



**'MAKING A DIFFERENCE'  
REDUCING BUREAUCRACY  
IN CENTRAL CIVIL  
GOVERNMENT  
PROCUREMENT**



**VOLUME 2  
MAIN REPORT**

**PUBLIC SECTOR TEAM  
REGULATORY IMPACT UNIT**



## **Acknowledgements**

The Cabinet Office Public Sector Team and the Office of Government Commerce would like to thank all stakeholders who contributed to delivering these actions, without their time and support, none of this work would have been possible. The organisations involved are set out in Annex 1.

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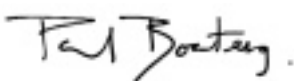
The Government has embarked on the most ambitious programme of public service investment and reform since the 1940s. Central civil government alone spends around £13 billion per year on goods and services.

Improving public services is the Government's top priority. Much public service delivery depends on bought-in services, so effective procurement is at the heart of the Government's Delivery and Reform agenda.

Yet, bureaucracy and inefficiency too often encumbers public procurement. Both civil servants and suppliers have told us about the burdens that get in the way of the efficient and timely delivery of procurement projects.

The Cabinet Office Public Sector Team (PST) and the Office of Government Commerce (OGC), have worked closely with suppliers, professional bodies, and other government departments and agencies, to identify the causes of inefficiency in public procurement and the actions that need to be taken to remove or reduce them.

This report outlines a programme of actions, some of which have recently been put into effect, designed to reduce bureaucracy in procurement. They all complement and integrate with the OGC's continuing programme to catalyse improvements in procurement in central civil government. Most importantly, they point the way to how bureaucracy in procurement can be reduced in the future.



**Paul Boateng**



**Douglas Alexander**

December 2003

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# EXECUTIVE SUMMARY

Effective and efficient procurement lies at the heart of the Government's drive to improve the delivery of public services. Procurement spend in central civil government alone amounts to around £13bn per year. Any unnecessary bureaucracy introduces waste and delay, reduces the likelihood of effective competition and jeopardises delivery.

The purpose of this Making a Difference study on Reducing Bureaucracy in Central Civil Government Procurement has been to identify practical measures that can be taken by OGC and government departments reduce bureaucracy and thereby reduce costs and achieve better delivery. The report builds on past and current work by OGC and departments, to improve government's commercial performance.

The Regulatory Impact Unit's Public Sector Team (PST) in the Cabinet Office, and the Office of Government Commerce (OGC) consulted staff in government departments, businesses and trade associations to identify the main causes and effects of bureaucracy in procurement and the key actions needed to reduce it.

The findings of the study fall into five broad areas. These are summarised below under headings that represent the "outcomes" required to drive improvements in these areas. A table of all the key outcomes and related actions to be implemented, together with target implementation dates, is included overleaf. All outcomes and actions have been agreed by OGC and relevant departments – some are already underway and the remainder will be completed within the next two years.

- 1. Speeding up the procurement process and reducing costs.** Long procurement timescales slow down the delivery of projects and increase costs for all involved. Long and unpredictable timescales reduce competition by absorbing scarce bid capacity and discouraging suppliers from competing in the future. Action is needed to reduce timescales by improving professionalism and embedding streamlined and consistent processes throughout government.
- 2. Improving leadership and capability.** One of the most important ways that government can streamline its procurement activities and achieve better delivery is by improving the skills of staff in decision-making and commercial roles. Action is needed to improve the commercial skills of senior civil servants and the professionalism of project teams, to ensure that training is consistent and in line with best practice, and to reduce government's reliance on consultants in key decision-making roles.
- 3. Improving communication with the market and in Government.** An over-cautious approach to engaging with suppliers and sharing information with them, particularly early in a procurement process, can result in misunderstanding and wasted effort, and reduced competition. Poor communication within government results in duplicated work and slows down the improvement cycle. Action is needed by government to improve communication with, and understanding of, the markets in which the government operates and to share information and lessons learnt between departments.

4. **Focussing on successful project outcomes.** When civil servants concentrate more on due observance of processes, rather than the outcomes they are seeking to achieve, this leads to unnecessary bureaucracy and can cause government to miss out on opportunities for capturing innovation. Action is needed to ensure that decision-makers place more emphasis on achieving outcomes, and to ensure that government does not miss out on the more creative and innovative solutions that the market can bring.
5. **Achieving more consistent use of best practice.** One of OGC's early priorities was to draw best practice material together from a variety of sources, develop and rationalise it, and make it accessible to senior decision-makers in departments. Whilst this has been largely achieved, this Making a Difference study found that take-up in departments was still patchy. Action is needed to improve the accessibility of guidance material on the OGC website, and to ensure that it is embedded in commercial practices in departments.

This government review has been carried out in parallel with a study into *Increasing Competition and Improving Long-Term Capacity Planning in the Government Market Place*, launched in the 2002 Pre-budget Report. Whilst the focus of the two studies has been different, the findings have been remarkably consistent and many of the areas for improvement identified are the same. In particular there are common messages about:

- accelerating momentum on improving client capability;
- increasing the attractiveness of the government market to suppliers by reducing bid costs and levelling the playing field for SMEs; and
- paying greater attention to markets through improved communications, particularly at early stages of procurements, and through discussion of procurement options.

The *Making a Difference* study has considered a wide range of procurement issues raised by stakeholders and identified where bureaucracy can be reduced or removed. This work supports the findings of other recent studies conducted on specific aspects of procurement, such as the DTI's Innovation Review that looks at facilitating innovation, and the Better Regulation Task Force and the Small Business Council report on SMEs and procurement.

Although the report focuses on driving improvements in central civil government, many of the findings and outcomes are directly applicable in the wider public sector. The agreed outcomes are an important part of the continuing improvement drive throughout the public sector, and it is envisaged there will be synergies between these actions and plans in the wider public sector.

Summary of Actions	
Action	Implementation date
<b>Key Outcome 1: Speeding up the Procurement Process and Reducing Costs</b>	
<b>1.1 Reducing procurement timescales</b>	
Departments to work with OGC to make procurement timescales more predictable and to reduce the average time for government projects between the OJEU notice and award of contract by 25%, on projects currently taking more than a year, taking 2002/3 as the baseline.	<b>March 2006</b>
OGC, in consultation with departments and industry, will carry out a study of the procurement process, to identify further actions that departments can take to streamline the process and to reduce planned procurement timescales. To enable departments to embed improvements, OGC will disseminate the outcomes of the study and incorporate guidance in the Successful Delivery Toolkit	<b>August 2004</b> <b>March 2005</b>
<b>1.2 Achieving greater standardisation and consistency</b>	
OGC will develop and pilot several models for a standard core data set for pre-qualification including a self-certification process for suppliers. Depending on the results of the pilot, OGC will promote a standardised model for pre-qualification across central government departments and will incorporate appropriate best practice guidance on pre-qualification in the Successful Delivery Toolkit.	<b>April 2004</b> <b>April 2005</b>
OGC will develop or adopt several sets of standard contract clauses appropriate for a range of commercial situations (including goods, services) and add these to the Successful Delivery Toolkit.	<b>March 2004</b>
OGC will review its guidance on specification/requirements management, to ensure that it includes advice about the importance of considering the use of commercial off-the-shelf software (COTS) rather than carrying out bespoke software development.	<b>August 2004</b>
<b>1.3 Improving the procurement of framework contracts</b>	
OGCbuying.solutions will review the processes it uses to compete framework contracts such as S-CAT to reduce unnecessary bureaucracy. Following this review, OGCbuying.solutions will develop a plan of action to implement/pilot any necessary changes.	<b>December 2003</b> <b>March 2004</b>
<b>Key Outcome 2: Improving Leadership and Client Capability</b>	
<b>2.1 Improving leadership and developing skills</b>	
The Cabinet Office, working with OGC, will agree the necessary training and development in commercial skills that is required by those Senior Civil Servants accountable for major procurement projects.	<b>March 2005</b>
OGC will identify what is needed to improve the career path for procurement specialists into the Senior Civil Service.	<b>March 2005</b>
OGC has updated the Successful Delivery Toolkit to emphasise the importance of streamlined decision making and empowerment of project staff	<b>July 2003</b>
OGC will review the OGC Certificate of Competence syllabus for consistency with OGC's best practice, and will ensure that changes are implemented by OGC-approved training providers.	<b>March 2004</b> <b>March 2005</b>
OGC to investigate the feasibility of accrediting providers of procurement training to ensure it incorporates OGC best practice.	<b>March 2004</b>

## Summary of Actions

Action	Implementation date
<b>2.2 Getting the best from consultants and advisors</b>	
<p>Departments to propose measures for reducing their dependence on consultants in key advisory and decision-making roles associated with procurement projects.</p> <p>Departments will also propose measures for ensuring that consultants are selected and managed effectively, whenever it is necessary to use them. OGC will discuss departments' proposals and implementation plans with them from April 2004.</p>	<b>April 2004</b>

### Key Outcome 3: Improving Communication with the Market and in Government

<b>3.1 Improving communication with the market</b>	
<p>Departments to propose measures for improving two-way communications with industry on their requirements and proposed procurement routes, for example through bid conferences or by making use of departmental procurement websites.</p> <p>OGC will discuss departments' proposals and implementation plans with them from April 2004.</p>	<b>April 2004</b>
<p>OGC will review guidance and develop new material on early engagement and sharing information with suppliers as appropriate, ensuring that it provides advice on when it is appropriate to divulge budgets to bidders.</p>	<b>December 2004</b>
<p>In response to the Better Regulation Task Force report on SMEs and procurement, the DTI's Small Business Service is carrying out a feasibility study to assess options for advertising contract opportunities online. The current OGC-led SME procurement pilot in the West Midlands will inform the feasibility study.</p> <p>Depending on the results and evaluation of the pilot OGC will roll out a system for advertising sub-OJEU contracts across civil government.</p>	<b>July 2004</b> <b>December 2005</b>
<b>3.2 Improving collaboration across Central Government</b>	
<p>OGC will establish a protocol setting out what information can be shared across government on supplier performance, and promoting the benefits of sharing performance information to aid decision-making. As part of this, OGC will develop mechanisms to facilitate the sharing of information on supplier performance across key central civil departments.</p>	<b>March 2004</b>
<p>OGC is carrying out a feasibility study to examine how using common standards of communication and coding convention would enable better understanding of procurement expenditure.</p>	<b>December 2003</b>
<p>OGC will consult with departments on the formation and remit of a cross-government group to share information, and options for collaborative opportunities.</p> <p>Based on the feedback from departments the cross-government collaborative group will be set up.</p>	<b>November 2003</b> <b>March 2004</b>

