

Shared Procurement Services

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Prefix

- Theme is ‘collaboration for the common good’
- Open up a few thought-processes
- Describe the high-level strategic principles
- Examine the benefits and disbenefits
- Low-hanging fruit
- Types of shared services, especially CLAN
- The National Agenda post-McClelland
- Compliance with EU rules
- The need for procurement professionals

The Kernel

- Procurement includes sourcing, purchasing, warehousing, stores and logistics
- Consolidation of a non-core but critical activity
- Stand-alone business unit
- Delivering these services back to participating organisations
- Future State Vision

Procurement: Barely Addressed

Henley Professor Marc Day:

“Annual third-party public procurement is £243 billion”

“Public Procurement represents 40% of all public sector expenditure and 20% of UK GDP.”

“90 per cent of the total public procurement expenditure of the UK has barely been addressed.”

“No other aspect..could release so much money, so readily and with so little...social detriment.”

Definitions

“A model of providing procurement services in a combined or collaborative function, sharing process, best practice and technology.” (York Consulting)

“A collaborative strategy in which a subset of existing procurement functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for internal customers of the parent organisation, like a business competing in the open market.” (CIPS)

CBI

“The CBI believes that the business case for shared procurement services is evident – economies of scale, better sharing of information across function and organisation of boundaries, aggregation of buying power for the purchase of leading-edge solutions, greater opportunities for staff specialisation, a framework for continuous improvement and process innovation.”

Vox Pop

“We will consider any avenue to provide the best service we can” (College Principal)

“We will collaborate with anybody if there is a benefit to this organisation, but we are not going to collaborate just for the sake of it.” (English Charity)

“We dropped the local authority from doing payroll as they got it so wrong and it generated so much additional work that we took it back in-house” (3rd-Sector Scottish Organisation)

How successful?

- Only about 12% of public organisations in Scotland operate shared procurement services (York Consulting).

Why share?

- Cost savings – private sector claims 10-50% reductions (CIPS)
- Greater bargaining powers
- Improvements to service leading to more customer-centric services
- Continuous Improvement and CPD for staff – better employee experience
- Process efficiencies – outcomes, not processes – strategic – easier route to P2P
- Lean and agile procurement staff
- Standardisation and Simplification
- Better risk management
- Good practice and networking benefits
- Expertise
- Better IT solutions, joint e-catalogues and MIS
- Better Downstream activity
- Might be able to expand to sell outputs to others
- Better able to deal with horrible EU procurement law

Some Disadvantages

- Independence is important
- Are there really the economies of scale?
- Possible VAT and TUPE implications
- Doesn't always get proper top-down governance
- Delivery of shared procurement services is not core business
- Can be expensive
- Difficulties with inter-operability of ICT architecture
- Difficulties with Customer Relationship Management
- Resources and time drain from existing service
- Possible redundancies through lack of duplication
- Smaller partners' fear of second-class treatment
- Change equals worry for staff
- Loss of autonomy for decision-makers
- Needs huge commitment to cultural change

Impact on an Organisation

- Takes a long time – feasibility study, business case etc.
- Needs significant cultural change
- Needs buy-in from the top of the organisation
- Needs clean data
- Needs procurement to be brought up to a standard
- Certain risk involved

Low-hanging fruit

- ICT
- Energy
- Office Consumables
- Office Equipment
- Vehicles and vehicle hire
- Payroll and Financial Services
- Consultancy, professional and temporary staff
- Janitorial products
- Property, building design and property maintenance
- Catering services
- Legal Services
- Education and Training Services
- Social Services
- Security and other FM Services

Forms of Shared Procurement Service

- Unitary – single organisation – specialist
- **Lead Organisation – others share – THE MOST POPULAR**
- Strategic Partnership with 3rd party (external)
- Joint Venture separate legal entity with 3rd party
- Outsource all procurement to a third party – client/contractor relationship

C.L.A.N. Shared Procurement Model

“We have hundreds of people buying, but our in-house corporate team has around four procurement people,” he said. “We need to centralise procurement and train our people in best practice techniques. We have about four fully qualified CIPS members who will be at the heart of the new procurement service.”
Chris Bilsland, Finance Director at City of London Corporation Consortium.

McClelland and shared services

- McClelland report 2006
- Far-reaching consequences
- “Collaborate wherever and whenever possible”
- Creation of national cat A contracts
- Sectoral Centres of Expertise and Cat B contracts
- Regional hubs and cat C contracts
- Local Cat C1 Contracts.

Performance measurement

What do you measure?

- Cashable savings
- Process efficiency savings
- Other Added Value savings (e.g. CSR)
- Inflation avoidance savings
- Market index savings
- New procurement savings

SLA content

- Governance and responsibilities
- Scope/nature of service to be delivered
- Timelines
- Performance measurement
- Contingencies (risk/reward)
- Quality Standards
- Pricing model
- Billing

Collaboration in Action: Royal British Legion

Enlightened procurement strategy includes:

- Leveraging supply-side knowledge
- Whole-life costing and true sustainability
- Adopt e-commerce processes
- Performance measurement
- Compliance with EU rules
- SRM and downstream contract management
- Service Level Agreement
- **Stakeholder engagement and benefit to other charities (Collaboration)**
- **Use of Government etc. frameworks (collaboration)**

Steps to successful completion

Feasibility Study

- is it right? - scope and buy-in - model

Business Case

- Analysis – current state, future state, costs, benchmarking for viability, customer preferences, risks
- Design – structure, Governance, operating principles

Implementation

- Culture, vision and measurement

EU procurement and shared services

Is your organisation subject to EU rules?

“Charities are not...subject to EU Procurement rules when buying their own goods, services and works, but they clearly are when tendering for services to contracting authorities.” Michael Johnston, McClure Naismith.

Procedural difficulties

Some Third Sector organisations are:

Beware:

- Complexity of procedures
- Remedies Regulations

RSLs are

- *Commission v France* proves that RSLs are captured by EU
- ‘Manager of Last Resort’ is the Scottish or UK Government.
- No ‘industrial or commercial character’
- They are legal entities in their own right
- They meet a ‘general interest’ need.

Mutuals

EC Rule changes are out for consultation

- Government wants a 3-year non-competitive 'holiday' for 'mutuals'.

Discuss.

- Hard for charities to compete now
- Sustainable future – what chance have they in 3 years, especially in straitened times.
- Procurement expertise required to understand Tendering processes.

The need for procurement professionals

“...Procurement in the hands of unqualified people” is “similar in some cases to letting kids run riot in a sweet shop”. [Lord Sugar]

Skills, competencies and expertise

- Market intelligence
- Stakeholder engagement
- Project management
- Creation of specifications
- Pre-selection and pre-qualification
- Creating Tenders, data analysis, Tendering, e-tendering and Tender Evaluation
- Reportage
- **EU rules – Advertising, Procedures, Standstill, Remedies**
- Downstream Supplier Relationship Management

Summing Up

- Shared Procurement Services is championed by most
 - private and public sector
- Significant potential savings and value-add
- Some disadvantages around cultural change
- Some time in developing feasibility study/business case
- Charities/3rd sector could do more
- Procurement professionals required
- CLAN approach needs fewer staff

Anything else, whilst I'm here?

If there's time:

- Any questions?
- Any other area of procurement you would wish to explore with me?

THANKS

I hope you haven't been too bored with my peroration!