

JOINT SOURCING AND COLLABORATION

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Improvement through efficiency

Photo by Jeff Pederson



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COLLABORATIVE PROCUREMENT

- ❑ WHEN TWO OR MORE PEOPLE OR ORGANISATIONS COLLABORATE IN PROCUREMENT FOR MUTUAL BENEFIT
 - INDEPENDENT COMPANIES
 - GOVERNMENT ORGANISATIONS
- ❑ LARGE DECENTRALISED ORGANISATIONS
- ❑ CAN BE UP OR DOWN THE SUPPLY CHAIN
- ❑ CAN RESULT FROM OUTSOURCING

NORTH WEST CENTRE OF EXCELLENCE

PURPOSE: TO SUPPORT LOCAL AUTHORITIES' IN THE DELIVERY OF EFFICIENCIES

- ❑ INITIATIVE
- ❑ SPONSOR INITIATIVES
- ❑ SUPPORT DELIVERY OF PROGRAMES
- ❑ IDENTIFY OPPORTUNITIES
- ❑ PRACTICAL SUPPORT
- ❑ SHARE BEST PRACTICE

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WHAT DOES LOCAL GOVERNMENT DO?

- ❑ EDUCATION
- ❑ SOCIAL CARE
- ❑ ENVIRONMENT AND WASTE
- ❑ LEISURE
- ❑ HOUSING
- ❑ ECONOMIC DEVELOPMENT
- ❑ ROADS
- ❑ TRANSPORT

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WHY IS PROCUREMENT IMPORTANT TO LOCAL GOVERNMENT IN THE UK

ENGLAND €75bn

PER WORKING DAY €300m

PER ADULT AND CHILD €1,100

LOCAL GOVERNMENT COSTS 45%

NORTH WEST SPEND €10bn

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HOW DO WE SPEND OUR MONEY?

CONSTRUCTION	28%
HEALTH AND SOCIAL CARE	18%
COMMODITIES GOODS AND SERVICES	18%
WASTE	7%
TRANSPORT (EXCLUDING PTES)	5%
AGENCY STAFF, CONSULTANCY	3%
STATIONERY AND CONSUMABLES	0.1%

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HOW WELL HAVE WE MANAGED OUR MONEY?

- 1% OF SUPPLIERS ACCOUNT FOR 60% OF SPEND
- 0.1% OF SUPPLIERS ACCOUNT FOR 30% OF SPEND
- PURCHASE TRANSACTIONS – 40 MILLION NATIONALLY
- 40% OF TRANSACTIONS BELOW £100
- 12.5% OF TRANSACTIONS BELOW £11

MANAGEMENT OF THE MINUTIAE?

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HOW WELL HAVE WE MANAGED OUR MONEY?

- ❑ FULL TIME DESIGNATED PROCUREMENT POSITIONS: **200**
- ❑ FULL TIME EQUIVALENTS ENGAGED IN PROCUREMENT: **2,000**
- ❑ COMMODITY EXPERTISE AVAILABLE? **VARIED**
- ❑ MARKET EXPERTISE AVAILABLE? **VARIED**
- ❑ TECHNICAL PROCUREMENT EXPERTISE AVAILABLE? **VARIED**

HUGE RESOURCE, BUT LACKING STRATEGIC MANAGEMENT

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**TESCO SIZED SPEND MANAGED
LIKE CORNER SHOPS?**

**BUT LOCAL GOVERNMENT ALSO
OPERATES IN A GLOBAL MARKET**

**IS OUR PROCUREMENT STRUCTURED
FOR A BY-GONE ERA?**

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NEED CHALLENGES

- NEED NEW SOLUTIONS**

COST REDUCTIONS

- 9% IN 3 YEARS**

GOVERNMENT POLICIES

- SUSTAINABILITY, LOCAL ECONOMY, SOCIAL**

TRANSFORMING GOVERNMENT

- DELIVER IMPROVED/TRANSFORMED SERVICES/PERFORMANCE**

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THE NWCE STRATEGY FOR 3rd PARTY SPEND