### Key Outcome 4: Focussing on Successful Project Outcomes

<b>4.1 Focussing on Outcomes</b>	
<p>OGC will work with CMPS to review Accounting Officers' training to emphasise the importance of not jeopardising outcomes through rigid adherence to process. CMPS will subsequently implement changes to the Accounting Officers' training as necessary.</p> <p>As part of this work, OGC will review its guidance to emphasise the importance of focussing on both processes and outcomes in achieving value for money and implement any necessary changes.</p>	<b>March 2004</b> <b>March 2005</b> <b>December 2004</b>

<b>Summary of Actions</b>	
<b>Action</b>	<b>Implementation date</b>
<b>4.2 Capturing Innovation</b>	
OGC will produce new guidance on capturing creativity in procurement to improve Government's ability to nurture and take-up suppliers' ideas. As part of this, OGC will ensure that the issue of innovation is highlighted throughout the relevant parts of the Successful Delivery Toolkit.	<b>March 2004</b>
OGC will develop a training framework for the new EU Public Procurement Directives. This will include the development of updated course material by the time the new Directives are agreed (expected to be spring 2004).	<b>March 2004</b>

### Key Outcome 5: Achieving more Consistent use of Best Practice

<b>5.1 Adopting a more common approach</b>	
Departments will work with OGC to identify where the gaps are between their documented approaches to commercial and delivery activities and the Successful Delivery Toolkit. Improvement actions to be implemented and embedded within the departments, agencies and NDPBs.	<b>March 2004</b> <b>March 2005</b>
OGC will carry out a review to rationalise its best practice guidance on procurement.	<b>March 2004</b>
OGC will arrange for an independent review to be carried out on the structure and usability of the Successful Delivery Toolkit. Depending on the outcome of this review, changes will be implemented to improve the accessibility of the toolkit to commercial staff in departments OGC has already improved access to its procurement guidance from its homepage and will continue to review this 6 monthly.	<b>March 2004</b> <b>March 2005</b> <b>Ongoing</b>

# CHAPTER 1

## INTRODUCTION

***“In markets where the Government is a major procurer of goods and services, its own actions may greatly influence how the market operates and therefore impact on competition and on the long-term value for money it can secure. So for procurement, ensuring value for money and encouraging strong competition go hand in hand” – Pre Budget Report, November 2002***

### Background

Successful delivery of the Government’s programme for public service reform requires the procurement of resources and services from the private sector. Slow and complicated procurement can put delivery at risk. Public services and suppliers alike will benefit from a reduction in the bureaucratic aspects of public procurement.

In 1998 Peter Gershon, currently CEO of the Office of Government Commerce (OGC), carried out a review of civil procurement in central civil government<sup>1</sup>. This review subsequently led to the establishment of the Office of Government Commerce (OGC), as an office of HM Treasury, to work with central civil government as a catalyst to achieving best value for money in commercial activities. Many of the recommendations from that initial review have been implemented, and work is continuing. However there still remain concerns about the bureaucratic burdens placed on commercial staff in departments and on private sector suppliers involved in government projects, and about the impact of bureaucracy on project delivery.

### Procurement – What is it?

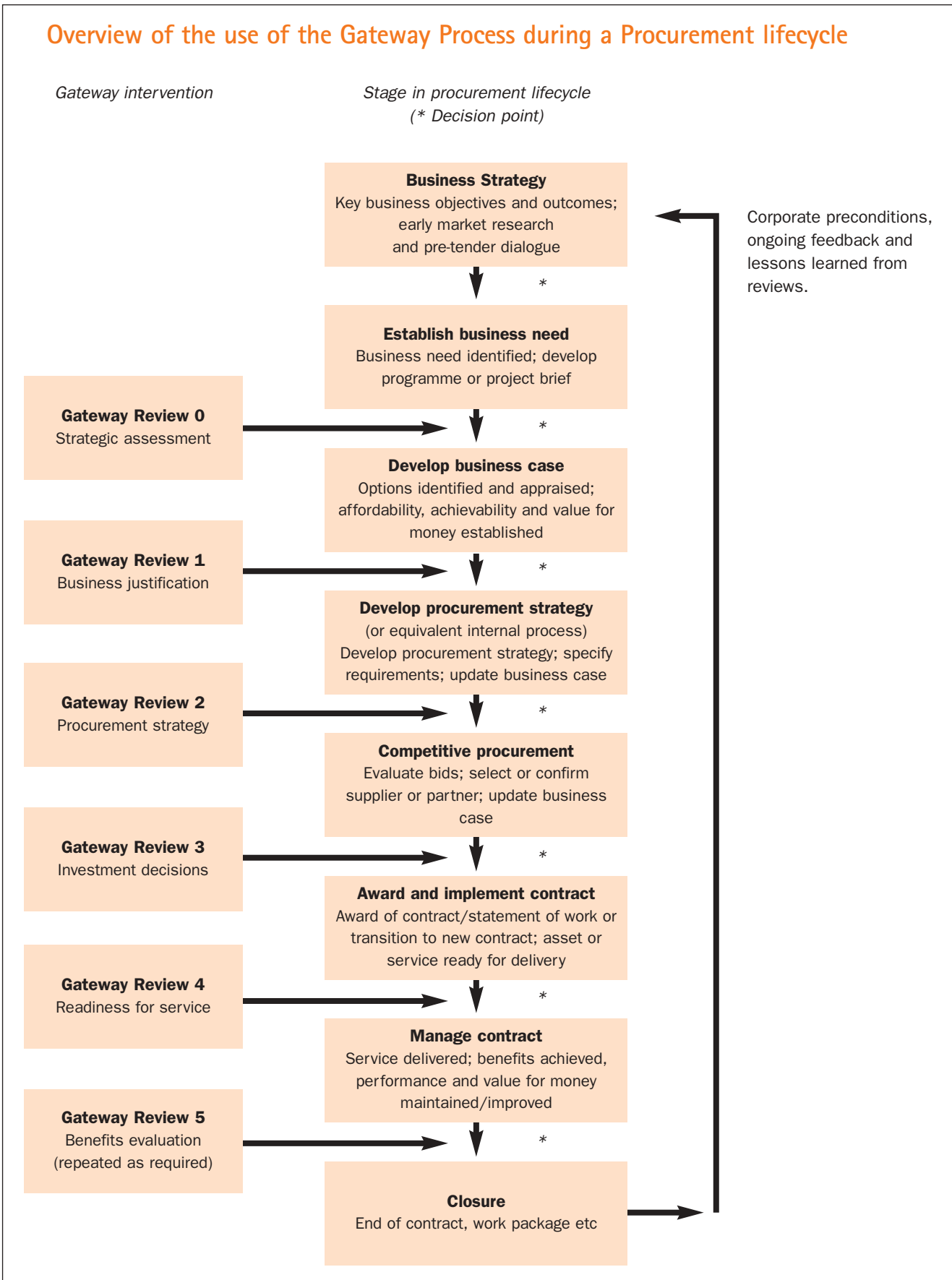
Procurement within the scope of this study refers to the process of acquiring goods, works or services in exchange for financial reward. This includes the entire acquisition process from generation of the idea through to delivery of the end result. It includes all activities associated with procurement projects including, for example, project management – which is not always considered to be part of a “procurement” specialism. Procurement projects are often costly and can involve significant risks. In this study we are not considering the period after the product or service goes into service.

New high-risk procurement projects in civil central government are subject to Gateway Reviews. These reviews examine a project at critical stages in its lifecycle (see diagram) to provide assurance that it can progress successfully to the next stage.

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<sup>1</sup> A copy of the report can be found under “Corporate Information” on the OGC website: [www.ogc.gov.uk](http://www.ogc.gov.uk)

## Overview of the use of the Gateway Process during a Procurement lifecycle



## Study remit

This report focuses on the bureaucracy encountered by public and private stakeholders involved in procurement projects in central civil government departments and their agencies. This corresponds directly with OGC's remit. The work also complements the Better Regulation Task Force (BRTF) report on "Government: Supporter and Customer?", and the current Efficiency Review<sup>2</sup>. The work did not directly address procurement undertaken by the Ministry of Defence (MoD), the National Health Service (NHS) or Local Authorities.

## Stakeholder Involvement and Methodology

During the project, meetings were held with a broad range of project management and procurement specialists, suppliers and contractors, consulting organisations and professional bodies. A list of stakeholders who contributed to the project is presented in Annex 1. In April 2003, twenty-four participants attended a project seminar. Subsequently a follow-up event with major suppliers, hosted by the Confederation of British Industry (CBI), was held in July 2003. A joint PST/OGC Project Board oversaw the progress of the project and the OGC's Chief Executive's Advisory Group and Supervisory Board endorsed the outcomes ascribed to departments. More detail on the project methodology can be found in Annex 8.

## Structure of Report

**Chapter 1** – Introduces the scope and background of the project.

**The subsequent chapters** describe in detail the issues raised by stakeholders and the changes to be made by OGC, departments and others to foster improved procurement practices.

Five key outcomes are presented in the report and their component activities and tasks will be implemented within the next two years. The target implementation date for each outcome is presented in the 'Summary of Outcomes' section. Within the report each outcome is described in more detail as:

- a statement of the burden identified;
- a description and example(s) of the unnecessary burdens caused;
- the actions identified; and
- at the end of each chapter, an indication of the benefit that the changes in that chapter should bring about (*in italics*).

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<sup>2</sup> Announced by the Chancellor in his Budget Speech in spring 2003.

