



# 3 Members' Guide ✓

**Top tips** for making savings through better procurement of information and communications technology (ICT) equipment

**As local government finances are squeezed during difficult economic times, it will become even more important for councils to work together to save money and keep council tax down. This series of member guides provides tips on how your authority can make savings through better procurement.**

## Making savings on ICT

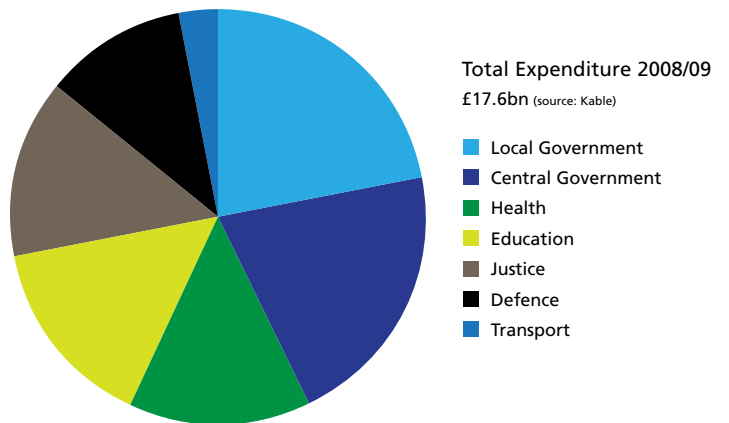
### Did you know?

Councils spend over £4bn each year on ICT equipment and related services, and are the largest ICT equipment buyers in the public sector. Spending on ICT equipment and related services is increasing by an average 8% each year, and is expected to reach nearly £5bn by 2012. By smarter collaborative procurement, and the use of e-auctions, councils could save 20%, or £800m each year. Read on to find out how your council could benefit.

### What does 'ICT' comprise of?

For most councils, the important areas of ICT equipment expenditure are **communications networks**, including **fixed and mobile telephones, software, data centres, servers, desktop computers and laptops**. These are the focus of this guide. However, councils also spend significant sums on related ICT services (such as multiple software licences, installations, maintenance & support, training, and telephony) and on statutory services like **Revenues and Benefits, Licensing, Planning and Elections Management**. Getting value in these markets is not covered in this guide but is also important for

members. ICT savings can also be achieved through options such as **Shared Services** with other public sector agencies, or **outsourcing** current in-house services such as network support or disaster recovery.



## Why ICT equipment expenditure is increasing so rapidly in local government:

- Investment to deliver the shared services and efficiency agendas
- Business transformational change programme
- Increased customer contact
- Increased mobile working
- Huge growth in data sharing
- Rising healthcare demands and changes in methods of delivery
- Renewal of the schools estate
- Traffic management systems to combat congestion

## Why should it matter to members?

There are excellent reasons for the increase in council spending on ICT equipment: a huge growth in **customer contact** and transaction processing, information and **data sharing, mobile communications**, and a change in ICT expenditure from 'back office' support to more sophisticated and costly '**front office customer service systems**, in support of e.g. '**one-stop shops**'. Councils' use of ICT is now so closely associated with improvements in services to customers that efficiency gains need to come from three areas: **organisational change, greater collaborative procurement and changes in customer behaviour**. Members have a critical role to play in each of these three areas.

At present, the ICT market is experiencing reduced demand from some of its most important customers such as the banks and financial services sector, and this may mean that councils have additional leverage in securing better prices.

## What is an e-auction?

E-auctions are a proven route to delivering efficiencies in ICT procurement. An e-auction is an electronic 'reverse' auction in which potential suppliers compete online and in 'real time', providing prices for the goods/services that are being procured under auction. Prices start at one level and gradually, throughout the course of the e-auction, reduce, as suppliers offer improved terms in order to gain the contract. E-auctions can be based on price alone or can be weighted to account for other criteria such as quality, delivery or service levels.

E-auctions do not replace tendering: they are a part of it and provide cost-effective, fast and transparent conclusions to a full tendering process. E-auctions may be based on securing the lowest price, or on most economically advantageous bid (price, payment terms, supply schedules).

