

The Rt. Hon. David Lidington CBE MP
Minister for the Cabinet Office and
Chancellor of the Duchy of Lancaster
Cabinet Office
70 Whitehall
London
SW1A 2AS

From: The Rt. Hon. Lord Tyrie
Chairman

13 February 2019

Dear David,

Comments on Government Outsourcing Playbook

Public procurement is a huge market. It represents around 14 per cent of the UK economy¹, covering goods such as defence assets and pharmaceuticals, and services such as probation and facilities management. It is essential that this is done to a high standard and, wherever possible, fully competitively.

The Outsourcing Playbook

In order to strengthen the Government's approach to outsourcing, you confirmed the development of a 'Playbook' (a new handbook of guidelines, rules and principles that will apply to all government outsourcing projects) in your speech on 19 November 2018².

The CMA has worked with the Cabinet Office on the development of this document and on new 'Market Management' guidance that will sit alongside it. Both will require government's commercial staff to assess the health of competition in outsourcing markets, when preparing and planning for outsourcing projects. They will also describe how contracts and commercial strategies can be designed to reduce barriers to entry to new suppliers, strengthen competition, and in turn promote healthier markets.³ This is all a step in the right direction.

¹ PACAC report 'After Carillion: Public sector outsourcing and contracting' (July 2018).

² Chancellor of the Duchy of Lancaster speech at BSA Annual Chairman's Dinner (November 2018).

³ For example:

The value of this work will depend on its implementation across government. Here are two suggestions:

First, staff need to be trained in market analysis, and in how government's procurement decisions affect the health of markets. For instance, staff need to be able to identify markets at risk of weak competition (such as those with few competitors, high entry barriers and high switching costs). A small number of large, long-term contracts in such a market may exacerbate this risk, and lead to worse outcomes down the line.

Second, compliance with the Market Management policy should probably be monitored and enforced by the Cabinet Office. Assessing markets and acting to promote market health must not become an afterthought for busy commercial staff. They will, at times, face pressures to let contracts at speed. The Cabinet Office will have a big job to do.

I would like the CMA to do what it can to support the implementation of the Outsourcing Playbook. Would it help if the CMA delivered training on competition and market analysis to the relevant Cabinet Office staff?

I would welcome your view on how best to ensure that this important work gets the thorough implementation it deserves, and on how the CMA might best support it.

Andrew Tyrie

Andrew.Tyrie@cma.gov.uk

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- Streamlining complex and burdensome procurement processes can encourage more suppliers to bid for contracts.
 - Disaggregating government's requirements into several smaller contracts, and limiting the duration of these contracts, can reduce the risk that government becomes increasingly reliant on a small number of suppliers over time.
 - Designing contracts that provide government with appropriate rights over any bespoke systems or technology that is created can preserve government's ability to switch to other suppliers in future.