

**REVIEW OF ARRANGEMENTS FOR EFFICIENCIES FROM SMARTER  
PROCUREMENT IN LOCAL GOVERNMENT –  
By Bill Roots**

**LGA Response to Recommendations**

The LGA welcomes the Roots report as a valuable contribution to improving procurement effectiveness in local government. The report's analysis of the current procurement landscape is insightful and it provides a number of practical recommendations for improving procurement practice. Our detailed response to the report's recommendations is attached.

We believe that the report sets out a strong case for enhancing sector support to the procurement function. This support should be firmly based within the current improvement support arrangements with member leadership provided through the LGA Improvement Board. Strong member leadership is essential to deliver the change of practice envisaged in the report.

The key recommendation in the report, from which a number of other recommendations flow, is for the appointment of a national procurement champion. The role for the champion outlined in the report is a significant one. Whilst we do not challenge the issues that need to be addressed we have concerns about the scope of the role and a champion's ability to deliver change across a wide ranging agenda. We do not therefore support the recommendation of appointing a national procurement champion. We believe further discussion is needed on the leadership of the agenda and how best to effect change in this area. An alternative approach might be to prioritise an agenda for change with resources allocated to specific improvement programmes undertaken by responsible delivery agents. The proposal for a national construction programme could provide a model for this approach. Other areas could include e.g. skills development and collaborative procurement.

We have a difference of view on a number of other recommendations, some of which are more points of practicality than of principle:

- In recommendation 6 we question the need for a specific requirement for RIEP directors to report on efficiency achievements delivered by local authorities as a result of RIEP programmes. They will report on this as a matter of course in annual reports.
- In recommendation 13 we question the need for a specific requirement for RIEPS to review their strategies to ensure the "right balance" between efficiency and procurement. Regional strategies reflect regional improvement priorities reached

through a process of consultation. RIEPs will keep their strategies under constant review to reflect local regional and national considerations so this requirement is unnecessary.

- In recommendation 15 we have reservations about the practicality, purpose and cost of RIEPS establishing a database of all contracts in their areas. Many RIEPs already run procurement hubs and best deals services and continue to develop these services.
- In recommendation 22 the requirement for councils to complete a review of procurement arrangements “at least annually” is an unnecessary burden to impose.
- In recommendation 23 a value for money test on ‘non-partnership working’ would be difficult to construct and would not work as a credible measure of relative performance.
- In recommendation 25 the proposal to calculate “savings lost” through non-collaboration is over ambitious and would place requirements on RIEPs they could not fulfil.

Our detailed response to each recommendation follows.

| Recommendation   | LGA Response   |
|--|--|
| <b>Leadership - Recommendations 1-3</b>  |  |
| <p><b>Recommendation (1):</b><br/>That a national champion for Procurement be appointed to undertake the role as set out in Annex 1 for at least two years when the nature of continuing need can be reassessed.</p>               | <p>We agree that procurement practice and development in local government needs to be better focussed and organised. We also agree that there is a strong case for boosting sector support to the procurement function, which the report recognises. The role proposed for the procurement champion is a significant one and we have concerns about the scope of the role and a champion's ability to deliver change across a wide ranging agenda. We would like to explore alternative arrangements for leadership of the agenda and how to effect change in this area. One approach might be to prioritise an agenda for change and allocate resources to specific improvement programmes. We believe that enhanced procurement support should be firmly placed within the existing local government improvement infrastructure and be funded at a level to deliver a programme of work that will produce significant efficiency savings through changes in procurement practice. We agree with the report's assertion that RIEPs must be central to delivering improvement support and would expect the RIEP representative bodies, including the member forum and Chief Executives' Task Group to have a strong leadership role.</p> |
| <p><b>Recommendation (2):</b><br/>That the Procurement Champion focuses efforts on key spend areas, recognising existing arrangements - where these are effective - and liaising closely with relevant Government departments.</p> | <p>It makes sense to focus on those areas of spend that will generate the greatest efficiencies. But it would be short sighted to concentrate only on those areas that generate cashable efficiency savings. Non cashable savings can make a valuable contribution to service improvement.</p>   |
| <p><b>Recommendation (3):</b><br/>That the LGA through the Improvement Board and Procurement Champion promote the importance of the procurement function to local members and local authority Chief Executives.</p>                | <p>The existing National Procurement Strategy (NPS) provides a framework for local authorities to strengthen the procurement function, for example by adopting a corporate procurement strategy and designating a member procurement champion. A refreshed NPS could provide new impetus to the programme especially if support for implementation were linked to a new support programme from the</p>   |

