all Councils. The role of the development group is to advise the Centre of Excellence Management board over a programme of collaborative projects to support the primary objective of improving efficiency within the constituent councils. The work streams agreed by the development group are appended.

A number of workshops have been arranged for all council representatives within the region (and the development group), covering the following themes:

- eProcurement and eGovernment
- collaborative working and the efficiency review
- training and development in relation to the wide efficiency agenda
- gateway reviews and project management

In addition, the Centre of Excellence has sponsored the 6 modular training events produced by the 4ps which have been delivered to 140+ officers from 23 councils.



The region has also been chosen by the ODPM, together with London and the East regions, for an eGovernment health check involving all 45 councils. A symposium for chief executives is planned for 30/31 March where the results of the consultant's research (Cap Gemini/Buy IT), will provide a composite picture of efficiency improvements expected from implementing the various IEG action plans. This output should provide a rich source of information to target the Centre's effort over the next two years.

Governance of the Centre is conducted through a Management Board made up of two representatives (Chief Executive/Chief Officer level) from each of the 5 county areas, with the chair role vested in Nottinghamshire County Council. The Board representatives are drawn from the following:

- three county councils (including Chair)
- two unitary city councils
- six district councils

The Board and the Director report directly to the elected representatives who sit on the executive of the Regional Local Government Association. Plans are being developed to form a small reference group of elected members to steer the work of the Centre over the next 2/3 years.

Apart from the work streams appended, the Management Board has approved a 'grant aid' regime for the allocation of pump priming resources aimed at improving collaboration between councils in the region and to deliver agreed efficiency savings and/or service delivery improvements. The bulk of the regions two year funding will be utilised for this purpose. The agreed process provides for the following:

- guidance and grant aid bid template to be published by 15 February 2005
- grant aid bids to be returned by 31 March 2005 Approval of a select list of projects by 30 April 2005
- notification to successful councils by 15 May 2005.

It should be stated that the Director will retain a central allocation for small scale one-off developments to assist Councils who lack initial capacity to address either the National Procurement Strategy milestones or the Efficiency Review objectives.

In order to improve communications the Centre is developing a website using the domain name of EMCE. The Centre will publish news updates and outcomes of the project/development work commissioned. The Centre has encouraged the establishment of Procurement Specialist Groups in each County area, where cross-authority working has been patchy previously. All 5 county areas now have a group working on behalf of all councils to address the National Procurement Strategy milestones.

The centre's workstreams comprise:

- Back office (transactional)
- Highways
- Social services/social care
- eProcurement (management information/share with others)
- Valuation (agency staff) (supply teachers)
- Grounds maintenance
- IT
- Develop framework contract
- Best practice guidance
- E-auctions
- Waste & environmental services
- PC & consumables (framework contract)
- Human Resources
- Regeneration/sustainability
- Audit
- Joint council services of commodities different from services
- Centre of Excellence spend analysis – OGC funding
- Spend over next three years
- Collaborative/partnerships on contracts (synchronise)

**Further information on the work of the East Midlands
Centre is available from Chris Allison**

email chris.allison@nottscc.gov.uk

telephone 0115 977 3875



chapter 7:

next steps

introduction

It is clear from the research evidence that a good deal has been achieved against the milestones set out in the *National Procurement Strategy*. Local government should be congratulated on its accomplishments. However, this is not a reason for complacency.

As outlined in **Chapter 1**, we believe that effective commissioning, procurement and contract management practices will play a critical role in the successful delivery of the efficiency programme and in the longer-term reshaping of local public services and that the push towards modernisation and innovation must continue.

The Annual Efficiency Statement (AES) is the means through which efficiency gains will be measured and link to CPA scores. Under proposals currently out for consultation, the Audit Commission is proposing that efficiency gains reported

through the AES will be reviewed, in conjunction with the effectiveness of the council's procurement practices, through the new value for money (VFM) element of the use of resources judgement. The use of resources judgement feeds directly into the CPA score in such a way that a council cannot be 'excellent' unless it is performing efficiently.

The table below shows extracts from the Commission's Key Lines of Enquiry consultation document. It indicates how procurement practices feed into the judgement on 'how well the council manages and improves VFM'. In addition, procurement practices come in for consideration in connection with financial management (including the capital programme and asset management) and internal controls (including risk management and the prevention of fraud and corruption) and also in the new corporate assessment criteria.

how well does the council manage and improve value for money?

