

PUBLIC SECTOR PROCUREMENT

- Scope and Size
- How to Make Savings
- Roots Review
- Operational Efficiency Programme
- Public Sector Procurement in 5 Years Time

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PROCUREMENT CONTEXT: MIRROR TO PUBLIC SECTOR PROCUREMENT

What Does It Look Like?

How well is it being Managed?

How Can We do Better?



DOES PUBLIC SECTOR PROCUREMENT MATTER?

- £175bn pa
- 65% Non-Central Government
- 45% Common Categories
 - Goods, Services and Utilities
- 40% of Public Sector Costs
- £3,000 per Adult and Child pa
- £250,000 per person into the 'Public Sector Purchasing Pot'

Size makes it Critical to Service Delivery

Effective Management is Essential

SO HOW WELL IS PUBLIC SECTOR PROCUREMENT MANAGED?

- Some Large Specialist Organisations
- NHS Outsourcing
- Some Major Central Government Departmental Organisations
- Buying Agencies: 40+
- OGC and Category Teams
- Many (40,000?) Small to Medium Procurement Organisations/Units


BUT

- Increasing Collaboration/Joint Procurement



HOW TO MAKE SAVINGS

Public Sector Organisations Create Unnecessary Costs For Suppliers

- Indiscipline
 - Different Procedures/Contract Ts and Cs
 - Complexity – e.g. Tender Procedures
 - Multiplicity of Tenders
 - Multiplicity of ‘Duplicate’ Contracts and Contract Managers
 - Inconsistency
 - Specifications
- 



PUBLIC SECTOR ORGANISATIONS CREATE COSTS FOR THEMSELVES

Varied Specifications/Reinventing the Wheel

Indiscipline/Disaggregation

Duplication

Inconsistency of Expertise, Processes and
Procedures



HOW ELSE TO TAKE OUT COST? TACKLE THE SUPPLY CHAIN



SO WHAT IS THE COST OF POOR PRACTICE /MISSED OPPORTUNITY?

Furniture	30%
FM/Outsourcing/Major Contracts	Up to 35%
Laboratory Consumables	Up to 90%
IT	5 – 80%
Construction	5 – 25%
Excellent Construction Management	5 – 15%
Social Care	10%
Legal Services	10%
Good Contracts Management	5 – 35%

BIG IMPROVEMENTS NEED BIG CHANGES

- Right Procurement Structures/Joint Procurement
- Common and Complete Databases
- Common Information/IT Systems
- Common Procedures
- Common Specifications
- Commodity, Markets, Procurement Expertise
- Specialist Management

ROOTS REVIEW

Review of Local Government Procurement:
Published February 2009

'Absorb then Neutralise'

- 26 Recommendations
- Appoint Procurement Champion (11 Recs)
- Strong Role for RIEPs in Promoting Collaborative Activity (13 Recs)
- OGC

Local Government Procurement Spend: £40bn pa



Regional Improvement and Efficiency Partnerships (RIEPS) – Back to the Future?

- Re-focus from Improvement to Efficiency
 - Return to Centres of (Procurement) Excellence
- Work Plans with Measurable Outcomes
- Report on Efficiencies
- Develop Regional and National Solutions
- Databases of Contracts
- Improve Engagement with All Suppliers
- Stimulate Markets
- Common Approach to EU Legislation

PROCUREMENT CHAMPION – Déjà Vu?

- Focal Point for Links with Wider Public Sector and OGC
- Focal Point to Encourage/Facilitate Joint Working (particularly through RIEPs) and better Practice
- Get Engagement of CXs

WEAKNESSES - 'Absorb then Neutralise'

- Insufficient Emphasis
 - Responsibilities of CXs and Leaders
 - Compliance and Probity
- Over-emphasis on Consensus Building
- Pins Hopes on Turning Back the Clock
- Missed Opportunity to Build on Existing Collaborative Procurement Structures (Public Buying Organisations - PBOs)

BUT

- Raised Profile of Procurement
- Opened Door to Formal Involvement of OGC in Local Government Procurement
- Recognised Local Government Procurement as being firmly within the Public Sector Procurement Family
- A Step Towards the Operational Efficiency Programme



