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Introduction

This report provides a summary of the results and positive outcomes delivered following the Procurement Capability Reviews (PCRs) of sixteen major spending departments.

OGC has published a full report and improvement plan for each of these departments on its website (see the links at end of this report). Work in Wave 1 concluded that while there were many examples of good practice in procurement with many departments receiving a ‘fit for purpose’ amber score against key indicators, there were capability shortfalls in:

- the number of highly capable commercial people
- contract management skills and resources
- management information
- ability to measure performance consistently
- departmental ability to influence in its wider organisation family (e.g. agencies, NDPBs, etc.)

This report presents a series of key facts; summarises the capability scores; highlights several positive outcomes; and, presents some real success stories.
Independent strategic assessments
PCRs provided an independent assessment of procurement in the bigger spending central government departments. They examined how departmental procurement operates at a strategic level and how far procurement contributes to delivering government policy and value for money (VFM).

OGC designed the PCR Programme to raise the profile of procurement and drive up capability. Here are five key facts:
Public and private sector experience
Wave 1 PCRs were carried out by small teams of public and private sector experts who looked at procurement in its broadest sense (from buying pencils to delivering PFI services). The reviews were not simply audits, but ‘followed the money’, concentrating on major areas of spend by and in departments.

Action orientated improvement
PCRs obliged departments to take action based on their PCR Improvement Plans. OGC followed up every six months with its progress assessments. OGC Procurement Transformation Managers worked with departments to help ensure procurement improvements were delivered.

Summary of the results
The summary PCR scores\(^1\) for the sixteen departments\(^2\) are set out below:

<table>
<thead>
<tr>
<th>1) Visibility and impact of leadership</th>
<th>DCSF</th>
<th>CLG</th>
<th>DWP</th>
<th>Defra</th>
<th>DfT</th>
<th>DfID</th>
<th>DH</th>
<th>HO</th>
<th>HMRC</th>
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<th>MOD</th>
<th>DCMS</th>
<th>FCO</th>
<th>BERR</th>
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<tr>
<td>2) Strategy and business alignment</td>
<td>Green Amber / Green Amber Amber / Red Red</td>
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| 3) Stakeholder and supplier confidence | Green Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber Amber 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1PCR scores are based on a red/amber/green (RAG) system where amber means ‘fit for purpose’.

All sixteen departments developed two-year PCR Improvement Plans. These plans included a range of immediate actions such as:

01 **Reorganising procurement functions**
Streamlining procurement activities by reorganising their procurement/commercial functions, such as in the Department of Health (DH) and the Department for International Development (DfID).

02 **Developing commercial strategies**
Developing new commercial strategies to help them deliver Government policy through procurement, such as in the Department for Communities and Local Government (CLG), Department for Transport (DfT) and the Foreign & Commonwealth Office (FCO).

03 **Bringing in more expertise**
More senior commercial experts have been appointed near or at Board level, such as in the Ministry of Justice (MoJ) and the Department for Business, Enterprise and Regulatory Reform (now part of the newly formed Department for Business, Innovation and Skills – BIS).

04 **Delivering workforce strategies**
The development of a people or workforce strategy is a key tool to help reduce dependency on the use of consultants in departments and improve recruitment, retention and learning and development needs. Departments such as the FCO and DfT have developed and implemented strategies like these.

05 **Improving category management**
Actively managing the buying of common goods and services across departments and government is proven to deliver significant savings. A lot of activity is now taking place in this area. For example, the Department for Children, Schools and Families (DCSF) improved the mapping of its third party spend and now better understands its purchasing needs, and as a result has improved its procurement decision making. In the Department for Work and Pensions (DWP) the Welfare to Work Programme is being developed into a ‘super category’ and in CLG key staff are being trained in category management techniques.
Not only has procurement moved up the hierarchy in departments, it has also moved up the strategic agenda for senior managers as a result of PCRs. Indeed, commercial and procurement issues are firmly on Board level agendas in all PCR Departments.