|  |  |
|--|--|
|  | national improvement bodies.   |
| <b>New Deal for delivering Procurement Support 4-12</b>  |  |
| <b>Recommendation (4):</b><br>Working with key players across the public and private sector the RIEPs should act as the conduit for 'best deals'. This could involve the RIEPs themselves providing procurement services or the use "pools of excellence" within local government or the wider public sector - with local authorities deciding for themselves which deals to buy into. | We agree that RIEPs are well placed to deliver procurement support. Their regional strategies contain significant programmes geared towards achieving efficiency savings through collaborative approaches to procurement and through opportunities offered by new technology eg e-auctions. A number of RIEPs already offer a best deals service.<br>We recognise that local authorities need greater clarity on the respective roles of local, regional and national bodies in the procurement process. |
| <b>Recommendation (5):</b><br>Each RIEP's future annual budget and work-plan should be supported by a clear statement of the achievements being sought - expressed in measurable terms.  | We believe that this is already occurring through the production of regional improvement and efficiency strategies (RIESs) and the associated delivery plans. We would not wish to impose reporting arrangements on RIEPs that do not support the delivery of their key objectives contained in RIESs.   |
| <b>Recommendation (6):</b><br>Each RIEP Regional Director should report on the efficiency achievements of their region on an annual basis.   | We question this requirement. Local authorities are already required to publish cashable efficiency savings (NI 179), for which figures have already been published for 2008-09. RIEPs will report on their own efficiency programmes through regular monitoring to RIEP Boards and in annual reports.   |
| <b>Recommendation (7):</b><br>The Department and HM Treasury should aim to promote continuity in support arrangements for RIEPs in the next Spending Review.   | We strongly support this recommendation. Certainty about funding is essential for effective programming of improvement support for the procurement function. New approaches to service delivery eg through shared services solutions can have long lead times that require support over the longer term.   |
| <b>Recommendation (8):</b><br>Regional and sub regional solutions should become more widely available, driven by RIEPs, taking account of the availability of relevant expertise within local government but also including Government Departments, professional associations and 4ps etc.   | The RIEPs have a key role in building procurement capacity in their regions and have programmes in place to improve procurement skills. The availability of skills should not determine the scale of the procurement solution in an area but decision makers having the necessary skills is essential to determine the best solution.  |
| <b>Recommendation (9):</b><br>The work programme should include key  | Much guidance already exists within central government and its agencies, and   |

