



Implementing McClelland

Learning from the Byatt Experience

A White Paper by Ken Cole FCIPS

A stylized illustration of a thistle plant. The main thistle is in the foreground, rendered in a vibrant green color. It has a long, slender stem with several sharp, pointed leaves. The top of the thistle is a dense, rounded cluster of small, spiky flowers. In the background, there are several other thistles, but they are rendered in a light gray, semi-transparent style, creating a sense of depth and a field of plants.

Setting the Scene

In June 2001, Sir Ian Byatt's taskforce, commissioned by the Government to review "the state of procurement skills and practice in local Government in England", produced its report.

The report, *Delivering Better Services for Citizens*, created a significant amount of activity in English local authorities and started a wider debate on the role of procurement in the drive for improvement in the quality and cost effectiveness of local services. The content of the report was agreed by most as well balanced and logically argued, departing from the traditional dogma of "if only the public sector would learn from the private sector". Indeed, Byatt even went as far as to recommend proactive involvement by central Government with some pump priming for specific projects such as e-Procurement. The Government's reaction was to publish the *National Procurement Strategy for Local Government in England (Product Code 03DPL 004)* in October 2003. This in turn led to the creation of the nine Regional Centres of Excellence (RCEs) in 2004. The publication of the outcomes from the Spending Review 2004 (SR2004) by Sir Peter Gershon in *Releasing Resources to the Front Line (ISBN 1845320328)* also came under the remit of the RCEs.

In 2006, John McClelland published his *Review of Public Procurement in Scotland (ISBN 0755949994)* making recommendations on how Scotland's £8 billion influenceable third party expenditure (excluding non devolved spending) could be reduced and service delivery improved. This report is owned and championed by the Scottish Executive. Although the recommendations are not binding, all public sector bodies will come under pressure to implement its outcomes, particularly in a climate of reduced financial settlements.

The core principles of what both Byatt and McClelland were seeking to do are similar, although there are also clear differences. This White Paper seeks to summarise the lessons from England¹, particularly around the outcomes for SR2004 and the problems that local authorities have faced in making progress. It concludes by providing some challenging and topical contributions for consideration by Scottish public sector organisations. The prize is a significant one and well worth pursuing for any public sector organisation that wishes to improve the quality and range of its front line services, but at less cost. The opportunities to get it wrong or be side tracked into an area that will deliver little or no return on investment are plentiful. *Caveat Emptor* or "Let the buyer beware" has never been more appropriate, but not in the commercial context that it is usually understood.

¹ We have excluded any comparisons with Wales where there has been a similar procurement programme led by the Welsh Assembly

Part 1- Drawing the Parallels

Comparison

In terms of the two main reports, Byatt and McClelland, the former contained a total of 39 recommendations while the latter contained 74. The overall message of both reports was similar; procurement accounted for a significant share of total expenditure, in Scotland's case it was estimated at about £8 billion (26%) from a total 2005 expenditure of just under £30 billion². This expenditure could be better managed and coordinated in order to realise significant savings, which would 'be delivered through collaborative buying'. Both reports, rightly, devoted a lot of attention to processes, authorities, people skills and organisational models. However, unlike Byatt, McClelland provided a cross public sector focus, including the Health Service and Higher Education. He pointed out the overlap and duplication between the sectors and that this led to not only missed opportunities but also "a poor utilisation of scarce procurement resources".

In taking the pan sector approach, McClelland immediately gave all Scottish public sector bodies the initiative to make significant and rapid strides in driving out costs and redeploying scarce resources. We shall look at the challenges that this presents later on. The response to Byatt from the Office of the Deputy Prime Minister (ODPM), now Department of Communities and Local Government, was to produce the National Procurement Strategy (NPS) in October 2003 which had a specifically local government focus. The release of the Gershon review in July 2004 further strengthened the sector specific approach and led to the introduction of 'work streams' along which efficiency gains could be delivered.

Reactions

People on either side of the border, in general, welcomed the key messages of the two reports. The main criticisms came from people that felt that it was a 'power grab' by the procurement profession. There were specific points of detail raised, but the main view was of general acceptance.

