



NWIEP Procurement Programme

Regional Procurement Strategy 2008 – 2011

Version 1.0 (Issued)

Revision History

Version	Date	Author	Description
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0.2	4/8/2008	Neil Hind	Minor feedback from hub leads
0.3	13/8/2008	Neil Hind	Org chart added and Cheshire Appendix amended
0.4	28/8/08	Neil Hind	Further comments from Hub Leads meeting

Approval History

Version	Date	Approver
1.0	28/8/08	Procurement Programme Board

Distribution

Name	Company / Organisation
Richard Paver	Manchester City Council
Heads of Procurement	All NW Councils
Heads of Finance	All NW Councils
Regional Hub Leads	5 x Sub Regional Hubs

1. Scope

This strategy is for local authority Chief Executives, Directors of Finance (Section 151 Officers), Heads of Procurement and all other operational professionals directly or indirectly engaged in procurement. This will form the basis of the North West Improvement and Efficiency Partnership's (NWIEP) Regional Procurement Action Plan for the CSR 07 period to support the 46 local authorities, plus the national park, in seeking to achieve regional savings.

Communities and Local Government (CLG) analysis have suggested that £4.7 billion of savings are achievable during the CSR07 period. It is expected that 57% of that figure will be achieved through smarter procurement. For the period April 2008 to March 2011 this gives the North West region an overall savings target of £753 million of which £429 million is expected from smarter procurement.

Although it is expected that the regional procurement programme and the sub-regional procurement hubs will make a contribution to these efficiency figures, it is clear that the majority of these efficiency savings must be generated from within each individual authority. These savings will form a direct contribution to the 9% overall efficiency savings required for the region's authorities during this period based on changing practices, collaboration and smarter procurement.

This strategy covers the approximately £6.9 billion third party procurement spend across the 47 North West authorities. This is being procured via over 4 million transactions per year across around 200,000 different suppliers. The strategy sets out how both the NWIEP and its local authorities and associated public bodies will collectively, in partnership deliver, by a combination of projects and collaborative working to generate the overall savings required for the North West region.

Whilst this strategy focuses on savings generation linked to CLG targets, the strategy will also seek an appropriate balance between saving money and procurement improvements linked to better value, improved quality and address issues such as sustainability and local sourcing.

The strategy will seek to both drive change and raise the profile of procurement across the region, regional category management will be a key driver to improve procurement performance and generate best value and shape markets.

This strategy recognises that some markets are more complex than others with fewer suppliers and high levels of expenditure, for example; Children and Adult Services etc where spend relates

to tailored packages for individual citizens and approaches around block contracting and regional commissioning partnerships and tools all require consideration in the business plan.

2. Regional Key Objectives

The following have been identified within the NWIEP Strategy as the key objectives for the procurement programme.

2.1 Deliver significant savings achieved through collaborative procurement, achieved by a fully mature management of local government third party spend.

The NW region has £753m of efficiency savings to achieve during the CSR07 period of which procurement could look to deliver £429m. The majority of these savings will be achieved by individual local authorities undertaking better procurement or entering into collaborations. Therefore, the regional procurement programme will support these individual authorities and sub-regional collaborations in the meeting of these targets.

The graph below indicates the main areas of spend for North West authorities. A category sourcing plan for the main areas of spend will be developed. This process will be lead by the regional programme with input from the sub-regional hubs. This will give an indication of the best route to procure for key commodities.

