

CREATING BUSINESS ADVANTAGE THROUGH INNOVATIVE METHODS FOR INDIRECT PROCUREMENT

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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

CASE STUDIES

UK Government

Benefits Agency

**North Western Universities' Purchasing
Consortium**

Research Councils' Procurement Organisation

Research Equipment Affinity Group

North West Centre of Excellence



UK GOVERNMENT

Purchase Spend €220bn
• **Common goods and services** €90bn

Big Spenders

- **Local Government** €55bn
- **Defence**
- **Health**
- **Civil Central Government**
- **Education**





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BENEFITS AGENCY

Purchase spend (in 1992)	€650m
Facilities Management	€130m
Office Furniture	€25m

90,000 Staff

1000 Buildings

Fully Devolved to Local Level



Photo by Jeff Pederson



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OUTCOME

Decentralised to Fully Centralised

All Contracts and Outsourcings Over €40k

Common Procedures

Cash Savings: 10-35%

Moving to Relationship/Market Management

Category Management

Specialist Expertise

Contracts Team: 3 to 60



NORTH WESTERN UNIVERSITIES' PURCHASING CONSORTIUM

13 Universities

Commodities Goods and Services €500m

Spend Influenced €15m

100 Purchasing 'Agreements'

Little Loyalty

Fees too High

Limited Influence of Purchasing Officers

No Benefit for Big Universities



OUTCOME

Pre-commitment

Spend through Agreements €90m

20 Agreements

Model Ts and Cs

Huge Training Programme

Reduced Fees

Savings around 10%

Membership: from 13 to 21

BUT: Still limited benefit for biggest



RESEARCH COUNCILS

7 Research Councils

Common Goods and Services €100m

Some Collaboration/Coordination

Some Good Agreements

Limited Buy-in

**Professional Input into Contracts often
Limited**

Much Duplication

Different Procedures/Ts and Cs



OUTCOME

Joint Procurement Organisation (for 5)
Costs of Doing Procurement Down by 10%
Savings €8m
Increased Credibility with Suppliers
Common Ts and Cs
Centrally Let Contracts
Transparency
Discipline

BUT: Least Benefit for Biggest Member



RESEARCH EQUIPMENT AFFINITY GROUP

**Universities and Research Councils
Spend €250m**

Products Included:

- **Microscopes**
- **Spectrometers/Mass Spectrometers**
- **Diffractionmeters**
- **Lasers**
- **Cameras**
- **Computing**



WHY WAS IT NECESSARY?

Variety of Grants Procedures

Little 'Procurement' Input

Varied Procurement Procedures

No Market Management

Varied Expertise

Prices too High

Varied Service/Maintenance

Science Project Planning More Difficult

Expensive and Confusing for Suppliers



RESULTS

'Consortium'

Good Procurement a Condition of Grant

Procurement Personnel Involved

Knowledge Sharing

Model Ts and Cs, Procedures

Progress Towards Enabling Agreements

Some Cost Savings

Much Wider Impact

BUT: Progress Slow and Time Consuming



NORTH WEST CENTRE OF EXCELLENCE

PURPOSE: TO SUPPORT 47 LOCAL AUTHORITIES
TO MAKE 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 NORTH WEST

PURCHASE SPEND €10bn

PER ADULT AND CHILD €1,100

LOCAL GOVERNMENT COSTS 45%

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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	5%
AGENCY STAFF, CONSULTANCY	3%
STATIONERY AND CONSUMABLES	0.1%

Independently

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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 – 4m
- 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: **1,000**
- ❑ EXPERTISE AVAILABLE?
- ❑ - COMMODITY
- ❑ - MARKET
- ❑ - TECHNICAL PROCUREMENT
- ❑ **VARIED**
HUGE RESOURCE, BUT LACKING STRATEGIC MANAGMENT

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**GLOBAL COMPANY 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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NEW 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

- 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
- €250m + pa IDENTIFIED
- €75m+ SAVED – rising rapidly

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WHERE DO WE NEED TO BE?