## What next?

The work to reduce or remove unnecessary bureaucracy does not stop with the completion and publication of this report. Responsibility for delivering the changes described in the outcomes remains with departments, OGC and other relevant stakeholders. Furthermore, OGC will work with departments and stakeholders, as part of its key priority to embed best practice, to ensure that:

- the changes are delivered on time and as agreed;
- the changes are communicated effectively to stakeholders and procurement personnel;
- the changes can be realised locally; and
- the expected benefits can be achieved

OGC has identified a focal point for enquiries on the implementation of all changes presented in this 'Making a Difference' report. Please contact:

Sue Hurrell, Government Market Team  
through the OGC Service Desk  
Telephone Number: 0845 000 4999,  
or by email: [ServiceDesk@ogc.gsi.gov.uk](mailto:ServiceDesk@ogc.gsi.gov.uk)

## CHAPTER 2

# KEY OUTCOME 1: SPEEDING UP THE PROCUREMENT PROCESS AND REDUCING COSTS

### Reducing Procurement Timescales

*Long procurement timescales slow down the delivery of government projects and programmes and increase suppliers' costs. Long and unpredictable timescales can reduce competition both by absorbing scarce bid capacity and by discouraging suppliers from competing in the future.*

Input from industry partners during this project suggests they are increasingly frustrated by the time and costs involved in doing business with central civil government, leading many to look for opportunities elsewhere. Several suppliers commented that Government does not value time in the same way as the private sector and, as a result, procurement timescales tend to be much longer and less predictable. One supplier stated that, in their experience, a sense of urgency only materialises after contract award and this has a knock-on effect on the delivery of benefits. Suppliers are forced to incur the increasing costs of keeping bid teams together, and continuity problems often arise in prolonged bid processes due to staff turnover in client and supplier organisations.

One supplier stated that it had on occasions foregone procurement opportunities because of the department's attitude to procurement timescales. Another stated that the unpredictability of timescales was the real problem and had led to decisions made over a period of time to remain "in the bidding" when, had the final length of the process been known at the outset, the decision would have been taken not to bid at all.

An OGC-led study, carried out between February and July 2002, looked at ways to engender faster procurement<sup>3</sup>. The study concluded that the best time to influence a procurement project and improve its chances of success is at the outset. It also concluded that faster procurement is rooted in more professional procurement, and action is needed to improve the capability, leadership and culture of government clients (including deployment of best practice and learning from past experience).

OGC has been working with departments to deliver, by March 2004, a 10% reduction in the time between OJEU advert and award of contract for those central government projects currently taking more than a year (other than for particularly complex procurements). The work is set within the context of a more ambitious target to achieve a 25% reduction by March 2006. Implementing the outcomes in this chapter will assist the achievement of this ambitious target.

Evidence shows that the underlying, planned procurement processes for similar requirements in Government can vary greatly from one department to another. Further work needs to be done in consultation with departments and industry to look at the underlying procurement process and investigate the timescales typically associated with each step in the process, to see whether there are further actions that can be taken to reduce timescales.

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<sup>3</sup> See the "Faster Procurement" section under "Key Issues" on the OGC Successful Deliver Toolkit: [www.ogc.gov.uk/sdtoolkit/](http://www.ogc.gov.uk/sdtoolkit/)

### Action: Reduce procurement timescales

- Departments to work with OGC to make procurement timescales more predictable and to reduce the average time for government projects between the OJEU notice and award of contract by 25%, on projects currently taking more than a year, taking 2002/3 as the baseline – **2005/6 (March 2006)**
- OGC, in consultation with departments and industry, will carry out a study of the procurement process, to identify further actions that departments can take to streamline the process and to reduce planned procurement timescales – **August 2004**
- To enable departments to embed improvements, OGC will disseminate the outcomes of the study and incorporate appropriate guidance in the Successful Delivery Toolkit – **March 2005**

## Achieving greater Standardisation and Consistency

***“A common strategic framework should be established within which all departments conduct all their procurement activity. The framework should include a standard procurement process, common performance measures and systems, and key values and standards”<sup>4</sup> – Peter Gershon CEO (OGC).***

Many of the private sector participants to this study expressed their concern about the confusion and duplication that result when procurement processes vary dramatically between departments. This is wasteful for both the public and private sectors, and can be a particular problem for smaller firms that do not have the capacity, for example to complete multiple lengthy questionnaires asking the same questions in different formats.

*Pre-qualification as practiced in government procurement can involve duplication of work and over-complex requests for information from suppliers. Both can result in reduced competition.*

The EU Restricted Procedure is widely used for public sector procurements, and particularly so in central government. It is a two-stage process with a pre-qualification taking place before the formal Invitation to Tender, at which stage the relative merits and prices of the tenders are evaluated.

When used appropriately, pre-qualification allows departments to select only those suppliers that have the financial and technical capability to deliver the requirement. The pre-qualification process is often in the form of a questionnaire, but there is no standard or basic set of questions used across government, or even within some departments, even though in many cases a large proportion of the information required is identical. In addition, many of the questionnaires used by government departments are considered by suppliers to be unnecessarily detailed and lengthy, and this can dissuade smaller companies, in particular, from competing if they do not have the resources to tackle the paperwork involved.

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<sup>4</sup> Gershon, P., Review of Civil Procurement in Central Government, April 1999

Several suppliers have questioned whether it is really necessary for them to pre-qualify every time they bid for government contracts when so many of the financial and technical requirements are similar. There will usually be some information requested that is specific to the individual requirement, but many of the suppliers interviewed suggested that the opportunity should be taken to introduce a standardised core pre-qualification questionnaire in central government, and to store the data collected in a central database.

Pre-qualification was raised as a major issue in the recent Better Regulation Task Force procurement report on Small and Medium Enterprises (SMEs) “Government: Supporter and Customer?”<sup>5</sup> which supports the findings of this study – for Government to streamline and standardise this process as much as possible. The pre-qualification outcomes documented at the end of this chapter reflect the Government’s response to that report.

*Failure to use standard contract terms and conditions where appropriate leads to reinvention, waste and increased procurement timescales.*

Central government procures a very broad range of products and services, and individual departments have in many cases developed their own sets of contract terms and conditions to fit the variety of requirements. Government-wide sets of “model agreements” are also sometimes used, such as those developed, by one of OGC’s predecessor organisations, for IT service contracts and those developed for PFI contracts, but there is still considerable scope for standardisation in this area. Delays and increased costs to both parties can occur where buyers engage external expertise to develop bespoke contract terms and conditions.

Several private sector stakeholders consulted stated that there is too much variability in the contract clauses used across government and that more should be done to promote the use of standard contract terms and conditions or model agreements. In another example, one government department had taken steps to reduce variation within its own organisation and had run a consultation surgery with industry to establish common grounds for contract terms and conditions. The department concerned believes that this has helped to reduce procurement timescales and enable both parties to focus more effort on complex project-related issues.

Departments should consider the appropriate use of standard contract clauses as a means of delivering value for money. They should ensure that, having considered the scope for using such clauses they are in a position to provide evidence, for example to internal and external auditors, of having considered their use.

Nevertheless, there needs to be sufficient flexibility in the negotiation of terms and conditions, particularly for complex procurements, where a “one-size-fits-all” approach is inappropriate. For this reason, a “portfolio” of standard contract clauses should be made available for departments to select and use as appropriate, supplemented by specific contract clauses where necessary for a particular location and circumstance.

Recognising the need for more work in this area OGC has recently established a new “Contract Innovation” team to become a centre of excellence for the different forms of contract for all non-PFI procurement carried out by central civil government departments. The team will be working with

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<sup>5</sup> Government: Supporter and Customer?; Better Regulation Task Force Report, May 2003

industry and undertaking research to assess which procurement approaches and forms of contract are appropriate under which circumstances. The team will also, where appropriate, adopt or develop innovative and simplified forms of contract or “shapes of deal” to fill any gaps in the portfolio of contracting approaches currently available.

A secondary issue in this area is the use of external advice in contract development. This can be a source of frustration for suppliers because it often leads to protracted processes and delays, with fee-based schemes not always providing incentives for external advisors to deliver the procurement on time and to cost.

Again, several stakeholders stated that over-reliance on external advisors can make it difficult to establish trust and rapport with buyers, particularly where buyers are dealing exclusively with the advisor. Further discussion on the use of advisors is detailed in Chapter 3.

*Use of packaged software, where it is suitable, should generally shorten the time to delivery and reduce project costs.*

A particular issue that stakeholders raised with the project team is the need to educate public sector buyers on what the IT industry can offer via packaged software. One supplier stated that government has yet to engage in depth with the software package industry and still has a tendency to favour tailor-made software solutions. Another stakeholder argued that packaged software would not only simplify the process buyers have to undertake but could also reduce the timescales between Gates 2 and 3 in the OGC Gateway process. Auditors should ask whether departments have sought early soundings from the market as to the different types of potential solutions available, for example, packaged software for Financial Management or Human Resources systems.

### Action: Achieve greater standardisation and consistency

- OGC will develop and pilot several models for a standard core data set for pre-qualification including a self-certification process for suppliers – **April 2004**. Depending on the results of the pilot, OGC will promote a standardised model for pre-qualification across central government departments and will incorporate appropriate best practice guidance on pre-qualification in the Successful Delivery Toolkit – **April 2005**
- OGC will develop or adopt several sets of standard contract clauses appropriate for a range of commercial situations (including goods, services) and add these to the Successful Delivery Toolkit – **March 2004**
- OGC will review its guidance on specification/requirements management, to ensure that it includes advice about the importance of considering the use of commercial off-the-shelf software (COTS) rather than carrying out bespoke software development – **August 2004**

## Improving the Procurement of Framework Contracts

*The bidding process for framework agreements can be burdensome and costly and can make it very difficult for suppliers, especially SMEs, to compete. Since these central contracts are widely used in departments, this can result in reduced competition in the government marketplace.*

This study reinforces the Better Regulation Task Force report's findings that the procurement of centralised framework agreements can make it harder for small businesses to enter the public sector marketplace. The overall conclusion of their report was that any procurement strategy that puts SMEs at an automatic disadvantage in areas where they may be able to provide good value for money does not make economic sense.

OGCbuying.solutions runs several centrally procured and managed catalogue-based framework agreements, including GCat for IT products, S-Cat for IT and business services, Portfolio for building-related products and services, and the more recently-launched L-Cat for legal services. These catalogues are used widely by their customers in central civil government and throughout the wider public sector. The catalogues are set up via a formal procurement process and are typically re-competed every four or five years. Unsuccessful suppliers do not normally have another opportunity to bid during the lifetime of the contracts.

During our study several suppliers criticised the numbers of questions asked and the volumes of paperwork sought from suppliers during the bidding process. Some suppliers felt that it is a process they have to go through because they have no choice, as the frameworks are convenient for OGCbuying.solution's customers to use. However the suppliers felt that the process is unnecessarily burdensome, particularly for SMEs who do not have the resources to dedicate to the bidding process. One service supplier told us that their bid for a government framework agreement covered 200 pages and took over 4 weeks to prepare.

OGCbuying.solutions has recognised the difficulties that suppliers, in particular SMEs, can face, and has taken steps in recent competitions to advertise more widely and reduce some of the paperwork. However, more needs to be done to streamline the procurement process.