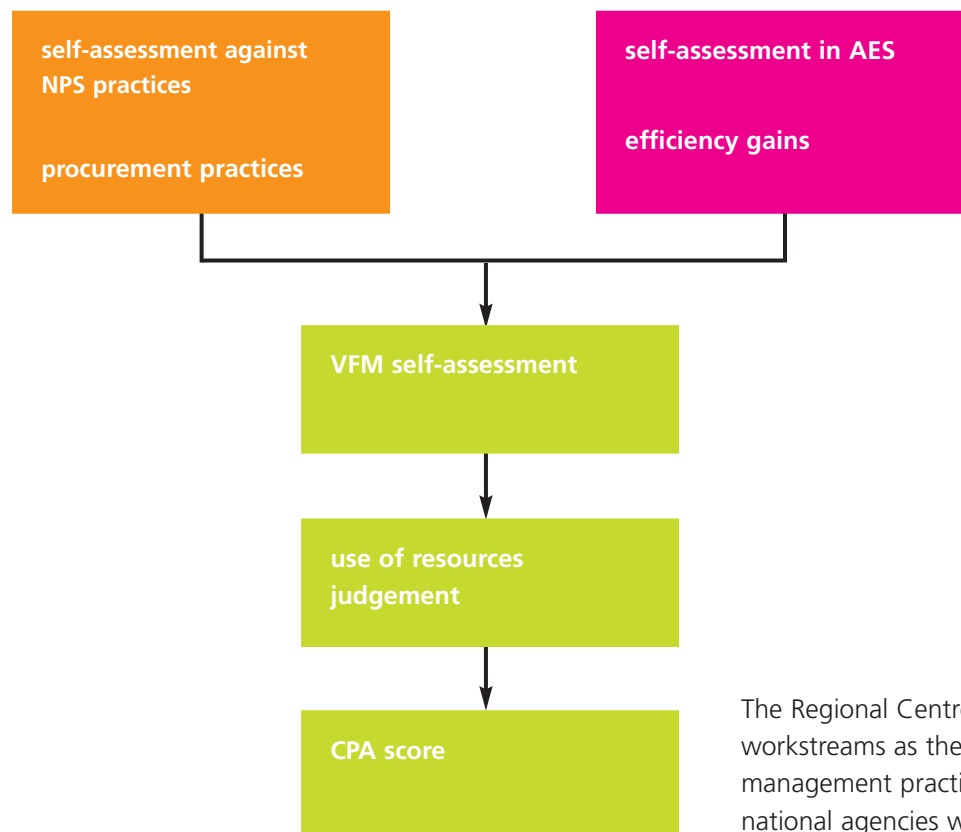
2 only at minimum requirements – adequate performance	3 consistently above minimum requirements – performing well
Targets are set and applied to improve efficiency and value for money.	There is clear evidence that the council sets and achieves ambitious targets to improve efficiency and value for money corporately and in services. Targets used 'intelligently' to reflect potential for improvement.
The council has effective procurement practices and can demonstrate improvements in value for money from significant procurement exercises.	The council follows good procurement practice, knows where the greatest benefits can be gained and acts on these effectively.
It has explored options for joint procurement and works with the Local Strategic Partnership (LSP) and other partners to improve value.	It has used joint procurement and works with the LSP and other partners to improve value.
Procurement decisions are not based solely on lowest cost options but reflect the best combination of cost and quality.	Procurement decisions are not based solely on lowest cost options but on achieving greatest benefit to the public purse, for example, securing additional health or environmental benefits and opportunities for joint procurement with partners are actively pursued.
Internal reviews are carried out (in line with Best Value legislation) and achieve significant improvements in value.	Significant and identifiable savings have been achieved through procurement and internal reviews without unintended loss of quality (or quality increased at no extra cost).

Councils will be required to conduct a self-assessment against the VFM criteria.

Into this will be fed the 'backward-looking' portion of the Annual Efficiency Statement where 'efficiency gains' are reported (also on a self-assessment basis).

It is a conclusion of this report that under CPA 2005 councils would also be advised to carry out a self-assessment of their commissioning, procurement and contract management practices, ideally with elements of internal challenge (e.g. overview and scrutiny) and external challenge (i.e. third party).

The chart below indicates how these self-assessments might feed into the new Use of Resources judgement and the council's overall CPA score.



The Regional Centres of Excellence will have the delivery of efficiency gains across all the efficiency workstreams as their primary objective. The modernisation of commissioning, procurement and contract management practices will be a secondary objective for them and one where programmes delivered by national agencies will continue to play an important role.

recommendations to ODPM and LGA

It is IDeA's recommendation that the *National Procurement Strategy* is extended to the end of the current Spending Review period (March 2008) to support the efficiency agenda and that it is reviewed again as part of Spending Review 2006 in the light of the proposed White Paper on the 10-year strategy for local government.

