



PARTNERSHIPS IN PROCUREMENT: STUDY REPORT



society of local authority chief executives and senior managers



CONTENTS

1	Background, Methodology and Respondent Profile	3
1.1	Background	3
1.2	Methodology	3
1.3	Respondent Profile	3
2	Main Findings	3
2.1	Procurement Background	3 - 6
2.2	Emergence of multi – agency procurement partnerships	6 - 10
2.3	Partnerships and organisational roles	10 - 20
2.4	Enhanced capacity, economies of scale, and enhanced expertise	20 - 25
	The future roles of partnerships in procurement	25 - 28

1 Background, Methodology and Respondent Profile

1.1 Background

The aim of this study is to try to understand some of the issues surrounding the emergence of multi-agency procurement partnerships, as well as trying to evaluate the current roles of the different organisations involved within these partnerships. Secondly to consider what their future roles might be, taking into account the opportunities as well as any potential barriers to partnership working.

1.2 Methodology

Key stakeholder contacts were provided by SOLACE. All of the stakeholders were initially contacted by e mail, the aims of the project were clearly outlined in this initial correspondence. A number of positive replies were then received and follow up telephone phone calls were then made in order to agree a convenient time to conduct the depth interviews.

A total of fourteen depth interviews were conducted amongst the key stakeholders, four of these were conducted face-to-face, and ten of these were conducted by telephone. The duration of the interviews varied between one and two hours.

1.3 Respondent Profile

Every effort was made in the selection of the local authority stakeholders to ensure that the research covered a wide geographical area as well as ensuring that there was also a regional dimension to the research. (Interviews were conducted with local authorities in England, Scotland and Wales.) Interviews were conducted with stakeholders from County Councils, Metropolitan Boroughs, London Boroughs, Unitary Authorities and District Councils.

The initial point of contact was the Chief Executive of the various local authorities. In the majority of cases

the interviews were subsequently conducted with the lead officer for procurement within the individual authorities. In one authority the interview was

with an Executive Director, in the other authorities the interviews were conducted with the Head of Procurement or Procurement Managers. However, two of the interviews were conducted directly with the Chief Executives of the local authorities. (One was a County Council the other was a Unitary authority.)

In addition to the local authority stakeholders, interviews were also conducted with the following: Directors from three of the regional Centres of Procurement Excellence, a Local Government Task Force Member, a Private Sector organisation, and an Academic Researcher.

2 Main Findings

2.1 Procurement Background

Local Authorities Procurement Strategies

The majority of the local authorities contacted had written procurement strategies in place. Some of these were currently being reviewed and updated.

We keep reviewing it so the last edition was just at the end of 2003.

We do have a written procurement strategy but it's currently being redrafted.

It was recognised by many of the stakeholders that some authorities within their regions would not necessarily have written procurement strategies.

There's quite a lot who haven't, who are having some difficulty I think it's a Local Authority culture thing, which is that people assume that a procurement strategy is difficult and big and therefore for many authorities that then becomes a problem.

Out of the thirty three London Boroughs it was thought that probably only two thirds of these would have a written procurement strategy.

In the Yorkshire and Humberside region it was thought that somewhere between 80 – 90% of the authorities had a written procurement strategy.

There was considerable networking and support to be found amongst the local authorities in relation to sharing information on the various Procurement Strategies.

The problem with these sorts of things is that the government says everybody should have a procurement strategy. Local government is very good at networking so everybody says, 'Have you got a procurement strategy.' Loads of people copy it - I do that all of the time. I'm no angel.

A number of stakeholders expressed the importance of linking the Local Authorities Procurement strategy to other key council strategies and priorities.

The procurement strategy has got to reflect your own local authority's priorities and objectives. It's got to be part of your corporate planning and performance management.

In some of the authorities specialist procurement teams had been established to deliver the corporate procurement strategy.

We have a corporate procurement strategy, we have specialist teams in different parts of the organisation that contribute to that end.

A number of the Scottish authorities indicated that their procurement strategies were closely integrated into their sustainability strategies.

Leadership

A number of different approaches were taken in relation to the leadership and ownership of the procurement strategies by the different authorities.

The direct impact and positive influence of elected members in relation to the procurement agenda could not be underestimated in some local authorities.

An authority I know fairly well, have probably one of the most admired, sophisticated procurement operations in the country. They operate at a level which far exceeds the standard I would expect authorities to supply. They are driven politically, they

are driven by the leader of the council. It's about a pride in the local community and that's where the elected members are coming from ... it's to do with political culture.

Again, you see it in London, the members, the elected members who represent those former boroughs are deeply, deeply passionate about their particular local communities.

I suppose that's one of the great strengths of our political system. You do have people there who represent their relevant community, and if they are doing their jobs properly they ought to have been showing and sharing the positive benefits of working across boundaries and having a much wider perspective - but that's a skill in itself.

In a number of authorities the overall responsibility rested with a procurement board.

We've got a procurement board which is led by the chief executive, plus the director for corporate services, and we've got a Cabinet member with a portfolio for procurement.

In one example the overall responsibility rested with the corporate board, the Partnership Manager was a member of the corporate board and was in effect seen as another 'Corporate Director.'

In Scotland two local authorities had created a unique partnership in relation to procurement, in that they had one joint Purchasing Manager working for both councils. The Purchasing Manager reported directly to the Directors of Legal and Law who both report to the Chief Execs (in both authorities).

Embedding the Procurement strategy

A variety of different experiences were to be found by the various authorities in relation to how successfully the procurement strategies were understood and embedded into the Council's day to day procurement activities.

It was considered that the overall position would be very mixed in terms of the degree of integration of these policies into actual practice.

I think you will probably find a fairly mixed picture along a whole spectrum of sophistication from fairly sophisticated down to comparatively unsophisticated. I suspect that if you had to stick a pin in the line somewhere you would probably be more inclined towards the unsophisticated rather than sophisticated.

In one particular authority which had just received a positive report from the Audit Commission on their procurement activity, they still recognised that there was still a considerable amount of work to be done in this area.

I have to say in spite of the positive report this morning from the Audit Commission who have just looked at procurement in xxxxxx. They think we are doing much better than most authorities. From an insider point of view though, I still think we've got a hell of a long way to go.

An interesting observation and comment was made which fully recognised the scale of the work that still needed to be done in relation to procurement by the various authorities.

Well if that is the judgement of the Audit Commission it does suggest that procurement actually is in a pretty early stage of development really.

Many of the authorities recognised that there was still a lot more work to be done in relation to fully embedding their procurement strategies across all departments.

I think it's early days if I'm perfectly honest. We've made a lot of effort to get these embedded throughout the authority. The Chief Exec has played a big role in this with regard to local suppliers. So in certain areas we've been perhaps a bit more focussed than others.

One authority had established a centralised procurement team to coordinate the corporate contracts as well as to monitor the decentralised procurement process within other departments. Regular monitoring reports would then be made to the procurement board.

The procurement activity is decentralised. We've got a corporate unit which deals with corporate contracts. The authority has invested and has strengthened the corporate procurement team significantly.

We employ our own monitoring officer / compliance officer as part of the corporate procurement team. That person's role is to make sure that we are using the contacts we are supposed to be using and to ensure they are complying with standard contract procedure rules, financial procedure rules. They also make sure that they are aware of the good practice guides that we've got on the various aspects of procurement.

This authority had also established an internal network of procurement champions with representation from each of the main directorates.

A long term view had to be taken with respect to partnership working and procurement according to one Chief Executive who had direct experience of establishing a ten year contract with a private sector organisation. Much of the initial emphasis of this contract was focused on establishing a more sophisticated and robust IT system which would allow for a more efficient and effective e procurement system for the authority.

We introduced a ten year contract with the long term perspective that we needed to re-engineer all our processes. You might as well look at the life term of the contract in terms of a continuous learning process. I'm conscious we haven't got all the e systems in place as yet, we need to replace some redundant IT software and replace them with more robust packages. A lot of procured work is contingent upon those packages being in place. The authority at the moment is like an IT building site, we are going through the process of replacing everything as we speak.

There are spin offs, the drive through the new financial procurement system will have much more joined up procurement within our own organisation. We will have greater visibility of spend, and greater accountability, so we can be totally focussed and joined up as well as delivering the other aspects of

our procurement strategy.

In the case of the London Boroughs it was considered that their experience of embedding their Procurement strategies into day to day operational activities would be 'Highly Variable.'

2.2 Emergence of multi – agency procurement partnerships

Procurement Strategies

The following comment seems to perfectly encapsulate the issues surrounding the notion of multi – agency procurement partnerships.