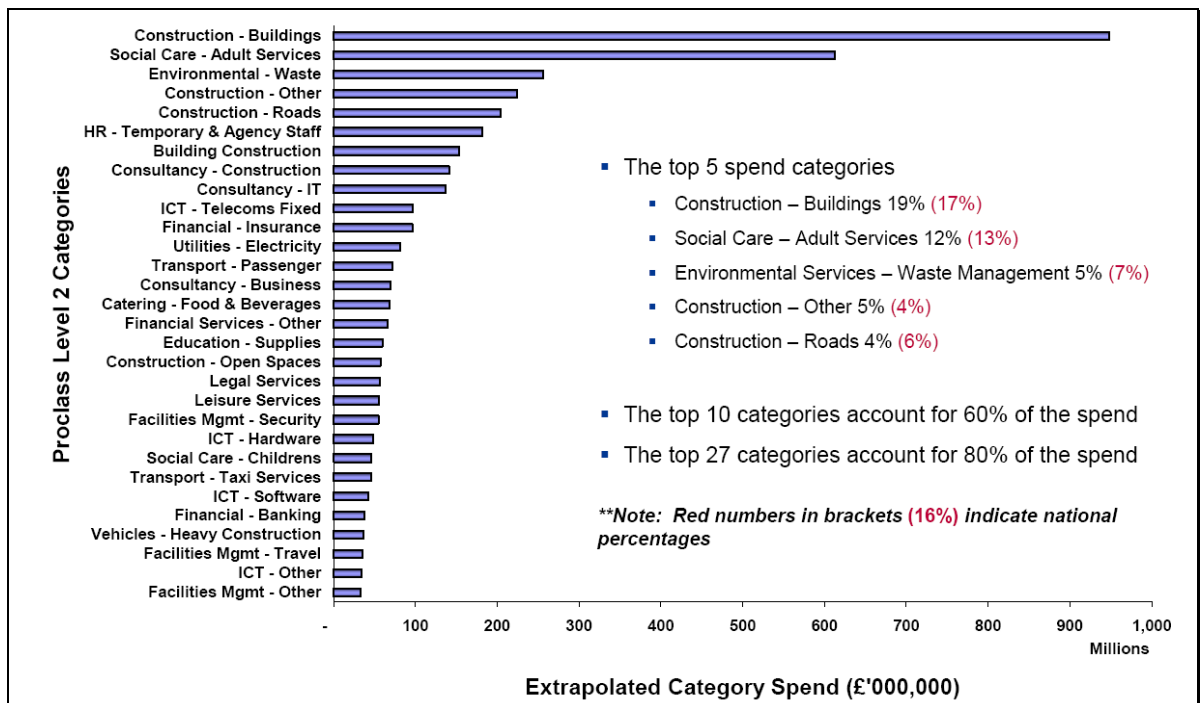


Figure: NW Region Top 30 Spend Categories – 2006 Data

Although it is expected that business process improvements will be achieved by the implementation of procurement hubs it is expected these will be picked up at a sub-regional level as part of any shared service or transformation initiatives.

2.2 Increase understanding of the impact of procurement decisions on local economies

The last regional spend analysis indicated that over 40% of spend is with SMEs and 70% to invoice addresses within the region. The impact of this relationship is generally understood but further work can be done to ensure opportunities are advertised to local businesses in a more proactive manner; that local suppliers are encouraged to work with local authorities and that they are supported during the procurement process, removing barriers that currently exist and discourage this interaction.

It is therefore proposed that the take up of the regional procurement portal and eSourcing solution is further encouraged with the following targets set:

- 2008/2009: All five procurement hubs advertising all collaborative contract opportunities over £50k electronically
- 2009/2010: 80% of tender opportunities advertised over £50k on the regional portal

2.3 Sustainable procurement achieved, realising benefits not only to local authorities and their partners, but also society and the economy, while minimising damage to the environment

The Flexible Framework produced by the Sustainable Procurement Task Force is now seen as a national baseline for the adoption of sustainable procurement principals. In a recent survey of NW authorities the following was identified.

- 71% plan to adopt task force recommended "Flexible Framework"
- 78% state at level 1 (but this is felt to be overstated)
- 39% plan to be at level 3 in 12 months, 30% at level 2

It is therefore proposed that the following targets are set.

- 2008/2009 90% at level 1
- 2009/2010 50% at level 2, 100% at level 1
- 2010/2011 50% at level 3, 80% at level 2

2.4 Increase engagement with the voluntary and community sector in the provision of services

There are currently no baseline figures for spend with the 3rd sector. It would therefore be difficult to set any firm spend targets. However, there has been a lack of engagement in some areas between 3rd sector organisations and procurement professionals.

It is therefore recommended that during 2008/09:

- Presentations to all sub-regional procurement groups are undertaken by sub-regional social enterprise and voluntary sector networks
- The provision of relevant social clauses for adoption by local authorities and evidence of inclusion in tenders by each sub-regional procurement hub

2.5 Creation of regional construction hub

Construction accounts for around 20% of the regional procurement spend and a regional hub will be the best way to coordinate the management of this spend. The hub will put in place construction frameworks for the procurement of building and civil engineering contractors together with frameworks building and civil engineering consultant professionals.

