

Procurement Round Up

1. Summary

The report updates the Board on developments in procurement, including the LGA's response to the Roots report.

2. Recommendations

- The Chairman writes to RIEP member chairs explaining how the LGA has responded the Roots report's recommendations and the LGA's response, seeking their active support for further work to drive implementation of recommended change and stressing the importance of members raising the profile of the procurement function within their authorities.
- The Board agrees the key themes for the implementation of procurement improvement set out in paragraph 9.
- The Chairman seeks a meeting with the Chief Executive of OGC, Nigel Smith, to consider how to make faster progress on cross public sector collaboration.

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Background

1. Continuing improvement in procurement practice is essential to ensure that local authorities will be able to deliver the efficiency savings required of them over the CSR period. Of the £4.9bn cashable efficiency savings target for local government, £2.8bn is estimated by the Government to come from better procurement. There is likely to be an increased focus on the delivery of efficiency savings over the remaining years of this spending review and into the next. The economic downturn and the pressure on public finances will ensure this is the case.
2. Since the National Procurement Strategy for local government was launched in 2003, there has been much good progress but a lot more could be done. The recent Roots Review commissioned by the Government has looked at the effectiveness of the current support for procurement in local government. Against this background, the LGA group has been considering how to improve its offer to support authorities in improving efficiency.

Local Government procurement

3. Across the public sector as a whole, about one pound in every four of taxpayers' money is spent on procurement of goods and services. In local government, the proportion of spend on external contracts is even higher – about £42 billion in 2007, representing over 40% of expenditure.
4. The top ten categories of spend account for 60% of local government's procurement expenditure. Construction is the largest single category, with adult social care, waste management and temporary and agency staff making up the top areas. Spend on consultancy (both in construction and IT) is also substantial. Spend on commodity services like telecoms and electricity is substantial, but towards the bottom end of the leading spend categories.
5. Over the last few years local government procurement has improved its effectiveness, and the support provided to help councils has also improved. The procurement element of the last spending review's efficiency target delivered its planned savings a year early, and the number of councils working with their regional procurement support body has risen to almost half. Many more councils are now involved in joint commissioning of services or share procurement expertise with others. There is an active procurement network in the RIEPs, with support for work on major efficiency areas shared between different RIEPs. The separate report on the agenda updating the Board on the RIEP's provides some specific examples of work they are leading on procurement. Professional Buying Organisations (PBOs) support collaborative purchasing by councils in commodity

goods and services, and are increasingly working with the Office of Government Commerce, but are not as strong in the largest spend areas such as construction and adult social care. However, some local authorities have considerable strength in particular areas – for example Hampshire has recognised expertise in construction procurement.

The Roots Report

6. The Roots report, “Review of arrangements for efficiencies from smarter procurement in local government”, was published last month. This was commissioned by the local government Minister and there was good dialogue between Bill Roots (the report’s author and a former Chief Executive of Westminster City Council) and the LGA Group as work on the report progressed. John Healey has asked the Chairman to confirm whether or not the LGA agreed with the report’s recommendations, to agree that CLG and local government officials work together to produce an action plan to implement recommendations and invited thoughts on how actions could be put in place to achieve deeper efficiencies beyond CSR07.
7. A response has been made to the Minister, agreed by Group Leaders, which is **attached** as an appendix for information. The detailed response addresses the 26 recommendations in the report but a number of key issues are drawn out in the covering letter. These are:
 - The report is a valuable contribution to improving procurement effectiveness in local government
 - We support the case for enhancing sector support to the procurement function which should be based within the sector’s current support arrangements
 - The LGA Improvement Board should have a strong leadership role for this agenda
 - We question the role of a national procurement champion and their ability to deliver change across a wide ranging agenda. We suggest an alternative, themed approach, to improving the procurement function.

The Board is recommended to agree that the Chair writes to RIEP member chairs explaining how the LGA has responded the Roots report’s recommendations and the LGA’s response, seeking their active support for further work to drive implementation of recommended change and stressing the importance of members raising the profile of the procurement function within their authorities.

8. When CLG published the Roots report their press release also stated that a funded implementation plan for the Roots recommendations would be announced in the Budget, on 22 April, as part of the Treasury’s Operational Efficiency Programme. Official level discussions have started with CLG on what that plan should contain and the funding required: an oral update on progress will be made at your meeting. In these discussions we will emphasise the need for any procurement improvement support to be sector led and delivered from within the current improvement architecture.

9. A number of themes emerge from the Roots report which provides the framework for the implementation plan. These include:
 - An enhanced role for member and officer peer support/challenge, either through the new CAA corporate peer review offer or the efficiency challenge being developed by Capital Ambition
 - Developing the sharing of practice, including through the IDeA's efficiency hub, currently in development with Capital Ambition
 - Developing national and regional solutions in key programme areas; the proposals for rolling out the SE model for construction support is an example of what might be achieved
 - Improving collaboration between local authorities and with the rest of the public sector
 - Developing data sources including a contracts database

These themes pick up key improvement areas where we believe that measurable progress can be made. They are validated by subsequent discussion we have had with councils, RIEPS and PBOs. These discussions have highlighted the need to improve the quality of procurement practice in the biggest areas of spend such as construction and adult social care; to make framework contracts more effective by ensuring that the supplier market has clarity on how much is likely to be spend under the contracts; and that confidence in the offer from the PBOs is improved.

It is recommended that the Board agrees that these are the key themes for the implementation plan

10. Further to the presentation received by the Board at its November meeting by ESPO and the OGC on collaborative procurement, discussions have taken place between the Pro5 buying organisations and OGC/Buying Solutions on ways of achieving better deals across the public sector. LGA officers have also maintained dialogue with the OGC. Progress is being made on developing a protocol for working together but there are signs that a number of sticking points have emerged that closer member involvement might help to resolve.

It is recommended that the Chairman seeks a meeting with the Chief Executive of OGC, Nigel Smith, to consider how to make faster progress.

11. In a separate initiative OGC have established a governance group aimed at addressing barriers and issues facing collaborative procurement across local government, health and emergency services. The LGA Group is represented on this group. Initially the group is looking at the scope for achieving savings in the areas of energy, food and photocopiers. Local government procurement specialists are members of the category groups and will feed back learning through the local authority networks and RIEPs.
12. In a further development and to respond to the Improvement Board's decision to give a greater focus to procurement the LGA has formed a procurement specialists' group, comprising representatives of the RIEPs, OGC, Pro 5, and procurement professional officers' groups. The group met for the first time at the beginning of February when it was agreed that effort should be focused on:

- Influencing the largest areas of spend
- Ensuring compliance with best procurement practice
- Getting clarity on roles and responsibilities

13. RIEP procurement specialists also meet on a regular basis to share knowledge and practice. Procurement programmes are prominent in regional improvement and efficiency strategies. The RIEP update report on this agenda records a number of examples of innovative practice in procurement, showing significant savings.

Financial Implications

None

Implications for Wales

None

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