|   |   |
|---|---|
| <p>items of guidance for councils, including skills support, and the dissemination of online advice on such issues as EU procurement rules, model contracts, Small and Medium Enterprises (SMEs), Social Enterprise and VCS engagement plans, innovative solutions, national market intelligence, and good practice, as noted under recommendations 8, 16 and 18.</p>   | <p>the LGA Group. We recognise that this could be better marshalled and presented so that authorities can see in one place what help exists.</p>  |
| <p><b>Recommendation (10):</b><br/>As with RIEPs, the IDeA has an important national role to play in underpinning councils' actions for greater efficiency through procurement. It should work with the LGA, Procurement Champion, CXTG, and the Department to firm up and implement a strong, effective role in CSR07.</p>   | <p>We recognise the important role that IDeA can play in providing procurement support to local authorities. The Agency, with CLG funding, is currently developing an Efficiency Hub, working with Capital Ambition, which will include procurement within its ambit. After piloting, this will be rolled out to all regions.<br/>The LGA Group Business Plan for 2009-10 identifies a number of "relevance markers" for the Group's work programme which include reputation and improvement and efficiency and value for money.<br/>Procurement support will feature in these.</p> |
| <p><b>Recommendation (11):</b><br/>The Procurement Champion, in association with OGC, should co-ordinate and influence buying organisations and RIEPs to develop the delivery of national and regional solutions supporting the overall collaborative strategies. Key to this will be ensuring consistent communication via RIEPs of opportunities to councils from the landscape as a whole, including benefits from a collaborative approach.</p> | <p>The LGA Improvement Board has already received a presentation from one of the PRO 5 buying organisations on the benefits that closer collaboration can bring and has commissioned work to realise these benefits. It is important to recognise the elected member leadership role in delivering change and the role of RIEP and Improvement Board lead members is paramount in achieving this.</p>   |
| <p><b>Recommendation (12):</b><br/>OGC promote collation and dissemination of good practice and information, as per recommendations 15, 16, 18 and 19.</p>  | <p>OGC has a role to play in collating and disseminating good practice and information but there are a number of other bodies including the local government improvement bodies that have a key role in knowledge exchange and have excellent systems in place to deliver this.</p>   |
| <p><b>Rebalancing funding and activity 13,14</b></p>  |   |
| <p><b>Recommendation (13):</b><br/>RIEPs should review their current planned work programmes and ensure that the right balance of attention and resources is given to efficiency issues, including procurement.</p>   | <p>We question the assertion that lies behind this recommendation that RIEP activity is unduly weighted towards improvement rather than efficiency. Regional improvement and efficiency strategies reflect regional priorities determined through consultation. RIEPs will constantly review their strategies in response to</p>  |

|  |  |
|--|--|
|  | <p>authorities' changing priorities that may result from eg the impact of the economic downturn on services or pressure on budgets. That is for individual RIEPs to decide in the light of their individual circumstances.</p>   |
| <p><b>Recommendation (14):</b><br/>That the Department works with the LGA and CXTG to agree a suitable package of resources for the Procurement Champion.</p>  | <p>We agree that enhanced procurement support needs to be properly scoped and adequately resourced, and we welcome the proposal to work together to agree a package of support.</p>  |
| <p><b>Providing stronger flows of information 15-17</b></p>  |  |
| <p><b>Recommendation (15):</b><br/>Each RIEP sets up a database of contracts let in its area consistent with a template set nationally, integrating with work already being undertaken across the public sector.</p>   | <p>The Glover report has already made recommendations in this area so any further recommendations would need to be complementary to these on which consultation is taking place. We are not convinced of the need for a nationally set template but would wish to find a solution that is right for the sector and which does not impose unreasonable costs to implement and maintain.<br/>This responsibility would extend the RIEP role and its acceptance by authorities in the region would be the key to its success.</p> |
| <p><b>Recommendation (16):</b><br/>That this issue be taken forward by the Procurement Champion as set out above.</p>  | <p>The report recognises that building a data base of robust supplier performance data and cost comparison data is a challenging objective. The cost and benefits of producing such a data base should be determined before any commission.</p>  |
| <p><b>Recommendation (17):</b><br/>That this issue be taken forward by the Procurement Champion as set out above.</p>  | <p>This recommendation suggests that there should be a concerted effort by a procurement champion and the RIEPs to develop a robust evidence base on the potential scope for procurement efficiency by sector and by area. We agree that efficiency targets set for the sector should be based on sound and realistic assessments of the potential to deliver efficiency savings through better procurement.</p>   |
| <p><b>Implementing good practice 18-21</b></p>   |  |
| <p><b>Recommendation (18):</b><br/>That the Procurement Champion press relevant professional organisations, OGC, RIEPs and councils as appropriate to undertake actions to improve standards of engagement with suppliers, including SMEs, Social Enterprises and VCS providers.</p> | <p>These issues are also being addressed in the Glover report on SMEs and procurement and a coordinated response is needed. The National Procurement Strategy addressed issues of engagement with suppliers and should be reviewed to see if the recommendations on good</p>   |