I'm not actually sure what they are. (I'm being slightly provocative here) the point is that a multi-agency procurement partnership sounds to me a bit like a griffin – everybody's read about it but nobody has actually seen one!

Another interesting observation was made by one of the stakeholders.

In terms of procurement partnerships I think you'll probably find the multi agency ones are very few and far between. In fact, I actually can't think of one off the top of my head.

Many of the authorities who did have written procurement strategies specifically referred to, or made reference to partnership working within their strategic plans. In some cases the reference to partnerships was rather vague.

If you went to look at the council's procurement strategy, you would find it in there, yes. In a very sort of woolly way really. It'll be written in a sort of Civil Service speak, if you see what I mean.

Another example provided a little more detail and attempted to highlight the key issues for the existing client / contractor partnership as being:

Relating to client contractor cultures;

Transparency and probity, mutual trust and commitment by parties.

It then goes on to identify goals which state that:

We are to explore partnering opportunities more fully and produce a plan for entering a procurement partner arrangement with – (and it gives options) another local authority, voluntary sector, private company and other public sector body.

A number of the authorities often referred to both the formal as well as informal partnerships and collaboration with other agencies within their procurement strategies.

One of the Welsh Unitary authorities had a number of both formal and informal partnership arrangements in place for procurement. One of these formal partnerships involved a consortia of twelve Welsh Unitary authorities. (In this particular case each authority had one elected member on the Management Committee. They have a formal joint agreement in place as well as a constitution.)

Another formal procurement partnership had been established between four of these Welsh Unitary authorities following Local Government reorganisation in 1966. (In this particular case each authority had two elected members on the board. So there were a total of eight elected members on the board.)

One of the stated aims identified by one authority in its procurement strategy was the key principle of collaboration in order to ensure better value for money.

There are a number of things in the strategy. It's saying obviously that we'll work in collaboration to earn better value for money.

The ability to sustain and to support the local economy was considered to be a very important consideration for one of the Scottish local authorities when considering suppliers for services and commodities.

We're always trying to if at all possible generate and support the local economy. We don't want to restrict ourselves to having a list of just going to specific

suppliers, were always looking for open competition, as well as testing marketplaces. That's just for goods and services. For works we do operate an approved suppliers list, both Councils do that.

Key Performance Indicators

The majority of the authorities interviewed did not have or were rather vague regarding the KPIs that they would use to measure the success of their partnership / procurement strategies.

There are no KPIs at this stage, it's very vague in the sense of a goal which is to explore partnering opportunities.

Once we get a bit more sophisticated we'll probably have specific key indicators specific to procurement targets themselves.

As for actually delivering a strategy in terms of partnering, there are no specific KPIs which we can measure ourselves as to how well we are doing in delivering the strategy.

Prior to the recent July spending review, the National Procurement Strategy was considered to be very important. It was now expected that the spending review would refocus the minds of elected members and Chief Executives on the 'catchable' savings that could be generated from any procurement activity.

In other words, Chief Executives and the elected members will have little interest in the National Procurement Strategy, except in so far as it relates to real financial efficiencies within their Boroughs or their authorities.

The evidence that we've collected suggests that people care most about the savings. The second thing they care about is the improvements to service at the same or at a lower cost.

It was considered imperative to be able to link the performance indicators to the corporate strategic objectives.

That's a major weakness, because if you don't have the key performance indicators linked by strategic objectives then you can quite easily go off on a tangent.

The ability to be able to think strategically when developing KPIs was considered to be crucial. One specific example was provided whereby a particular local authority had repeatedly been criticised by District Auditors for having so called KPIs which were not considered by the Auditors to be particularly "Key" strategic indicators.

Many of the local authorities were clear that their main KPIs would be geared specifically to savings.

However, if these savings were to be achieved through collaboration then the authority would need explore in detail how these might be best achieved with different partners.

We've not set a KPI to say how many contracts we are going to have in collaboration, but we are setting targets for savings. We haven't set a KPI specifically, let's say for example that by 2005 we will want 25 collaborative contracts. We've certainly got over a hundred, and therefore we want to look for those that are going to give us some significant savings. So rather than having four small ones, we'd rather do two big ones and make savings.

Our KPI is generally based on outcomes. So the outcome would obviously be improved value for money. That really would be the key KPI. If the best way of achieving that is through collaboration then that's what we'll do. So we can be more focussed on the outcome of improving VFM rather than inputs if you like – what we don't want to do is put a tick in a box saying we've done another 20. The end outcome for us is VFM, nothing else.

VFM could be two ways because it could be the same in price but instead of 12 or 22 of us doing it, one of us is doing it on behalf of the rest. There could be a saving there so it's not necessarily in the front line price, although that would be nice too.

It was felt that in some cases it would be extremely difficult to measure some of the KPIs. This was particularly true when looking at KPI's that specifically referred to the term 'partnership.'

The obvious one around partnerships is the definition of partnership. So I think our KPI was something like identify the percentage of contracts let which are deemed to be partnerships. How do you define that? I'm not altogether convinced that you can actually have a KPI around that.

One of the problems identified by a number of the stakeholders was the lack of any specific Best Value Pls or even National Pls in relation to procurement.

One of the authorities was currently discussing with both the Audit Commission and the ODPM the possibility of establishing a pilot project to specifically look at these KPIs.

I've been talking with the Audit Commission about looking at getting some SMARTIE indicators that can be focussed on the different agencies engaged in partnership working.

We went to the ODPM and said, 'Look, is this a runner and do you think it would be worth us piloting an example like this?'

I'd base it on the whole issue of the second generation of PSAs. We are putting forward a series of ideas to the ODPM which would effectively be one small council and a network of partnerships doing most of the deliverables. Within that a smattering of KPIs which would look at the commitments of the various participants.

Some careful thought had also been given to the future monitoring of the KPIs by a number of authorities. One example was based loosely on a particular CC model of a local area agreement but possibly operating on a much smaller scale. The role of the local strategic partnership was seen to be crucial to this approach. The local strategic partnership would be the overarching vehicle.

The only thing a member of the public would be able to say is that this thing wouldn't have happened here unless all these various agencies had a common cause to deliver this. We are going to try and develop that style of working within the local strategic partnership framework. All of the partnerships in a sense would actually link into that, so we'd have a children's strategic partnership, we will have a partnership with

housing organisations, we are also seeking through the ODPM to get a sustainability partnership for all the planning and development areas. They all would report into the local strategic partnership executive for monitoring purposes.

One of the Welsh Unitary authorities in partnership with the Welsh Assembly had established a KPI which measured how much they were spending with local SMEs.

It is one of our KPIs. We have set up a KPI which is part of a partnership agreement with the Welsh Assembly. I record the amount that we spend with local SME suppliers and we are measure that year on year.

One of the Scottish authorities suggested that one of the difficulties they had encountered when looking at KPIs was the lack of available information and flexibility within their financial management systems.

With the KPIs we're lacking key bits of information because of the lack of ability in our finance systems. With our finance systems, the actual management reporting and interrogation of them is quite difficult, because of the size of the organisation it's a very difficult thing to do.

In some cases there was no consistency in terms of the systems that were being utilised. It would appear that some departments were utilising a manual payment system where in other cases purchases were raised through the electronic financial system.

The financial systems are rolling out department by department. There are some people still using the manual purchase order system. Others are ordering and raising purchase orders through their IT systems i.e through the finance systems.

Benchmarking

A number of difficulties were identified by those interviewed in respect of benchmarking of KPIs.

I don't know how you can actually compare the hybrid organisation that we are becoming with another local authority which just happens to be doing most of its in-house services on a direct delivery basis. It becomes awfully difficult to compare. (I think people have tried

to do audits on what makes one strategic partnership work and another not work.) It's awfully difficult to benchmark effectively on these particular issues. I think the Audit Commission are many years away from getting that level of sophistication, the worry I've got with the Comprehensive Performance Assessment is that it seems to be delving into minutiae rather than staying at a higher level.

Some concern was expressed in that with the demise of the Government Task Force an important discussion forum and potential network for sharing information had been lost.

We obviously talk to other authorities who are in the same business as us. There's now about 9 or 10 of these Pathfinders strategic partnerships around the country. We do try and keep track with each other. However, the problem is that one of the key platforms for doing that, the Government Task Force has been wound up.

Many of those interviewed expressed some concern regarding the lack of appropriate and available data for benchmarking various procurement processes. It was widely acknowledged that a baseline survey was about to be undertaken in each of the nine different regions. (It was hoped that each of the Centres of Procurement Excellence would now make use of the IDeA baseline survey.) There had been a very slow response rate to the recent IDeA baseline survey carried out amongst the London Boroughs.