### Action: Improve the procurement of framework contracts

- OGC Buying Solutions will review the processes it uses to compete framework contracts such as SCAT to reduce unnecessary bureaucracy – **November 2003**
- Following this review, OGC Buying Solutions will develop a plan of action to implement/pilot any necessary changes – **March 2004**

## Benefits

- *Shortening of timescales should lead to reduced costs and make the Government marketplace more attractive to suppliers in all sectors.*
- *The benefits to be realised from a standard core data set for prequalification should include simplification and avoidance of duplication of government requests for information. Guidance on prequalification should enable departments to achieve consistency of process and remove the need for repeated form filling.*
- *Standard contract clauses should reduce duplication and the need for lengthy contract negotiations, as well as the need for clients to employ external advisors to draw up contracts. It should also support the accumulation of procurement knowledge and expertise within departments/units.*
- *Improving the procurement of framework contracts should increase the efficiency of the procurement process for both suppliers and OGCBuying.solutions and reduce barriers to entry.*

## CHAPTER 3

# KEY OUTCOME 2: IMPROVING LEADERSHIP AND CLIENT CAPABILITY

***“With some notable exceptions the function lacks the necessary 'clout' and influence to fully meet both the current and future challenges of Government procurement” – Peter Gershon CEO (OGC)***

There is no doubt that one of the most important ways that government can streamline its procurement activities and achieve better outcomes is by improving the skills of staff in key roles associated with procurement projects. Many of the stakeholders interviewed for this study identified skill shortages as a key reason for rising costs, ineffective management of changes and poor results, and many of these problems are manifested as bureaucracy. Skilled and experienced staff have the confidence to apply flexibility to rules and procedures, operate efficiently and achieve the best results.

Procurement and project management have traditionally been viewed as back-office functions in government, although there have been some important developments, such as the formation, in 1999, of the Government Procurement Service (GPS), and more recently the Programme and Project Management specialism (PPM).

The need to improve commercial skills in government is high on OGC’s agenda. Consequently, the Successful Delivery Skills programme was launched by OGC in September 2002 to improve the delivery skills of civil servants tasked with managing major or complex government projects. The main output of the programme has been the development of the Skills Framework.<sup>6</sup> Whilst considerable progress has been made, there is still a long way to go to raise the level of capability in departments to meet the increasing challenges of government’s commercial environment. The GPS and PPM are communities of professionals within Government aiming to raise the profile of their discipline, and both communities are sponsored and supported through OGC’s Successful Delivery Skills team.

### Improving Leadership and Developing Skills

*Ineffective leadership and decision making can lead to increased costs, delay or even a failure to deliver. This, in turn, discourages suppliers from competing in the future.*

Several stakeholders raised the concern that in many departments commercial skills are not valued sufficiently, and are scarce amongst senior civil servants. Decisions around high-value procurement projects can often be inappropriately delegated to junior staff who lack sufficient experience or seniority. The GPS operates below Senior Civil Service (SCS) level, and there is no formal route for procurement specialists into the SCS.

Stakeholders indicated that in some departments, procurement is highly devolved to business areas and procurement decisions are rarely taken at board level, even on major projects. This lack of ownership at senior level can lead to shortages of skilled resources

<sup>6</sup> The framework shows, in a matrix, the skills and subject content considered to be essential as a minimum benchmark standard at various “maturity levels” across a range of commercial disciplines. More details can be found on the SDS website at [www.sds.ogc.gov.uk](http://www.sds.ogc.gov.uk).

on major projects and can impact on or delay decision-making. OGC sought to address these concerns by developing and promoting the Senior Responsible Owner (SRO) role within departments, to ensure that there is a clear chain of accountability for all major projects. In December 2002 Cabinet ministers agreed that all high risk and mission critical IT-enabled projects will have clearly identified responsible Ministers, SROs and Project Managers with good, relevant track records.

Stakeholders felt that, in their experience, the most successful projects are those where there is strong engagement, leadership and support by senior management. It is therefore important that senior management have the necessary experience and skills to effectively support project teams deployed on important projects. As more public service delivery is carried out in partnership with the private sector, it is important that SCS members, whatever their background, have an appropriate level of commercial awareness. More needs to be done to develop the SCS in this way.

Weak leadership can lead to poor and inefficient decision-making. Many stakeholders stated that one of the main causes of delay was getting through the approval process. In one case, work had been completed and the way forward appeared clear, and yet it took several weeks to organise a project board meeting. By the time the board met, members had become out of touch with the project and felt unable to take the decisions needed. This caused further delays of several weeks. Some stakeholders suggested that at times this can be caused by insufficient delegation of decision-making to project staff, as well as lack of engagement by senior managers.

Another important problem identified by stakeholders, stemming from poor leadership, is the tendency of government projects to be subject to major change during a procurement process. Whilst some change may be inevitable during complex projects, departments often fail to carry out thorough assessments of the impact of change on timescales, the chance of successful delivery and the costs to both the public sector project team and the bidding suppliers. The Successful Delivery Toolkit contains guidance on the importance of carrying out impact assessments on proposed changes, but this needs to be used more widely in departments.

***“It is flawed to believe that the private sector has a monopoly of knowledge or expertise in terms of procurement and purchasing. However, there are maybe lessons to be learnt from the private sector and from private sector suppliers to government”<sup>7</sup> – Dell, March 2003***

Clearly, great benefits will be achieved by further improving the quality of commercial leadership in government, but it is also very important that departments have sufficient numbers of suitably skilled staff to fill all roles in procurement projects.

*A major cause of bureaucracy, disappointment and failure is departments’ inability to allocate appropriate manpower to procurement projects, thus leading to increased costs and prolonged delays.*

OGC’s study on “Faster Procurement” showed that procurement and project management skills are scarce and that the way these skills are deployed in an organisation’s structure can be critical to the success of a project. Often the people used are whoever happens to be available at the time.

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<sup>7</sup> Dealing Direct with Government – “Realising the Benefits”; A submission by Dell computers to the Office of Government Commerce/Regulatory Impact Unit Review of burdens in government procurement; March 2003

Key personnel with the right skills and experience should be appointed at the outset and roles clearly defined. Suppliers consulted during this project reported considerable variability in the capability of project teams within government. Some indicated that they are not willing to invest what can often be several millions of pounds in a bidding process if they feel the customer is ill prepared and that delays are likely. They stated that successful delivery of effective procurement requires people who are suitably qualified to provide the necessary “professional input”.

Some of the government stakeholders consulted felt there was still no clear and attractive career pathway for procurement or project management specialists in government. This, combined with the variance in remuneration between the private and public sector for comparable projects, can make it difficult to attract people to these positions and retain them. To improve this situation, OGC has been working with departments to highlight the importance given to these positions; for example, 1,500 posts across government have been designated as key procurement posts.

Training plays an important part in improving the commercial skill base in departments by maintaining and developing the procurement and project management skills of those engaged in procurement work. Developing training provision in procurement, project management and other commercial skills has been a large part of OGC’s Successful Delivery Skills activities in the past two years including the development of the Successful Delivery Skills Framework and the associated training programme.

Even though there is a wide range of commercial training available to staff, in some areas, and notably the procurement specialism, there is little evidence that there are processes in place to ensure that training courses and training providers are keeping abreast of OGC’s best practice.

#### **Action: Improve leadership and develop skills.**

- The Cabinet Office, working with OGC, will agree the necessary training and development in commercial skills that is required by those Senior Civil Servants accountable for major procurement projects – **March 2005**
- OGC will identify what is needed to improve the career path for procurement specialists into the Senior Civil Service – **March 2005**
- OGC has updated the Successful Delivery Toolkit to emphasise the importance of streamlined decision making and empowerment of project staff – **July 2003**
- OGC will review the OGC Certificate of Competence Syllabus for consistency with OGC’s best practice – **March 2004** and will ensure that changes are implemented by OGC-approved training providers following approval from the Certificate of Competence Exam Board – **March 2005**
- OGC to investigate the feasibility of accrediting providers of procurement training to ensure it incorporates OGC best practice – **March 2004**

## Getting the Best from Consultants and Advisors

*The lack of commercial, leadership and specialist skills within departments can result in inappropriate use of consultants, with departments abdicating responsibility and decision-making to them. In many cases processes for the selection and management of consultants are inadequate and little thought is given to how best to incentivise them to help projects to deliver on time.*

Departments have traditionally used external advisors and consultants to fill the gaps in internal expertise, to learn from them, save time and complete one-off jobs. However, they are often buying expertise without having the necessary controls in place. This can often be a source of frustration as it tends to lengthen and complicate the whole procurement process, and it is not always in the advisor's interest to streamline the process. This continuing problem can lead to procurement activity being divorced from the needs of the end-users, which potentially could result in failure of the project.

A National Audit Office (NAO) report<sup>8</sup> in 2001 on Purchasing Professional Services has a set of recommendations aimed at helping departments to get better value for money from this area of expenditure. OGC's Successful Delivery Directorate is asking departments to update their plans regarding Purchasing Professional Services. One of the five key areas departments are asked to address is 'to carry out robust and thorough analysis and definition of their requirements for professional services', as highlighted in the NAO report.

Many of the stakeholders (public and private sector) indicated that inappropriate use of consultants often arises from a lack of suitably qualified staff in the department, along with the pressure to reduce running costs. In many cases, programme costs are used as a source of funding for consultants. This is despite the fact that recent Treasury guidelines<sup>9</sup> clearly state that consultancy fees should be charged to administration costs where consultants are employed in substantially the same role as if the work were being carried out by a civil servant. By correctly charging the use of consultants to administration costs, departments should have a more accurate indication of where their skill gaps are so that they can take steps to become less dependent on consultants in future projects. Reducing reliance on advisors will help departments to make faster progress to improve in-house skills.

### Action: Get the best from consultants and advisors

- Departments to propose measures for reducing their dependence on consultants in key advisory and decision-making roles associated with procurement projects – **April 2004**. Departments will also propose measures for ensuring that consultants are selected and managed effectively, whenever it is necessary to use them. OGC will discuss departments' proposals and implementation plans with them – **From April 2004**

<sup>8</sup> This can be found under the "Value for Money" reports on the NAO website: [www.nao.gov.uk/publications/vfmsublist/vfm\\_gen.htm](http://www.nao.gov.uk/publications/vfmsublist/vfm_gen.htm)

<sup>9</sup> Electronic versions of PES papers issued since November 1999 may be found on the Treasury's GSI website. The PES Secretariat on 020 7270 5525 can supply further information on PES Papers.