|   |   |
|---|---|
|   | <p>practice it contained continue to be relevant. It should be recognised that authorities have a number of different objectives for procurement which may limit the maximisation of efficiency savings. This will be relevant in the current economic climate where support for local business is likely to be paramount.</p>  |
| <p><b>Recommendation (19):</b><br/>That the Procurement Champion together with the OGC and others as appropriate takes the lead in promoting and disseminating a streamlined, clear approach to implementation of European legislation.</p>   | <p>We recognise that there is currently a number of sources of advice on the implications of European legislation and that this would benefit from rationalisation.</p>   |
| <p><b>Recommendation (20):</b><br/>That the Procurement Champion presses RIEPs, councils, professional organisations and others as appropriate to promote a 'horses for courses' approach to procurement and commissioning processes and practice. An integral part of this approach should be addressing ways to stimulate markets and removing barriers to entry for smaller suppliers.</p> | <p>The Glover report makes specific recommendations for simplifying the tender process for small businesses, including the advertising of all public sector contracts above £20k. We support these initiatives but recognise that the requirements could impose additional costs on authorities at a time when finances are under severe pressure.</p>  |
| <p><b>Recommendation (21):</b><br/>That the Procurement Champion, RIEPs and/or sub regional partnerships search out and implement actions that promote both efficiency and the SME agenda, including actions already underway to enhance engagement between local authorities and different types of suppliers.</p>   | <p>We are committed to promoting the sharing of good practice across the whole of the improvement and efficiency agenda through our established knowledge sharing networks. We are implementing systems to improve the transfer of knowledge between RIEPs that will result in the better commissioning of case studies, more vibrant communities of practice and better signposting of websites. RIEPS already have programmes in place to enhance engagement between authorities and suppliers.</p> |
| <p><b>Actions for non-government organisations 22-26</b></p>  |   |
| <p><b>Recommendation (22):</b><br/>Building on the good practice encouraged by the National Procurement Strategy, each local authority should formally review its procurement arrangements and practices at least annually.</p>   | <p>We agree that a review of procurement strategy should be undertaken periodically but believe that a review "at least annually" would be too onerous and unnecessary. The review period should be at authorities' discretion.</p>   |
| <p><b>Recommendation (23):</b><br/>Where individual authorities consistently act alone and forestall partnership working in procurement, and this demonstrates poor Value for Money, this should be taken into account by the Audit Commission in</p>   | <p>We agree that authorities should be considering the benefits of partnership working but believe that a "poor value for money" test in a UoR assessment will be difficult to construct and will not be seen as a credible measure of relative</p>   |

|   |   |
|---|---|
| <p>assessing the Authority's Use of Resources score.</p>  | <p>performance.</p>   |
| <p><b>Recommendation (24):</b><br/>That the national local authority procurement champion be the focal point for encouraging local government to work closely in seeking its procurement needs with the wider public sector.</p>  | <p>We recognise that there could be benefits in local government joining with the wider public sector in collaborative procurement. Arrangements are already in place to explore the opportunities through an OGC led group and energy is one of the category areas being considered. It is in this area that the LGA Improvement Board has asked for a further programme of work to be undertaken.</p> |
| <p><b>Recommendation (25):</b><br/>That RIEPs, in collaboration with the LGA Improvement Board, highlight to councils on at least an annual basis, the size of savings that are lost by not undertaking greater collaborative work and/ or through greater competition in the market.</p> | <p>This recommendation is aimed at improving information flows to allow better collaboration and to secure greater competition between suppliers. However this recommendation is too ambitious and would impose a requirement on the RIEPs which they could not fulfil. Nor is it clear how this "deficit" could be calculated or what real purpose it would serve.</p>                                 |
| <p><b>Recommendation (26):</b><br/>That the private sector be encouraged to offer solutions to known issues rather than await a tendering process.</p>  | <p>This is a wide ranging recommendation. Discussions are currently taking place between the LGA and CBI on ways of improving the commissioning process. This recommendation is best taken forward in those discussions.</p>  |