

SOPO—Speech
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Current status of Efficiency Review

1. Good morning, ladies and gentlemen and welcome. I'm very pleased to be here today at the annual SOPO conference.
2. I'd like to just amend one fact in that introduction—I don't run the Efficiency Programme at all; you do that. Efficiency is what's happening on the ground in both central government and across the wider public sector, and considerable progress has been made. My role is more around keeping score, if you like, to demonstrate that progress is being made, and successes are being delivered. And it's also our responsibility to see what's working well and promote it.
3. The programme is going well; I'd just like to give you the stark numbers to let you know where we are:
 - a. £9.8 billion in Efficiency savings out of the £21.5 billion target
 - b. 45,547 gross headcount reductions out of the 80,000 target with 9,300 having been re-deployed to the front lines
 - c. And 7,800 relocations out of London and the South East of the total targeted 20,000.
4. Now, if you think back two years to the start of the programme, you'll remember that these targets were seen by many as too challenging. But here we are, in the second year of the programme, and we've already achieved almost £10 billion in savings. I'm not surprised by our success so far, and I didn't think it was an unachievable goal then, for two reasons:
5. First, because I knew at the outset that across of the whole of the wider public sector, and particularly in local government, people were already on this journey. Efficiency was much more mainstream at a working level in local authorities, as you attempted to deliver better services to your citizens and council tax payers while still keeping a lid on some very challenging budgets.
6. And secondly, I knew we could deliver because when the programme was set up, Peter Gershon introduced three levers to manage risk:
7. First, none of the changes recommended in the Efficiency Programme require primary legislation. We weren't keen to change the status or ownership of the public sector bodies; we didn't want this to be a distraction from getting on with the process of continuous improvement.

8. Secondly, we were very conscious that Government was already committed to a significant investment in IT-enabled change. We didn't want to add to that challenge by identifying further IT investment on top of what was already out there—there seemed to us to be enough underway.
9. And thirdly, we took the view that we should not be looking for new, innovative and challenging approaches that had never been tried before, then insist that they be implemented everywhere. The essence of this programme is building on good practice and successes that already exist. Everything that can be found in the Efficiency Programme, someone, somewhere—either in the public or the private sector—is doing it already and they're doing it well. So the real challenge is to find those who are doing it best, promote their successes and encourage others to adopt their approaches. That seemed to us to be a much more manageable approach to the challenges of delivering on the Programme's large numbers.

Achievement so far in Local government

10. We're very keen in the Efficiency Programme to learn from one another and to share and promote our experiences from one organisation to another. And local government has given us some very good examples of good and best practice. I don't mind saying that, while central government is doing well, it can learn a lot from your successes, and I hope you'll indulge me for a moment while I give you some facts and figures about local government performance:
11. As the minister said, local government is likely to meet targets a year early. To March 2006 actual efficiencies of £1.93 billion have been secured by Local Authorities. These are expected to rise to £3.09 billion by March 2007. Now, that's a pretty good number all on its own. But it gets better when I tell you that that means the target to March 2007 of £2 billion will be exceeded by more than 50%. This is an extraordinary performance.
12. Not to mention that out of 389 councils only seven have failed to reach their target in 2005/6. That's a record any business or organisation, public or private, would be proud of.
13. Actual gains to March 2006 are across all sectors, and almost three quarters are cashable. The largest area is in Adult Social Care with around £314 million saved. Actual gains are across all geographic areas, with the largest excess over target being in the East of England Region.

Challenges: CSR07

14. Now that I've delivered some compliments, I should issue the challenge: we're going to be facing a tighter fiscal environment in the coming years. We're very encouraged by the work already done, and the sharing of best practice—but in the coming years, this will be a requirement, not an option. The Comprehensive Spending Review 2007 will lay out a much stricter spending regime, and it will affect us all across Government and the wider public sector.

15. In Budget 2006, the Chancellor announced that five Departments had agreed early CSR07 settlements—the Department for Work and Pensions, HM Revenue and Customs, the Cabinet Office, Treasury and the Home Office. Departmental Expenditure Limits for HMRC, DWP, Cabinet and the Treasury—including my own organisation—will decline by 5% in real terms for each year of the three years covered by CSR07. And though the Home Office will not be seeing a reduction in its Departmental Expenditure Limit, its budget will be static at a time when pressures for delivery are greater than ever before, taking on issues like crime and terrorism.
16. As for the remaining Departments, in July 2006, Stephen Timms, the Chief Secretary to the Treasury, presented a paper to parliament entitled *Releasing the resources to meet the challenges ahead: value for money in the 2007 Comprehensive Spending Review*. It identified scope to deliver savings of at least 2.5 per cent annually over the CSR07 period. As the Chief Secretary recently said, Efficiency should be seen as the friend of better public services. If we're going to make progress on improving public services in the next spending review, Efficiency has to be seen as an essential enabler.

