



Cabinet Office

# E-Procurement - thoughts on EU initiatives and UK context

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# Context: Why Procurement Matters



Government priorities include:

- Deficit reduction
- Stimulating growth
- Facilitating opportunities for SMEs
- Transparency
- Big Society (mutuals, cooperatives etc)
- Deregulation

**Can better procurement support these objectives?**

**YES – EVERY ONE OF THEM!**



# UK Government Spend and Savings

## Some of the context

Total Government spent £763bn

£39bn procurement within central government admin control

In 2012/13 we saved £10bn( up from £5.5bn in 2011/12), and also saved £6.5bn through Fraud, Error and Debt Savings

Forecast savings (exc “FED”) £12.5bn+ 2013/14



# 2012-13 Cabinet Office Procurement Savings

## Savings

Around **£3.8bn of procurement savings** were achieved in the last financial year:

- **£1bn** through centralisation of procurement for common goods and services
- **£0.8bn** from renegotiating large government contracts
- **£1.9bn** by limiting expenditure on marketing and advertising, consultants and temporary agency staff



# Commercial Reform – Why?

Reforming procurement and commercial activity across Government is a key part of Civil Service Reform.

This links closely with work on strengthening corporate functional leadership and sharing services and expertise.

We are driving an ambitious programme of reform to build a sustainable approach to Government's commercial and procurement activity which will deliver:

- significant **savings** to the taxpayer
- aggregated **spend** across Government and wider public sector
- an increase in the quality of the commercial **service** to Government and the wider public sector.



# Commercial Reform - Objectives

To centrally manage the procurement of common goods and services.

To improve the management of common but complex procurements.

To allow Departments and public sector bodies to focus their commercial activity on what is truly unique.

To strengthen the procurement profession.

To improve commercial awareness across Government.

To improve supplier and contract management across Government.

To continue to work closely with the wider public sector.

New Crown Commercial Service will be key component of delivering these goals



# The EU Context to e-procurement

- Subject to EU public procurement rules since 1970s: Treaty, Directives, and CJEU Case Law require contracts to be awarded fairly and transparently
- Current directives made in 2004; implemented by UK in 2006
- Many calls for change/simplification over the years, including post financial crisis
- So legislative proposals by the European Commission to update the existing EU rules regime:
  - Revised Directive on public procurement
  - Revised Directive on utilities procurement
  - New Directive on concessions procurement
  - New Directive on e-invoicing



# The EU Timetable - procurement

**2011:** legislative proposals in Dec 2011

**2012 – summer 2013:** detailed negotiations in Brussels

**Early 2014:** EU adopts new rules / transposition begins (max 2 years)  
- But we are preparing for transposition now

**2016:** Transposition must be completed in all Member States

**2018:** Full use of e-communications (public and utilities)



# EU rules and e-procurement

Electronic enablement key element of wider EU policy

- Digital Agenda for Europe
- Long standing encouragement of e-procurement:
- E-procurement in 2004 directives
- Manchester declaration 2005
- Initiatives such as IDA, PEPPOL
  
- But across EU e-procurement remains patchy, progress less than hoped. New directives offer opportunity to increase the pace; integral part of modernisation of the rules



# Key points on e - procurement 1

All communication subject to the directives (public and utilities) must be electronic

“In particular e-submission”

- *Some* exceptions (eg specific security needs, oral negotiations, specific formats)
- Within 12 months of implementation deadline (36 months of directive coming into force) by Central Purchasing Bodies
- Within 54 months of coming into force for everybody else
- Member States to set security rules or framework for e-communications
- Rules on electronic digital signatures



# Key points on e - procurement 2

- Simplified / streamlined rules on “Dynamic Purchasing Systems”
- Allow new suppliers to join a pre-tendered, electronic framework agreement at any stage during the life of the framework. This is good for procurers as it gives greater access to new suppliers, and good for suppliers who need no longer be “locked-out” of frameworks
- Contract documents must be freely available electronically from date of “OJEU” advert
- Specific recognition of electronic catalogues can be part of the bid (option for Member States to make this mandatory)
- Member States allowed to require “building information electronic modelling” or similar
- Similar provisions on e-auctions to current rules



# Key points on e - invoicing

Still in negotiation, but latest:

- Applies to contracts which are or will be covered by the procurement rules (public, utilities, concessions, defence and security)
- CEN will be asked to develop a semantic data standard for the core invoice, taking into account other standards work, within three years.
- CEN also asked to identify (existing) suitable data formats (syntax)
- CEN recommendations to be formally adopted by EU
- Within 30 months of adoption of standard, central government and central purchasing bodies must accept e-invoices compliant with the semantic standard and any of the syntax
- Other bodies must accept compliant invoices within 36 months of standard's adoption



# Impact on UK public procurement

- E-procurement can support programme of savings and commercial reform mentioned
- Already significant usage: eg Government Procurement Service
- Use in wider public sector – Commission study suggests 30% - 50% e-procurement in UK already; well above EU average
- Recent straw poll indicates further increase in UK; well above 50%
- Variety of services / solutions
- E-invoicing still relatively little used

## Issues /unknowns?

- Full e-communications requirement seems a game-changer across the EU; how will it play out?
- Interoperability within an multiple service /solution environment?
- Quality data on usage and take-up of “e”?
- Capability and capacity across the entire public sector?



# Government Procurement Service

- GPS has used e-sourcing since 2006.
- The e-sourcing Suite supports all procurement activity, including e-auctions
- Uses the system for publication of Notices, invitations to tender, supplier tendering and the evaluation of responses
- In the last two years issued 120+ Notices for over 40 OJEU Procurements
- The system is also used by other UK Public Sector bodies to run Further Competitions under GPS Framework Agreements: over 7000 such events have been run in the last two years.
- There are currently over 13500 suppliers and over 2000 public sector bodies registered on the system
  
- GPS also offers some e-procurement tools and services within its frameworks
- As GPS moves into new Crown Commercial Service e-procurement will be crucial for delivery of CCS goals