

VIVE LA REVOLUTION!



HM Treasury has unveiled a number of measures to ensure that the heart of government procurement is transformed to meet future challenges, writes **Morven MacNeil**.

The 2006 Pre-Budget Report announced that the Government would draw up detailed plans to make the step-change required in its procurement capability to deliver world-class public services. The Treasury felt that, while real progress has been made in improving the standard of public procurement, government must deliver further improvements to meet new challenges.

The public demands ever-higher quality public services, driven in part by the transformation they have seen in the quality of goods and services provided by business, which they increasingly expect the public sector to match. The Government's aim is to deliver world-class public services through sustained investment matched by far-reaching reform. The 2007 Comprehensive Spending Review will assess what further investments and reforms are needed to equip the UK to respond to the global challenges of the next decade. Procurement will be a key route through which such reforms are delivered.

It was to this end that John Healey MP, Financial Secretary to the Treasury, unveiled a range of public procurement reforms in January 2007. The *Transforming Government Procurement* report sets out the scale, complexity and diversity of public procurement.

In the report, Mr Healey stresses the need to ensure that government spends in a way that supports the achievement of its sustainable development goals as set out in the report *Securing the Future – the UK Government Sustainable Development Strategy* (March 2005). The business-led Sustainable Procurement Task Force, chaired by Sir Neville Simms, reported in June 2006 on how this could be achieved. The measures set out in the Treasury's report are an essential component of delivering the Government's goals in this area.

Innovation, science and technology have driven business's quality and productivity improvements. To bring



about the transformation needed to deliver high-quality public services at good value for money, Mr Healey urges government to harness that innovation.

To successfully use innovation as a means to improve value for money and public service delivery requires a highly skilled procurement function within government. The *Transforming Government Procurement* report sets out a number of examples of where the public sector has already used innovative solutions successfully. Mr Healey points out that government is using innovative procurement tools such as e-auctions to allow suppliers to bid online for business. Savings, typically 20-25 per cent of the project value, emerge from the price improvements produced by a transparent negotiation which is instantaneous and electronic, and from simpler processes. The Office of Government Commerce (OGC) sponsored IT e-auctions have saved nearly £16 million on an expenditure of £54 million, involving more than 300 organisations. And the Supply2.gov.uk portal has also been established to make it easier for small and medium-size businesses to bid for government contracts typically valued under £100,000.

To take full advantage of innovation across public services will require a significant step-change in government's procurement capability in terms of skills, the framework in which procurement operates, and tools available to purchasers.

To procure goods and services that are consistently fit for purpose and represent good value for money is challenging and requires people with specialist skills, whether in the public or the private sector. Mr Healey points out that government needs to attract, develop and retain people in the Government Procurement Service (GPS) who understand that procurement is directly linked to successful government and the delivery of services to the public, and who know that good procurement is not just about driving down contract costs. They should know that while the competitive process is a key driver of value for money, it can impose costs for buyers and suppliers.

The Government will transform the GPS by:

- appointing the Chief Executive of the OGC as head of the service, to raise its status, in line with the approach taken in the Government Economic

Service and Government Statistical Service

- relaunching the service as the professional procurement body within government, extending from new entrants to the profession to the most senior procurement posts in government
- identifying, as part of the new procurement capability reviews, those departments that should appoint procurement or commercial directors at board level or appropriately qualified non-executives
- strengthening the links between the head of the service and departmental commercial directors and heads of procurement, including involvement in their appointment and performance appraisal as appropriate
- supporting those undertaking complex procurements by ensuring that the GPS is flexible enough to concentrate resource where it is best deployed, and by facilitating secondments within the public sector and between the public and private sectors
- raising the standards and status of procurement across government

Procurement capability reviews will be piloted in early 2007 and rolled out across central government during the year. These will assess how far procurement in central government meets the demanding standards required to deliver value for money now and in the future.

A Major Projects Review Group (MPRG) will be established, based on the existing approach to the scrutiny of local authority PFI projects. The group will be chaired by the Treasury and composed of commercial experts. It will ensure that departments' most significant projects are subject to an effective, enhanced Gateway review process. The OGC will select reviewers for these projects based on the relevance of their skills and experience to the projects concerned.

The MPRG will be advised by the OGC on the deliverability of new acquisition programmes, and further supported by experienced people with relevant commercial expertise from within government. It will have the power to stop a procurement project from progressing to the next stage where it feels that there are issues that need urgent correction.

The OGC will lead on these areas, with powers delegated from the Treasury to require departments to comply or agree non-compliance.

The OGC will:

- develop coherent strategies for the procurement of commodity goods and services across government

- work with suppliers to develop the capacity of the market to supply government's demands, taking a more proactive approach, particularly in the ICT and professional services industries

commented: *"In my three years as Chief Executive I've been proud to lead an organisation that has exceeded its targets on value for money gains in central government, efficiency and procurement. As I informed the*

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- drive the establishment of more cross-government 'one stop shops' for the delivery of public services where face-to-face service delivery is required, as recommended in Sir David Varney's report on service transformation
- pursue the value for money gains to be derived from collaborative use of short-term office accommodation

The OGC will drive forward the single approach to sourcing that it has developed coupled with a pan-government category management process. The OGC will recommend either OGCbuying.solutions or a relevant department to lead on behalf of the rest of government in buying a range of commonly procured goods and services, where they provide good value for money. The OGC's successes to date have enabled the Government to mainstream efficiency as part of routine departmental financial management. As a result, responsibility for efficiency will transfer from the OGC to the Treasury later this year. This means that in future the OGC should have a clearer focus on its mission to transform public procurement.

As government improves the way it carries out procurement, Mr Healey stresses that there is a corresponding challenge to suppliers to raise their game and commit themselves to meeting the high standards of fairness, openness, efficiency and professionalism that can bring mutual reward. Suppliers need to engage positively in early dialogue with government when approached, and respond proactively to the innovation challenge by proposing solutions to meet government's long-term goals. When contracts are signed, government expects suppliers to deliver what they have signed up to.

Following the publication of *Transforming Government Procurement* John Oughton announced that he will stand down as Chief Executive of the OGC on 31 March 2007. Mr Oughton

Permanent Secretary to the Treasury last year, the completion of the OGC review is the right time to appoint a new Chief Executive, able to serve a full term while implementing the Transforming Government Procurement agenda. I'm pleased to leave the OGC with a clear vision for its future firmly established."

The Government is determined to step up its drive to deliver high-quality public services that are both good value for money and sustainable. Procurement is an important means of delivering those objectives. The reforms set out in the *Transforming Government Procurement* report show how government will transform its procurement standards to become a better customer, harnessing the innovative and competitive advantages that suppliers can offer, for the benefit of the users of public services.

IN SUMMARY...

- The 2006 Pre-Budget Report announced that the Government would draw up detailed plans to make the step-change required in its procurement capability to deliver world-class public services
- John Healey, Financial Secretary to the Treasury, unveiled a range of public procurement reforms in January 2007 in the publication *Transforming Government Procurement*
- In the report, Mr Healey stresses the need to ensure that government spends in a way that supports the achievement of its sustainable development goals

FURTHER INFORMATION...

To view the report, please visit:
www.hm-treasury.gov.uk

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