The role of procurement—three pervading themes: collaboration, professionalism, sharing best practice.

17. So we know what's on the horizon, and we know we need to rise to meet these challenges. In this, the role of procurement is absolutely crucial.
18. For anyone who doubts this, let me respond by pointing out that the Government is relying on procurement to deliver some £9 billion of the overall £21.5 billion Efficiency gains—and that's over £2 billion more than we had originally conceived at the outset would be achievable through procurement.
19. We're facing tighter financial times ahead, and procurement is essential to delivering our goals within this context. Therefore, it needs to be done well.
20. There are three prevailing aspects that are essential to procurement's successful delivery of Efficiency gains: collaboration, professionalism and sharing best practice.

Collaboration

21. I'll start with collaboration: aggregating procurement, sharing services, all the ways we procure more intelligently. I think we're making good progress so far.
22. I noticed there are some delegates from the North Eastern Purchasing Organisation (NEPO) here today, and I hope you don't mind my making an example out of you. For those of you not familiar with NEPO, this is a group formed to aggregate contracts and pool purchasing knowledge and expertise in the North East. It covers an area from the Scottish border through to Tyneside, Wearside, County Durham and Teesside; and, having been established in 1976, was clearly ahead of the game in terms of collaboration.

23. We all know energy is an expensive commodity and we estimate that it generates a public sector spend of £4.5 billion every year. Over the last 18 months NEPO has made a very substantial change to their energy procurement model by moving from a single annual tender process to a flexible energy contract, allowing the energy price risks to be more effectively managed—I think this is a significant step forward, and it's estimated that NEPO's change could save up to 10% in energy costs.
24. I know there's at least one delegate here from Suffolk, so I'll continue to make examples out of my audience—in the nicest possible way, of course. The Public Service Village Partnership in Suffolk brings together county and district councils, Suffolk Police, West Suffolk College, West Suffolk Primary Care Trust and Suffolk Magistrates Court. It seeks to unify the range of customer services across the organisations, improving customer access to services and creating a one-stop-shop for all of the organisations. It also achieves lower costs through rationalising accommodation and administration and taking advantage of joint procurement power. This seems to me to combine successfully the features of well-run procurement collaboration with the citizen- and user-centric approach that is at the heart of how our government is trying to organise and deliver public services.
25. And, of course, central government is on the job as well. The single sourcing strategy developed in central government to cover major purchasing of items such as utilities, fleet, print, temporary labour, etc, is a major step towards the collaboration we want. And in central government, we're going to be more demanding about participation in these arrangements. Our strapline now is, comply or explain. If there's a good deal to be had, why on earth would you not want to join in? And, frankly, I think that's the approach we should see operating across the whole of the wider public sector.
26. To give you another example, HM Prison Service's sharing of HR, finance and procurement for all 128 prisons in England and Wales is on target to save £32 million annually by its full implementation in 2008.
27. 'Shared services' and 'collaborative working' mean different things to different people. It has been primarily used across HR, finance, procurement, logistics, and estate management but, as we see with the increasing use of shared communications and marketing in the private sector, it is branching out, encompassing strategic functions.
28. As government becomes more familiar with shared services, and as collaborative working becomes more embedded in the ways we do business, those uses will likely extend even further. Already, local authorities are planning for strategic functions to be shared, hoping to create one-stop-shops for local government.
29. I think this is encouraging news: by working collaboratively and pooling knowledge and expertise, smarter, more innovative procurement can be achieved, giving significant savings. And, above all, these will cater to the needs of the citizen. While Efficiency may be driving the change, the result is that services are being tailored around the needs of the public.

30. As I said, none of us can be happy to rest on our achievements so far—the pace of progress on shared services is still frustratingly slow, despite the many examples that we can identify. And that's not just my view, that's the view expressed at an IDEa conference I spoke at recently with Barry Quirk of Lewisham.

