

GO INTERVIEW

Edward Leigh

Edward Leigh, Chairman of the Public Accounts Committee, speaks to *GO* Features Editor **Morven MacNeil** about whether the public sector is at present achieving better value for money and the impact the London 2012 Olympics will have on services.

The Public Accounts Committee (PAC) was first appointed in 1861 to monitor the sums granted by Parliament to meet public expenditure. Over the past few years, the PAC has published reports investigating the Government's spending on consultants and the NHS's National Programme for IT. *GO* spoke to PAC Chairman Edward Leigh about his views on public sector spending and the impact the 2007 Comprehensive Spending Review (CSR07) will have on public services.

You have been Chair of the Public Accounts Committee since 2001. What changes have you noticed since then in the public sector's ability to deliver major projects?

The Government introduced the Office of Government Commerce (OGC) Gateway™ Review process in February 2001, recognising the need to improve programme and project management across government after a series of high-profile failures of often mission-critical projects. Over 1700 Gateway™ Reviews for central government departments have been carried out since their introduction.

However, there are still some issues concerning the ability of the public sector to deliver major projects and programmes. Despite the introduction of the Gateway™ Review process, there have been some setbacks – such as the Child Support Agency and the Rural Payments Agency – and the Committee has not seen as much improvement as it would have liked. Most recently, the Government has acknowledged the need for further steps to be taken in strengthening support for the most complex projects. In its *Transforming Government Procurement* strategy in early 2007, it announced the establishment of the Major Projects Review Group. Chaired by the Treasury and composed of commercial experts, the Group is designed to ensure that the Government's most significant projects are subject to a rigorous Gateway™ Review process. The Committee will be



very interested to see how effective this new Group will be.

How would you sum up the role of the PAC and its contribution to public procurement?

Improving government procurement is vital to achieve better delivery of public services and better value for money for the taxpayer. There is clearly a lot more for the Government to do in professionalising central government procurement. The profile of procurement as a professional discipline is now higher than it has ever been and both the PAC and the National Audit Office (NAO) have contributed to this by highlighting in successive reports both the deficiencies in government

departmental practices and examples of what is possible when they get it right.

What do you consider to be the most important issues that need to be addressed by the public sector, regarding its role as the procurer of goods and services?

There are a number of aspects of procurement practice that the public sector needs to improve to achieve better value for money. A key element is the improvement of procurement skills – a point emphasised in *Transforming Government Procurement* – and this involves developing existing talent. However, the public sector must also ▶

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▷ attract high-calibre professionals from the private sector with the professional and commercial expertise necessary to negotiate

better deals with suppliers – particularly for its most complex and critical procurements. In addition, for effective engagement

with the marketplace government departments need, individually and collectively, to obtain much better data concerning taxpayers' money – where it is spent, how much, on what and with whom – and have a better understanding of what a 'good price' really is.

Coordination and collaboration are also major concerns in the effort to improve value for money. Up to now, procurement activity across the public sector has been largely uncoordinated, as highlighted in the NAO report *Assessing the value for money of OGC buying solutions* (Dec 2006). *Transforming Government Procurement* acknowledges the need for improvement and has introduced the concept of a 'single approach to sourcing' together with increased powers for the OGC, requiring departments to collaborate when buying goods and services and provide an explanation if they do not. I welcome this development.

However, perhaps most importantly, a real change in government procurement will not come about unless the top management teams – particularly the Boards – in departments and agencies recognise the importance of better procurement and lead the drive for improvement.

Do government public policy-making and administration processes put enough importance on achieving better value for money? If not, what should be done to change this?

One of the key strengths of the PAC is its ability to examine the way in which public money is used to deliver public services right across government. In the last ten years, the Committee has questioned hundreds of senior officials and issued over 400 reports. Witnesses have provided valuable insights into the challenges they face in improving public services, and have invariably committed themselves to further progress in the future. Consequently, the Government has acted on most of our recommendations and, in many cases, has succeeded in securing financial savings, improving the standards of public services and tackling the risks surrounding successful delivery.

