

# Procurement Evolution in the UK Public Sector

## The Technology Enabled Procurement Evolution in the UK Public Sector

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**Mike discusses evolution of procurement in the UK public sector since the Gershon review and the creation of Office of Government Commerce (OGC) until now.**

Approaching the 10th anniversary of the formation of the Office of Government Commerce (OGC) it might be time to ponder on one of Sir Peter Gershon's first acts upon taking the Treasury Procurement Group into his fledgling organisation - the scrapping of the 'eShopping Mall'.

The late 90's had of course seen the emergence of the 'dotcom' boom with a drive towards electronic marketplaces as the modus operandi for forward looking businesses.

Gershon decided early on that though the theory of a marketplace for government was laudable enough, neither Whitehall nor suppliers to the government market were ready for it. He would have been reluctant to nail his colours to this mast at the expense of attacking areas of widely reported deficiencies, for example in the management of major programmes and projects. Under the circumstances OGC stepped away from the Shopping Mall on the basis that the technology, market and commercial models were not clear, and yet to be proved.

3 years on OGC declared its eProcurement Strategy for UK Government to Permanent Secretaries. By this time there was an important piece of progress. OGC had had one of its finest hours, striking a pan government deal with Microsoft. This was based upon government's aggregated spending power and assured business. It was clear that if that was to be replicated in other areas that the public sector would have to be in much more control of knowing how much it was spending, with whom and on what.

eProcurement now emerged as key to unlocking the problems that had plagued public sector procurement for years - being able to let better contracts and getting thousands of buyers to buy from those contracts. An eMarketplace would also address another OGC priority - opening up the government marketplace, particularly to SMEs and making it easier for them to win business and to transact effectively with government. A single portal for government buyers to transact with its suppliers without imposing a financial or technical burden on them was now vital.

The OGC strategy went much further than the original electronic shopping mall with a more developed idea of how the best deals would be brought to the buyer's desktop and trading done electronically with all of the transaction detail captured for analysis.

**Fast forward then to see how government has fared...**

Well, given the view of the Operational Efficiency Programme Review into collaboration in public sector procurement that came out this year you'd have to say that much still remains to be done.

Amongst its findings the OEP points to the process of government buying being too dispersed and suppliers being disadvantaged by this disjointed approach. It goes on to call for management information and common standards and much improved transparency suggesting that government should be saving an additional £2bn a year by 2012 just by closer working and using the tools available to it.

Amongst its recommendations OEP calls for better use of investments in back office solutions specifically naming the government's strategic emarketplace service, Zanzibar which had been born out of the 2002 strategy.

Of course the OEP is brought into even starker focus by the realisation that despite predictions that UK economic fortunes are on the turn, the effect of the downturn upon public spending will be felt for years to come, with significant and in many ways unnecessary cuts to front line services.

ProcServe has the task of operating the Zanzibar service and as such is in continuous contact with hundreds of organisations across public sector as well as OGC and the Treasury. When asked recently whether the public sector landscape is conducive to collaboration, Veera Johnson, ProcServe's CEO gave this view; 'There are clear indications of a move in the right direction particularly in the wake of OEP. However, budgetary authority remains massively devolved across sectors and there are large amounts of spend for which accountability seems unclear. On the whole the standard and availability of spend data remains a problem.'

Veera notes that despite this, progress has been made albeit slowly, with many organisations adopting Zanzibar such as the Crown Prosecution Service, the Department for Work and pensions, Communities and Local Government, the Bank of England, Treasury Solicitors, NHS, local authorities and housing associations to procure more efficiently and achieving tangible savings. Zanzibar has also become an essential component of the Department of Work & Pensions' Shared Services initiative that has been extended to the CMEC and the Department for Children Schools and Families, for OPEN (the Online Procurement for Educational Needs system) to service 22,000 schools and xchangewales to drive forward the deployment of Zanzibar service into the Welsh Public Sector.

'However' Veera continued 'Procurement is still often considered a back office function rather than a strategic function and transformation is not prioritised and resourced to the level it should be. Far too many organisations still use too many contracts for commonly bought commodities and services and best value deals need to be more visible and accessible.'

ProcServe's mission is about enabling public sector bodies to optimise and standardise the way it buys goods and services, get real time information on government spend and make best value deals visible and easy to buy from. The overwhelming ambition for Zanzibar is to make cross government procurement collaboration happen and get the right management information for Finance Directors to track and manage spend as it happens.

On top of this, ProcServe has perfected its MI capability to make direct comparisons across different buyers buying the same goods from the same suppliers, using collaborative and non-collaborative contracts. This has revealed astounding results - a real example of two organisations tracked in Zanzibar showed a cashable saving of 17.85% by one over the other on a standard 'basket of goods' including IT, office equipment and stationery.

The problem is getting more organisations and their suppliers signed up and using the service. Departmental eProcurement strategies and champions largely seem to be a thing of the past. ProcServe needs to slash the time it spends on this so that it can concentrate on helping deliver the benefits. ProcServe calculated that in a sample of 100 organisations it had engaged with the length of time taken to sign up to the service equated to around £636m savings per annum that government could have achieved.

Back to Veera for a last word - 'Following on from Transforming Government Procurement, OEP is the latest review which if acted upon and more importantly followed through and tracked, can radically change the way that government does its buying.'

'Public sector organisations can easily deliver against its OEP targets 'added Veera, 'but the time has come to cease reviewing and start doing. '