PCRs identified several procurement capability shortfalls in Wave 1. Below are five areas where PCRs recommended a new approach or accelerated the progress of work which was already being carried out:

01 Commercial strategy and business alignment developed
PCRs found that the majority of departments did not have clearly defined commercial strategies. All departments have now produced a strategy or are in the process of producing a new one. These strategies provide departments with a coherent vision of where they should be heading and embed Government policies, such as innovation, sustainability and for SMEs.
Highly commercial and capable people appointed

PCRs found that many departments had visible and effective commercial leaders with appropriate influence to direct effective and efficient procurement. However, a minority of departments had to raise their capability and the visibility of their commercial leadership either by restructuring their organisations or by recruiting new staff. OGC now sits on many appointment panels for the more senior procurement professionals in departments. This assures the quality of the candidates and helps departments to make the right appointments. In addition, OGC’s Chief Executive, who is also Head of the Procurement Profession in Government, now assists Permanent Secretaries to set objectives for their Commercial and Procurement Directors in order to help deliver co-ordinated procurement improvements across Government.

Departments addressing collaboration within their own wider network

PCRs confirmed that the way a department influences spend across its wider organisation of agencies, NDPBs, etc, needs to be addressed differently in each department. Where identified as an issue, departments are putting programmes and projects in place to ensure collaboration can take place within their own network, so that additional savings are realised.

New approaches to improved management information

PCRs found that many departments had management information systems that were sub-optimal, i.e. lacked accurate data and the capability to link data systems across networks. All departments now recognise the need to improve the collection and handling of management information to assist in more strategic decision making and to monitor performance. OGC has introduced the use of UNSPSC (United Nations Standard Products and Services Codes) to help standardise buying information in Government, produce more meaningful management data and put departments in a better position to make more informed management decisions.

Supplier management formalised

PCRs found a mixed picture when they looked at how well departments manage their key suppliers with some departments demonstrating good practices while others did not recognise the need for formal supplier relationship management (SRM). Departments are addressing the SRM shortfall in several ways. For example, developing strategic stakeholder engagement plans, analysing supply chains to understand relationships and risks, improving the co-ordination of supplier intelligence and improving knowledge sharing to inform investment decisions.
In addition to the benefits already documented, here are some specific examples from departments:

**Department of Communities and Local Government**
The Department of Communities and Local Government collaboration and supplier management improved as a result of its PCR. CLG established a ‘culture of collaboration’ across its family that has resulted in category teams actively identifying and seizing opportunities to deliver real savings.

“The PCR gave us a valuable baseline against which to significantly improve our commercial capability in a number of key areas including collaboration and supplier management. Over the past 12 months we have been working closely with key stakeholders in the department and in our Agencies and NDPBs to establish a culture of collaboration through the application of category management in common areas of significant spend – these include ICT, Estates and Consultancy. The Category Teams are now as a matter of course, systematically identifying and seizing opportunities to realise savings by reducing and avoiding duplication as well as aggregating demand across the CLG family. This has also enabled us to establish and leverage more effective relationships with our key suppliers, as well as helping to free up some resource capacity to deploy on more complex projects.”

**Department for Transport**
The Department for Transport established a People Strategy Working Group across the DfT family to raise staff skills and capabilities and oversee implementation of the soon to be published GPS strategy, ‘Building the Profession in Government’. It also initiated a training programme to ensure that all relevant DfT employees are trained in commercial awareness.

“We also established a People Strategy Working Group to implement a People Strategy across the DfT family. The strategy aims to raise the skills and capability of procurement staff as well as identifying and nurturing talent in order to maintain high levels of capability through succession planning in the future. The working group is charged by our DfT Director of Procurement, as Head of Profession within DfT, to oversee the implementation of the GPS’s ‘Building the Profession in Government’ strategy which has DfT Board support.”
“We also offered a place to a graduate from the 2008 cohort of the Government Procurement Graduate Scheme (GPGS), who has since worked on a range of tasks including commodity procurement and supporting rail franchising. Commercial awareness training developed in partnership between Finance, Procurement and Corporate Finance is also currently being run at the centre of our organisation. The training covers a wide range of skills including procurement, contract management, negotiating and influencing and programme and project management.”