It is further recommended that steps are taken to integrate the NPS with the national procurement strategy for the fire service and with the developing police national procurement strategy so that benefits can be realised across the wider public sector in localities.

Regarding the NPS milestones we have grouped specific recommendations under three headings:

- improvement priorities
- new objectives
- national programmes

Improvement priorities are those with a 'red' status in relation to the 2004 and 2005 milestones and it is recommended that councils focus their attention in these areas.

The improvement priorities and new objectives would need to be a focus for the Regional Centres of Excellence, which are charged with providing first line support to councils on the NPS, and national agencies including Government, LGTF, the LGA Performance Partnership (IDeA, 4ps and EO) and the professional bodies including CIPS, SOPO, CIPFA and construction professions.

It is proposed that the Chief Executive's Taskforce and the NPS Steering Group consider the most appropriate mechanisms to implement these recommendations.

improvement priorities

theme	milestones to be prioritised for improvement	rationale
providing leadership and building capacity	<i>See new objectives proposed below.</i>	
partnering and collaboration	1 Exploit quick wins through use of purchasing consortia and other public sector frameworks.	Critical first step in the efficiency agenda.
	2 Establish the baseline performance on major projects (OJEU notice to contract award).	Supports the acceleration of the procurement process and cost reduction. Points to role of contract standardisation.
	3 District councils to collaborate to create shared services and for joint procurement, including construction and service delivery.	In the efficiency context, districts in particular will need to exploit scale economies and other benefits of collaboration.
doing business electronically	<i>See new objectives proposed below.</i>	
stimulating markets and achieving community benefits	4 Publish an online 'Selling to the council' guide and publish bidding opportunities online, including through the 'SME portal'.	An important means of engaging suppliers and marketing the council as a client. Can increase the flow of work to SMEs, VCS, EMBs, SEs and WEs.
	5 Implement a local VCS compact and <i>Think Smart... Think Voluntary Sector!</i> ; Adopt the full cost recovery policy; increase internal and external challenge to option appraisal.	Increased focus on the benefits that VCOs can offer as suppliers of public services. Similar considerations apply to SEs, EMBs and WEs.
	6 Adopt the Small Business Friendly Concordat and implement Smaller Supplier...Better Value?; increase internal and external challenge to option appraisal.	Increased focus on the benefits that SMEs can offer as suppliers of public services.
	7 Review systems for compliance with circular 03/2003 and the Code of Practice on Workforce Matters.	Mandatory requirement.

new objectives

theme	new objectives	rationale
providing leadership and building capacity	1 Engage members on procurement as part of the wider efficiency and emerging 10 year strategy agendas.	Leadership and effective policy development and scrutiny will be key to successful delivery.
	2 Adopt standard national core terms and conditions of contract, common specifications and model contract standing orders.	To reduce simplify and standardise documentation and procedures and thus reduce transaction costs for the council and suppliers.
	3 Measure procurement performance against a local basket of measures derived from the AC/IDeA Local Performance Indicators for Procurement and Construction KPIs.	To chart progress against the NPS and benchmark with other councils on a like-for-like bases by using standard PI definitions. This provides the information necessary to target areas for improvement and learn from higher performers.
	4 Build the capacity of smaller suppliers and VCOs to win public contracts through economic development activity, including support to get online.	<p>The local economy will benefit if SMEs, VCOs, SEs, EMBs and WEs understand how different parts of the public sector buy and increase their rate of success in bidding for public contracts across the country.</p> <p>Smaller suppliers need to get online if they are not to be disadvantaged by eProcurement.</p> <p>This will be particularly important in the context of the efficiency programmes and other developments in adult social care and education and children's services.</p>
	5 Publish sub-threshold procurement opportunities on the SME portal.	<p>Increases opportunities for SMEs, VCOs, EMBs SEs and WEs to win public contracts throughout the country.</p> <p>Meets transparency requirements of EU law for sub-threshold contracts.</p> <p>Implements a simplified pre-qualification procedure for low value requirements.</p>

theme	new objectives	rationale
partnering and collaboration	6 Create sub-regional shared procurement services focused on district councils.	To enable smaller councils to benefit from the know-how and services of procurement professionals concentrated in centres of expertise.
doing business electronically	7 Implement a 'procure-to-pay' ePurchasing solution that can link to an eMarketplace.	Every council should implement a solution that enables purchases to be made over the internet from catalogues and updates the financial system. This will enable the benefits of eMarketplaces to be exploited.
	8 Make appropriate use of eAuctions.	Used appropriately, eAuctions can make an important contribution to the delivery of efficiency savings.
stimulating markets and achieving community benefits	9 Provide data on spend, suppliers and contracts to RCEs.	RCEs can use this data to identify and promote dialogue about opportunities for efficiency gains.
	10 Make provision for choice (including neighbourhood choice) and personalisation in contracts and framework agreements	To put in place the contractual arrangements necessary to support choice by neighbourhoods and individual citizens in the context of new government strategies.

