



CabinetOffice



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9 July 2012

Thank you for the letter of 29 March that you and your Co-Chair Professor Dame Nancy Rothwell sent to the Prime Minister setting out recommendations for harnessing Government procurement as a driver of innovation. This has been passed to me to reply as the Minister for Public Procurement. I apologise for not getting back to you sooner.

I would also like to thank you for the support that you and your colleagues on the Council for Science and Technology have always given to the Government in pursuit of a more professional and more effective procurement process. I am grateful for the thoughtful analysis and practical recommendations that you have provided, and I was grateful for the opportunity to meet Council members in January to brief them on the government's existing initiatives.

I have responded to each of your recommendations at Annex A. I hope you will be reassured that action is already underway in many of the areas covered, and by the progress we are making.

I trust you find this response helpful, and look forward to continuing co-operation between the Council for Science and Technology and the Cabinet Office.

FRANCIS MAUDE



INVESTOR IN PEOPLE

ANNEX A

Recommendation 1: There needs to be a Cabinet-level statement setting out the changing nature of Government procurement, and how it will be used to achieve better public service outcomes.

The Government's work on improving public procurement is a process of continual improvement, with new measures being introduced on a regular basis. On 21 November 2011 I set out how public procurement would be repurposed to support growth by introducing a radical package of reforms, and the next steps on implementing these reforms were published on 26 April. Statements setting out the nature and benefits of Government's procurement measures, along with regular progress reports, such as the 'One Year On' report into SME procurement published on 9 March, are made as appropriate.

We have brigaded all the information relevant to government procurement into a single on-line repository, which can be found at:

<http://procurement.cabinetoffice.gov.uk/>

Additionally, a good summary of the changing nature of government procurement can be found in the speech given by myself at the Procurex Conference on 14 March 2012:

<http://www.cabinetoffice.gov.uk/news/francis-maude-speech-procurex-conference>

Recommendation 2: An identified Cabinet Minister should be responsible for tracking progress against procurement commitments and ensuring that key departments step up to the challenges involved.

The Minister for the Cabinet Office, I, have overall responsibility for public sector procurement, and for tracking departmental progress against procurement commitments.

See also the response to Recommendation 9 for details of how departments are held to account.

Recommendation 3: The Government should establish robust procurement criteria in order to distinguish between catalogue and more complex procurements, and adapt its approach to specific cases accordingly.

We are putting in place a range of routes to market to enable departments to adopt the most appropriate procedures, and to enable suppliers of different types and sizes to bid for the work they are best suited to deliver. These routes include:

- Centralised procurement arrangements, to harness the scale of aggregated spend for common goods and services;

- New standard LEAN operating procedures for competed procurements, with a presumption against competitive dialogue;
- A 'Dynamic Marketplace' for low value, low complexity goods and services; and
- Solutions Exchange, to identify, in advance of a formal procurement, emerging opportunities to deliver government business more efficiently; and to allow suppliers to pitch innovative, cost saving, propositions direct to government.

Departments are required to ensure that the evaluation criteria that they use when awarding contracts are relevant and proportionate to their individual procurement exercises.

Recommendation 4: The Department for Business, Innovation and Skills (BIS) and the Cabinet Office should work with other departments to identify forthcoming opportunities which might be procured from highly innovative sectors and ensure that support for innovation is fully integrated into procurement processes, alongside effective engagement with the supply chain. This should be rigorously linked to those areas that were recently identified in the Innovation and Research Strategy.

BIS and Cabinet Office are working with departments to take forward the new, strategic approach to public procurement – announced last November – that will support economic growth. Ensuring transparency via forward procurement pipelines is a key element of this new approach, and this led to the publication on 26 April of 13 new and updated pipelines with approximately £70bn of future procurement opportunities.

Further pipelines will follow. We are thinking about supply chains where the public sector, as a market shaper, has significant influence on investment and growth. This includes regulated utilities which were highlighted in the Innovation and Research Strategy as offering particular opportunities to enable greater levels of innovation and growth.