## Benefits

- *An increase in the number of staff with commercial skills in the Senior Civil Service will reduce the risk of procurement projects being delegated inappropriately to junior staff.*
- *Training and development in commercial skills for Senior Civil Servants should improve leadership of procurement projects and reduce the possibility of excessive bureaucracy, delay or failure. This in turn will make Government procurement more attractive to suppliers.*
- *By improving the skill set of procurement specialists, and providing training to a consistently high standard across government the risk of procurement project failure and bureaucracy is reduced.*
- *By ensuring that they use the right numbers of people with the right skills to fulfil essential roles, departments will reduce the risk of additional costs and delays.*
- *By selecting and managing consultants effectively, departments will be able to take key decisions in-house and usefully harness external help, thus avoiding bureaucracy and project failure.*
- *By avoiding unnecessary use of consultants, departments will be in a better position to grow their own project and procurement expertise and thus to create a culture of continuous improvement.*

# CHAPTER 4

## KEY OUTCOME 3: IMPROVING COMMUNICATION WITH THE MARKET AND IN GOVERNMENT

### Improving Communication with the Market

*An over-cautious approach to early engagement with suppliers and to sharing information with them during procurement projects leads to wasted money and time, failure to deliver and suppliers being discouraged from competing in the future.*

One of the causes of bureaucracy and delay in procurement projects is poor communication between the client and the bidders, particularly at the very early stages. Projects where there has been early consultation with the market to obtain feedback on requirements before the OJEU advertisement stand a far greater chance of success. However, some of the private sector stakeholders consulted explained that there is still too little transparency of requirements during procurements. This may be partly due to the need to make sure that proper procedures are followed to ensure open and fair competition and partly to an anxiety about developing relationships with suppliers that may be perceived as unprofessional for civil servants.

Early supplier involvement in projects would enable both client and bidders to have a good understanding of what is needed, and give the market time to develop innovative proposals that may provide better value for money. Poor communication at these early stages can lead to inconsistencies, duplication and wasted effort.

Despite strong messages coming from the Treasury, the OGC and the NAO that the UK Government's policy is to award contracts on the basis of best value for money rather than lowest price, some suppliers still expressed concern that final decisions are often made on the lowest bid price. This perception stems partly from a lack of openness during procurement projects.

Suppliers consulted in this study stated that it is not always clear whether they should be aiming to deliver to a client's quality expectations or to a set affordability limit. In some cases this makes it very difficult for bidders to gear their bids to the appropriate quality and pricing levels. From a buyer's perspective, Government's sealed bid processes are designed to ensure that contracts are awarded to the bid that represents the best value for money. One stakeholder commented that it is quite common practice in the private sector for the buyer to divulge the budget to the bidders and carry out competition on the quality aspects of the proposals. OGC's best practice material on early engagement with suppliers does not currently include information on when it is appropriate to divulge budgets to bidders.

Early discussions with suppliers could also cover departments' proposed procurement routes, and seek industry feedback about the practicalities of these routes.

***"Almost all the small firms we spoke to emphasised how difficult it is to find out about contract opportunities, especially those below the EU thresholds... For small and medium size enterprises to break into the public sector market there needs to be greater openness about lower value contract opportunities. ...Alongside this, there also needs to be a greater willingness to consider small firms for larger value contracts."*** Better Regulation Taskforce – Government: Supporter and Customer? Report May 2003

All contracts that fall within the EU Procurement Directives (most central civil government contracts above approximately £100k) have to be advertised in the Official Journal of the EU. Many suppliers, particularly SMEs, find that the electronic version of this journal is difficult to use and that, in any case, it is no good as a source of information on lower-value contracts. There is currently no central facility available in government for advertising contracts that fall below the threshold, and consequently every department has its own procedure for advertising or seeking quotes for these requirements.

The OGC estimates that central civil government spends around £13bn on products and services annually, of which approximately 15% goes on contracts below the EU threshold<sup>10</sup>. Advertising these opportunities more widely would result in more competition, including from SMEs that may be able to provide government with greater innovation and improved service, thus improving value for money.

The Better Regulation Task Force report "Government: Supporter and Customer?" published in May 2003, highlighted the need for government to address the current barriers preventing SMEs accessing public sector contracts. One recommendation was for government to develop a portal for advertising lower-value contracts to suppliers, such as those that fall below the OJEU thresholds. The government response to this report includes a commitment by OGC and the DTI's Small Business Service to complete a feasibility study this year.

### **Action: Improve communication with the market**

- Departments to propose measures for improving two-way communications with industry on their requirements and proposed procurement routes, for example through bid conferences or by making use of departmental procurement websites – **April 2004**. OGC will discuss departments' proposals and implementation plans with them – **From April 2004**
- OGC will review guidance and develop new material on early engagement and sharing information with suppliers as appropriate, ensuring that it provides advice on when it is appropriate to divulge budgets to bidders – **December 2004**
- In response to the Better Regulation Task Force report on SMEs and procurement, the DTI's Small Business Service is carrying out a feasibility study to assess options for advertising contract opportunities online. The current OGC-led SME procurement pilot in the West Midlands will inform the feasibility study. Depending on the results and evaluation of the pilot OGC will roll out a system for advertising sub-OJEU contracts across civil government – **December 2005**

<sup>10</sup> OGC website [www.ogc.gov.uk](http://www.ogc.gov.uk)

## Improving Collaboration across Central Civil Government

*Government departments need to share knowledge to help root out variations in supplier performance across and within departments, and enable more successful and faster procurements.*

At the commencement of procurement projects in government, information on the performance of bidders should be reviewed. This can be primarily through references submitted by the suppliers themselves. However, information is not shared widely, as many government departments, agencies and NDPBs are relatively small and carry out major purchases on an irregular basis. Consequently they will not have built up detailed knowledge of the good and poor performers in a market.

There are currently limited mechanisms through which departments can share information on supplier performance. This has resulted in duplication of work, with departments making repeated assessments on the same firms, and it also hampers their ability to verify over-ambitious claims made by suppliers.

OGC's Supplier Relations Division has been working with departments to address this need and to share commercial and performance information between departments, for example by facilitating user groups to discuss the performance of key suppliers to government. However, the information collected by OGC during these user groups and via direct contact with contract managers in departments is not currently available throughout government. One of the problems with sharing information on supplier performance within government is that a supplier's performance is not always an objective matter. It can vary between different projects and can also depend on the performance of the buyer. As a result, more work needs to be done to enable information on supplier performance to be shared widely across government.

*There are no common systems in place across Government for capturing information on products and services, prices, and sources of supply. As well as making it difficult to benchmark prices, this has led to missed opportunities for collaboration.*

There is currently no central system available to capture information about procurement expenditure across departments. Up to now the only widely applicable method has been to interrogate departments' accounts-payable systems. However, these are not intended for this purpose, and collating the data can be time-consuming. Furthermore, information may be out of date by the time it is gathered and analysed, and a lack of common definitions and coding formats means information is less exact and detailed than it needs to be. This shortage of good quality management information across government limits opportunities to benchmark prices, rationalise expenditure and reduce duplication of procurement and contract management efforts.

The increasing use of electronic procurement and purchasing tools and systems by government provides an opportunity to capture better quality expenditure information. Therefore the opportunity to develop a set of common standards for communication needs to be taken.

One of the seven priority areas<sup>11</sup> for OGC and departments to drive forward over the next two years is to increase the amount of collaborative procurement taking place within government. There is still a

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<sup>11</sup> Delivering your agenda – OGC Work Plan 2002/3 report, page 26; Office of Government Commerce

view amongst stakeholders that government fails to take full advantage of its position in the market. This is because of a tendency to address each department's procurement needs in isolation rather than as a result of a cross-government decision to determine the approach likely to deliver best value for money. This also results in duplicated effort for both government and suppliers.

Significant steps have already been taken by OGC and departments in this area and there have been some notable successes, such as government-wide deals on software and mobile telephones. There is also evidence that departments are already making better use of information-sharing mechanisms, such as OGC's Collaborative Opportunities website<sup>12</sup>. However OGC's role in identifying and co-ordinating those collaborative opportunities has been largely reactive and opportunistic. OGC is currently working with departments to develop mechanisms for providing more strategic focus to this activity.

### Action: Improve collaboration across Central Civil Government

- OGC will establish a protocol setting out what information can be shared across government on supplier performance, and promoting the benefits of sharing performance information to aid decision-making. – **March 2004**. As part of this, OGC will develop mechanisms to facilitate the sharing of information on supplier performance across key central civil departments – **March 2004**
- OGC is carrying out a feasibility study to examine how using common standards of communication and coding convention would enable better understanding of procurement expenditure – **December 2003**
- OGC will consult with departments on the formation and remit of a cross-government group to share information, and options for collaborative opportunities – **November 2003**. Based on the feedback from departments the cross-government collaborative group will be set up – **March 2004**

### Benefits

- *Early dialogue with suppliers would enable industry to understand departments' requirements better and so provide a basis for more efficient and effective procurement. Early dialogue on the proposed procurement route would help identify any options for reducing timescales without jeopardising the effectiveness of the procurement process.*
- *Central advertising of sub-OJEU contract opportunities should improve accessibility of government tenders to SMEs, thus encouraging SMEs to compete for government contracts and fostering more effective competition.*
- *Decision-making would be enhanced with the availability of accurate and relevant expenditure and management information related to commonly purchased items.*

<sup>12</sup> See the OGC Collaborative Opportunities website: [www.co.ogc.gov.uk](http://www.co.ogc.gov.uk)

# CHAPTER 5

## KEY OUTCOME 4: FOCUSING ON SUCCESSFUL PROJECT OUTCOMES

### Focussing on Outcomes

*In cases where civil servants concentrate more on due process rather than outcomes this may lead to unnecessary bureaucracy and cause government to miss out on opportunities for innovation.*

Various stakeholders, inside and outside the Civil Service, regard central civil government procurement as highly process-driven and bureaucratic. Some formality is needed to protect public funds and ensure fair and open competition. Further procedural formality has resulted from the Treaty of Rome that covers all public procurement, and the EU Directives that are obligatory for most procurement above defined expenditure thresholds. A HM Treasury Task Force in 1998 found that departments and agencies expended considerable effort to demonstrate that the 'process' of procurement had been followed accurately, sometimes to the detriment of the 'quality' of the eventual product or service.