PROCUREMENT LANDSCAPE

- PURCHASE SPEND ANALYSIS
- PRICE BENCHMARKING
- PROCUREMENT RESOURCES

SHORT TO MEDIUM TERM GAINS THROUGH COLLABORATION

TRANSFORMING PROCUREMENT

- CSR07 BENEFITS
- PROCUREMENT STRUCTURE
- ADVANCED PROCUREMENT PRACTICES
- PROCUREMENT COMPETENCIES AND EXPERTISE

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SHORT TO MEDIUM TERM GAINS: ACHIEVED THROUGH COLLABORATION

- E-PROCUREMENT
- E-AUCTIONS PROGRAMME
- 90 FRAMEWORK AGREEMENTS
- ENERGY
- AGENCY STAFFING
- ON-LINE RECRUITMENT
- POSTAGE
- ADULT HIGH COST PLACEMENTS
- £150m + P.A. IDENTIFIED
- £300m + TARGET FOR MARCH 2008

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WHERE DO WE NEED TO BE?

- STRATEGIC MANAGEMENT OF PROCUREMENT
- HARNESS EXPERTISE TO WORK ON BEHALF OF ALL
- SUPPORTING MAJOR PROJECTS, PROGRAMMES, OUTSOURCING, CONTRACTS
- CONTRIBUTING TO KEY LOCAL AUTHORITY OBJECTIVES
- DELIVERING KEY GOVERNMENT POLICIES
- PRODUCT EXPERTISE
- MARKET EXPERTISE

**PROCUREMENT TO BE AT THE HEART OF
LOCAL GOVERNMENT**

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TAKING OUT COST

RELATIONSHIP MANAGEMENT

SUPPLY CHAIN MANAGEMENT

VALUE ANALYSIS – SPECIFICATIONS

SUPPLIER AND MARKET ENGAGEMENT

COMMERCIAL IMPACT OF CONTRACTING

HIGH QUALITY CONTRACTS MANAGEMENT

BEST USE OF I.T.