I think it is significant in that I think under a third of councils have responded to the IDeA survey so far. . We don't know why that is, we can't explain. (It may be the summer, I don't know.)

Simple basic planning is very difficult to do. You need to have established baselines and so on for the purpose of performance management. We find it difficult just to add up the basic numbers. That's not to say that they work – a lot of progress has been made. I think it's important not to over exaggerate things but I think the single biggest problem is that this is an area where people have very strong views but there isn't commonly held uncontested data enabling us to take reasoned, well thought through

decisions.

One of the things that I know we have not got at the moment is a picture of what exists but we are now beginning to collect that information.

One of the areas in which we do struggle is that currently there is no national picture, because there are no national statistics. When I want to put together a report on construction costs for local authorities, I have to ring up chums in other local authorities to try to put them together. Even CIPFA could not provide me with the information, they knew bugger all. Then you get difficulties in terms of regional variations.

Some authorities who had been rigorously setting themselves saving targets and measuring their performance on a year on year basis felt that it was often very difficult for them to constantly be making savings as they felt there was an issue in the 'law of diminishing return'.

It's very difficult now, because for an authority like ourselves who has been doing this for some time, the law of diminishing returns comes in. (Some authorities have only just had a head of procurement appointed and some still haven't got one appointed, so if someone went in there, there's pretty rich pickings, aren't there? Therefore savings will be significant there.) For us, year on year makes it more difficult, but our overall target, which we are not at yet, is 3% year on year.

It was stated by one of the Welsh Unitary authorities that an agreement had been made in Wales with regard to a method for measuring savings within the Welsh Public sector.

We are benchmarking and will still continue to do so. We've now adopted a savings philosophy in the Welsh public sector, we've got a method in place now for measuring savings across the Welsh public sector which involves over 100 organisations.

Within Wales the, individual authorities gather the data and then submit a return to the central organisation, the Welsh Local Government Procurement Support Unit.

The Welsh Local Government Procurement Support Unit co-ordinates the collection of the data, and will generate a report on it, which will compare everyone's figures. (We'd love to have a sort of website which all members could get access to, we're just not there yet if I'm honest.)

It was also suggested that at times it would prove difficult to directly benchmark some data from one authority against another particularly if one authority might be looking at using some value added criteria in the measurement.

You know it's a lot harder to benchmark a service because you might have value added criteria in there where you're basing it more on quality issues than possibly another Local Authority would. So sometimes that can be difficult to actually get a like-for-like comparison.

2.3 Partnerships and organisational roles

Collaboration and Partnerships

A variety of different examples of both collaboration and partnerships were provided by the authorities interviewed.

A number of these specifically identified examples of inter-authority procurement on the social and healthcare side. In the case of one local authority there had been a longstanding and established history of inter-authority procurement on the social and healthcare side. It was explained that the idea here was to procure from the market place effective care packages for people in their own homes or residential care, nursing homes, etc.

There's a need to link into health procurement, because potentially the provider market could play off health purchasing beds and social care purchasing beds. So we've tried to act in tandem with the primary care trusts, etc. (All this seems to suggest that if you are going to have effective choice you need to actually have a range of supply, which probably outstrips demand where you can exercise some choice).

Another example was the Thames Valley Procurement Forum which has been running for the best part of

a year. This is a forum made up of Local Authority officers from across a number of different authorities who would meet on a bi-monthly basis to talk about issues related to procurement as well as to discuss opportunities for future collaboration.

One example of a collaborative project is that we are currently sourcing a market place supplier hub, and service providers. A number of local authorities in the Thames Valley area have signed up for that already in the first wave, there is also the facility for others to join later.

In Scotland two local authorities had created a unique partnership in relation to procurement, in that they had one Purchasing Manager working for both councils. A formal service level agreement had been established between the two authorities in order to jointly manage all their procurement contracts. This service level agreement was established on a rolling five year basis. In addition to working with these two local authorities the Purchasing Manager worked very closely with both the Police and Fire Services in the area, as well as looking after twenty seven Voluntary Sector organisations.

A number of examples were provided by the different stakeholders which indicated that from time to time up to a dozen or so local authorities would collaborate together on different initiatives.

It was suggested that there could sometimes be disadvantages to some of these larger collaborative arrangements as they could sometimes slow down the whole tendering and procurement process.

It was stated that many of these collaborative initiatives often developed on an ad hoc basis. In many cases these collaborative arrangements simply evolved through the personal relationship that existed between the professional procurement officers, who in many cases were extremely well networked both at a local and a regional level.

The example of milk is a good one. These things tend to develop, for all sorts of reasons. It may well be that I'm the person that buys milk and I have a mate who buys milk at XXX. So I say to him, 'Why don't we do it together?' It's as

unsophisticated as that. Things tend to develop like that in a fairly sort of ad hoc way. I have to say a lot of this does actually boil down to personalities.

It was stated that local authorities needed to be far more strategic in planning their collaborative and procurement arrangements.

Another example of an emerging inter-authority collaboration which related to construction was provided. This particular authority had an agreement that wherever appropriate and possible they would work with XXX CC through their full membership of the central buying consortium in utilising suppliers that are part of that buying consortium.

We are due to meet with them to discuss their arrangements for construction vis-à-vis partnering in construction. (As they have a number of existing frameworks with main contractors which they use for provision of their capital build projects - we are going to have a meeting with them to see whether we can piggy-back on anything that they are doing.)

One of the difficulties and key concerns identified by a number of those interviewed was the need to strike a clear balance between collaboration between authorities in order to establish large consortia to maximise their buying power, but at the same time trying to address the needs of their local SMEs in order to ensure some sustainability of the local economy.

I am committed to try and get local authorities to work together and to collaborate in order to form larger consortia and larger purchasing organisations. One fundamental difficulty which I am not able to answer is the tension between the large economies of scale of these purchasing consortia, and the need to support the local business communities. There is a significant tension there but we don't want to exclude the small contractors and the small operators. Most authorities will want to see their local businesses supported.

The answer lies, for me, in supply chain management. When we do have a consortia and a new contractor, or supplier for services, underneath that is a whole plethora of smaller suppliers and contractors that can get involved.

The importance of consistency in relation to partnership working was considered to be very important in developing mutual trust between the respective partners.

I don't have a reason for believing in partnership working which is based on any sort of theory. It's based entirely on pragmatism and years of being an architect and running large building contracts, there are always exceptions to the rule but my experience has been that working with the same people reasonably frequently generally produces better outcomes.

In my own authority we use the same two or three contractors for virtually all of our building maintenance work. (That wasn't because we were wedded to them in some either covert or overt way) it's because we knew that they did the work well, we could rely on them doing it right first time.

It was also stated that when commissioning contracts and selecting potential partners, it was important to consider a number of different issues and not to solely base the decision on cost alone. This was particularly important when considering longer term investments of say twenty to thirty years. When talking about partnering in this respect, it was considered important to take into account the whole life costs, and to try to take a longer term view in order to make the best use of resources within the authority to serve the community over a longer period of time.

Most people worry about cost, they don't worry much about value but they do worry about cost, the lowest priced tender is what usually dictates the way in which you engage contractors.

A number of the authorities were involved in a variety of very large contracts and partnerships with private sector companies. (These were all formal contracts.)

There are several large scale examples, of different types of procurement.

We are procuring through PFI very large scale school buildings at the moment. We've got a rather large waste procurement under way as well, and we are just establishing a highways one to build a new ring road.

According to one of the stakeholders interviewed, there was sometimes a real tension to be found between officers and elected members in relation to the awarding of contracts.

The elected members are often deeply suspicious of officers who come along and say I've had a number of prices but I always choose this one because it's not the cheapest but I think it's the best contractor, and is likely to produce the best quality products. The members will scrub all that and go for the cheapest.

Taking the lowest price tender did not always pay dividends as some of these procurement arrangements would often work out as being far more expensive in the long term, and would occasionally become embroiled in extensive and protracted litigation.

Some contractors will be anxious, depending on their workload of securing work, and they consequently will underbid the job.

You know almost before you get on site that the contractor is awarded that price on the principle of insufficient money being applied to it, he will then be looking to recover his costs. You go through the contract which is often deeply flawed, it's got disputes all the way through it, it's come to an end with a lot of acrimony. You spend years fighting a legal battle, sometimes through the courts, and it's deeply unproductive. If you'd have paid the right price for the job in the first place, you might have had a more pleasant working life and got the job right first time.