Only those suppliers who have successfully pre-qualified (i.e. they have satisfied all tendering criteria such as quality processes, financial stability and environmental policies) should be invited to participate.

## Where and how can the efficiencies be achieved?

Efficiencies can be achieved on any ICT equipment or software that can easily be specified. **Most ICT equipment has become a commodity**: for example personal computers, laptops, peripherals, printers, scanners, photocopiers, IT consumables, software, printers, tablets, and PDAs.

ICT procurement specialists advise councils to take five steps to achieve efficiencies:

- 1 Use the collaborative procurement framework contracts for ICT** that are managed by the Office of Government Commerce (OGC) and some of the Professional Buying Organisations (PBOs). These are listed in this guide.
- 2 Use collaborative e-auctions which can achieve 30-40% savings.** Many local authorities have used the OGC e-auctions and some of the Regional Improvement and Efficiency Partnerships (RIEPs) and PBOs listed below have facilitated the use of these and are considering the provision of their own e-auctions.
- 3 Don't be fixated on brand.** Because ICT equipment is commoditised, if a council insists on a particular brand, it is likely to pay an unnecessary premium. Members are unlikely to be persuaded by those who argue that it is important to stay with the same brand for 'image' reasons.
- 4 Standardise on a particular set of specifications for all ICT equipment and only buy what is needed.** Collaborate with other councils and public sector agencies to agree common standard specifications. For one recent e-auction, 47 councils and other agencies agreed a single common set of specifications.
- 5 Standardise the terms and conditions in the contracts that the council signs with suppliers.** Collaborate with other councils and public sector agencies to agree common standard terms and conditions.

## What is the opportunity?

In March 2009, Capital Ambition (London's Regional Improvement and Efficiency Partnership) facilitated a very successful ICT e-auction, working in partnership with the Office of Government Commerce (OGC) and PA Consulting. Forty-seven organisations, including 16 London boroughs, joined forces to save more than £10.5 million. Hardware worth nearly £49 million was on offer at the e-auction, selling for a total of around £38.5 million. Ten major ICT suppliers took part in the e-auction. Over 325 public sector organisations and councils have saved a total of £21 million in ICT e-auctions since late 2005.

## What is the member's role?

The member's role is to ask three fundamental questions about the way in which ICT is currently procured:

'who is responsible for purchasing our ICT equipment?'

'are we collaborating with as many other councils as possible to gain the benefits of scale?'

'are we using the e-auctions and framework contracts that the OGC currently manage, and which some RIEPs and PBOs facilitate, to procure our ICT?'

Depending on the answers to these questions, it may be appropriate for members to scrutinise further the procurement process, get at the facts, and follow up. Apart from the formal process of overview and scrutiny, the Leader and Cabinet may wish to make this an area for particular focus and speak to their RIEP or the OGC for impartial advice.



## Checklist

- ✓ **How** much are we spending on ICT annually?
- ✓ **Who** is responsible for procuring our ICT?
- ✓ **Are** we procuring our ICT in collaboration with other local authorities?
- ✓ **Are** we using any framework contract arrangements that are in place via the PBOs?
- ✓ **Are** we gaining the benefits of e-auctions?
- ✓ **Have** we standardised on a single specification?
- ✓ **Have** we standardised the terms and conditions we use?
- ✓ **Are** we deploying ICT as well as we can to meet the needs of our customers?
- ✓ **Are** we making the right use of ICT in any transformational change that the council is undertaking?
- ✓ **What** ICT are we buying and why? Are service areas aware of what is already available within other parts of the local authority?"

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## Contact details for the Professional Buying Organisations/Central Purchasing Bodies

### Eastern Shires Purchasing Organisation (ESPO)

T: 0116 265 7878  
[www.espolCT.org](http://www.espolCT.org)

### North East Purchasing Organisation (NEPO)

T: 0191 433 5999  
[www.nepoportal.org](http://www.nepoportal.org)

### Yorkshire Purchasing Organisation (YPO)

T: 01924 824477  
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### Central Buying Consortium (CBC)

T: 01962 847831  
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The Local Government Association is the national voice for more than 400 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.