ADVANCED NEGOTIATION

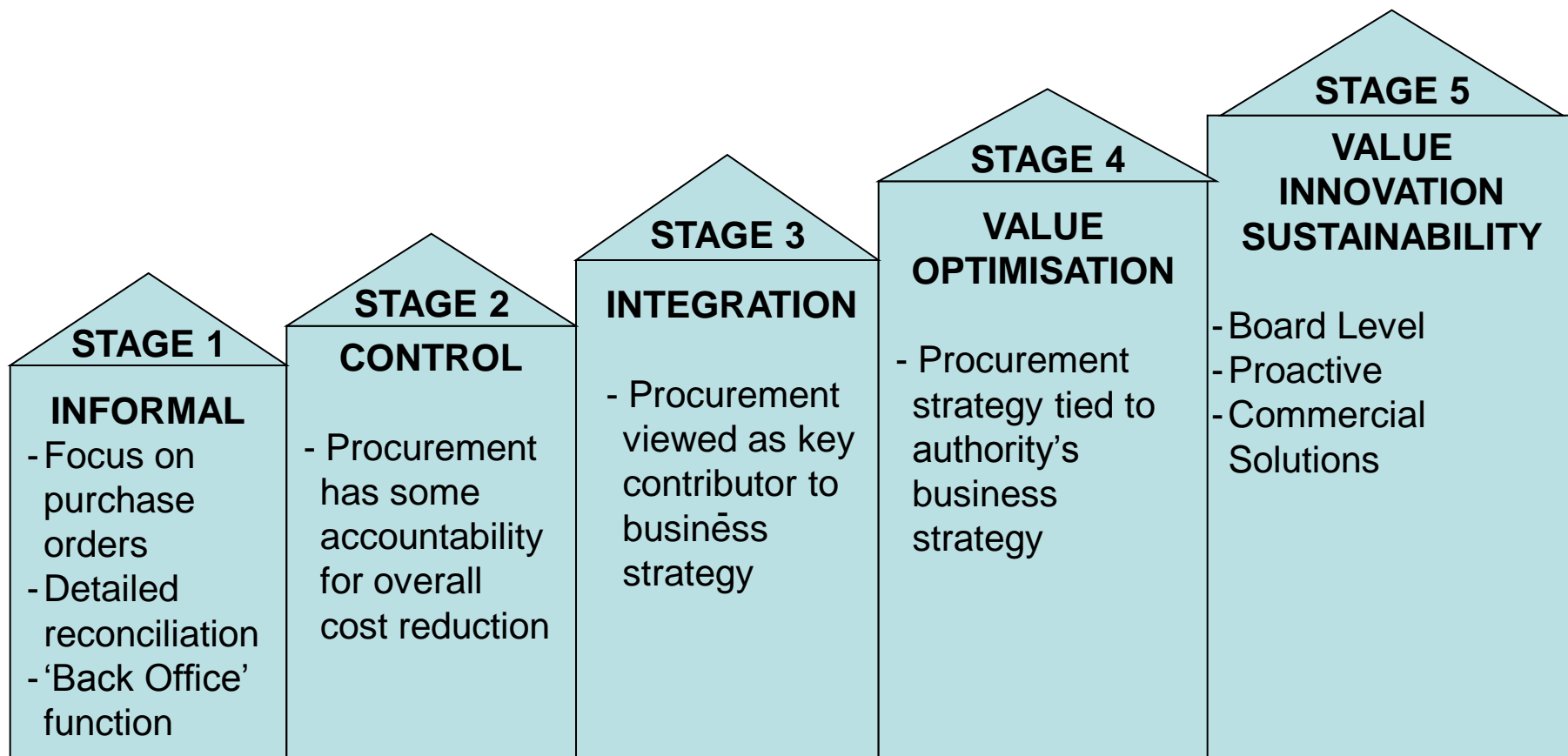
DISCIPLINE

THINKING OUTSIDE THE BOX – VISION

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WHERE DO WE NEED TO BE?

WHERE ARE WE NOW?

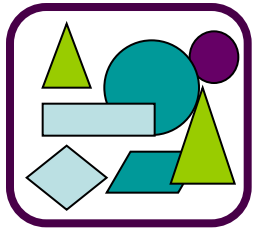


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WHY COLLABORATION

- ❑ **CASE FOR COLLABORATION IS OBVIOUS**
 - **BUT IT ISN'T EASY**
- ❑ **IT IS DIFFICULT TO IMPLEMENT**
- ❑ **PEOPLE SET IT UP AND DO IT BADLY**
- ❑ **IT IS A NEGLECTED AREA OF RESEARCH**
- ❑ **THERE IS A MYTH THAT IT IS ONLY SUITABLE FOR LOWER VALUE REPETITIVE SPEND**

RANGE OF COLLABORATIVE MODELS



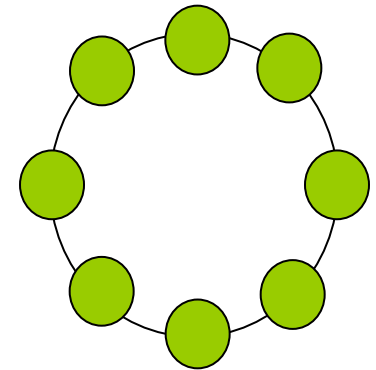
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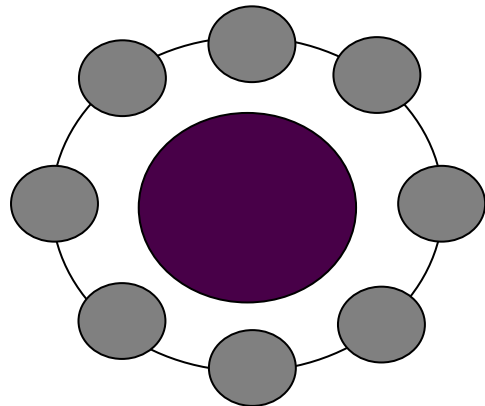
OUTSOURCE



AFFINITY GROUPS



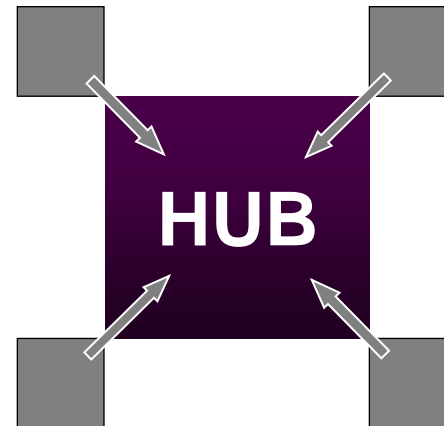
NETWORK



CLAN



BENCHMARKING CLUB



HUB

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COLLABORATIVE MODELS

1. EACH GOVERNMENT ORGANISATION ACTS INDEPENDENTLY
2. LIMITED COLLABORATION ON C & GS
3. CENTRE LED ACTION NETWORK
4. GEOGRAPHICAL PROCUREMENT HUBS
5. SPECIALIST PROCUREMENT HUBS
6. SUPER-HUB WITH GEOGRAPHICAL AND SPECIALIST HUBS