One of the local authorities had recently received an Audit Commission report which made a number of recommendations encouraging more collective working regarding procurement.

One of the key concerns expressed by one of the local authority Chief Executives was the uncertainty regarding the notion of regional procurement.

The big question mark for us is whether or not regional procurement is ever going to really have the desired impact because it's still not at all clear what the government is wanting out of that.

A number of those interviewed commented upon the fact that the current position of the Audit Commission's in relation to procurement was interesting in that procurement did not have a high profile within the CPA. It was thought that the Audit Commission was currently considering the assessment criteria for the next round of CPA.

We are imagining that procurement will figure more highly in the next round. My understanding is that the Audit Commission are not likely to be prescriptive in what the local authorities do. They will ask local authorities how they procure, what guidance they have, particularly what measures and controls do they use to ensure the best value of supplies.

A number of different types of collaboration and partnerships were identified. Some of these were specifically focused around purchasing consortiums, others were occasionally focused at a more professional level. One such example was in East Anglia - this collaboration related to professionals who were involved in building controls in rural areas.

Some local authorities who operate building control, particularly in rural areas, may have a very small limited expertise. I know that some authorities are pooling their resources so that they are able to operate across district boundaries. In this way they are offering a degree of specialism.

Almost all of those interviewed referred to having had some direct experience of working with a number of different purchasing consortia in relation to the procurement of certain commodities. The obvious advantages that these purchasing consortia offered was in providing a competitive unit cost (based on the leverage of their purchasing power) which in turn provided value for money for the local authorities that made use of their services.

Some of these collaborations with the different purchasing consortia were considered to be formal in nature. In one example the purchasing consortia offered two classes of membership - shareholders and non shareholders - options for the local authorities.

Many of the local authorities in Scotland were

members of a Scottish - wide consortia entitled ABC – Authorities Buying Consortium. Many of these local authorities had formal service level agreements in place.

Some of the Scottish authorities would work closely with each other with respect to the tendering procedure.

We will assist each other in the tendering process where we're networking. We have helped each other with the drawing up of tender specifications.

It was considered that networking amongst procurement professionals (in order to keep themselves informed and up to date with developments) was well established.

What hasn't happened as far as we can establish is that this engagement with the professionals hasn't extended to engaging with service heads, where the big money really is. That in some respects is the big challenge, the heads of service, the people with the big budgets talking to the people who know about procurement.

It was stated that there was some evidence of London Boroughs working together to optimise their procurement. This could often mean a variety of different things from simply exchanging information on what they were going to buy next, to buying together.

The London Contract Suppliers Group is a purchasing consortium, they've done some sterling work in the volume end of the market. (everything from pencils to vehicles with large framework contracts and so on). What they don't generally do, but I stand to be corrected, is get involved in the service delivery.

It was stated that quite often the big problem in procurement was that most of the spending by value that goes on is often not classified as procurement. It was often called something else such as 'commissioning.'

Quite often the first big problem is the lack of data, but the second big problem, arguably as important but not

so immediately obvious, is that most of the high value of spending that goes on is not classified as procurement. That sometimes happens outside the influence of the corporate procurement officers, and arguably outside of the strategy.

A very interesting and innovative development was to be found in Wales in the 'All Wales Public Sector Initiative'. (This was open to all public sector organisations and included local authorities, health, fire and police authorities). This initiative currently involved over a hundred Public Sector organisations.

Another very well established consortium in Wales involved twelve of the Welsh Unitary Authorities and was known as The Welsh Purchasing Consortium.

The Welsh Purchasing Consortium is a virtual organisation. It doesn't really exist. It's not a legal entity in any shape or form. (For example, if we had a contract for solid fuel, we would organise to tender for solid fuel. We would ask the other authorities what their requirements were, and we would go out to tender. We would award the contract then on our terms and conditions and the other organisations would then call off whenever they wanted coal). So it's a virtual organisation that doesn't actually exist. It's a very good way of doing it.

Drivers, and Partnership Objectives

In response to the fundamental question of, 'Why do you think these partnerships have evolved?' It was interesting to note the comments of one of the Chief Executives:

If you work in small local authorities there's no other way that you can do it. It's certainly a capacity issue for us. We can just get by on our own resources.

Secondly there's an ideological issue, (if you look at the public sector from the end user point of view, the average member of the public). It does make sense to me that you begin to regroup the services around the customer and try to be a hell of a lot more customer focussed and to be rather more aware of what we are trying to do to meet their needs.

The third thing is it's awfully trendy. If you look at it, really effective partnership working is actually quite rare. A lot of people are saying that they are working in partnerships, but when you analyse the behaviour and the conduct, the integrity of the organisation has not been scratched at all and the whole reason you go into these things is to change the way your own organisation does things.

A very succinct view was expressed by another Chief Executive.

They are driven by the two objectives of complete service delivery on the one hand and ensuring efficiency and effectiveness on the other. Sometimes it's somewhere in between those two.

Some of the key objectives of partnership working were considered to be a sharper focus on the customer, improved efficiency as well as the importance of developing a learning organisation.

I'd start with the customer focus. Secondly I'd hit the efficiency button, you've got to be a damn sight more efficient if you start coordinating agencies' activities. Thirdly there's actually the softer issue about developing learning organisations. If you are open to outside influences and your behaviour is outward looking, it's a hell of a lot healthier for the organisation because you can actually import skills, you can import ideas. You can import knowledge and that keeps you on your toes. It's getting into what's best practice, you can actually establish yourself as best of breed, or just benefit from what is the best advice and practice going around.

It was considered important that all of the effort in securing more efficient and effective services would ultimately be a direct benefit to the wider community.

I think people will be driven by slightly different pressures and desires. I hope that a common purpose will be in their desire to do the best for their local community.

In the Welsh example there were a number of key drivers identified. One of the drivers was local government reorganisation. The other was a report

entitled 'Better Value Wales'. This report produced a review of procurement in the Welsh public sector and it contained some forty two recommendations in total. The report recommended a number of pathfinders, a number of themes were identified e.g some looked at value for money, some looked at collaboration.

'Better Value Wales' in essence was about better procurement, it was looking to make a 3% year on year saving. That has been a major driving force in Wales.

A number of authorities indicated that one of the key drivers was about ensuring value for money, in addition to the obvious focus on efficiency and savings.

It was suggested that there were a number of drivers which were moving towards partnership in the delivery of services through procurement partnership activities. These needed to be carefully managed in order to ensure that everyone's objectives are achieved over time.

Experience will reveal that these can be financially beneficial to the service in the short term. But when measured over a longer time period there seems to be less flexibility and greater cost associated. So you've got to look at these things over time and also judge the full costs, for example. You are not just interested in capital costs, you are interested in running costs and the whole life costs of the project. That goes to the heart of the public sector resources capital projects, because it separates whole life costs, running costs, from capital costs.

It was also suggested that in some cases partnerships were established as they were considered to be very much in vogue.

There is current pressure on Local Authorities to have partnerships because they're perceived as being a 'good' thing. There are other pressures as well. Certainly in the NHS there is a very strong organisational pressure.

The impact of the Gershon review was clearly

going to have a major influence on a number of the organisations interviewed.

According to one authority it had already had a significant impact on it's thinking.

It has impacted greatly, we've had to look critically at what we are doing. We've also had to gather data in terms of how far we have come specifically. Last year we saved over £5 million in efficiencies, we've been very focussed on the way in which we procure goods and services.

Gershon was clearly going to have a major influence on the work and priorities of the Centres of Procurement Excellence. Gershon was now considered by many of the stakeholders to be the key driver for the work of these Centres, in addition to National Procurement Strategy.

One of the key issues that the Centres now faced was to ensure that the implications of the Gershon review were clearly brought to the attention of the Chief Executives as well the political leaders of the various local authorities within their regions.

The Nature of Partnerships

The word 'Partnership' in terms of it's definition, interpretation and usage particularly in the context of Procurement created an interesting dialogue amongst many of those interviewed.

The word partnership, it can be a very unsatisfactory word because it can mean many different things to different people. It's a word that I use very sparingly because it can sometimes be an excuse for fuzzy thinking.

I think the language can often get in the way, every time I hear the word partnership, I immediately cringe.

At the end of the day if someone is supplying the public sector what they ultimately want is a flow of cash in their direction, for a flow of benefits in the other direction towards the public sector. That's perfectly natural, sensible, and reasonable.