The 1998 study<sup>1</sup> carried out by Peter Gershon, further found that public sector procedures and priorities typically did not match with private sector experience where time and money are the principal drivers. The public sector was more concerned with how a decision was made. Decisions were often made only after a large amount of detail had been collected, with the apparent purpose being to defend the decision made against any conceivable eventuality. As a result, public sector procurement processes were often more time-consuming, complex and costly compared with those used by the private sector. Comparisons were drawn with business to business procurements and possibilities identified for more efficient civil public procurement. Characteristics of best practice in the private sector, from the 2002 OGC-led study into speeding up procurement, are presented in Annex 2.

One of the difficulties identified during the study was that training received by Departmental Accounting Officers, who are ultimately responsible for spending public funds, places greater emphasis on following due process than on achieving the optimum result. It was suggested to us that the NAO and the Committee of Public Accounts (PAC) are responsible in part for maintaining this process-driven culture in government. However, one of the roles of the NAO is to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their budgets. Each year around 40-50 NAO 'value for money' reports are further investigated by the PAC. The PAC takes evidence from Accounting Officers. The NAO is rightly interested in whether public servants are properly held accountable for spending public money, but it also supports innovation and well managed risk-taking where it is likely to lead to sustainable improvements in service delivery. In contrast to some departments' views, several suppliers described NAO as progressive and supportive of managed risk-taking. This point needs to be reinforced within departments.

### Action: To emphasise the importance of focussing on outcomes

- OGC will work with CMPS to review Accounting Officers' training to emphasise the importance of not jeopardising outcomes through rigid adherence to process – **March 2004**. CMPS will subsequently implement changes to the Accounting Officers' training as necessary – **March 2005**. As part of this work, OGC will review its guidance to emphasise the importance of focussing on both processes and outcomes in achieving value for money and implement any necessary changes – **December 2004**

## Capturing Innovation

If departments are to realise opportunities to improve service delivery they need to understand how risk-taking that is well managed can contribute to innovation. Several stakeholders indicated that government is frequently missing out on the more creative and innovative solutions that the supply market can bring. Part of this is due to the difficulties that suppliers face in making their wares known to government, and part of it relates to the way procurement is carried out in the public sector, with innovative attitudes and behaviours being inhibited by the rigid application of procurement rules and processes. The general view amongst stakeholders was that government tends to opt for the low-risk, low-margin players with conservative technology, where creativity is not welcomed or rewarded and is perceived as being too risky.

OGC carried out some research last year into how government can better capture innovation and creativity from suppliers, and the results of that review have recently been passed on to the DTI review of innovation in the UK. There is an opportunity for OGC to develop best practice guidance on capturing creativity and to update existing guidance and training material as appropriate.

*Currently, public procurements over certain values have to comply with EU Procurement Directives. In general the rules are not seen as onerous. However, stakeholders indicated that some departments interpret the requirements in very inflexible ways and do not capitalise on the degree of flexibility built into the system, particularly with respect to considering innovative options at an early stage.*

Some departments thought that it is the very presence of the EU rules that stifles innovation. However, few of the suppliers we consulted complained that the process is overly long. Many believed that the time periods specified are reasonable and necessary, and it is often the process of producing and approving business cases in departments, for example, that cause the extended timescales. In general the consensus is that, whilst the existence of rules serves to focus minds around applying due diligence to processes, there is considerable scope within the rules to apply flexibility to achieve innovative outcomes. Stakeholders commented that OGC is ideally placed to assist departments in interpreting the EU rules.

### Action: To improve government's ability to capture innovation in procurement

- OGC will produce new guidance on capturing creativity in procurement to improve Government's ability to nurture and take-up suppliers' ideas. As part of this, OGC will ensure that the issue of innovation is highlighted throughout the relevant parts of the Successful Delivery Toolkit – **March 2004**
- OGC will develop a training framework for the new EU Public Procurement Directives. This will include the development of updated course material by the time the new Directives are agreed (expected to be spring 2004) – **March 2004**

### Benefits

- *Focussing on capturing creativity should enable departments to capitalise on the degree of flexibility built into the system and obtain better solutions in a more efficient manner.*
- *Focussing on outcomes rather than processes should enable departments to deliver as effectively and efficiently as possible, without circumventing essential controls.*

## CHAPTER 6

# KEY OUTCOME 5: ACHIEVING MORE CONSISTENT USE OF BEST PRACTICE

***“It is clear from many submissions that there is a widespread recognition of the need for, and benefit of, a central body which ensure consistency of policy, avoids re-invention of the wheels, catalyses appropriate aggregation and promotes best practice”<sup>13</sup> – Peter Gershon CEO (OGC).***

### Adopting a more Common Approach

Before OGC’s formation its predecessor organisations carried out some important work in developing best practice guidance in a range of commercial areas for example, the procurement guides from the Treasury’s Central Unit on Procurement and Central Computer and Telecommunications Agency’s (CCTA) IT Project Management guidance (PRINCE). Some of these have become widely used both within and outside government. Despite this, procurement procedures and best practice manuals evolved separately to a certain extent within each government department to suit local needs. One of OGC’s early priorities was to draw this best practice material together, develop and rationalise it, and most importantly, to make it accessible and relevant to senior decision-makers in departments.

In addition to OGC guidance and local departmental manuals, there is also a range of guidance on best practice in procurement from a variety of other sources such as the National Audit Office (NAO) and guidance developed by non-government organisations, such as the Chartered Institute of Purchasing and Supply (CIPS). One department consulted for this study stated that the range of guidance on procurement, from a variety of sources (such as the NAO, OGC, CIPS, and departmental-specific guidance) means that it is difficult to know which guide to refer to. Taken together, this abundance of guidance has undoubtedly caused some of the confusion and duplication experienced by suppliers and commercial staff in departments.

OGC guidance is constantly being developed and updated in consultation with departments and industry groups. It is generally acknowledged to be based on up-to-date thinking and is regarded as a good source of high-quality commercial guidance. All of the guidance material can be found on OGC’s Successful Delivery Toolkit<sup>14</sup> and some departments have provided their staff with access to the Toolkit or mapped their own guidance to it. However, use of OGC guidance is not mandated in government and departments and agencies have not universally adopted it.

The need to further embed Best Practice in departmental processes is one of OGC’s highest priorities. In fact OGC’s focus is now much more on embedding than on developing new guidance.

The NAO is currently carrying out a second study on procurement in central civil government and, as part of that study, will be assessing the extent to which departments make consistent use of best practice in their day-to-day activities. The NAO will publish its report in January 2004.

<sup>13</sup> Gershon, P., Review of Civil Procurement in Central Government, April 1999

<sup>14</sup> This can be accessed at: <http://www.sdt.ogc.gov.uk/> [www.ogc.gov.uk/sdttoolkit](http://www.ogc.gov.uk/sdttoolkit)

The OGC's Successful Delivery Toolkit is used by government staff from across a range of disciplines and is geared towards large complex procurement projects. It provides an integrated source of guidance on many subjects including procurement, project and programme management and risk management. Each of these communities of interest needs to interrogate the Toolkit in a unique way to find the relevant material. However, the vast quantity of information held on it can be off-putting for new users and there is some overlapping information.

One department commented that the OGC guidance is good but stated it was difficult to navigate the OGC website's homepage. When the study began, there were areas on the OGC website, other than the Toolkit, where guidance could be found on procurement. However, the task of providing a simple procurement process map to act as a front door to the more detailed guidance is actually a complex piece of work. It is unlikely that this could be achieved speedily. Nevertheless, as a precursor, the feasibility of providing a project or procurement role-based system for interrogating the Toolkit could be explored as a starting point for subsequent development. In the interim, OGC has improved the situation by putting links from all of these areas into the Toolkit, and has committed to reviewing the situation periodically.

### Action: Adopt a more common approach

- Departments will work with OGC to identify where the gaps are between their documented approaches to commercial and delivery activities and the Successful Delivery Toolkit – **March 2004**. Improvement actions to be implemented and embedded within the departments, agencies and NDPBs – **March 2005**
- OGC will carry out a review to rationalise its best practice guidance on procurement – **March 2004**
- OGC will arrange for an independent review to be carried out on the structure and usability of the Successful Delivery Toolkit – **March 2004**. Depending on the outcome of this review, changes will be implemented to improve the accessibility of the toolkit to commercial staff in departments – **March 2005**. OGC has already improved access to its procurement guidance from its homepage and will continue to review this 6 monthly – **Ongoing**

### Benefits

- *Embedding a common approach to procurement should provide a consistent framework of good practice across government.*
- *Simplifying the way users can navigate around the Successful Delivery Toolkit will encourage more users to reference it, reduce the time in searching for the right guidance, and ultimately result in wider adoption of the common approach.*

# CHAPTER 7

## CONCLUSIONS

### Improving Procurement in Central Civil Government

The Government has demonstrated its commitment to continually improve procurement processes and skills, and the take-up of best practice, by the various activities described in this report. Full implementation of the outcomes from this 'Making a Difference' project will further endorse and refine that commitment to ensure that Government procurement activity continues to improve and become more responsive to changing circumstances. The major benefits, to be achieved through the successful implementation of the actions in this study, are: -

- Shorter procurement timescales, through:
  - focussing on need to reduce procurement costs - making the government marketplace more attractive to suppliers.
- Greater standardisation and consistency, through:
  - avoiding the need for repeated form-filling;
  - reducing duplication of work by use of standard contract clauses, and reducing lengthy contract negotiations; and
  - increasing the efficiency of the procurement of framework contracts.
- Improved leadership and skills, through:
  - increasing the commercial skills of the Senior Civil Service to improve decision-making; and
  - improving the skills of commercial specialists, by providing training of a consistently high standard to increase the chances of project success.
- Getting the best from consultants and advisors, through:
  - improving decision-making by selecting and managing consultants effectively; and
  - using consultants only when necessary, leading to an incentive to improve in-house commercial expertise.
- Improved communication with the market, through:
  - engaging in early dialogue with suppliers on requirements and proposed procurement routes, leading to better understanding and more efficient and effective procurement; and
  - wider advertising of contract opportunities to foster more effective competition.
- Improved collaboration across central government, through:
  - making accurate information on expenditure available throughout government; and
  - increasing the strategic focus of collaborative procurement activity.
- Greater focus on outcomes, through:
  - ensuring that training and guidance emphasise the importance of focussing on outcomes rather than processes; and
  - capitalising on the innovative and creative solutions that the market can bring to government.