Some of the comments made on McClelland since its launch, usually from organisations that have a strategic procurement focus, include:

- ◆ Construction was given very little emphasis. Outsourcing and major high value projects account for well over half of a council's third party expenditure, which highlights their importance to the delivery of estimated benefits and demonstrates a possible weakness in the McClelland Report and Recommendations
- ◆ The recommendations are likely to be resource intensive to implement which was not acknowledged
- ◆ Different procurement routes were not recognised including the varying complexity of acquisition and associated markets, suggesting one size fits all
- ◆ Proposed KPIs³ were not indicators but operational metrics (these appear to have been copied from the *IDeA report ISBN 0748892664* in England)
- ◆ Expectations are too high with unrealistic timescales for implementation

² Byatt did not attempt to quantify the scale of expenditure relying on some general expenditure figures from 98/99 (paragraph 1.10 refers)

³ These KPIs have since been superseded by new proposals from the Scottish Procurement Directorate

- ◆ Little account taken of the serious shortage of staff with the appropriate procurement skills and experience and the related impact on the ability to deliver the improvement programme

Regardless, the Scottish public sector has been far quicker to start implementing the McClelland recommendations, acting within months to launch programmes such as expenditure analysis work. It took ODPM two years and two months to publish the National Procurement Strategy (NPS).

Going Forward

In England, the NPS became the main vehicle for implementation and had a specific local government focus. It also proposed creating nine Centres of Procurement Excellence (CPEs) which were designed to act as a 'catalyst for change' to ensure that local authorities were able to implement the NPS recommendations.

For many, the NPS was hardly a strategy, more a list of aspirations and visionary statements that included a rather short welcome from Sir Ian Byatt himself. Just as the ODPM was about to launch the nine CPEs, with annual funding of £400k per annum, Sir Peter Gershon⁴ delivered his own report on government efficiency in July 2004. This report had a specific HM Treasury focus on cash and service quality. This created further delay as central government decided to extend the scope of the CPEs, renaming them Regional Centres of Excellence (RCEs) which were now expected to act as a catalyst to deliver the broader efficiency outcomes and targets recommended by Gershon as well as the NPS recommendations.

In Scotland, McClelland is owned and championed centrally by the Scottish Executive which has meant that the implementation of recommendations started far sooner. In addition, the Scottish Procurement Directorate (SPD) has taken the initiative in areas such as gathering market intelligence and disseminating information. There has also been a far greater 'leadership focus' from the Scottish Executive which has put in place a unified approach to implementing the McClelland recommendations and created common networks to encourage more collaboration between the various public sector bodies.

The McClelland recommendations have been much stronger in their wording; even although their content may not have received universal support. For example, recommendations have been explicit on adopting e-Procurement Scotland (e-PS) and the implementation of National Contracts (Category A) and Sectoral Contracts (Category B). However, in England, the NPS simply extolled the virtues of e-Procurement, creating the National eProcurement Project (NePP). Also, it did not pick up on the duplication of contracting by regional consortia (e.g. YPO, ESPO, WMS) and most individual local authorities for routine commodities.

The creation of Centres of Expertise is an interesting recommendation from McClelland. The initial reaction was that these were a Scottish version of the English Centres of Excellence. However, they are definitely not as Recommendation 11.1 clearly states:

"Procurement 'Centres of Expertise' should be established on a commodity-by-commodity basis.

A theme of categorising commodities and services into a series of logical groupings should be adopted. These groupings should define how and by whom contracts are established for each of the categories. These Centres of Expertise should provide a service to their user organisations and thus not impact on the autonomy of individual entities".

⁴ This is sometimes less commonly known as Spending Review 04 or SR2004 and had a macro focus about efficiency across the whole UK public sector, except devolved expenditure to Scotland and Wales

The Centres of Expertise will be structured at national and sectoral levels. One centre for national contracts, typically dealing with Category A contracts and one centre for each other sector, potentially six in total, typically dealing with Category B contracts specific to the individual sector.