The Government believes that greater visibility of future opportunities via forward procurement pipelines will allow businesses to plan and invest in technology and innovative solutions so that they are better placed to meet future needs. This needs effective engagement with the supply chain to make it happen. Under this new approach, the Government has committed to creating and operating an open door policy placing a strong emphasis on engaging in strategic dialogue with the market, especially pre-procurement before going out to tender. By engaging earlier and more openly with business and the wider supply chain, government will be able both to reduce the time taken during the procurement process and to provide the certainty and visibility of the forward pipeline to unlock investment and stimulate innovation.

Recommendation 5: The Government needs to put in place a strategy for developing the right mix of skills in its procurement services. Openness to private sector expertise from our most innovative companies is critical: whether through secondments, or more informal advisory relationships.

The Government recognises that raising commercial skills, including commissioning and procurement, is vitally important to get better outcomes for the taxpayer and to stimulate growth through public procurements.

A new curriculum is being designed to provide the skills and knowledge development required to support a refreshed Procurement Skills Framework for the Procurement Professional. The skills framework is currently being updated to reflect the changes in skills required to drive through procurement reform with a strong focus on supplier/market engagement and continuous improvement. The new framework will be available in autumn 2012.

LEAN sourcing training is being delivered by the Government Procurement Service (GPS). To date 800 government procurers have been briefed and more than 200 have been formally trained, with demand for further 4,000-5,000 places during 2012/13. Members from the CBI attend the last day of the three day lean sourcing training to share in the learning experience and provide a business/supplier perspective to the group work conducted over the course of the training.

We are developing the programme of learning for a Commissioning Academy and will be piloting it with senior commissioners over the coming months. The Academy will comprise innovative ways of bringing commissioners from different parts of the public sector together to learn from the example of the most successful commissioning organisations, developing a cadre of professionals that are progressive in their outlook on how the public sector uses resources available. We are now piloting the Academy programme, and anticipate a full roll out of the Academy in 2013.

The Cabinet Office successfully piloted a commercial interchange programme with industry designed to facilitate a two way commercial skills and knowledge exchange. The pilot supported nine inward and six outward secondments and the evaluation data has shown that there was a demonstrable level of skill and knowledge exchange. Cabinet Office is exploiting the success of the commercial interchange pilot by expanding the programme to a broader set of industry partners. This will allow for a greater exchange of skills and experience between industry and the Cabinet Office.

The Civil Service Reform Plan has identified that both staff and the Civil Service will gain from staff having greater opportunity for interchange, secondments and loans to other sectors and industries. This will help civil servants gain an understanding of the challenges faced by organisations in other sectors. This is being endorsed by the research being carried out for Lord Heseltine's Review of Government Engagement with Business and new arrangements for secondments and interchange will be in place by 2013.

Recommendation 6: The need for more advanced skills is most urgent in the case of larger scale and complex projects. In this area, the Government should assemble a “tiger team” bringing together procurement skills from outside government.

A Civil Service team is being created that will be augmented by external resources, where needed, to support strategic and complex procurements across Central Government within GPS. This team is being developed under the Government Procurement Shared Services (GP SS) programme as part of the expansion of services GPS provides. The GP SS programme is also seeking to transfer other, more transactional procurement services, such as spot buying and running mini competitions from Departments into GPS, in order to free up and focus departmental procurement resources on strategic spend and supplier management.

The Strategic Procurement Support (SPS) team will work closely with colleagues across Government to deliver high quality procurements that deliver value for money and are in line with government procurement policy. Knowledge management, ongoing professional development and robust quality management will be key to achieving successful outcomes.

We are currently recruiting high calibre permanent staff to join this team internally and from the external market.

Recommendation 7: The Government’s work to develop a better lead customer relationship needs to build upon the expertise that we already have. The SBRI’s experience in securing effective competition in situations where government’s precise needs are hard to define is a case in point. Any new initiatives should be linked where possible to existing TSB programmes.

The Government recognises that public procurement has a vital role to play in supporting innovation and technology companies; and that the public sector can act effectively as a first customer for innovative products and services. In doing so it must ensure more effective supply chain engagement and signalling of demand, in order to get more innovative solutions.

The Innovation & Research Strategy for Growth (December 2011) included actions to develop Government’s role as a lead customer, through:

- working with public and private sector partners, through the Prince of Wales’ Corporate Leader’s Group, to create public-private Procurement Compacts, with three compacts being launched in May;
- investing more in the Small Business Research Initiative (SBRI); and
- developing Procurement Centres of Expertise in key areas.