- Achieving more consistent use of best practice, through:
  - embedding a common approach to procurement practices in government; and
  - simplifying the way guidance material is presented, thus reducing search times and resulting in wider adoption of a common approach.

## The Next Steps

Over the next 2 years, the PST will work in partnership with the stakeholders responsible for delivering these improvement actions. Implementation will be monitored and evaluated for inclusion in the PST's regular report to the Prime Minister. Front line staff will also have a role to play in disseminating the information contained within this report and in adopting the improved processes so that the benefits anticipated can be fully realised.

## Implementation and Evaluation

An Implementation Plan has been prepared that will contain details to allow the progress of agreed outcomes to be monitored. The plan includes an implementation schedule and an evaluation and communication log designed to identify how each change will be made and communicated back to the stakeholders.

Responsibility for delivering the changes described in the outcomes remains with the lead officials within departments, OGC and other relevant stakeholders.

Post-implementation monitoring will be performed by the PST in collaboration with OGC, and is expected to include site visits so that firm evidence from the frontline is collected and progress reported periodically to Ministers.

# ANNEX 1

## ACKNOWLEDGEMENTS AND PARTICIPANTS

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The Office of Government Commerce and the Cabinet Office Public Sector Team would like to thank all those who took the time and effort to contribute in the research and publication of this report. In particular, we would like to thank the Project Board, and the suppliers' organisations and associations without whose support none of this is possible.

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### The Project Board

Philip Rushbrook – Cabinet Office

Martin Sykes – OGC

John Stewart – OGC

### The Project Team

Frances Stevens – Cabinet Office

Fiona Macaulay – Cabinet Office

Andrea Farmer – Cabinet Office

Tony Part – Cabinet Office

Leslie Mayne – Cabinet Office

Sue Hurrell – OGC

### Stakeholder Associations

Association of Chief Police Officers (ACPO)

British Medical Association (BMA)

Business Application and Software Developers Association (BASDA)

Chartered Institute of Building (CIOB)

Chartered Institute of Purchasing and Supply (CIPS)

Confederation of British Industry (CBI)

Institute of Civil Engineers (ICE)

Law Society

Major Contractors Group

Royal Institute of British Architects

Society of Local Government Procurement Professionals (SOPPO)

### Public Sector Stakeholders/Organisations

CRiSPS Bath University

Cabinet Office

Department for Transport (DfT)

Department of Health (DoH)

Department of Trade and Industry (DTI)

Home Office

Local Government Task Force (RETHINK)

NHS Purchasing and Supply Agency (PASA)

Office of Deputy Prime Minister (ODPM)  
Office of Government Commerce (OGC)  
Strategic Rail Authority (SRA)

## Supplier Organisations

Accenture  
A M S  
British Aviation Authority (BAA)  
Best Value Procurement  
British Telecom Group (BT)  
Cable & Wireless  
Capita  
Carrillion  
Confederation for British Teachers (CFBT)  
DELL  
Electrical Data Security (EDS)  
Guilbert Niceday  
International Business Machines (IBM)  
Logica  
Microsoft UK  
Nabarro Nathanson  
Royal Mail  
Schlumberger Sema  
Serco  
Siemens  
Unilever

# ANNEX 2

## LESSONS FROM THE PRIVATE SECTOR

This annex illustrates private sector best practice identified in OGC studies

### **1. Effective Leadership and Experienced, Professional Teams**

- Procurement function seen as a powerful agent for positive change and influence on the direction of the business
- Important procurement decisions are taken at board level
- Dedicated buying departments to ensure continuity of approach to suppliers, maintenance of supply chains and value for money
- Professionalism both necessary and expected
- Procurement project personnel regarded as being important to the organisation's well-being, with consequential impact on motivation and performance
- Procurements use experienced project managers and teams
- Personnel generally empowered to make decisions or have ready access to those who do
- Time taken to mobilise teams is short

### **2. Clear drivers, achievable requirements and delivery culture**

- Project drivers generally clear
- Requirements quickly established
- Trade-offs e.g. of timescales versus functionality agreed up front
- Project manager knows when to call for senior-level intervention or support
- Approach used to business case relies on reliable assessments of costs. These are presented initially with a contingency factor, which is reduced as the project firms up
- Realism about cost savings
- Strong delivery culture

### **3. Simplicity and Pragmatism**

- Avoidance of over-complexity through an approach that takes account of deliverability
- Commitments not made to external stakeholders without having a credible delivery plan behind them
- Pragmatism regarding end result of procurement, not dogmatic insistence on every detail of the requirement

### **4. Management of Risk**

- Time and energy spent identifying and evaluating risks and planning risk-avoidance
- Risks tracked and reviewed continually. Risk management permeates across project planning management

# ANNEX 3

## GLOSSARY

BRTF – Better Regulation Task Force  
CIPS – Chartered Institute of Purchasing and Supply  
CO – Cabinet Office  
CUP – Central Unit of Purchasing  
DTI – Department for Trade and Industry  
EU – European Union  
G-CAT – Goods Catalogue  
GPS – Government Procurement Service  
L-CAT – Legal Service Catalogue  
MoD – Ministry of Defence  
NAO – National Audit Office  
NDPB – Non Departmental Public Bodies  
NHS – National Health Service  
OGC – Office of Government Commerce  
OJEU – Official Journal of European Union  
PAC – Public Accounts Committee  
PES – Public Expenditure System  
PPM – Project and Programme Management  
PST – Public Sector team  
RIU – Regulatory Impact Unit  
S-CAT – Service Catalogue  
SBS – Small Business Service  
SCS – Senior Civil Service  
SDT – Successful Delivery Toolkit  
SME – Small and Medium Enterprises  
SRO – Senior Responsible Owner

## ANNEX 4

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## ANNEX 5

# PUBLIC SECTOR TEAM BACKGROUND

Unnecessary requirements, processes and paperwork erodes the time front-line staff have to deliver good quality, responsive public services. The Public Sector Team (PST), part of the Cabinet Office's Regulatory Impact Unit, was established in November 1999 in response to the Government's concern about the increased bureaucratic burden on the public sector. It specialises in focused projects to improve the delivery of public services by agreeing creative solutions to remove red tape and unnecessary bureaucracy and help front line staff concentrate on delivering a better service to the public.

### The Public Sector Team:

- Works with front-line staff to identify bureaucratic and regulatory burdens
- Develops and implements solutions in partnership with departments and stakeholders to reduce these burdens
- Achieves tangible results that free up staff to deliver more efficient and higher quality public services

At the heart of its work are *Making a Difference* projects. The PST believes that the best people to solve the problems of red tape in our public services are front-line staff. When we want to make a difference in the targeted service, our first step is to go into service areas to get the real story from people whose job it is to provide the services. The majority of the ideas in the report and many of the solutions came directly from front-line staff, through consultation and interviews with representatives from a cross-section of service-providers.

The approach adopted focuses on:

- **Listening and responding to front-line staff:** the ideas in the report, and many of the solutions, come directly from front-line staff
- **Freeing up front-line staff time to focus on service delivery:** less bureaucracy means more time to complete the procurement process
- **Making practical changes:** gaining agreement from process-owners and stakeholders to implement the changes to a timescale, none are recommendations
- **Measures that will make a difference now as well as linking with longer-term changes:** some immediate actions have already been implemented and others will continue to be implemented over a period of two years, which will complement other changes planned by the OGC.

### The Project Team

The project team, as listed in Annex 1 also included the following members who contributed to this study:

- PST – Steve Blake, Cass Chideock, Darele Angwin
- OGC – Suzy Fenn

## PST Contact Details

If you require any further information or clarification on the points raised in this report, please contact us on: [psinfo@cabinet-office.x.gsi.gov.uk](mailto:psinfo@cabinet-office.x.gsi.gov.uk).

Alternatively please telephone us: 020-7276-2194. Our fax number is 020-7276- 2577

Our address is: Public Sector Team, Regulatory Impact Unit, Cabinet Office, 4th Floor, Kirkland House, 22 Whitehall, London SW1A 2WH

## Previous Reports

To date, the following Making a Difference projects have been completed and their outcomes have been or are being implemented

- **Reducing Police Paperwork (April 2000)** – Reporting on measures to save an estimated 166,000 hours of police time, equivalent to 90 police officers.
- **Reducing School Paperwork (December 2000)** – Reporting on measures to save an estimated 4.5 million hours for primary school head teachers per year.
- **Reducing General Practitioner (GP) Paperwork (March 2001)** – Thirty-six actions freeing up approximately 750,000 hours of GPs time, as well as eliminating 7.2 million GP unnecessary appointments.
- **Reducing Red Tape and Bureaucracy in Local Government (February 2002)** – This report includes greater freedoms for local administrations on statutory planning, legal consents from central government, children’s services, and wider flexibility in the ways services are provided and paid for.
- **Reducing Burdens on General Practitioners – Second report (June 2002)** – Outlines fifteen new outcomes; savings are estimated as being a further 3.2 million GP appointments, an additional 2.7 million hours and the removal of up to 80,000 requests for medical information.
- **Reducing Burdens in Hospitals (July 2002)** – This report identifies forty changes to reduce or remove burdens affecting a range of hospital professionals. These changes are presented as three key themes: the patient journey, information flows and quality.
- **Reducing Red Tape and Bureaucracy in Schools – Second report (March 2003)** – This report delivers 125 new outcomes in the following areas: Pupil Management Issues, Special Education Needs (SEN), Assessment and Examinations, Raising Standards, Communicating with Schools, Statistics and Information Management, relations with other Departments and Agencies, and Staffing Issues.

- **Reducing Bureaucracy and Red Tape in the Criminal Justice System (May 2003)** – This report aimed to rebalance the system in favour of victims, witnesses and communities, to deliver justice for all by building greater trust and credibility. The actions will free up front line staff, giving them more time to deliver swift, high quality justice. The report delivers 31 new outcomes in the following areas: Encounters Involving Police, Preparing For Courts, Prosecution, and Post Verdict Processes. They complement and integrate with the work of the Policing Bureaucracy Task Force.
- **Reducing Burdens in Healthcare Inspection & Monitoring (July 2003)** – This report delivers 54 new outcomes to ensure that inspection supports improvement and reduces the burdens on healthcare professional. The areas covered were: Joining up Inspections, Data and Information Flows, Healthcare Systems, and Clinical Education and Training.