This model is long overdue in the public sector, as an analysis of each part of the public sector has consistently shown:

- ◆ Identical profiles in terms of spend, supplier distribution and in many case actual suppliers
- ◆ Proliferation of contracts for routine commodities and services (for example, most local authorities have their own office furniture, cleaning materials and printing contracts)
- ◆ Identical problems with transaction volumes, management issues and process streamlining

The point that the majority of people miss however, is that even though these areas are resource intensive, the scope for cash savings, excluding transactional efficiency gains, is minimal. In terms of collaboration this is an 'organise, automate and let go' decision. McClelland acknowledges that the Authorities Buying Consortium⁵ (ABC) accounts for less than 20% of its members' total expenditure.

Collaborative working in procurement is another form of shared services as acknowledged in the consultative document *A Shared Approach to Building a Better Scotland* (ISBN 0755950453) published by the Scottish Executive in April 2006. The document specifically poses the question about the links to McClelland (paragraph 58 refers), whereas the NPS only referred to it briefly in its definition of partnering and collaboration. Provided this link is made successfully, this will undoubtedly present Scottish public sector organisations with a strong basis for generating both cashable savings and efficiency gains.

At face value, it is possible to conclude that the structure and organisation put in place in response to McClelland is the right one, at least on paper, and action has been taken to implement the outcomes within a year. The questions that everyone wishes to know the answers to are 'will it succeed in delivering the outcomes' and 'what can possibly go wrong'. Answering these and other related questions drawing on outcomes from English local government is the subject of Part 2.

⁵ ABC is a Paisley based consortium comprising 12 of Scotland's 32 authorities which will reorganise and become Scotland Excel, the local authority Centre of Expertise, on 1st April 2008

Part 2 - Delivering Results; realities, misconceptions and opportunities

The English Experience

Efficiency is not a new concept to local government in any part of the UK. English local authorities in particular have been driving forward with a raft of efficiency initiatives, particularly over the last five years, even before the RCEs were set up. This drive has partly been in response to SR2004, but mainly due to reducing financial settlements from central government and the need to keep council tax increases to reasonable levels. It is fair to say that the RCEs did struggle in their early years to gain engagement from their member authorities. This was down to a variety of factors, including uncertainty over their exact remit (see Part 1) and the perception by some that the NPS, in particular, was a central view on how procurement should be organised. Whereas the 32 Scottish authorities are all unitaries, many of the 330+ English local authorities are small districts that struggle to justify appointing a Procurement Manager. Therefore for some of these English authorities there was no natural internal champion to make things happen. In addition, in many parts of England it is impossible to recruit permanent procurement staff simply because of the serious shortage of people with appropriate procurement skills and experience.

The RCEs have managed to generate and deliver some exciting new projects on shared services, collaboration and market management that are really making a difference to both the quality of front lines services and reduction of direct costs. These are in areas such as construction, on-street parking, insurance, linguistics, and social care. More details can be found from www.rcoe.gov.uk.

Other problems still remain to be solved, some of which are key to McClelland. These include:

- ◆ Lack of collaboration between sectors on routine / tactical commodities and services, leading to duplication of contracting
- ◆ Recruitment and retention of top procurement people with broad commercial skills
- ◆ Lack of visibility of strategic procurement in many organisations (it is still common for a corporate procurement department to have influence over as little as 10% of total third party expenditure)
- ◆ Separation of procurement, commissioning and contracting as different activities
- ◆ Uneven approach to collaboration – it is often down to the quality and motivation of individuals rather than the validity of the business case

Operational or Strategic

The key issue that will decide whether the recommendations of the McClelland Review will be implemented hinge on how it is regarded by chief officers and politicians. If it is deemed to be strategic, then it will command the attention that it rightly deserves. If, on the other hand, it is seen as operational, then it will be infrequently addressed and will be delegated to the Treasurer, Head of Performance / Resources or Head of Procurement to implement and manage.

The fundamental lesson to be learned from England is that both modernising procurement and the wider efficiency agenda are about *managing cultural change and attitudes*. This makes it a strategic issue, not

simply one of gaining ownership, and puts it into a localised context where efficiency gains are expressed in terms of the ability to fund more projects and improve existing services, rather than simply saving money. Interestingly, the efficiency projects that have had most success in England have been those created, managed and implemented at a local level for the benefit of local people. Those that have been promoted from the 'centre' have sometimes succeeded but have encountered far more resistance.