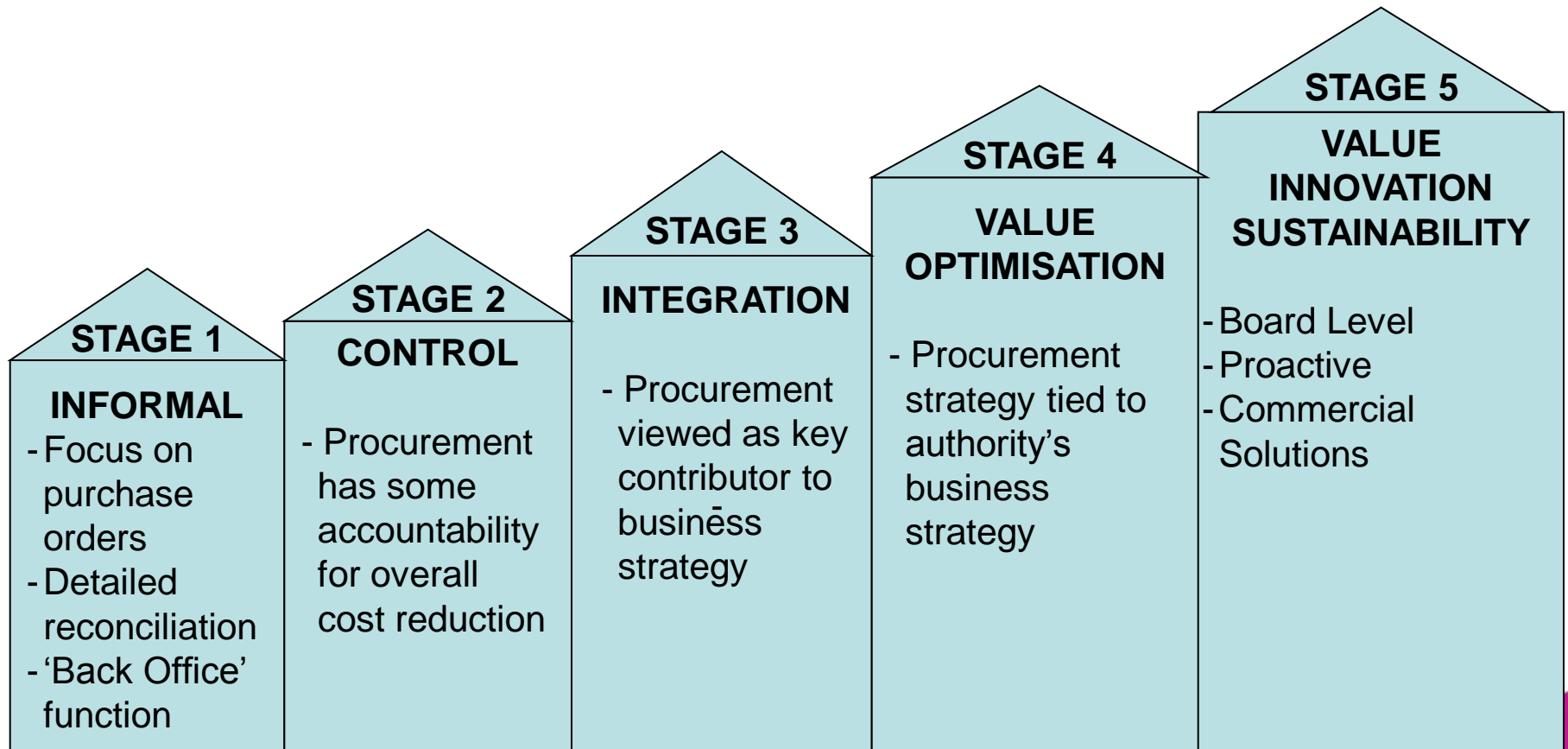
- STRATEGIC MANAGEMENT OF PROCUREMENT
- HARNESS EXPERTISE TO WORK ON BEHALF OF ALL
- SUPPORTING MAJOR PROJECTS, PROGRAMMES, OUTSOURCINGS, CONTRACTS
- CONTRIBUTING TO KEY LOCAL AUTHORITY OBJECTIVES
- DELIVERING KEY GOVERNMENT POLICIES
- PRODUCT EXPERTISE
- MARKET EXPERTISE

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

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WHERE DO WE NEED TO BE?

WHERE ARE WE NOW?



Improv

SCOPE FOR IMPROVEMENT?

Furniture	30%
FM	30%
Laboratory Consumables	Up to 90%
IT	5 – 80%
Construction	5 – 10%
Construction Management	5 – 15%
Social Care	10%
Good Contracts Management	5 – 35%
Price Benchmarking	5 – 35%



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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COLLABORATION TO JOINT PROCUREMENT

FIRST STEPS

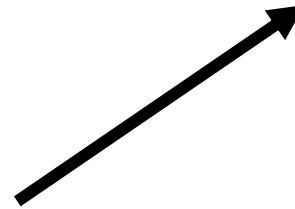
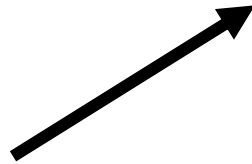
- **5 Sub-regional Procurement Hubs**
- **1 Regional Construction Hub**
- **1 Regional Adult Social Care Hub**
- **1 Children's Placements Hub**



JOINT SERVICE

COLLABORATION

INDEPENDENCE



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SHARED SERVICE/JOINT DELIVERY/PROCUREMENT HUB

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

BUT: LONG TERM BENEFITS CAN JUSTIFY IT

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COST OF UNSUITABLE PROCUREMENT STRUCTURES AND FAILURE TO COLLABORATE?

**Cost to taxpayer?
Impact on Profitability?
Impact on Competitiveness?**

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Thank you

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