The point that I'm getting a bit concerned about is

that the relationship between the contractor and the supplier is not a partnership. Because one is paying the other it's a contract. The word partnership is often used to describe the relationship but it doesn't reflect the legal form and it's quite different, for example, from the relationship between one Borough and another who are collaborating without contract simply by agreement.

The word is deeply unhelpful sometimes. People like to use the word to make them feel nice.

There is a hard edge to the argument that there are no partnerships operating anywhere in the public sector. What there are, varying sorts of supplier-purchaser arrangements, and where there is a relationship of mutual respect (and they happen to get on well together, with a bit of give and take on both sides) people call that a partnership. But the legal form remains the same. In other words, you do this under contract and I will pay you. If you want to call it a partnership, so be it.

People talk about partnering as opposed to partnerships, as a way of trying to differentiate. I think there is a real issue about people jumping onto terms, and unfortunately I suppose this includes the Government who do not really understand what these terms mean.

What's a procurement partnership?

When it comes to procurement itself, the word partnership can be rather misleading because at the end of the day I'm buying something off you and there's a legally enforceable relationship between the two of us.

A number of different partnership models were identified by stakeholders. It was also suggested that many of these provided evidence of local innovation and local autonomy.

When Government set up the Strategic Partnership / Partnering Task Group they expected to have a few different types of partnership arrangements. The Government expected there to be lots of public-private types of partnerships. What we have is a very

complicated map of public-private, public-public, public-public-private, arrangements. (We also have public-public across the Local Authority and NHS boundary where there's obviously still a lot of Government support for Care Partnerships and Care Trusts).

It was widely recognised that some partnerships were more formalised than others. It was also evident that there was a greater focus on regional partnerships through the establishment of the Centres of Procurement Excellence.

It was also stated that currently local business partnerships did not have any statutory powers. It was suggested that if local agreements did work, (the evidence from the Kent model seemed to suggest that it could be made to work) that one might begin to see a debate emerging out of a third term of a Labour government (assuming that they were to be re-elected.) to formalise the statutory establishment of local strategic partnerships.

It was also recognised that there was a significant change beginning to emerge in the relationship between central government and local government.

I think it's two things -, I think there's still a lot of bottom up work being done and I think the government seems to be beginning to recognise that they need to shift the way in which they relate to local authorities and other public service bodies. But is it coherent? I'm not convinced it's a clearly articulated policy.

A number of local authorities considered that their plans were already well advanced in relation to partnering and procurement. A few of these felt that the impact of the Gershon review would only add to their existing resolve and commitment to further develop their drive for efficiency and savings through continued partnership working with other bodies, both public and private.

I suppose we are quite a long way ahead of the game. There are quite a number of arrangements between the public sector and the private sector provider

for specific services, particularly IT type services, or customer relationship management services. There are not many that are operating, in fact I can't think of any others, that are operated on the scale that we are allowed to in relation to white collar services.

A clear distinction was made by one of the stakeholders in that it was possible to have partnerships for procurement, as well as different partnerships for delivery of services.

You can have partnerships for procurement or partnerships for delivery, those would be quite different partnerships. I mean partnerships for procurement are very strongly part of the Gershon agenda of aggregation of contracts.

In terms of partnerships for procurement I think that progress is likely to be slow but it's one in which they will probably find it easier to work out the key performance indicators, (to a large extent they're going to be led by the Gershon Agenda in terms of efficiency, cost efficiency or some more appropriate balance between cost and quality of outcomes). With the strategic service delivery partnerships, one of the weaknesses is that they often can produce lots of performance indicators but they're not always key performance indicators in the sense they relate directly back to authorities key strategic objectives.

Many also recognised that they still had a long way to go in fully exploring the full potential of partnership and procurement.

We are beginning to make advances in terms of partnering this is purely out of necessity, it's really pre-Gershon. We are slightly ahead of the game, we are not really mature, this is still very early days.

Gershon through it's drive towards efficiencies and savings is just going to add impetus to what we are already doing.

Most of the public partnerships I know of are sort of in the developing stages.

One of the local authorities maintained that it's commitment to strategic partnering was crucial to it's future survival and long term viability as an organisation.

Speaking for this authority following the review, we had a look at whether or not we were viable. It's as basic as that and we decided that without doing something dramatic, the long term future was looking distinctly dodgy. That's when we decided that strategic partnership was absolutely vital. Another authority will of course take a different view of that. But that was the view that we took.

One Chief Executive considered that the impact of Gershon's recommendations as well as the proposed moves to relocate some 20,000 civil servants posts out of London, along with the current debate around regional bodies was creating a climate of deep uncertainty.

It makes having dialogue with Whitehall very difficult at the moment because the civil servants have been hit by a double whammy.

An interesting perspective was expressed by one of the Chief Executives who felt that local government had been making steady progress in relation to developing a national procurement strategy, working closely with the ODPM. However, with the advent of the Gershon review it was now felt that the work on the national procurement strategy had been hijacked by Gershon.

During the last eighteen months, I have been very much involved with the ODPM's procurement strategy. In many ways local government has been streets ahead of central government with this national strategy. But it now seems that our agenda has been stolen with the Gershon report. There seem to be tensions in that area, and conflicting messages. I think there will now be a tussle between local government procurement objective strategies and this new emphasis following the Gershon report. Quite where it's going to lead I don't know.

In Wales a Welsh Procurement Initiative Team was established working in the Welsh Assembly. In

addition to that a team was also set specifically for the whole of the Welsh local government. (This is half funded by the Welsh Assembly and half funded by the individual twenty two Unitary authorities). They provide support at the centre. They are employed by the Welsh Local Government Association, and they work very closely with the Welsh Procurement Initiative Team.

In addition to the above infrastructure a comprehensive regional network of regional forums had also been established for the Welsh Public Sector.

Various forums have been set up in Wales, there's a south east regional forum, there's a south west regional forum and a North Wales forum. These forums allow people who are involved in procurement from the different regions to meet. They may be from a variety of Welsh public sectors, e.g local government, education, health, as well as any assembly sponsored bodies.

A small Executive core group comprising of the various chairs and vice chairs of the regional forums meet on a regular basis in order to discuss and to plan different ways of improving procurement in the Welsh public sector - including local government.

Scotland had a network established to support the work and interests of it's procurement officers, this was known as the Scottish Local Government Procurement Forum. This forum met on a quarterly basis. The main purpose of this network was to facilitate and share experiences, offer advice and support as well as providing some training. Additional training and support for procurement professionals in Scotland was identified as being a key area of concern.

We approached SOPO, Site Of Purchasing Officers, for their assistance here with training and getting trainers up to Scotland, because it's very much a heavily based English and Welsh thing. That's something that's lacking in Scotland, seminars and training are predominantly London based, there's very little training that goes on up here.

Centres of Procurement Excellence

There were mixed views expressed by local authorities regarding the establishment of the Centres of Procurement Excellence. Many of those interviewed were cautious about the emerging roles of these Centres of Excellence.

There's a lot of scepticism, people are sort of waiting to see. I personally am a bit more positive than that.

Generally I'm quite positive about the idea, recognising the need to work collaboratively for the reasons we've already said.

There's not enough clarity as to what the government's intentions are for these regional centres and there is the feeling of the classic 'emerging strategy syndrome' (I think they went out to appoint some key people to get the thing up and running, whatever it is. The government would then have a look at models of best practice to emerge from whatever it becomes). It's got that sort of a feel to it at the moment.

A number of the stakeholders were generally very positive and expressed high expectations with regard to the future potential roles of these Centres.

I have very high hopes and expectations of the regional centres. They could provide gateways to better practice as well as promoting good practice. They could also explore opportunities for collective procurement. I've got high hopes, not only in relation to local government but also to other public services that are delivered in that region. There's a long road to travel and we've only just begun it.

I think they have a very important role in terms of helping Local Authorities to improve their knowledge with regards to the benefits and importance of procurement. I feel very positive about their future.

It was stated that the Centres of Procurement Excellence were well placed to influence the current thinking and practice of local authorities. This could be done primarily through stimulating the imagination and thinking of Chief Executives and the respective

leaders of the councils.

One of the things that the Centres have an opportunity to do is to capture the imagination of the top tier within a Borough, the Chief Executive as well as the Leader of the Council for example, and to engage them in challenging some of the ways that things are currently being done.

It was suggested that the Centres of Excellence could assist local authorities in taking a more strategic view in relation to planning their collaborative and procurement arrangements.

Stakeholders identified a number of key roles for these Centres of Procurement Excellence. They should primarily be responsible for collecting appropriate data and information, as well as promoting best practice across the regions.