OPERATIONAL EFFICIENCY PROGRAMME CONTEXT : PUBLIC SPENDING CUTS

By March 2014

- Conservatives 10% (before or after inflation?)
- Labour 7-10%



The OEP points the way to how these savings can
be delivered

SAVINGS BY 2013/14

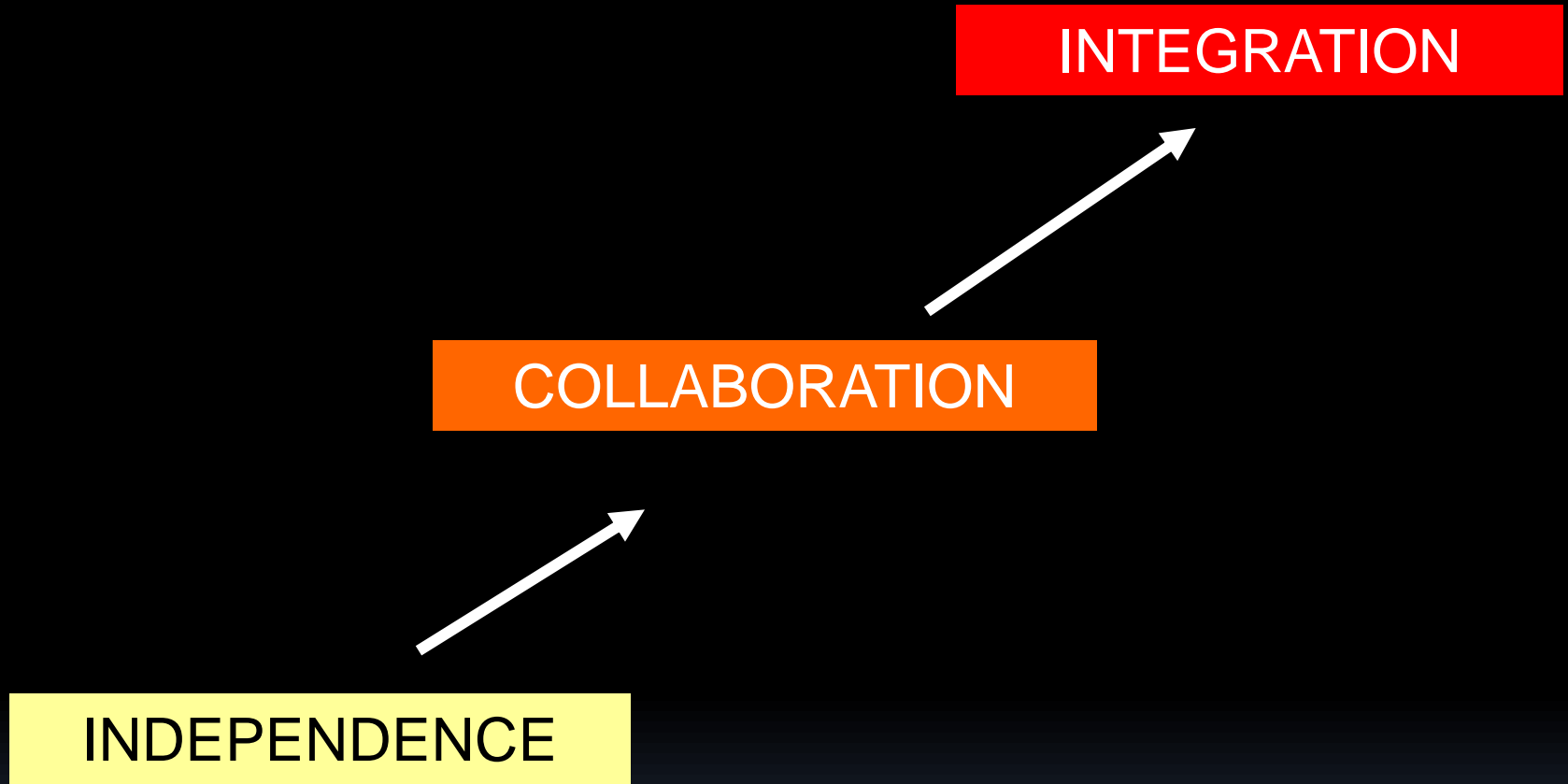
Function	2007/8 Spend £bn	Annual Savings ¹ 2013/14 £bn
Back Office	18	4.0
IT	16	3.2
Collab Procurement ²	89	7.7 ²
Property/Estate	25	2.0 ³
TOTAL		14.8

- ¹Additional to original CSR'07 Savings
- ²Savings include £1.6bn on IT and £0.5bn on FM
- ³Additional £20bn from Property Sales by 2019
- ³Property Savings to rise to £5bn pa by 2017/18
- Financial Settlements to Assume Savings

COMMON THEMES

- Incentives/Sanctions to Perform Efficiently
- Greater Accountability, Performance Management and Benchmarking
- Stronger Governance
- Right Structures and Tools
(e.g. Shared Services Centres, Professional Buying Organisations, Software for Collaboration)
- 'Lean'
- Greater Central Government Influence/Control

PUBLIC SECTOR PROCUREMENT: THE FUTURE?



GOVERNMENT PROCUREMENT IN 5 YEARS TIME?

	Central/ Major Departments/ Buying Solutions	Industry Specific	Regional P S Hubs/ Medium Depts	Local/Med/ Small Departments
Major National Contracts/Suppliers	*	*		
Common Categories	*	*		
Relationship Management	*	*		
Market Management	*	*		
Industry Specific		*	*	
PPIs/Major Project Support	*	*	*	
Regional/Large Local Contracts/Suppliers			*	
Small Local Contracts			*	*
Discipline/Implementation/ Compliance			*	*

REPOSITIONING PROCUREMENT

REGENERATION

MARKET ENGAGEMENT



WHERE IS MARKET ENGAGEMENT MOST EFFECTIVE?



Thankyou

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