These frameworks will be made available to all 47 authorities plus regional public sector bodies and will be structured to compliment existing frameworks, the geography and diversity of demand across the region. Potential annual cashable savings of £43 million have been identified. This accounts for 6% of annual addressable turnover, subject to uptake of the frameworks.

2.6 Creation of five sub-regional procurement hubs

The majority of councils in the region are now procuring with others. It is proposed to build on this work and formalise arrangements with the creation of five procurement hubs. They will support the five sub-regions in the North West in developing sustainable collaborative procurement strategies, developing programmes of work to reduce costs in areas of highest spend and that have the greatest impact on local economies, and enabling councils increasingly to manage their supply markets.

Appendix A outlines the planned approaches of the five sub-regional hubs.

3. Delivery

The procurement and construction programmes will be managed via the procurement programme team controlled by Manchester City Council. Progress will be monitored via the NWIEP Procurement Programme Board. Organisation and governance diagrams are available in appendix B.

The key enablers to smart procurement will be as below.

3.1 Support of Sub-Regional Procurement Hubs

The regional procurement programme will coordinate the five sub-regional hubs, as well as other procurement activities within the sub-regions.

The procurement hubs will:

- be joint procurement organisations, set up and lead on procurement agreements and contracts on behalf of the member local authorities, and significantly contribute to member authorities achieving their efficiency savings
- play a key role in supplier management, benchmarking and performance measurement, as well as developing sustainable procurement solutions, understanding impact on the local economy, and engagement with the voluntary and community sector
- coordinate and be a driver for business process changes in each local authority to achieve maximum benefit from the procurement hubs and to maintain discipline in using agreements where they have opted into them
- provide the focus for building capacity and skills in relation to procurement across the region
- commission a Purchase Spend Analysis in 2008/09, to refresh the PSA carried out by the NWCE in 2006, to ensure that local authorities at the regional, sub-regional and local level have a full assessment of the procurement opportunities available to them, including common supplier and common spend areas, and also the engagement with local SMEs as part of their economic development focus

The regional procurement programme will facilitate and support the delivery of these objectives where required.

3.2 eProcurement Adoption

The North West Centre of Excellence introduced a comprehensive suite of eProcurement tools to the region. The promotion of eProcurement good practice and the use of these new technologies will be required to ensure process savings within procurement can be achieved.

Specific elements will include:

- The regional portal where all procurement opportunities are advertised and tenders will be managed. This is particularly welcomed by local suppliers and Chambers of Commerce
- E-auctions for increased procurement savings
- E-marketplaces to ensure spend is controlled and managed for commodity items
- The Government Procurement Card, with a view to reducing transaction costs in local authorities
- eInvoicing

To help facilitate the above two working groups will be established:

- The Chest (Due North) User Group – this will be open to all Chest user authorities and be a forum to discuss usage, system amendments and related items.
- eInvoicing Working Group – this group will be open to all interest authorities and will investigate a possible regional solution for eInvoicing.

3.3 Promotion of Frameworks

The avoidance of OJEU exercises will be a priority for the region to reduce procurement costs and to take account of aggregated demand. This will be as part of a regional approach to category management evaluating what is the best route to procure for each category or commodity group.

The regional programme will alert the sub-regional hubs and individual authorities to existing “good” framework agreements set up by OGC and others. Where required, it will also look at facilitating mini-competitions with aggregated demand to drive out further efficiencies.

3.4 Regional Procurement Support

The programme will negotiate relevant contracts and framework agreements on behalf of the region, where the programme board agree a regional approach would be beneficial. Sub-regions will also be encouraged to extend planned sub-regional activities to include other sub-regions where felt this would add value.

Strategic procurement projects on behalf of the all North West authorities will also be established and managed by the regional programme to support the sub-regional procurement programmes

as required. For example, the Standards project will continue to ensure a consistent approach to procurement for all North West authorities.

3.5 Sustainable Procurement

Sustainable procurement will continue to increase in profile during the CSR07 period and will need to complement with the efficiency agenda. The regional programme will collate national and regional thinking on sustainable procurement and support all North West local authorities in the implementation of the sustainable procurement task forces flexible framework.