It's probably the most important thing that should come out of the national procurement strategy. It's that what the four Ps are doing is contacting the region's centres, asking that they develop exemplar projects from each of their top procurement agencies, but there ought to be a central resource database that captures best practice.

No-one, again as far as I know, is managing a central database of best practice. No-one is measuring – if we are talking about buying health care services – what the costs in the different parts of the country are now. I wouldn't know where to go for that sort of information.

The collection of financial data was seen as being core to the business planning process of the Centres of Procurement Excellence. Allied to this, one of the Centres was active in establishing an interview programme in conjunction with running a number of workshops with stakeholders. One of the key issues to emerge from this process was that stakeholders were now very interested in looking at areas of potential savings within their organisations.

One of the things that is emerging from the workshops, appears to be that issues around savings are now clearly established in people's minds, and

therefore we will be asking the question; 'What actions are likely to generate the greatest savings in procurement activity?'

We also need more data to work out what to do.

One of the challenges I think for the Centres is firstly to find out what's going on. Secondly is to find a way of adding value, over and above what's going on. One of the messages that I've been giving to colleagues involved in this is, Don't wait on us, get on with it but keep us informed.

The ability to provide some feedback from the data and information collected to the respective local authorities was considered to be important for the Centres.

One of the things that we are hoping to do relatively soon is to feed back to our Boroughs some of the conclusions and some of the data that they've given us, so we can begin to establish a dialogue with the Boroughs. People can then begin to see the use of the information because the information is being passed back to them.

It was stated that the relationship between the Centres and the local authorities should be mutually beneficial to both parties.

The Boroughs are partners in the sense that we've got no power to mandate them, it's all voluntary and that's the way it should be. Our task is to generate a mutually beneficial relationship between ourselves and the Boroughs. Our resources are very small and all the action will be taking place in the boroughs, so the question we've got to ask is; 'What do we do to add value to what they are doing already?'

It was felt to be important that the Centres should be seen to encourage closer collaboration and joint working between authorities.

The first thing we've got to do is try and find ways for the local authorities to simply work more closely together. If the Boroughs are working more closely together then you've got a better chance of interacting more effectively with the private sector

to mutual advantage. You can call that partnership, and many of the skills required in order to achieve that are what many people call partnership working: you've got to be good at networking, you've got to be good at seeing both sides of the argument, and to be able to see things from another person's perspective.

The Centres of Excellence are supposed to be about getting people to work together collaboratively - they are starting to look at that. It's early days as they are at a very embryonic stage in their development.

It was considered equally important that the Centres encourage a closer relationship between the Senior Officers, Chief Executives, Senior Politicians, and procurement professionals from the various authorities.

I also think that the Centres may have a role in facilitating a discussion between the local authorities within their region, and the private sector suppliers.

The existence of various regional, as well as sub-regional networks was clearly recognised by the various Centres. These networks fulfilled an important role in allowing the sharing of information and good practice. It was considered that the degree of their effectiveness varied enormously. It was considered a distinct possibility that the Centres of Procurement Excellence could potentially develop their own particular network of contacts ensuring of course that it clearly met a need that was not currently being fulfilled.

One of the Centres had identified three areas that they considered to be important namely efficient and effective procurement, the development of a supplier management strategy, and the development of a social responsible procurement strategy. Within each of those three strategic headers there would inevitably be elements of partnership working.

It was also stated that the Centres faced a considerable challenge in encouraging local authorities to achieve a balance between potentially two different policies being promoted from central government.

It's not an impossible challenge but it's a very difficult one because really what you've got is two sorts of policy coming from government, they are not directly contradictory but they certainly don't complement one another.

I would say that the push is now for bigger and bigger contracts following Gershon, which in itself is not going to be conducive to supporting and stimulating the local economy with SMEs. On the other hand you've got DTI which is trying to support and help the SMEs through encouraging social enterprise, voluntary sector activity, and the two don't really sit comfortably together.

One of the Centre Directors explained how his Centre would try to address some of the issues and challenges that they faced.

I think one of the first things, clearly, that the Centre needs to do is to gather the data, we will publish as much of this as we can. Our business plan will be based on this research, so it will be evidence based. We will be working with the existing networks in trying to support and add value to them, rather than creating entirely new networks. Where people are already collaborating, we'll try and support and work with them rather than probably try and create an entirely new thing.

I think there are certainly very large savings to be made. When I say very large I think they are big enough to be worth going after. I wouldn't like to put a quantum on that.

In the context of the Welsh Unitary authorities it was suggested that they were currently supported through the Regional Forums and that these could well develop a similar role to the Centres for Procurement Excellence within the English regions.

We've currently got the Regional Forum groups, I know that there are likely to be changes afoot. We're going to be improving on these. It could well go in a similar way to the Centres for Procurement Excellence model in the English regions.

We have a very good infrastructure which I think England would die for!

2.4 Enhanced capacity, economies of scale, and enhanced expertise.

Benefits

Many of the authorities fully recognised the benefits of delivering better services through procurement partnerships. A number of specific examples were provided.

We've got some very real examples where we've been able to do a few things that we would simply not have managed if left to our own devices. We were one of the authorities identified as having weaknesses in

our planning system. We worked to improve some of the processes and procedures. A lot of that was down to our private sector partner and ourselves having a very hard nosed look at custom and practice. It was our capacity to use our partner to join skilled advice, guidance and analysis, and then to implement the changes in the management process. So that was a real tangible benefit.

In another authority the benefits were measured by looking at the price comparison against the risk alternative.

Another example was provided where there was a marked improvement in the public perception of the service offered by the council.

We've now got a major resource in a front door system that has improved our customer profile. The ratings that we are getting back from the public are going up. The perception is that we are much more accessible than we were, the service is now much sharper than it was. This goes across a range of departments because XXXX were able to get this up and running on the first anniversary of the contract. So that's a second example where it would probably have taken us a hell of a lot longer to get it in place to be quite honest.

One of the local authorities had established a very close working arrangement with its local Primary Care Trust. It provided the PCT with accommodation as well as some shared managerial posts. They were currently exploring ways of potentially amalgamating databases as well as budgets.

We've now got the primary care trust physically located in our building. They are on the same telephone system, members of the public are dealt with by Council officers and PCT officers, so you've got combined managerial posts. (We've got separate governance arrangements.) What we've tried to do is recognise that patients in the NHS are also our service users in the local authority – the same group of people. What we are working towards is amalgamating budgets, amalgamating databases, etc. So for the patient/member of the public it is a better way of doing business with us.

One of the benefits identified of partnership working with a private sector partner was the fact that there was now more of a commercial edge to the business. It also meant a very different way of working for those senior officers in the various directorates. The importance of recognising that the external partner was integral to the whole planning and delivery of services across the different directorates was paramount for the future success of the organisation.

The fact that xxxx and ourselves had a fairly rigorous contractual relationship from the start has had the beneficial effect of getting the Council's directorate to understand that they must be much more transparently held to account for their performance, because if you are actually working on the basis that xxxx is organically part of the whole, it's not a traditional client-contractor split. What you are saying to all the directorates is they've all got to be held to account and to perform. That's been a useful discipline in getting across to senior managers that they can't keep their heads in their little service sacks, there is a much bigger picture we collectively all have to own and drive.

One of the major benefits of working together in collaboration as well as in partnership was the ability to share information, experience and expertise within the existing networks.

There's almost a rubbing off of the expertise, so we are learning from each other. We've got a very open sort of relationship, this sort of networking allows us to learn from each other.

I probably have one call a week from another local authority somewhere in Wales to ask what we are doing in certain areas. I think there is a very positive benefit that we haven't talked about which is the sharing of good practice.

Attempts were being made by some of the Welsh Unitary authorities to establish a competency framework which could provide a framework to measure improvements in procurement skills and expertise.

It's difficult to come up with a way to measure it. The only way we could think of measuring such things is by improving people's competencies. So as part of the training programme that we have put together, we've got a competency framework so you are marking yourself against a particular competency. The idea being that if you improve on that year on year, that is the measure of you improving in your procurement awareness and expertise. It would be hard then to attribute it to just networking but it's probably a mix of everything.

It was stated that there were clear benefits to be had in developing procurement partnerships.

In terms of procurement partnerships the benefits will be in aggregating contracts, and very clearly there will be benefits in terms of improved efficiency. Whether there will be benefits in terms of effectiveness will depend a lot on how the procurement partnerships work together.

The benefits with regard to efficiency savings will be very dependent upon what it is people want to get out of these things and how good they are at being able to explain what they want out of it.