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WORKSHOP SUMMARY

COLLABORATIVE MODEL	1	2	3	4	5	6
WORKSHOP 1	6	10	17	15	19	22
WORKSHOP 2	6	10	14	15	19	22
WORKSHOP 3	8	11	12	19	19	23
WORKSHOP 4	14	16	15	16	18	19
WORKSHOP 5	5	10	13	19	20	22
WORKSHOP 6	7	10	12	17	20	24
TOTAL	46	67	83	101	115	132

RISKS AND SUCCESS FACTORS



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SHARED SERVICE/JOINT DELIVERY/PROCUREMENT HUB

- ❑ **CONTROVERSIAL**
- ❑ **LONG TIMESALE**
- ❑ **COMPLEX**
- ❑ **HIGHER RISKS TO SERVICE**
- ❑ **HIGHER RISK OF NON-COMPLETION**

**BUT: LONG TERM BENEFITS CAN
JUSTIFY IT**

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POSSIBLE APPROACH

- ❑ **PLAN LONG TERM STRATEGY AND PROGRAMME**
- ❑ **GET 'QUICK WINS' THROUGH BENCHMARKING AND COPYING BETTER PRACTICE**

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BENEFITS ASSESSMENT MODEL

	B/MARKING	IMPORTING BETTER PRACTICE	JOINT DELIVERY	OUTSOURCING
LOWER COSTS				
BETTER SERVICES				
ACCESS TO EXPERTISE				
INNOVATION				
INCOME				
JOB CREATION				

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ISSUES AND RISKS

	B/MARKING	IMPORTING BETTER PRACTICE	JOINT DELIVERY	OUTSOURCING
COSTS AND TIME				
PEOPLE				
ORGANISATIONS				
COMPROMISE				
SLOWER PROGRESS				
CIRCUMSTANCES CAN CHANGE				

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RULES OF THUMB FOR COLLABORATION

- ❑ **CLEAR AND REALISTIC OBJECTIVES**
- ❑ **CLEAR BUSINESS PLAN**
- ❑ **STRONG PROJECT TEAM**
- ❑ **BUSINESS CASE**
- ❑ **SELECT RIGHT MODEL**
- ❑ **CONSIDER CONSTITUTION SET OF 'CLUB' RULES**
- ❑ **RIGHT GOVERNANCE**
- ❑ **CLARITY OVER WHO IS RESPONSIBLE AT A HIGHER LEVEL**
- ❑ **STRONG SUPPORT FROM THE TOP**

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RULES OF THUMB FOR COLLABORATION

- ❑ GOOD QUALITY ANALYSIS
- ❑ CLEAR UNDERSTANDING OF COSTS
- ❑ PERFORMANCE MEASUREMENT
- ❑ SUITABLE CONTRACT
- ❑ FLEXIBILITY - GOVERNMENT POLICIES
- CSR07
- ❑ COMPATIBLE STANDING ORDERS
- ❑ DON'T START UNLESS DETERMINED TO SEE IT THROUGH
- ❑ DO NOT AVOID ISSUES
- ❑ USE PROVEN DOCUMENTS

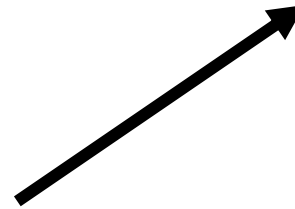
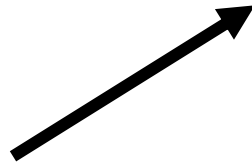
RULES OF THUMB FOR COLLABORATION

- ❑ **ONLY COLLABORATE WITH THOSE FIT TO COLLABORATE**
- ❑ **ONLY COLLABORATE WITH THOSE WHO WISH TO COLLABORATE**
- ❑ **CLARITY OVER WHO DOES THE WORK**
- ❑ **MAINTAIN INTERNAL SUPPORT**

JOINT SERVICE

COLLABORATION

INDEPENDENCE



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Thank you

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