There are a number of questions that can be asked in an organisation to test the extent to which procurement is regarded as strategic. These include:

- ◆ Is there a McClelland Update regularly on the agenda for the Senior Management Team (or equivalent) meetings in the organisation?
- ◆ Who decides whether the organisation will be involved in any given collaborative venture?
- ◆ Are the McClelland recommendations and objectives communicated within the organisation in terms of central targets or in terms of improving the quality of local services and re-deploying resources to meet local needs?
- ◆ Do elected Members take an active interest in outcomes and expect to receive reports on progress made?
- ◆ Is the percentage of overall third party expenditure that the Head of Procurement is able to influence but not control in excess of 75%?

If the answer to these questions is, in the main positive, then procurement is definitely strategic and not operational.

Cultural Change

One of the traps into which everyone involved in SR2004 in England, myself included, fell into, was to assume that a sound business case backed by a new, flexible contract with proven cashable savings would be openly welcomed. Wrong! Some organisations and people did indeed welcome the opportunity, but alarmingly others did not. A decision to participate in a new collaborative venture, project or contract takes people outside their comfort zone, particularly when the idea originates from an external source.

Some of the reasons given for not taking part include:

- ◆ Contract standing order restrictions – such as preventing the use of external contracts
- ◆ Concerns about legal issues such as risk, warranties, wording of OJEU
- ◆ Not permitted due to existing contracts (such as outsourcing arrangements) being in place
- ◆ Doubt the business case or no internal information to validate the likely gains
- ◆ Comfortable relationships with current suppliers / providers, particularly where they are localised
- ◆ Local requirements are considered to be different or are more complex
- ◆ Did not know the opportunity existed

And, this is within a single sector; clearly the reasons for non-engagement are even more extensive when collaboration is pan sector. McClelland rightly addresses the issue of accountability and governance in his

review. If I was undertaking the review, I would be recommending that any decision not to take part in a collaborative contract and/or project, and there are certainly valid reasons for such a decision, should be considered and endorsed by the Senior Management Team (or equivalent). Those public sector bodies that take this route will find that levels of participation and support correspondingly increase as do the savings.

Communications

Regular and open communications are crucial to managing change. You can never over communicate. It is a common assumption that using traditional forms of communication will get the message through. Again, wrong! Most large organisations operate with a 'silo mentality' where communication up and down is normally very good, but across is not as effective. The lesson from England is that all communications need to be:

- ◆ Regular in frequency and style
- ◆ Personalised whenever possible
- ◆ Short and targeted
- ◆ Delivered in not only written form, but also oral and sometime visual too
- ◆ Sent through multiple media (newsletter, trade press, websites, briefings) in electronic and hard copy format
- ◆ Written in language that normal people relate to (no jargon)
- ◆ Informative

Even then do not be disappointed if the message does not get through. Whereas ten years ago paper in the in tray was the problem, now it is e-mails in the in-box. People will prioritise what they read and if your message has not interested them within 30 seconds then the message will not have got through. McClelland is about cultural change and communication is one of the key routes to success.

Market Intelligence, Interpretation and Analysis

The availability of good, accurate market intelligence is one of the main starting points for any exercise. The starting point is always to get reasonably detailed and accurate information on how much is spent, with whom, on what and when. Also, the accompanying transaction volumes are also useful, as usually a small number of suppliers are responsible for a disproportionate number of invoices, particularly those involved in the supply of utilities (gas and electricity), catering / food, building materials, and agency staff. We are aware that this exercise has already been started in Scotland during 2006, interestingly only one year later than it really got started across England (with one or two exceptions).

In addition to details on influenceable third party spend; it is important to have good information for all contracts over £50k in value and held in a Contracts Register that can be shared by everyone on an on-line basis⁶. This is an important tool if collaboration is to become a reality and a new mindset of looking to work with others, and not continually re-inventing the wheel, is to become prevalent.