Efficiencies, economies and savings

There were a variety of different views expressed in relation to economies and targets for savings. Most of those working directly in the local authorities thought that their respective targets were challenging and that they were working consistently hard to reach their targets. In one example the targets were actually written into the partnership contract.

They are actually written into the contract and they are very challenging.

There was some concern expressed as to whether or not the current Best Value 2% annual efficiency saving was being adequately measured and monitored.

I mean just looking at the current Best Value 2% per annum efficiency savings, I still don't understand how that is ever being measured. It's not clear to us. I think we'll have rather more robust research into the actuality of that.

One authority considered that they were making steady progress in relation to savings, as they had been able to achieve efficiency savings of between 1% and 2% on an annual basis.

We are probably in uncharted territory. We saved over 12% on our construction programme overall. We're increasing our efficiency between 1% and 2% per annum. This experience is providing us with some very useful knowledge which we have used to set up a database from which we can build future projections.

Many of the authorities thought that in relation to the three levels or models of savings identified i.e. basic, intermediate and advanced that they probably fitted into the intermediate level.

However, some degree of scepticism and concern was allegedly expressed by some procurement officers in relation to the savings targets identified in the Gershon review.

Some of the procurement officers said it was unachievable.

What I find with Gershon is that I tend to think to myself, 'Where have these figures come from?' 'Where is the evidence to back all these figures up?'

One Chief Executive felt that if central government was serious regarding modernising local government then they would have no option other than to work towards the advanced level of savings.

All I'm arguing for is, if the government is really serious in modernising local authorities, they should go for

the advanced efficiencies model. Based on this idea of getting away from every local authority having to be 'all purpose'. Being much clearer in dividing services up and amalgamating services between agencies.

Another authority recognised that although the savings in their current Business Plan were possibly modest they also recognised that these would eventually become even more challenging.

In my business plan for procurement is a saving which was quite modest initially, but that's going to get higher. Eventually, they will be much more challenging.

It was widely recognised that the whole strategy of the government was about driving up efficiencies and procurement savings. It was stated by a few of the authorities that they considered themselves to be well ahead of the game in this respect. Indeed one of the authorities was into its third year of a ten year contract.

In this ten year partnership the whole focus of the partnership is about delivery, efficiency savings, as well as procurement savings to invest into frontline services here for our local citizens. So in a sense we are ahead of the game, we are delivering savings which are for the benefit of the council as a whole. There's guaranteed savings and efficiency savings as well.

One of the key concerns raised by a Chief Executive was the potential conflict with central government in terms of the perceived priorities of local residents.

The government, are absolutely obsessed, detrimentally obsessed, with schools and hospitals. That's their view of public services. They are absolutely disinterested in anything else. There's no suggestion to me that the government has really picked up on what drives the ordinary member of the public.

We've got to keep these other services going because they are important to local people. I think this is where the tension is going to arise, because I would probably strip out managerial posts and support posts before I would start stripping some of those frontline workers who are delivering these services. I don't think it's just about more teachers or about more nurses, but it's about a wider set of issues.

A number of stakeholders were concerned with what often appeared to be a pre-occupation on the issue of efficiency and cost when looking at procurement. Value for money was considered to be equally as important by some.

My sense of caution is to do with what I expressed earlier about the pre-occupation of efficiency being purely about cost. I'd go back to using value for money – I really like the idea of best value because it brings into the equation other slightly less tangible things.

There are some very good examples of procurement in multi partnerships delivering high value for money and in terms of volume purchase. But you do need to compare and contrast the various services you are delivering.

Learning organisations

It was considered very important by many of those interviewed to be able to share information, experience, knowledge and good practice in relation to efficiencies, savings and procurement.

One of the things we've been trying to do is not only have an example of good practice going on in one bit of the organisation, but also to try and find mechanisms for making sure that this is then made available and accessible to others. That's the sort of model that we are trying to promulgate in the rest of the organisation.

Three specific learning areas were identified as being important by one of the Chief Executives.

The first is to do with integration across sectors. The second is to do with the continuous focus on performance and cost. The third is to be clear about the standards, quality, relationships and efficiency required – more importantly to have the ability to be measured against outcomes that other external agencies would normally use to measure our performance.

It was suggested that there was likely to be a significant change in the pace as well as the demand for learning amongst procurement officers as compared to

previous years.

The attitude and understanding amongst procurement officers has changed considerably, certainly from say years ago. Even within the last six months I would say that people, especially in the procurement world, are starting to take that agenda on board and I think that's where the real learning will come.

The ability to share this information both internally within the organisation as well as with external partners and networks was thought to be very important but also presented a major challenge.

I think some of the learning is about economics, some of it is about organisational behaviour and some of it is about strategy. I think it's only when people have got clear views in those areas that it's then possible to make sense of the quick wins i.e. the day-to-day changes.

A number of different learning examples were highlighted. One organisation felt that it was important to share good practice with its members as well as developing and promoting good practice through its intranet and website.

We are actually going to take this into the members' arena as an example of good custom and practice. Once we've got the network of software packages up and running, one of the things I want to do is to set up an internal mechanism whereby pieces of good work get plonked on the internal website, and what you can do is you can literally internally benchmark and learn from each other.

Another example of sharing what's been learnt and good practice is that we have frequent management development seminars where thirty managers get together for half a day. This is very much a sharing and learning forum if you like for sharing best practice.

Training as well as sharing knowledge and experience was recognised as being very important for many of the Welsh public sector organisations. It was stated that there were still many public sector organisations that did not employ a professional procurement person. Consequently an extensive training

programme was set up for Wales which was run by PMMS.

The Regional Forums established in Wales regularly facilitated two conferences a year in order to discuss a variety of procurement related issues.

The importance of local autonomy was recognised by many as being particularly important in terms of the emerging and evolving models of procurement. It was felt that there was an enormous learning opportunity to be had in allowing the regions to develop their own regional models and to be able to share their learning experiences with other regions.

There is considerable learning to be gained from the different regional models. With the messages we are getting from the ODPM, this is very much about local government, it's not about central government, and it's not national.

The importance of sharing good practice in relation to procurement and sharing the learning across the whole organisation was considered to be important to one of the authorities.

Sharing the learning amongst procurement professionals is important. Learning takes place within the whole organisation, there is learning taking place amongst members, with the Chief Exec as well as amongst the other group directors. Our Chief Exec has got a good vision. He firmly believes that procurement will be able to deliver significant savings.

One of the areas which was identified as being an area that could provide significant savings if the learning was shared was in relation to supply positioning.

Supply positioning is about measuring the value of procurement against risk. We spend an enormous amount of time dealing with low value, low risk because people are comfortable with it., There's potential there for savings in efficiency so I need those people to spend more of their time on the strategic things.

Barriers

A number of potential barriers to partnership working and efficiencies were identified by those interviewed. Some of these reflected different priorities and perceptions between central government and local government. Others related to cultural issues within the local authorities.

What we do need to do is to get the different Whitehall departments to talk to each other, let alone talk to us. They really are not good examples.

Local politicians are still feeling peripheral to the government's agenda. They feel that they are being asked to monitor national policies on the behalf of government, and that's not what they are working in local politics to do. They see themselves as having more to do with sorting out local communities. There is definitely a cultural divide between local members' aspirations and central government expectations. Inevitably partnership working will get embroiled in that.

Occasionally officers felt compromised where national policies often collided with local aspirations, these situations inevitably lead to some degree of tension. (Another issue was how one related national objectives to local objectives.)

One organisation recognised that although the elected members were generally very supportive of the principle of partnerships in relation to the procurement process. It was felt that if one was to seriously be working towards the savings at the Advanced level then there was certainly likely to be strong political backlash in some areas.

We don't want to be seen to be losing jobs. We are in a fairly deprived area. We've talked quite a bit about shared services. Everyone's happy about shared services as long as it's in their area. When you start talking about people losing their jobs, it's about votes as well then, isn't it!

It was also considered important that the organisations who were involved in collaboration or were working in partnership should share similar values.

Another obvious barrier identified was insufficient resources in relation to procurement professionals.

We've got insufficient resources, and there's a hell of a lot of work to be done. So another barrier is insufficient resources of procurement professionals.

Many stakeholders indicated that within their own organisations there would inevitably be some resistance to change. Some of this was attributed to a number of different factors, organisational culture, elected members, senior officers.

Sometimes it's a combination of all three. There's a natural resistance to change in any organisation.

I think some of the barriers to achieving savings are cultural, some of them are procedural, you need to be

able to agree on what it is you're talking about when you're talking about savings.