national programmes

theme	new focus	rationale
providing leadership and building capacity	1 Refocus the sector’s training and development programmes on the leadership skills required for the efficiency agenda and community leadership in the context of the 10 Year Vision.	The efficiency agenda requires a curriculum that is broader than the modernisation of procurement practices and needs to incorporate a focus collaboration.
	2 Provide training and development on procurement, commissioning and efficiency best practice to service managers in the major service blocks.	Service managers will be called upon to play a central role in delivering efficiencies in adult care, children’s services, housing, supporting people, waste management, libraries etc, including through procurement.
	3 Offer an ‘efficiency health check’ as one means of providing external challenge to the Value for Money self-assessment required under CPA 2005.	The VFM assessment is a key means by which council’s performance against the efficiency agenda will be reflected in its CPA score. The agenda is much wider than the modernisation of procurement practices.
	4 Fund a systematic spend and supplier analysis within local government using a system of classification that facilitates comparison across the whole public sector. Collect spend, supplier and contract information in a database.	Analysis of this data will enable RCEs to identify opportunities for efficiency gains. The cost and complexity of collecting and analysing the data is a disincentive, particularly for smaller authorities.
	5 Open the Government Procurement Service (GPS) to include procurement professionals in the local government sector and accredit the CIPS local government certificate of competence to facilitate easier movement of procurement professionals between central and local government.	Greater interchange of professional staff between local government and other parts of the public sector would be mutually beneficial and contribute to learning and the building of capability.

theme	new focus	rationale
	6 Publish local government editions of the OGC standard terms and conditions of contract for ICT and general procurement purposes adapted to the requirements of the sector.	OGC has published core documentation for civil central government that could form the basis for a similar approach in local government. Suppliers would benefit if a single core set of conditions were adopted across the public sector and transaction costs could be reduced.
	7 Establish common core specifications in major spend categories.	Inefficiencies result from continual 'reinvention of the wheel'.
partnering and collaboration	8 Set the goal of professionalising programme and project management in local government and the creation of a cadre of PPM specialists in the sector linked to the PPM community in civil central government.	This recommendation parallels the one above on the GPS. Programme and project management will be vital to the delivery of the whole efficiency programme, not limited to procurement.
doing business electronically	9 Establish a local government eProcurement unit to take forward the work of the National eProcurement Project.	The important work of the NePP needs to be taken forward beyond 2005. eProcurement can make a significant contribution to efficiency.
	10 Provide financial incentives to the adoption of eProcurement tools and techniques that can deliver cashable efficiency gains, including eAuctions and eMarketplaces.	Adoption of eProcurement could be accelerated if Government could meet part of the cost. For techniques such as eAuctions this might only be transitional until the benefits are proven.
stimulating markets and achieving community benefits	11 Roll out training programme on Circular 03/2003 and the Code of Practice on Workforce Matters.	More targeted work needs to be done with HR and other practitioners to secure compliance.
	12 Launch the national 'SME portal'.	<i>See improvement priorities and new objectives above.</i>
	13 Publish the Small Business Friendly Concordat and good practice guidance.	<i>See improvement priorities and new objectives above.</i>

theme	existing milestones to be prioritised for improvement	rationale
stimulating markets and achieving community benefits	14 Provide training to SMEs and public sector clients on SME-friendly procurement processes.	Should also address situation of VCOs, SEs, EMBs and WEs.
	15 Publish guidance on best practice in the realisation of community benefits through procurement.	Councils do not lack commitment, but implementation is held back because learning is not widely communicated.
	16 Publish guidance on the application of best practice in specific local government markets.	This needs to capture the demand and supply side issues in markets that are of significance to the efficiency agenda and the re-shaping of local public services through the 10 Year Vision and other departmental strategies. Includes outputs of Kelly process.

