

## FOCUS ON... COMPREHENSIVE SPENDING REVIEW 2007



# CLOSING THE DIVIDE

As local authorities gear up to address the challenges of CSR07, Scottish local authorities should avoid the traps that English local government has fallen into in its efforts to become more efficient, argues **Ken Cole**.

**P**erhaps the biggest challenge facing the UK public sector today is the need for greater efficiency. This is not the consequence of an unexpected fiscal crisis caused by a Government

unable to manage the public purse. Far from it. The Treasury has kept a tight reign on public spending and has used its leverage to

demand more efficiency from our public services. Indeed, the search for greater efficiency is set to intensify significantly under the Comprehensive Spending Review 2007 (CSR07), an era which is finally upon us.

But the fact remains that the public sector has been at the efficiency game for some time. So you might think that a consensus would have emerged by now on how best the sector should

**It is essential that we learn from the best practice around if English public services are to make the step change in efficiency and service improvement that politicians and the public demand**

respond. If we compare the Scottish and English experiences, we find, however, that we still have some way to go before we reach a consensus.

Each country has taken a very different approach and I would argue

that in this context, the Scots have really stolen a march on the English. England's public services could do well by looking north of the border to see how their Scottish counterparts have responded to the efficiency agenda.

CSR07 demands that English local government must deliver three per cent cashable savings each year for the next three years to deliver its target of £4.9 billion by 2010-11, an amount which is almost two-thirds higher than the sum from the previous spending round. This picture is compounded by the fact that service pressures are set to increase considerably in some areas, waste services and care for older people in particular, while the new performance framework places greater emphasis on improving service outcomes for citizens.

Once again, procurement is being thrust centre-stage to deliver the majority of the efficiency gains. The Government expects that almost 60 per cent or £2.9 billion of the £4.9 billion target will come from efficiencies generated from smarter procurement.

Yet we must not lose sight of English efficiency successes. Local government as a whole, for example, has performed very well. It achieved its efficiency target a year early and looks set to exceed it by around £1.2 billion. The new Regional Improvement and Efficiency Partnerships (RIEPs) are in the fortunate position of building on the solid foundations laid by the Regional Centres of Excellence, a programme which has just drawn to a close.

But it has taken a long time to get to this position and even now I would argue that the English approach is simply not organised in the most effective way to deliver these very challenging targets. It is essential that we learn from the best practice around if English public services are to make the step change in efficiency and service improvement that politicians and the public demand. So, let us look northwards.

Our starting points are two landmark reports. The Byatt report in 2001 signposted the direction for English procurement while five years later the McClelland report did the same for Scotland. But within a short period of time, Scottish public services have made rapid progress in driving out costs and redeploying scarce resources at a pace their English counterparts could only dream of.

Why? Perhaps most importantly, McClelland advocated a cross-sector approach to procurement to rid the public sector of overlap, duplication, missed opportunities and the poor use of scarce procurement resources. After all, local councils, health authorities, the prison service and education all buy many common commodity products and services from the same suppliers and face similar management and business challenges. This immediately gave Scottish public bodies the initiative, which was given further impetus by the active endorsement of the Scottish Executive.

Underpinning this approach in Scotland has been the creation of Centres of Expertise and so-called sector A and sector B contracts. The Centres of Expertise have been established on a commodity-by-commodity basis and structured at national and sectoral levels. Hence, we have sector A contracts that are mandatory for public sector organisations to buy into, covering high-volume, low-value goods, while sector B contracts are also mandatory but sector-specific. In this way, demand is aggregated to keep unit costs low and scarce procurement resources are not tied up dealing with many low value-goods often repeated across each sector.

By way of contrast, we see a very different picture in England, one which has been characterised by delay and changing priorities. It was another two years after the Byatt report before the National Procurement Strategy for

English local government was published. This was virtually superseded by the Gershon efficiency drive, which further complicated matters.

Cross-sector collaboration, with one or two exceptions, has also been largely absent from the English experience.

Local government had its agents of change, the Regional Centres of Excellence (now recast as the RIEPs), and buying organisations operate on behalf of fire services, local government, health and central government, but there is little by way of collaboration between the sectors and so opportunities for large-scale aggregation of demand and market influence are going a-begging. If these problems are not considerable enough, recruiting and retaining top procurement professionals is proving difficult, and in many cases the procurement function still has too little direct influence over the majority of third-party spend.

I think it is so important for the health of our public services – and ultimately for our citizens – that we adopt what is acknowledged as best practice. Agreeing what this is exactly will take more debate; however, I am convinced, having studied both the Scottish and English experiences, that England's public services can learn much from their counterparts north of the border.

📖 **Scottish public services have made rapid progress in driving out costs and redeploying scarce resources at a pace their English counterparts could only dream of** 📖

*In particular, I would recommend that they:*

- take a commodity-by-commodity approach across public services, concentrating on high-value spend
- embed collaboration between public services from the outset
- champion projects and action at the highest levels, both nationally and locally
- ensure market intelligence is a prerequisite so that strategies and projects are based on robust data and are evidence based
- share scarce procurement resources between public bodies

We also know that the ultimate prize is huge – better public services at less cost. But this is the last chance for public sector procurement north and south of the border to show its real value. And, frankly, England must examine even more radical ways of delivering greater efficiency. 📄



**Ken Cole FCIPS**

Director, SPS Consultancy

## In summary...

- The Byatt report in 2001 signposted the direction for English procurement while five years later the McClelland report did the same for Scotland
- Local government in England has achieved its efficiency target a year early and looks set to exceed it by around £1.2 billion
- The Centres of Expertise in Scotland have been established on a commodity-by-commodity basis and structured at national and sectoral levels

## Further information

Ken Cole's white paper, *Implementing McClelland: Learning from the Byatt Experience*, is available at: [www.sps-consultancy.co.uk](http://www.sps-consultancy.co.uk)