⁶ There are a few such registers in existence, sometimes supplied as a subset of a broader resolution. The most cost effective are those that are a service, allow unlimited access and can be up and running in 48 hours

Such information provides the stepping stone to accessing the more complex but far richer savings to be found in the strategic categories, by:

- ◆ Allowing public sector bodies to align contracts and work together for better outcomes
- ◆ Supporting the development of appropriate supplier relationship management strategies
- ◆ Providing information to support business cases, particularly for shared services and new areas for collaboration
- ◆ Highlighting areas where either off spend activity is taking place or new contracts could be put in place

This has been achieved in some regions of England, but even with the best will and dedicated resource availability, getting access to basic contract details in many organisations is impossible. They are often inaccessible and some people are highly suspicious of sharing such information. For the Scottish public sector, carrying out this work will be essential, particularly if the really significant and still largely untapped benefits of cross sector working are to become a reality.

Having access to market intelligence is just the start. It needs to be gathered every year for comparative purposes and not seen as a one off exercise. It is not uncommon for the supply base of any UK public sector body to 'churn' by up to 40% per annum. Also, if it is not subject to robust analysis by people who know exactly what to look for and how to interpret it then it can be easily a wasted investment. My view is that all organisations should be training people to undertake this work themselves rather than spending vast sums on expensive consultants⁷.

A part of this process includes undertaking a Risk vs. Value exercise (see Appendix A) to understand the profile of spend and ascertain priorities for work programmes and future strategy development.

Scotland is well positioned to make strong progress, particularly if it sticks to the McClelland view of cross sector working. In England, local government is working well with the NHS, particularly in areas of commissioning and health related services, and shared services are already taking root. However, cross sector working for the routine commodities / services is still at an early stage of development, even though there are big overlaps in the suppliers used and the products / services acquired. Using the experience of the Fire Service in England, while 65% of expenditure will be sector specific (e.g. fire equipment in this case), the remaining 35% will overlap with other sectors.

Misconceptions

Whenever a new initiative or policy is taken forward, there is understandably a flurry of applications, services, solutions etc. generated largely by the private sector that claim to be a 'must have'. This is particularly so in the IT sector where sales levels of product licenses are the key indicator used to satisfy financial investors. Much of what is contained in McClelland and Byatt is indeed common sense and it is important to get things started in the drive for reduced expenditure and continuously improving front line services.

Some of the major misconceptions that will be encountered are as follows:

- ◆ Greater aggregation will lead to reduced costs
 - True in some areas, particularly for items in the 'routine' and 'leverage' boxes (see Appendix A).

⁷ SPS developed such a skills and knowledge programme for the London Centre of Excellence in 2004 entitled *Making the Most of Expenditure Analysis*

However, for others, this will lead to market distortion and tomorrow's monopolies. Also concentrating on routine items will not deliver the cash savings required. There is simply not enough expenditure or margin reduction to be accrued, a danger that Scotland Excel must avoid if it is to succeed in promoting its business case to the local authorities. Collaboration has to be extended to the higher value areas, typified by sector specific Category B contracts in McClelland. However, I would question the mandatory usage (chapter 11 refers), as the markets in which these contracts will be sourced are highly competitive and subject in some cases to annual price *decreases* (e.g. for ICT hardware).

- ◆ E-Procurement will deliver cashable savings

Again, only relatively minor *cashable* savings can be achieved; most of the actual savings are efficiency related (e.g. reduced times, transaction cost) and are of less interest to Finance Directors. Implementing eProcurement including eProcurement Scotland will not generate cash savings. It does, however, create the framework, disciplines and processes that support that goal. E-Procurement should be considered along with the use of other solutions such as purchasing cards and functionality available in financial systems (e.g., Cedar, Oracle, and Agresso). Any efficiency savings made through better use of technology will evaporate if underlying processes are not changed and manual / paper records are not eliminated.

- ◆ Most people will want to collaborate

Not so, it all depends on the people concerned. As I have mentioned earlier, in England there are lots of examples where the reverse is the case. Collaboration is an exercise in cultural change, and for some it will be viewed with suspicion, which may result in barriers to progress being put in place.

- ◆ Local suppliers want to trade with the Public Sector

As in England, much has been made of the creation of regional trading portals. The results achieved in many respects are far from convincing. While it is possible to 'e-enable', suppliers, are they the right suppliers for the organisation? It is easy to sign up the tactical suppliers (e.g. commodity providers) where markets are cut throat; however, these are the businesses that will find you! Most public sector bodies, particularly in urban areas have a high supplier turnover; a lot of effort is being made which is potentially wasteful to both suppliers and the buying organisation. The trick is to reach out to those businesses that currently do not trade with the public sector, but would introduce new ideas, competition or choice if they were to become engaged. These are often SMEs and/or local businesses that cannot afford to be involved in long and time consuming tender processes.