2.5 The future roles of partnerships in procurement.

Opportunities

Many of the organisations were generally very positive regarding the future development of partnerships in procurement. Indeed a number indicated that they had already made a heavy commitment and investment to different partnerships.

Quite positive. I've got to say that really. We've put a good investment in it.

I think if we carry on doing what we are doing here, it's really got more opportunities than threats in terms of providing something better for the local population. I'm absolutely confident in that. If we can really make it work and create an even leaner organisation we can actually begin to persuade other public sector bodies that what we've done here is worth having a look at. We want to be able to say to other organisations 'Try this out because it does work and we've made it work.'

We can improve value for money, we can improve the standard of procurement and we can reduce the

barriers of people feeling nervous about doing such things.

We need to work on it from all sides. So it's about reducing people's nervousness and their fear of moving in different ways, trying to dispel those myths and then to celebrate success.

It was widely recognised that there were some real challenges and opportunities to be had in relation to partnership working. It was also considered important that organisations still retained some degree of autonomy.

There are a large number of autonomous organisations who are being set some quite demanding targets for efficiency and for the delivery of the national procurement strategy. It may be that to square those targets with the obvious opportunities which collective working can bring will present a number of challenges that doesn't make them feel like they are no longer autonomous.

It was stated that there were likely to be a number of benefits and opportunities for partnerships to explore in relation to further procurement activity.

I think partnerships are going to develop even further by going into these other areas that were previously thought to be being taboo before.

We are going to go into areas where ordinarily I don't think we would have gone in before. Some examples might be agency staff for recruitment, social care, home to school transport, and construction. We would never have been involved in construction up until recently.

The key issues are to do with the building of capacity, it's also about the expansion of partnership and procurement activity across the public sector. ... The building of confidence in terms of taking some measured risks about stepped changes in the way that services are commissioned and delivered. The ability to maintain more focus on the outcomes and the costs as well as performance. Then I think we have a much healthier set of arrangements that will deliver at a higher level and at a cheaper price.

It was considered that the only way forward for local authorities was to continue to develop their experience and expertise of partnering in relation to procurement.

If we don't show them that we can do it and work in partnership together to deliver all these things, then it will just be taken off us.

The opportunities are to move the agenda forward, I think we do need some quick hits to be able to convince people that we can do it.

The Gershon review was seen as being a catalyst for change in some local authorities.

One local authority considered that the impact of Gershon would not unduly influence them as they considered themselves to be well ahead of the game, and to be slightly more advanced than many other authorities in relation to efficiencies and savings.

It was thought that the provision of case studies could help to promote the positive benefits achieved through partnerships in procurement.

One County Council had been particularly creative and innovative in that it had established two independent companies which had turned over just over £75 million a year. These were considered to be major players in the public sector support arena.

Barriers

The issue of potential risk and failure in relation to partnering was often overlooked or sometimes ignored.

A lot of people who get into partnering think it's an easy option. It bloody well isn't. I think we should always caution people about entering into partnership arrangements and remind them that if you do enter into some sort of partnering agreement there's also the possibility of a failure. That failure can bring monetary loss so there's risk attached.

If you enter into a partnership arrangement, then there are risks and from time to time it will go wrong. You have to be prepared for that.

My caution about partnering is that we must not sell it to people as a soft or easy option and it is not a risk free option. It's one where we are grown up about risk and we manage it jointly.

There is a cultural problem in that local authorities are not predisposed to working together - there are lots of good examples of them doing so but for all sorts of quite deep reasons. (They don't actually combine together partly because there isn't the data, therefore the advantages of combining together isn't always very clear).

The allocation of risk was considered important in that it needed to be carefully discussed amongst the respective partners.

In terms of partnership working I think the allocation of risk and responsibility is going to be a source of problems as time goes on.

I think over time there are going to be issues about the extent to which partnerships are flexible or inflexible. So that on the one hand Local Authorities will want more flexibility because of things like Government policies on choice and consumer representation, and on the other hand other partners may want more stability because of the financial risks that they might have.

All parties need to fully understand the nature of the risks involved as well as agreeing the allocation of risks.

That means some of the things like political risk which for the private sector may not be that important, but is very important in terms of the public sector.

The lack of consistent and comparable baseline data for measuring performance and efficiency was considered to be a major barrier by many.

I'm very sceptical about anything to do with procurement savings that are being announced as to how they are going to be measured. Speaking from experience here, locally you've got some very stringent measures and definitions of how to calculate a particular saving. What I'm picking up is that there's all sorts of measures which could make the

actual figures quite inaccurate or serious in terms of procurement saving.

Indeed the lack of any comparable data was considered to be a key issue for those currently working within the Centres of Procurement Excellence.

Firstly there is a huge lack of data. So people have very strong views about things, yet they are not necessarily based on any hard evidence. The lack of any financial data that is widely available is of some considerable concern.

Secondly if an authority did have all that sort of data, it's unlikely that they'd have it in a form which could be aggregated easily. I mean you ask simple questions and the systems don't produce easy answers. I think that's the biggest single problem because without that evidence base, it's very difficult to calculate the scale of benefits available in any initiative you want to make. .

The problem is that the data's contained within accountancy systems rather than under procurement management information systems. The trick is actually getting at the data and to be able to make something of it. I think this is what everybody's wrestling with at the moment. There are some local authorities very few, who have actually implemented procurement management information systems. The question is do they work?

The lack of consistent comparable data across the different local authorities, and the regions was of some considerable frustration and concern to those working in procurement. The lack of this very often basic data and information made it virtually impossible to benchmark any performance in relation to procurement.

It would be interesting if you went to the twenty two Local Authorities in the region and asked them to answer one question: 'How much do you spend on procurement in a year?' 'Could they answer that question or not?' I suspect they would initially come back and say, 'what do you mean by procurement?'

I'd probably say that for many of them it would be as clumsy as looking at their budget and taking away salary costs, other incidentals and that's whatever you are left with, which is comparatively uninvestigated really.

Another key issue identified by one of the Directors of a Centre of Procurement Excellence was the skill sets of some of those who were working in the area of procurement.

The people that are running the services haven't necessarily got the right skills in, and the sensitivities to, procurement and general management. I think that includes this 'funniness' around partnership. The procurement people will be rather suspicious of what it all means, and the non-procurement people will see it as the solution to their prayers. Neither of them will know what they are talking about.

One Chief Executive expressed concern in relation to the uncertainty of central government's agenda regarding regional unitary government.

Another term of Labour government, if they decide to go for unitary government all over the country. It will create 4 or 5 years of absolute mayhem. I think it's a very real possibility. (I suspect the original agenda's dead but I really do think if they get back in to power they will look into unitary government as a model). That will create major problems.

The lack of a long term financial commitment to supporting the Centres of Procurement Excellence was also perceived by some to be a potential problem. The uncertainty of any forthcoming election as well as the future of Regional Assemblies and Regional Government was considered by some to be a potential problem.

A problem identified by a Welsh Unitary authority to potential collaboration and partnership working across all twenty two of the Welsh Unitary authorities was that of the existing commitment and in some cases the lack of progress achieved to date by some authorities in this respect.

One of the biggest problems is if someone came up with the idea that all 22 unitary authorities needed to work together. That's probably not going to happen because I need it to happen now, not in six months time, or twelve months time. Really it's going to be a partnership of those with like minds.

I think it's important not to go for a big bang approach because I think that will slow us up really. So I think the issues are really identifying those who want to work together to make some savings, and believe you me those who are not involved are going to come running aren't they? Once they see that it's working and it's made significant savings I won't have to go chasing them, they will be chasing me.

I think the issue is to identify partners who are prepared to work together on common objectives, the problem is trying to find those people and trying to persuade others that it's a good idea to move from the supplier they've used for the last 20 years.

One of the potential barriers identified was that procurement did not feature prominently within the internal cultures of some organisations. Therefore a key priority was to raise the profile as well as the importance of procurement internally within these organisations – particularly targeting Chief Executives, Council Leaders, Deputy Leaders and other senior elected members.

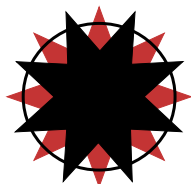
One stakeholder expressed the following view in terms of where he felt his organisation was at:

At one level we could say that we've got years of experience in all of this through the 2% savings with Best Value. But on the other hand you know, we've now got Gershon, as well as the new Centres for Procurement Excellence, so either we are at the end of one thing or at the beginning of another. Or possibly we're rolling along trying to find answers to something to which perhaps there are no answers.

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