enquiries

If you have any comments to make on this report we would be delighted to hear your views or answer your queries and we can make this report available to you in other forms

iHelp

Improvement and Development Agency

telephone 020 7296 6600

fax 020 7296 6666

email ihelp@idea.gov.uk

www.idea.gov.uk/knowledge

enquiry service

ODPM

telephone 020 7944 4400

fax 020 7944 9622

email enquiryodpm@odpm.gsi.gov.uk

www.odpm.gov.uk

local government connect

LGA

telephone 020 7664 3131

fax 020 7664 3030

email info@lga.gov.uk

www.lga.gov.uk



annex

technical note

technical note

The report records the extent to which the NPS has been implemented by the intended milestones. Two primary sources of data on progress used in this report are:

- 1** the IDeA's 2004 baseline survey for the Regional Centres of Excellence. Summary findings are published with kind permission of the RCEs. An online survey questionnaire was addressed to all English chief executives. In total 253 responses were received constituting a statistically reliable 65 per cent response rate. The sample size is reliable enough to draw conclusions for all local authority types with the exception of London boroughs.
- 2** initial results from the ODPM commissioned four-year evaluation of the local government procurement agenda (being conducted by INLOGOV at the University of Birmingham). Further, more detailed, data in relation to the 2004 position will become available when ODPM publish their full baseline report. 157 local authorities responded to the INLOGOV survey (a 40 per cent response). District councils were under-represented making generalisations about their situation more difficult. The INLOGOV survey was sent to every local authority in England. It was sent to named officers wherever possible (names provided by the Society of Procurement Officers in Local Government and the Regional Centres of Procurement Excellence) or to local authorities Chief Executives (with instructions to forward on to the procurement officer or equivalent). Chief Executives were sent an information briefing about the research before the survey questionnaire was despatched.

The Procurement Evaluation is a four-year programme of research, which in summary comprises the following elements:

- annual surveys of all local authorities in England – the baseline survey was the first of these
- semi-structured in-depth interviews and workshops with key actors in government, local authorities and with other stakeholders
- longitudinal case studies with 10-15 local authorities
- a panel of twenty to thirty member authorities used to validate and test findings from the in-depth case studies.
- additional attitudes and other surveys will be undertaken for specific elements of the research programme. These attitude surveys will be conducted by BMG or by INLOGOV's researchers. They will be conducted according to the appropriate technical and ethical procedures to ensure validity and generalisability of results. We will use telephone surveys, email surveys, and postal surveys as appropriate.
- research and policy conferences at key stages towards the end of the research programme to discuss and clarify the emergent findings of, and recommendations from, the research.

The response rate for the INLOGOV annual survey is lower than originally anticipated. The researchers took steps to encourage responses from local authorities but most non-responders were unwilling, or unable, to complete the survey questionnaire. Whilst data from the survey will have to be treated with a degree of caution, it still has value as an indicator of local authority performance and can complement other data through triangulation, as a source of questions for case study work, and for year-on-year comparisons of authorities that did respond.

differences between the IDeA and INLOGOV surveys

The data from the IDeA and INLOGOV surveys are shown side by side in this report as they provide information on related issues and together are used to assess local authority progress against the *National Procurement Strategy* milestones. However, it is important to note that there are a number of differences between the two surveys:

- 1** different questions on the same issues: the INLOGOV questionnaire is part of a much larger project and was designed to provide information on a comprehensive set of issues. Consequently it tended to ask more detailed questions. For a copy of the INLOGOV questionnaire please contact demelza.birch@odpm.gov.gsi.gov.uk. And for a copy of the IDeA questionnaire please contact gordon.murray@idea.gov.uk.
- 2** different individuals within authorities responding to the surveys: all self-completion questionnaires are subject to a degree of bias depending on the experiences or views of those responding. The IDeA survey was addressed to Chief Executives and the INLOGOV survey was addressed, in the most part, to procurement officers.
- 3** different respondent authorities and response rates: the IDeA survey achieved a response rate of 65% and the INLOGOV survey achieved 40%. Both surveys are subject to a degree of self-selection bias and they do not report the views of precisely the same set of authorities. (For more detail on response rates see above.)
- 4** differences in timing: the IDeA survey was conducted on a region-by-region basis between June 2004 and March 2004. The INLOGOV survey was sent to all local authorities in November 2004 and fieldwork was completed in December 2004.
- 5** differences in approach: the IDeA survey was an on-line survey. The INLOGOV survey was emailed to authorities - respondents could either complete and return electronically or in paper copy and respondents were encouraged to consult other officers with responsibility for procurement, where necessary, given the devolved nature of procurement in many authorities.

notes

notes

notes

© **Improvement and Development Agency**

You may not copy or send any part of this publication, or store it in any way without getting permission beforehand.

b-creative design IDT 1054. Printed by Geoff Neal Litho, London.