There are other misconceptions, but the key message is to contain and manage efforts in all activities that do not produce clear and sustainable cash savings. That is ultimately what interests Senior Management teams and elected Members, and on what local and central procurement teams will be judged.

Integrating the CSR Agenda

So far I have not mentioned Corporate and Social Responsibility (CSR). McClelland covers it in his review, even though some do not consider that it goes far enough. For the purposes of this paper, I am including environmental sustainability, economic regeneration, local businesses and support for small, ethnic minority and third sector operations under this umbrella. Most public sector organisations now have policies on some or all of these topics. The key challenge in England has been integrating it into the efficiency agenda.

Some argue that the two are incompatible or conflicting, and will point to occasions where cost has overridden CSR considerations. I do not believe that the CSR agenda has to be in conflict with the efficiency agenda. Much will depend on:

- ◆ How and when it is applied to the procurement process
- ◆ Current market conditions
- ◆ How the contract is packaged
- ◆ The amount of effort that is made to inform suppliers of the outcomes required
- ◆ What is being purchased – CSR considerations are not applicable to every procurement exercise
- ◆ The business case made
- ◆ Political priorities of the elected Members

Again in England, some excellent work has been done in this area, but unfortunately it has often been done as a parallel process to efficiency, not as an integrated process. A balance must be found.

Achieving Success

I have been fortunate to work on both sides of the border over the last five years and have seen first hand the dedication and great work put in by both procurement teams and people in service departments. The key message is that the aspirations set out in the McClelland Review are both logical and achievable. The core outcome from the English experience in implementing Byatt, in my view, is that this is an exercise in *managing cultural change*. In understanding this, it means that as much thought should go into presentation and communication, including training, as would do into planning a new collaboration exercise.

The key principles for achieving success will be:

- ◆ Strong and varied communication, showing how the McClelland recommendations will make for better services to local people
- ◆ Encouraging people to engage for the benefit of their local communities, not to meet a central target or simply tick some boxes
- ◆ Not confusing activity with delivering tangible results
- ◆ Planning your implementation strategy up front and always use evidence rather than hearsay or speculation
- ◆ Only work with those people that want to collaborate, ignore those who do not, but leave the door open for them to join in later, making it clear that progress will be at the pace of the quickest not the slowest
- ◆ Integrate the efficiency and CSR agendas
- ◆ Be prepared to get it wrong, particularly when you are charting new territory
- ◆ Remember delivery of new and sustainable cashable savings is ultimately what you will be judged on

Appendix A – Risk vs. Value

The *Supply Positioning* technique provides a mechanism for discriminating between the various products and services that are purchased and for developing a specific procurement strategy to meet the needs of the organisation with respect to each product/service or procurement category.

Categories of spend are plotted on a two dimensional chart in which the x-axis represents the relative cost of the category and the y-axis represents supply exposure or vulnerability. Positioning against the y-axis is determined by an organisation's situation and needs and is usually based on supply availability, business impact and how general the specification is.

The chart is then segmented into the following quadrants:

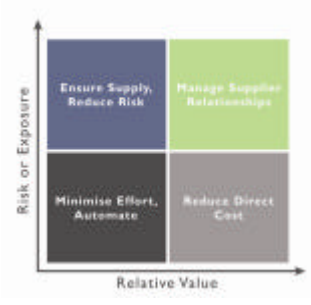
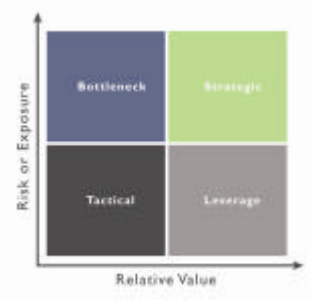
Tactical categories will be of low value and with a low business exposure because they have no special quality, safety, reliability or environmental implications and there are probably many suppliers in the market able to meet the demand. This would include stationery items, IT consumables and some catering supplies.

