

THE CONSTRUCTION CHALLENGE

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Anticipated CSR'07 Efficiency Targets (£bn)

National Baseline

| | |
|---------------------------|------|
| Revenue Expenditure | 40.9 |
| Capital Expenditure | 12.0 |
| Total Expenditure | 53.0 |
| Efficiency Target 2010/11 | 4.9 |

Note baseline is:

Total net service expenditure plus Passenger Transport and Waste Authority minus Schools, Fire, Police, Courts Services minus specific grants

Improvement through efficiency

Savings Calculations (£bn)

| (£bn) | Baseline | Efficiency 2010/11 |
|------------------------------------|----------|-----------------------|
| Business Process Improvement | 21.2 | 1.6 |
| Shared Services | | 0.2 |
| Asset Management | N/A | 0.3 |
| Procurement (Third Party Spend) | 31.8 | 2.8 |
| Total | 53.0 | 4.9 |

Improvement through efficiency

Breakdown of AGMA Purchase Spend

| | % |
|--|-----------|
| Construction | 30 |
| Commodities, Goods & Services | 20 |
| Social Community Care | 17 |
| Consultancy | 7 |
| Environmental Services | 6 |
| ICT | 4 |
| HR | 4 |

Improvement through efficiency

The Challenge for Construction

Squeeze on Funding **9% in 3 years**

Inflation **7% pa**

Maintaining Quality and Outcomes

Improvement through efficiency

North West Local Government Spend on Construction

**£2200m (EXCLUDING BUILDING
SCHOOLS FOR THE FUTURE)**

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NWCE Programme

1. DBM Framework Agreement

2. 10 Demo Projects including:

Morecombe Sea Defences

St Helens Blackbrook

St Pauls Square Development

3. 5 Case Studies on Framework Agreements

- **MCC Frameworks**
- **NWDA Construction Excellence Training**

WORKING WITH CCI

Improvement through efficiency

NWCE Programme

- 4.3 Case Studies on Supply Chain Integration and Aggregation of Spend**
- 5. NW Scoping Study to get better understanding of Construction Market for next 8 years**
- 6. Identify/promote/create further frameworks for Construction**
- 7. Explore bulk purchasing opportunities in the North West**

NWCE Research

Cost of letting Purchasing Agreements

Above OJEU

£20k

Below OJEU

£10K

Cost for suppliers:

£1k - £1m

Benefit of commitment:

5 – 10%

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Benefits of Framework Agreements

- **Reduced cost all round**

Benefits of Collaborative Agreements

- **More cost taken out**

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THE CHALLENGE FOR CONSTRUCTION

- **MAKE THESE AGREEMENTS
WORK**
- **MAXIMISE BENEFIT**
- **TAKE ADVANTAGE OF
NWCE/CCI OPPORTUNITIES**

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With thanks.....

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