The Team produced a Progress Report (January 2002) reviewing the progress of outcomes implementation on the first three reports. Work is continuing on reviewing progress on the outcomes delivered in the other reports.

All of the above reports can be downloaded free of charge from the Public Sector Team's web-site, at the following web address:

<http://www.cabinet-office.gov.uk/regulation/PublicSector/reports.htm>

## Projects Underway

In addition to the reports mentioned above, work is also being undertaken on a further two 'Making a Difference' projects to tackle other topics where bureaucratic burdens exist:

- **Rail Transport** – a joint project with the Department for Transport addressing rail-related bureaucracy involving several stakeholders (final report Winter 2003).
- **Post-Sentencing** – a joint project with the Home Office to address inter-agency bureaucracy and red tape in correctional services, affecting front-line delivery by the prison and probation services (first report scheduled for February 2004).

# ANNEX 6

## OGC BACKGROUND

The Office of Government Commerce (OGC) came about following a review in 1999 by Peter Gershon, who was then Chief Operating Officer in BAE Systems and a member of the Board of British Aerospace plc. His review into civil procurement in central government found:

- no established common framework within which Departments must operate to ensure coherence in how public money is spent;
- a lack of consistency and common process, as well as a very wide spectrum between best and worst practice in Government procurement; and
- insufficient aggregation of requirements and the consequent limitations on being able to take full advantage of competitive markets.

Peter Gershon was subsequently asked to implement the recommendations arising from his review as OGC's Chief Executive.

### Role and Remit

The OGC is an independent Office of the Treasury reporting to the Chief Secretary. It is responsible for a wide-ranging programme, which focuses on improving the efficiency and effectiveness of central civil Government procurement. In addition, OGC has an important role in facilitating private sector involvement across the public sector.

OGC's remit is central civil government. However there are some areas of work where the remit is extended, such as where OGC has national or wider public sector responsibilities, or in areas where the benefits of collaborating and promoting initiatives more widely have been established.

### Vision and Objectives

OGC's vision is to work with central civil government as a catalyst to achieve best value for money in commercial activities. Its high-level objectives are to:

- Provide guidance and expertise to support the successful delivery of procurement-based projects and other forms of commercial activity.
- Develop the government market so it is more efficient and attractive for both suppliers and customers.
- Develop a clear and supportive framework for best in class procurement activity to help achieve better value for money.
- Deliver efficient and effective services to external and internal customers, gaining widespread recognition for excellence and as a leading contributor to government modernisation.

## Top priorities

OGC's top priorities for 2003-04 to 2005-06 are to:

- develop and manage the Gateway process
- improve the commercial skills available to departments
- improve government's ability to manage supplier relationships
- make the government marketplace more attractive to suppliers in all sectors
- develop innovative tools and techniques and more effective ways of achieving private sector involvement
- help departments to embed best practice (including operational guidance) and cross-government lessons learned in their commercial activities
- catalyse collaborative opportunities (including aggregation deals)

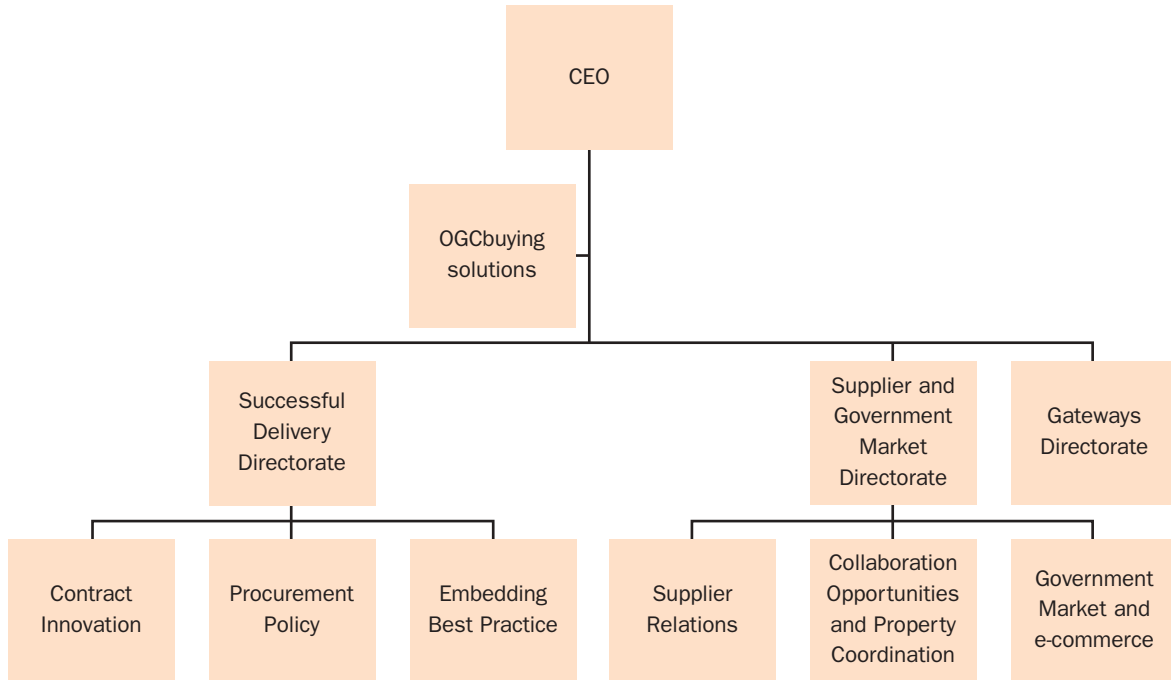
## Target

Our target for the period is:

*by 2005-06, deliver £3 billion of value for money gains in central civil government procurement through the Office of Government Commerce.*

## OGC Work Areas Described in this Report

Several of OGC's work areas have been mentioned in this report. The partially complete organisation chart below shows how these teams fit within OGC's organisation structure. The Government Market and e-Commerce Division worked with the Cabinet Office team on this report.



## OGC Contact Details

If you require any further information please contact the OGC service desk by emailing [Service.Desk@ogc.gsi.gov.uk](mailto:Service.Desk@ogc.gsi.gov.uk). Alternatively please telephone us on 0845 000 4999. Our fax number is 01603 704618.

The address of OGC is: Office of Government Commerce, Trevelyan House, Great Peter Street, London SW1 2BY.

## Further information

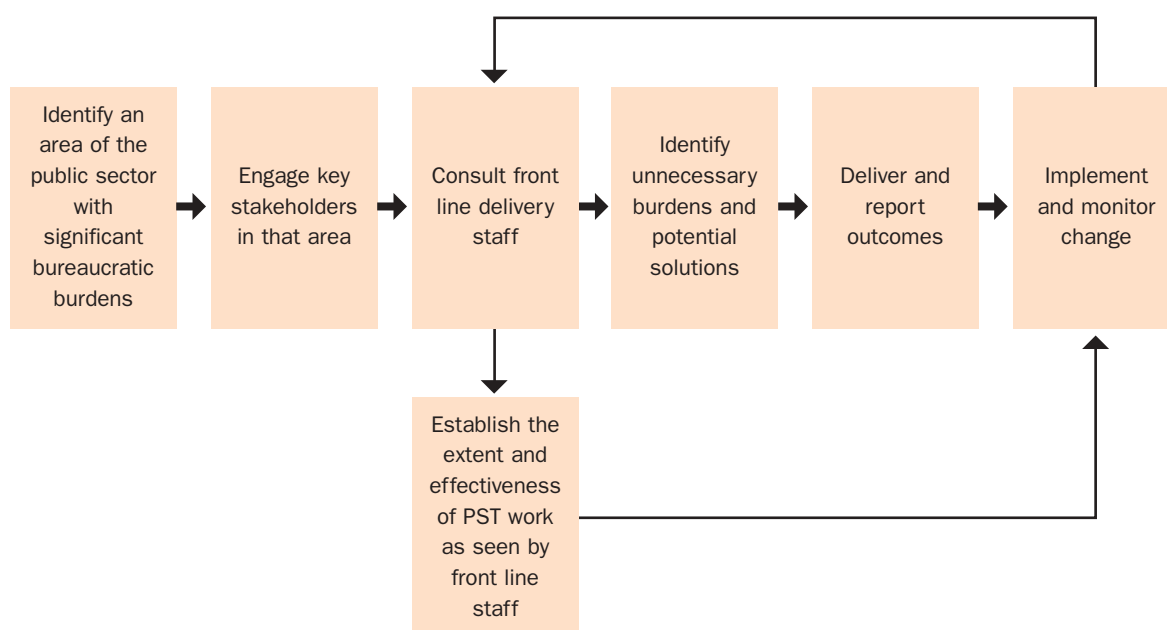
For further information on OGC, please visit our website [www.ogc.gov.uk](http://www.ogc.gov.uk). For information on supplying to government, please visit: [www.supplyinggovernment.gov.uk](http://www.supplyinggovernment.gov.uk).

# ANNEX 7

## PROJECT METHODOLOGY

### The Process

The methodology adopted was very much focused on consultation and involvement of all the main stakeholders, throughout the investigative, analysis and delivery stages. A diagram of the PST process methodology is shown below.



After an initial scoping exercise with OGC officials and the Project Sponsors (Lord MacDonald, former Minister of the Cabinet Office and Peter Gershon), a programme of meetings, seminars and interviews were held throughout the project involving a broad range of procurement specialists, suppliers and contractors, consulting organisations and professional bodies.

Interviews were conducted in a semi-structured manner, accompanied with a prepared list of questions but sufficiently flexible to allow for related issues to be captured.

Stakeholders were engaged in the identification of issues and their prioritisation, including the involvement and suggestions of solutions. The project team took on the subsequent role of negotiating agreements to the final sets of outcomes with key stakeholders.

A list of stakeholders who contributed to the project is presented in Annex 2.

24 participants attended a project seminar held in April 2003 and a follow up event with major suppliers, hosted by the CBI, was held in July 2003. A joint PST / OGC Project Board oversaw the progress of the project, with the internal OGC committees and their Chief Executives' Advisory Group providing further reviews.

## Sample Size

In total

- Representatives from 40 organisations, including suppliers and trade and professional bodies were interviewed. The business sectors represented are listed in Annex 2.
- Two stakeholders seminars were held, in April and July 2003 for Government Departments and Agencies
- One meeting with the OGCB Best Practice Sub-Group held in July 2003.

## Areas of Exclusion

NHS and Defence procurements were not included in the scope of this project.