Department of Health
The Department of Health developed a new Commercial Strategy and Operating Model in consultation with key stakeholders and experts.

“Our PCR was timed perfectly, coming at a point when we were facing the challenges of rapidly improving commercial capability and coherence across the wider health system, as part of the ongoing reforms in the health sector. The analysis and recommendations of the PCR provided valuable signposts along the path to addressing these challenges. The report highlighted that while there was plenty of evidence of good commercial capability and performance in individual areas, the commercial/procurement landscape showed insufficient coherence, with overlaps between the different centres of expertise. We acknowledged this, along with the key recommendation that it needed a more strategic approach, underpinned by a coherent operating model. Over the last eight months we have worked with key stakeholders and experts to develop a new Commercial Strategy and Operating Model for the Department of Health, the NHS and the wider system to respond to this challenge. Creating a robust and coherent commercial landscape, already a priority, has become even more relevant in the current challenging economic climate. The new strategy was launched in May 2009.”

Department for Culture, Media and Sport
The Department for Culture, Media and Sport's desire for strong procurement leadership has resulted in the DCMS Procurement Council developing a Procurement Management Framework for its community which is set to improve governance and to ensure greater benefits are realised from collaboration.

“Our Procurement Council was established three years ago by the DCMS’s Head of Procurement (HoP) and provides an effective mechanism for sharing knowledge and developing capability across the highly devolved and diverse range of NDPBs. It has recently been placed on a stronger and more formal footing by the HoP and is well placed to build upon the benefits realised to date. A DCMS Procurement Management Framework has been jointly developed via a special interest group consisting of DCMS’s largest NDPBs. This Framework sets out the key objectives, principles and behaviours expected across the DCMS community of organisations and aims to result in greater levels of collaboration, better leverage with key suppliers and improved procurement performance and efficiency across the community. Recognising the opportunities and challenges presented by the current economic climate as well as potential investment required in common spend management tools across the devolved network of organisations, the Procurement Council has also successfully forged strong links with the recently established DCMS Finance Directors Group. Consequently, this group will provide the Chair of the Procurement Council and, in the spirit of collaboration, will rotate on a twelve month rolling basis. Through this relationship, the Finance Director community is set to have a better line of sight and deeper understanding of the opportunities presented by the Procurement Council’s collaboration agenda and it will strengthen procurement governance.”

Home Office
The Home Office has sought to make even more capital out of the resources it has.

“A group-wide resourcing strategy and plan has been developed which seeks to co-ordinate requirements for recruitment of commercial resources and development of existing talent. The group-wide recruitment campaign was launched end April 2009, involving teams across the Home Office, and aims to ensure that high quality resources are recruited and deployed to meet priority business requirements of the group and not just the priorities of component organisations.”
As we move further along the journey towards achieving continuous improvement, we are changing the way PCRs will operate. For Wave 2 PCRs this means we will be:

- Less invasive reviews still based on the PCR Assessment Model, using self assessments that will allow comparisons to be made between Wave 1 and successive waves
- More focused on benchmarking, KPIs, and performance measurement to validate qualitative evidence – in line with the recommendations contained in the Government Operational Efficiency Programme (OEP)
- Continue to publish on the OGC website as for Wave 1.

In PCR Wave 2 we will continue to use the same scoring system used for Wave 1 and assign RAG (red, amber and green) scores to the 9 key areas of the model.

OGC will also offer a range of optional services to help departments complete their Wave 2 PCRs. These options include:

- Assisting departments to complete their PCR self assessments
- Organising supplier/stakeholder surveys
- Developing change/improvement plans
- Leading six month stocktake reviews, which will gather supporting evidence using independent assessors.

The first round of self assessments will be launched in Autumn 2009.

The following links to the OGC Website may be of use for further information:

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<tr>
<th>Category</th>
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