Professionalism

31. Another aspect of procurement I mentioned is professionalism. Procurement is moving from being a corporate services function to being a strategic delivery tool. We've progressed beyond the days when procurement was something of a nomadic service—wandering somewhere between the admin and corporate services departments; procurement is emerging in others' consciousness as the professional skill each of us here knows it to be.
32. We expect procurement to deliver a lot: as I said, some £9 billion of the overall £21.5 billion saving the Government has planned. And it's delivering arguably the most important aspect of the Government's work: public services. So, at the risk of sounding blunt: this is too important a function to leave to just anyone. This is not the kind of job you can just hand over to someone who knows how to put a signature on a purchase order.
33. We need people who understand what procurement is all about—as procurement professionals, all of you in this room know it's not about paying less, buying more, and delivering faster. It's about understanding that there's a balance—a balance that is Government policy—between cost and whole-life value. It's about having the skills to understand this balance and make appropriate decisions. And it's about knowing the market—what direction it's heading and what kind of changes might be on the horizon.
34. So we need people who don't just look at price, but look at value for money; who don't just look at current requirements, but look at likely future needs; and who don't just look to contract signature but look to whole-life contract management. This is about robust, legitimate skills and standards.
35. Accordingly, John Healey, the Financial Secretary to the Treasury, commissioned OGC to undertake some work on ways to make the Government Procurement Service (GPS) more comparable to professional bodies such as the Government Economic and Government Statistical Services. And last week, he announced those changes.
36. I think this makes the point that procurement is being taken seriously from the top down, and continuing credibility within the profession will ensure the best delivery of our public services. Because, of course, the essence and importance of this emphasis on professionalism has to do with what we're procuring: from medicines to hospitals, school books to schools, and streetlights to streets...not to mention freeing up resources for the police forces that keep them safe.
37. Now, all this doesn't necessarily mean that every local authority needs to be expert at procuring all the goods and services that it requires—we already have professional buying organisations (PBOs) undertaking commodity procurement

on behalf of customer Local Authorities, and there is undoubtedly scope to extend their reach and grow their businesses. I'm happy to say that five PBOs have joined forces as Pro5 to offer the best deals to Local Authorities.

38. So again, the need for collaborative working is made clear. Where the expertise doesn't exist within your own organisation, working together can help. Where you may be stuck for an answer, look around outside your organisation.

Sharing best practice

39. Which brings us to sharing best practice. I've mentioned a few instances of best practice, and believe me, there are many, many more. What's important is to find them, celebrate them, and promote them.
40. Sharing best practice, as I've indicated, is a fundamental part of the Efficiency Programme. This is not about re-inventing the wheel. This is about applying tried and tested approaches—the answers are often just around the corner; we just need to find them. Not to mention that tested approaches offer us something even more valuable: risk management. As I've mentioned, we're entering a phase where not adopting best practice is not an option; it doesn't make any sense to have a better way set out in front of you and not accept the help it can give.
41. If I see a business or organisation delivering successfully, I have no qualms about nicking their approach—we're looking to make public services better, and that's too important not to look for the absolute best methods of delivery.

OGC's current work

42. Sharing best practice, professionalism, and collaborative working are all advantages exemplified by Regional Centres of Excellence. I'm proud to say OGC has strongly supported RCEs and I'm delighted that they have now launched a National Procurement Programme, directed by Steve Holland, who will be speaking later today. This will use a collaborative approach to supply and demand to drive efficiency in the procurement of commodity goods and services.
43. I'd like to make special note here of DCLG, which had the foresight to set up Regional Centres of Excellence to catalyse efficiency from within local government.
44. I'd like to say a bit more about what we're doing at OGC at the moment, and the ways our collaborative working have helped produce examples of really excellent work.
45. OGC recently undertook work to establish a new postal services framework to take advantage of deregulation. This informed the National Procurement Programme's (NPP) 'On the Money' guide to how to get a better deal on postal services. I'm pleased to say that the NPP's guide has just been published.

46. And our energy team is working with an NPP Procurement Action Group to develop a guide on efficient energy procurement—again, something with which I know some of the audience are involved.

What is likely to be expected in the future—mainstreaming Efficiency

47. So that's a bit of what we're doing, but it naturally raises the question of what lies ahead. The answer is, of course: a lot. There are opportunities and challenges, and we should recognise these both.
48. For instance, there are opportunities for more efficient procurement in non-commodity markets. I see there's a speaker today on social care, which is a major and growing expenditure area for local government, as you well know. And Government is already on the case: DCLG has recently launched their *Guidebook to Procuring Care and Support Services*.
49. And there are challenges. Quite aside from what we're asking from procurers—and it is a lot: balancing costs and whole-life value, understanding the market, operating within a tighter fiscal environment—there is also the challenge of Efficiency becoming part and parcel of the public sector's DNA. This is essential—we need to truly embed Efficiency so that it becomes second nature. In the context of CSR07, this becomes even more urgent.

Conclusion

50. So, in conclusion, what I really want to say to the people here today is this: you have an important job to do, and no one understands that better than us. You're being asked to deliver a lot: this is about the future of our public services. Your smarter procurement frees up funds and resources that will be re-deployed to the front line. And it is therefore the duty of all of us to do our best: we need to share best practice, work together and ensure that procurement is given the professional profile it deserves. Thank you all very much.