Leverage categories are of relatively high cost with no quality, safety, reliability or environmental issues and plenty of potential suppliers. Purchases here are unlikely to contribute directly to the provision of services and often include items such as vehicles, contract services, IT equipment and utilities.

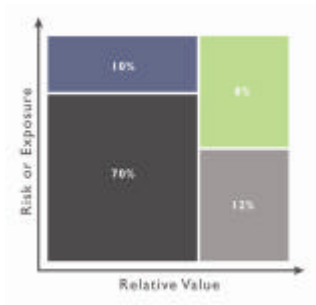
Categories in the top left quadrant are also of low value but in this case there are specification considerations together with a shortage of suppliers. Included in this **Bottleneck** quadrant might be goods obtained from a monopoly supplier or items with a very tight or 'bespoke' specification. These items are usually critical to service provision, but are low in cost. This will include materials and parts to support obsolete/dated equipment and specialist care services where there is a very high specification but a low demand.

Categories positioned in the top right quadrant are classified as **Strategic**. These are high cost and either have a specialist nature or are sourced from a difficult market in which there is a shortage of supply or there are very few potential suppliers. As the name implies, these are critical to the overall capability of an organisation to deliver services. This will include all outsourcing contracts.

Purchases positioned in the four quadrants have considerably diverse characteristics and therefore the purchasing goals and objectives will be quite different.



Indirect Costs

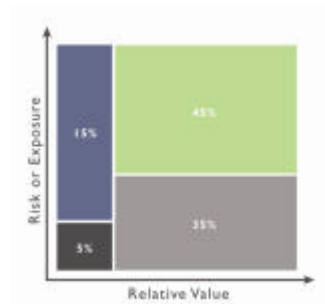


In most organisations, most activity/effort goes into the procurement of the high volume of low value/low risk items. This is due to the high demand from line customers, inefficient approval methods and failure to automate. Much less effort is spent on managing high value contracts, or in managing the business risk. The distribution of effort is shown in the diagram.

Direct Costs

The same diagram showing the breakdown of actual expenditure shows different weightings in the four quadrants.

One of the conclusions that can be drawn from the comparison of allocation of indirect and direct costs is that the majority of effort is spent controlling a relatively small proportion of low risk spend.



About Ken Cole

The author of this White Paper, Ken Cole FCIPS, has been a Partner in SPS for over six years. He spent the first 19 years of his career as a senior Civil Servant, latterly as Director of the Home Office's PROMIS Project, but also working in the Ministry of Defence, Cabinet Office and H M Treasury, mainly working on efficiency and procurement projects. In 1995 he joined ICT solutions provider QSP where he performed a number of roles. Since launching SPS, he has scoped and implemented leading projects across the UK, particularly in local government. These include, developing the business case and becoming the founder Director of the Procurement Agency for Essex (PAE) and doing the same again for the London Centre of Excellence (LCE) where he has been directly involved in developing and promoting some highly successful and innovative projects often involving collaborative working and shared service models.

He has been chairman of the CIPS Information Systems Committee since 1996 and was elected as a CIPS Fellow in 2005. He is also a Liveryman in the Worshipful Company of Information Technologists in the City of London.

About SPS

SPS is a specialist consultancy company providing proven, innovative solutions to support organisations wishing to achieve sustainable cash savings at the same time as improving the quality of their service provision. We operate across the UK and have an office in Edinburgh as a part of our commitment to the Scottish public sector.

Our inspirational approach is delivered by leading experts who understand the financial challenges and wider corporate responsibilities facing organisations today. This includes a clear understanding of wider business issues such as culture change, communication, people skills and collaborative working.

We work to an ethical consultancy charter with the ultimate goal being that we will contribute as much value as possible for the client and create a lasting impression by building a professional and ethical working relationship. Our charter includes the provision of fixed price contracts, re-use of research from other studies and full knowledge and skills transfer.

We have dozens of highly satisfied clients in both the public and private sectors where we continue to provide a wide range of competitive, low risk consultancy packages and training programmes including:

- ◆ Procurement audits and benchmarks
- ◆ Targeted Savings for service departments
- ◆ Market Intelligence interpretation including Expenditure Analysis outcomes
- ◆ Managing cultural change in the public sector
- ◆ Collaborative projects workshops
- ◆ Business case development and results audit

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