While the Committee has seen progress over the last ten years, there remain areas where we have seen too little progress.

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In its 2005 report, *Achieving value for money in the delivery of public services*, the Committee identified seven key areas that departments need to focus on if improvements in the delivery of public services are to be achieved.

These key areas are:

- careful planning prior to implementation
- strengthening project management
- reducing complexity and bureaucracy
- improving public service productivity
- being more commercially astute
- tackling fraud
- better and more timely implementation of policies and programmes

The Government needs to act on these principles in everything it does, from the conception of policy through to delivery to the front line.

In 2007, the PAC reported that the Government's spend on management consultants had risen by a third to nearly £3 billion over the previous three years, while at the same time thousands of management positions had been shed across the public sector. What is the PAC's view on this and what measures should the Government take in order to control this spend in the future?

What is worrying is that consultants continue to be used, despite instances where internal staff have the required skills and are less expensive. Departments do not always consider the alternatives before rushing to employ external advice; indeed, as many as 40 per cent admit to using consultants when they need not have done so. Moreover, when departments do use consultants, they often fail to define at the outset what value they expect to receive.

Departments need to do more to understand their medium- to long-term requirements so that they can base their recruitment and training plans on an assessment of future needs, and the extent to which some of that will legitimately have to be met by employing consultants. Recruiting full-time staff and training existing staff can provide better value for money than continued use of consultants. To assist in this, departments

need to get better at identifying where they can benefit from skills transfer and then ensure that this happens. This will help to reduce the frequency with which departments turn to consultants for assistance in the future, as well as helping to secure better value for money from the consultants they do use.

The PAC has also criticised the NHS's National Programme for IT over its failure to meet budgets and delivery times. Has Connecting for Health responded to the PAC yet?

Reporting on the Programme in March 2007, the PAC was concerned that it was unlikely to be completed anywhere near its original schedule, and that there was still considerable uncertainty concerning the costs of the Programme to the local NHS and the actual benefits it would achieve.

The Department of Health responded to the Committee's report in July 2007. It stated that local ownership of the Programme had been strengthened and that local NHS organisations were now responsible for implementation plans, working directly with suppliers. The Department also accepted our recommendation that it should publish an annual statement of the costs and benefits – both financial and non-financial – of the Programme.

The NAO is now undertaking a follow-up study on the Programme, which will include an update on the action taken in response to the Committee's recommendations.

The build-up to the London 2012 Olympics will have a huge impact on demand for services such as construction. What impact do you believe this will have on projects for the public sector, not least in terms of cost, demand for resources and delivery times?

The preparations for the London 2012 Olympics are among a number of major infrastructure programmes in the south east of England, creating substantial demand for limited human and material resources. Given the worldwide demand for the same resources, there is also a global context. India, China and countries in the Middle East are driving rapidly escalating prices for construction materials such as steel and cement. There is a risk that poorly managed public sector demand will affect cost, time and quality and drive inflationary pressures. In the Committee's May 2006 report on the Channel Tunnel Rail Link, we specifically addressed this issue and recommended that the Treasury and the OGC – together with public bodies planning major public projects – schedule the construction phase of such projects to manage these risks.

The public sector also needs to do the following:

- be smart in how it designs buildings by placing less reliance on scarce and high-cost materials
- support and encourage the procurement industry to invest in skills and new technologies by setting out clear and realistic forward-spending plans for capital works (which take account of industry capacity and wider demands) to which it must then adhere
- work closely with its suppliers to encourage workforce education and training and to make its projects safe and attractive places to work
- closely monitor construction inflation to avoid cost surprises once the programme is under way – this is exactly the point we have been making to those responsible for the London 2012 Olympics

CSR07 was published in autumn 2007. HM Treasury stated that it included an ambitious and far-reaching value for money programme which would further develop the efficiency areas established in the Gershon Review. How do you think this will be achieved?