Further links will be developed with the Social Enterprise North West group and other 3rd sector organisations to ensure the needs of the region are understood. The regional programme will also continue to measure take up and progress in the adoption of the flexible framework.

To help facilitate the above two working groups as below will be continued:

- Regional Sustainable Procurement Forum: The regional programme will represent local authorities and will continue to work with the other members on a regional solution. Current members include the NWDA, NW NHS, Environment Agency, Chambers of Commerce, GONW and other key regional stakeholders.
- NWIEP Sustainable Procurement Group: This local authority led group will share good practice and evaluate the needs of the region. This group will be managed by the regional procurement programme.

3.6 Partnering

With the proposed Corporate Area Assessments the need to partner and work with other regional public sector procurers becomes even more relevant. Links will be strengthened with the following organisations to utilise their planned procurement activities and look for aggregated demand where appropriate.

- NHS – The North West has an established procurement hub for NHS trusts.
- Police – The five North West constabularies already collaborate as a group and have previously worked with some local authorities.
- Schools – The Department for Children, Schools and Families has a procurement programme and a dedicated resource within the region.
- OGC – The Office of Government Commerce has a series of commodity groups that will look to establish national frameworks.

4 Roles and Responsibility

The role of the NWIEP will be to coordinate sub-regional hubs and authorities in delivering their CSR07 savings via a range of projects, activities and support tools. These will include:

- Funding for creation of sub-regional hubs
- Funding to deliver regional projects
- Facilitation of regional activities
- Establishing the procurement needs of the region.

The role of the sub-regional procurement hubs is to coordinate procurement activities, in support of the regional strategy, within that sub-region and facilitate sub-regional procurement. Activities will include:

- Funding to deliver sub-regional projects
- Facilitation of sub-regional activities
- Establishing the procurement needs of the sub-region.

The role of individual authorities will be to ensure take up of new procurements and to embed eProcurement within their organizations. Activities will include:

- Providing information to assist in delivering projects effectively
- Establishing training or capacity building for procurement professionals
- Officer support resource to deliver the programmes and projects
- Establishing the procurement needs of the authority.

Appendix A: Sub-Regional Hub Overviews

AGMA

AGMA is creating a formal procurement hub to be led by Trafford MBC. This will lead on all sub-regional procurement activities by creating a Centralised Strategic Procurement Team. This enables local authorities to retain some of their procurement functions, but also enable more focused specialist work to be undertaken within individual authorities.

AGMA will recruit for procurement professionals and data analysts to resource this central hub. Any current AGMA/LAPP collaborative contracts will be migrated to the central hub over time.

Key contact: Emma.Alexander@trafford.gov.uk

Cheshire & Warrington

The Cheshire region is undergoing a local government review that will result in the creation of two unitary authorities within the region. It is expected this will result in a central procurement team that will source for both unitary organisations. However, this is still under discussion and needs to be agreed by newly appointed shadow member boards.

Initial work will be based on previous consultancy undertaken within the sub-region. Further work is required to understand how procurement for Warrington MBC will fit into this picture. It is expected that the majority of resources will be from the current district and county councils.

Key contacts: Bernadette.Hurst@crewe-nantwich.gov.uk (Cheshire IEP)
David.Wharton@cheshire.gov.uk (Cheshire Hub Project Manager)
Stephen.Ashton@cheshire.gov.uk (Cheshire West)

Cumbria

Cumbria has a well established collaborative procurement in EPiC, Efficiency Procurement in Cumbria. This is managed and staffed by Cumbria County Council officers with input from district authorities. A more formal arrangement maybe considered in the future.

Key contact: Alan.Ratcliffe@cumbriacc.gov.uk

Lancashire

Lancashire is creating a sub-regional hub that will be new to the sub-region. This will be a new organisation with a small central team. This team will be employed by Lancashire County Council but are expected to be based in Pendle.

This team will facilitate procurement activities for the member authorities. It is expected that the majority of procurements will be carried out by agreed lead authorities, supported and project managed by the central team. On a practical level the sub-region will operate as three clusters, West, Central and East. Each cluster will then have representation on the Lancashire Procurement Board.