The Technology Strategy Board’s role in championing the SBRI programme and supporting its expansion to a wide range of public sector bodies, as well as using its outreach connections to publicise the competitions, is a key factor in the programme’s success. Since the launch of the programme in 2009, it has led to the award of 914 contracts with technology based SMEs, with a total value of £78m.

55% of these contracts have been awarded to either micro (<10 employees) or small (<50 employees) companies. The additional funding will enable us to build on this success, and encourage more public sector bodies to participate in the programme.

BIS works in partnership with the Technology Strategy Board as a major innovation partner and we seek their advice on accelerating the exploitation of new technologies, and to link with its range of programmes and its wide innovation network across industry as we develop new initiatives.

The Government is also signalling demand by publishing rolling medium term pipelines of upcoming procurement opportunities, thus giving an unprecedented view into the Government's expected future requirements and helping to build industry confidence to invest in plants, machinery and people. Conversely, the Government's Solutions Exchange allows suppliers to pitch their own innovative, cost saving, proposals direct to government.

Recommendation 8: More needs to be done to equip buyers to focus on output-based specifications and to reduce pre-qualification processes to the absolute minimum. There needs to be an active campaign to dispel some of the myths surrounding the procurement rules.

A new LEAN sourcing approach is being rolled out across central government, coupled with a training course that is designed to provide up to 1000 procurement staff (by April 2013) with the skills and knowledge to apply it to procurement projects. This LEAN approach sets out a requirement for procurers to carry out extensive pre-procurement market engagement in order to gather ideas for innovation as part of the development of outcome or output based specifications.

15 of 17 central government departments have confirmed that they have eliminated use of PQQ for goods and services procurements below the EU threshold; work is underway with the 2 remaining departments (FCO and MoD), which have additional security requirements to consider, to implement necessary changes to their pre-qualification processes.

For larger procurements, we are going to use the "open procedure" more, thus eliminating the need for an early, separate, and potentially burdensome selection stage.

Where pre-qualification data is still required, we introduced a shortened, simplified and standard set of core questions to be used in pre-qualification. The simplified standard PQQ was mandated to all central government departments with effect from 1 December 2010, and we are encouraging local authorities to adopt it.

Lord Young's report, *Make Business Your Business*, includes "Busting the Myths" sections to dispel some of the myths surrounding the procurement rules:

<http://www.bis.gov.uk/assets/biscore/enterprise/docs/m/12-827-make-business-your-business-report-on-start-ups>

Recommendation 9: Procurement should be recognised not as a peripheral activity but as a core part of effective and innovative service delivery. The Cabinet Office needs to make this awareness a core competence for senior decision-makers of all kinds.

The Civil Service Reform plan recognises that, as commissioning of services becomes as important as making policy, it will be increasingly important for departmental senior leaders, especially in the main delivery departments, to have exposure and experience in a commercial or operational role.

In October 2012, we will be launching a new Major Projects Leadership Academy, which will be created and delivered in partnership with Oxford's Saïd Business School, today in London. The new academy will build the skills of senior project leaders across government to deliver complex projects – reducing the over-reliance on expensive external consultancy further and building expertise within the Civil Service. In future no one will be able to lead a major government project without completing the Academy

The Academy will draw lessons from sectors and projects outside government, and has been developed in close collaboration with the Government's Lead Non-Executive Director Lord Browne of Madingley. While leading BP, Lord Browne created a project academy jointly with MIT which resulted in more projects being delivered on time and within budget, which are the sorts of benefits the Government wants to achieve for major projects in Government.

Furthermore, Permanent Secretaries will have, amongst their personal objectives, ones that relate directly to the delivery of the Government's procurement reform objectives.

Recommendation 10: There needs to be greater transparency of local procurement decisions for catalogue items. For more complex purchases, the Department for Communities and Local Government and the Department for Health need to ensure that local agencies have access to government's developing procurement networks if effective local procurement partnerships are to develop in practice.

The implementation of this recommendation falls to local government, the Department for Communities and Local Government and the Department for Health.

The localism agenda is clear that local authorities know what is right for their area. However as the report suggests there are some common commodities that all authorities should utilise the power of collaboration. The sector is currently designing a system to ensure that the right people are buying the right goods at the right level. That means utilising national frameworks where appropriate.