As part of the CSR07, the Chancellor of the Exchequer announced a programme of value for money savings worth £30 billion a year, to be achieved by March 2011. These savings will be on top of the Gershon savings claimed by departments as part of the 2004 Spending Review. I welcome the fact that, this time round, the net savings will represent the extra costs needed to implement the reforms.

However, if the experiences of the Gershon Review are anything to go by, departments will have to provide far stronger evidence that they are making real improvements in the value for money of their businesses. The NAO will no doubt continue its work scrutinising the Government's efficiency claims.

Do you feel the small to medium-sized enterprise (SME) community is sufficiently engaged in public sector procurement, and what role do you feel it can play in improving value for money?

SME suppliers can often provide better value for money by, for example, introducing more competition into the marketplace, providing a more tailored service and bringing innovation through early adoption of new technology.

There are concerns within the SME community about access to the government marketplace, acknowledged by the Better Regulation Task Force (BRTF) and Small Business Council in their 2003

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report, *Government: Supporter and Customer?* The complex procurement processes involved in tendering for government contracts and the range of different forms used by different government departments have often been reflected in the high cost of bidding. Other concerns include SMEs often not knowing where to look for potential contracts, or whom to contact. The BRTF report made 11 specific recommendations designed to address many of the obstacles that may prevent SMEs from participating in the government marketplace. The OGC and the then Department of Trade and Industry's Small Business Service subsequently initiated several SME procurement pilots, which included the introduction of the Supply2.gov.uk website (www.supply2.gov.uk) in March 2006 to give small businesses the opportunity to access lower-value public sector contracts.

However, a key challenge for the OGC in the future will be to balance SME access to the government marketplace with the value for money benefits which accrue from greater collaboration and aggregation with larger suppliers across government.

What examples do you have of public procurement exercises improving as a direct consequence of PAC scrutiny?

Both the PAC and the NAO have published a number of reports over the past few years looking at procurement. For example: at a cross-government level (*Improving departments' capability to procure cost effectively*); at a sector level (*Improving procurement in further education colleges in England*); and at a specific product level (*Delivering successful IT-enabled business change*). The NAO has looked at the impact of this work on departments' procurement practices and found that it has been significant in improving negotiations with suppliers, the aggregation of demand, project, contract and asset management, and processes and transaction costs.

Most recently, the PAC report *Assessing the value for money of OGCbuying.solutions* (July 2007) made 11 recommendations, all of which have been accepted by the Government. OGCbuying.solutions has already started to implement them by, for example, undertaking a staff skills audit, setting up a customer steering group to guide its decisions when creating new framework agreements and contracts and establishing a value for money savings target of £1 billion a year by 2010-11. Our work is leading to demonstrable improvements.

Thank you for speaking to GO. 

A BRIEF HISTORY

Edward Leigh was a member of Richmond Borough Council and then the Greater London Council from 1974 until 1981. He worked as Private Secretary in the private office of Mrs Thatcher in 1976-77, in charge of her correspondence as Leader of the Opposition.

Edward fought Teesside Middlesbrough in the October 1974 General Election and was elected as Member of Parliament for Gainsborough and Horncastle in the June 1983 General Election. He was Joint Secretary of the Conservative Parliamentary Defence Committee and the Parliamentary Agriculture Committee from 1983 to 1985.

Until early 1985, he was Chairman of the National Council for Civil Defence and Director of the Coalition For Peace Through Security.

From 1990 to 1993, Edward was a Parliamentary Under Secretary of State for the then Department of Trade and Industry. Prior to that, he was a Parliamentary Private Secretary in the Home Office.

In May 1997, he was elected Member of Parliament for the new seat of Gainsborough with a majority of 6826. He is currently a member of the Social Security Select Committee, and Joint Vice-Chairman of the Conservative Parliamentary Foreign Affairs Committee. He has been the Chairman of the Public Accounts Select Committee since July 2001.

Further information

For further information, please visit: www.parliament.uk/pac

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