

Council leaders

Procurement is gaining a high profile among English councils as the government pushes for huge efficiency savings by 2008. Mark Smulian examines how last year's four top-performing local authorities did it:

Local authority procurement officers are in the eye of the efficiency savings storm that is sweeping through councils. Procurement is seen by senior management and council leaders as a relatively painless way to help achieve the £6.45 billion efficiency savings that the government has told English councils to make collectively by 2008 - savings that can be reinvested in services, or in reduced council tax bills.

The government's target derives from Sir Peter Gershon's efficiency review of public spending in 2004, which concluded that immense sums of money were tied up in inefficient practices.

Although the £6.45 billion efficiency drive will take place between 2005 and 2008, a hint of what was ahead came when the Office of the Deputy Prime Minister published a report in August on how councils had performed in 2004/05.

The four councils with the highest savings from procurement (see table) were Lambeth, Hertfordshire, Middlesbrough and Rotherham. Where they have led, others might find themselves forced to follow. So how did they do it?

Lambeth goes electronic

Mike Fogaty, London Borough of Lambeth's director of business development, says: We strengthened processes through e-procurement and negotiated reductions in cost with a reduced number of suppliers.

It certainly helps that everything is electronic. From the council's point of view, it is an opportunity to renegotiate process downwards because suppliers know that with electronic systems we will pay regularly and on time and the process is efficient.

Fogaty's hunt for savings has included putting in place a managed service contract with personnel supplier Badenoch & Clarke, which replaced more than 80 temporary staff

agencies. I can't reveal the figure, but that has saved quite a few million pounds, he says.

Use of the internet for auctions has also helped. Use that right and you get reduced costs, Fogaty adds.

Next, he is turning his attention to the supply chain. London boroughs all buy roughly the same things and there are a lot of opportunities for us to get together and tackle the supply chain. There are big savings to be made.

He is able to reuse savings where he can make a business case, but does not automatically receive a proportion of those achieved. He believes procurement, is certainly taken more seriously by politicians and officers than it was in the past, and it now has the status needed to drive these changes.

But the fly in the ointment is, as always, the skills shortage among procurement professionals. There is the right caliber of people out there, but they are in huge demand and private-sector pay will always be higher, he says. My challenge is to recruit the quality of people to deliver.

Rotherham opts for partnership

There has been a quite different approach at Rotherham Metropolitan Borough Council, where the council is three years into a partnering deal with BT for procurement, IT and central services, HR and payroll, and treasury services.

Matthew Gladstone, the council's head of performance and quality, explains: BT gave us the project management skills and business acumen and did a large amount of business process re-engineering.

That means things such as having a procurement catalogue online. Managers have got to use it, whereas before they might have gone to any supplier. Now they have a more limited choice, but at better prices.

Rotherham has completed its first phase of e-procurement, which involved switching purchasing

administration and invoicing to electronic processes. Later phases will develop e-auctions.

The emphasis on seeking savings was, a shock to the system in the first six months, among council managers used to conducting procurement in their own way, but, managers know they have to go through it, and once they have done that there is reassurance, Gladstone says.

Hertfordshire seeks value for money

Cutting down on, maverick procurement and buying, and putting in a professional approach to procurement, was the priority for Ros Aird, head of Hertfordshire Business Services, which is part of Hertfordshire County Council.

E-ordering and use of databases has achieved significant savings and the council is now developing e-auctions to drive down costs. Like Lambeth, it has moved to a single consolidated temporary staff sourcing contract to reduce costs.

Hertfordshire has a long-term partnering contract on finance and IT with services company Serco. We will look around the contract for where we can gain extra benefits, Aird says. Our relationship with Serco has never been confrontational, and we will work together to realise benefits.

Aird works with the county's 10 district councils, plus Luton Borough Council, in the Herts Marketplace purchasing consortium, which has been designed so that small and medium-sized firms (SMEs), can participate in electronic procurement quite cheaply and easily.

However, this could create conflict between the drive to achieve savings and the necessity for councils to support their local economy.

Aird explains: *We deal with SMEs, but we are clear that the issue is value for money for taxpayers and seeking the best offer, not necessarily best price. That may go to an SME*

or a larger firm. Managing that tension is one of the challenges.

Hertfordshire's senior management focus, is absolutely on procurement, she says, but adds: There certainly is a skills gap in procurement. Finding the right people is very difficult.

Flexibility is key at Middlesbrough

Paul Slocombe, director of resources at Middlesbrough Council, says the substantial procurement savings reflect the authority's recognition that, it had a lot of ground to make up on effective and efficient procurement.

Financial processes and systems have been overhauled and procurement is devolved to service areas, but with a central team providing training, advice, guidance and standard documentation. The service can be tailored as required.

Middlesbrough Council has developed a five-year procurement programme to level out the specialist resource requirements needed to carry out major tendering exercises. It issues an annual prior information notice advising contractors and suppliers of procurement plans, to reduce Official Journal of the European Union procurement timescales.

However, Slocombe warns that purchasing can only go so far in delivering the savings councils seek. Procurement processes alone will not deliver this unless the organisation has a culture of option appraisal, challenge and acceptance of alternative methods of service delivery, he argues.

According to Peter Howarth, chief executive of the Society of Procurement Officers, councils no longer think efficient procurement is, some flavour of the month that will pass; it is treated with great seriousness now.

His advice to councils facing skills shortages is to invest in graduate recruitment and ensure good procurement practice is imparted across all the professions that graduates enter.

Howarth concludes: I would like to see more investment in recruitment and training [for procurement]. It is easy and cheap enough because procurement is not rocket science - much of it is common sense.

LOCAL AUTHORITY EFFICIENCY SAVINGS 2004-2005

Cashable efficiency gains are those that can release resources for other uses. Non-cashable gains give improved quality for the same level of resources.

	Hertfordshire	Lambeth	Middlesbrough	Rotherham
Procurement efficiency savings	£1.69m	£1.71m	£2.2m	£1.9m
Of which cashable	£1.36m	1.4m	£2.1m	£1.9m
Total efficiency savings	£7.02m	£11.2m	£4.1m	£6.7m
Of which procurement	24%	15.2%	53.6%	53.6%

Taken from a Supply Management Magazine archived article, Features dated 20th October 2005