Key contact: nicola.hallsworth@pendle.gov.uk

Merseyside

Merseyside operates as a virtual hub, managed by Knowsley MBC. A programme manager operates on behalf of member authorities to facilitate collaborative procurement. Procurement activities are carried out by member authorities with each leading on specific procurement or collaborative areas. There are no current plans to move to a more formal arrangement.

Key contact: kevin.mcglone@knowsley.gov.uk

Appendix B: Programme Chart

Error! Objects cannot be created from editing field codes.Figure: Procurement Governance Chart

Error! Objects cannot be created from editing field codes.Figure: Procurement Programme Organisation Chart

Appendix C - Lessons from NWCE's Procurement Programme

There are some important lessons to be learnt from NWCE's experience of delivering programmes that are important for the success of the RIEP. Most of these lessons are common to all the RCEs.

1. NWCE's successes have shown that collaboration and joint activity does work and can bring large benefits. Many millions of pounds worth of savings have been generated over its 3 years.
2. Quick wins are not necessarily easy wins. They require strong leadership from within individual councils.
3. There is usually a big time lag between creating or identifying opportunities to their implementation. This can be anything upwards of 6 months and is more commonly 1-2 years.
4. Authorities often need a lot of support for implementation. This was evident from the eAuction and eProcurement programmes.
5. Good quality research is essential to underpin programmes. The purchase spend analysis was expensive and time consuming but helped sub-regions develop procurement plans.
6. Many authorities seem to lack an adequate structure, focus or resource to be able to take advantage of opportunities. This was evidenced recently in the lack of interest in securing a refund on water bills from North West Water. Some authorities could have benefited by a one-off refund of over £250,000.
7. There is often strong resistance to adopting opportunities already adopted in nearby councils and which in several instances could lead to annual savings of six figures.
8. Resistance to change is evidenced in other instances by the requirement for complicated business cases and feasibility studies to prove the obvious. The creation of business cases and feasibility studies can cost a huge amount of money and is often done to try to persuade reluctant councils to climb on board an initiative. Sometime even this does not increase take up. A simply business case to show benefits may provide better results.
9. It is easy for the slowest or most reluctant to pull down everyone. Collaboration should only be between councils that are willing, fit and have internal discipline to be able to deliver on commitments and promises.
10. A lack of procurement discipline within many local authorities is very expensive. Some NWCE sponsored research showed that failure to enforce purchasing agreements for commodities could cost an authority as much as 35% of the purchase spend on that commodity.
11. Specifications vary for identical services and purposes. This inhibits chances of collaboration, whether in shared services or third party spend. It can result in IT licensing costs, for example amounting to several times what it would otherwise be.

12. Relationships with external bodies take time to develop, but are vital to creating ambitious programmes. However, those with OGC.buyingsolutions and other such organisations have been beneficial to the region.
13. Proper programme management and performance monitoring systems are vital.
14. An opportunistic and entrepreneurial approach can frequently deliver quicker and more substantial benefits than formal commissioning; the latter can be expensive and time consuming. There needs to be a balance between the two approaches.
15. It is more cost effective and enables delivery of a much bigger programme to employ a powerful core team of people than to rely on a commissioning process for each project or initiative that depends on the employment of external consultants. The commissioned projects have not delivered to the extent of those that were directly managed. A core team member will be able to handle several projects and initiatives at a time, will usually have formed the relationships necessary for a successful project, and already have the good knowledge of north west councils and their work that enables them to operate efficiently.
16. Sub-regional programmes must be subject to the same disciplines as other programmes. They must have strong programme and project management disciplines, with clear objectives and milestones. Setting aside funding to support delivery of good quality sub-regional programmes is not unreasonable.
17. For third party spend, collaboration must be considered at national, regional, sub-regional and local level, depending on the characteristics of the markets in which councils are operating. A simplistic sub-regional approach will fail to take advantage of the north west's purchasing power and secure value for money. Globalisation is an increasingly important factor in developing strategies to manage third party spend effectively. Even where a product or service is provided by a local supplier, that supplier may be operating in a global market. So understanding the market in which one is operating, the supply chain and developing appropriate strategies are essential.
18. Individual councils have undermined collaborative contracts and frameworks by negotiating "one off" deals with suppliers. This should be prevented to ensure that collaboration is a success.