

Buying a brighter future

Better procurement is key to better public services, economic growth and healthier government finances

Key facts

- Only **7%** of respondents think public procurement is delivered well in the UK
- But reform is on the right track – CBI gives the government **8/10** for policy
- Highlights include **9/10** for information about future opportunities
- But Government only gets **half marks** for delivery on reforms
- **3/10** for simplifying procurement and **4/10** for speeding up processes
- And only **5/10** for promoting growth through procurement

CBI Procurement Survey

- The CBI carried out a member survey in **September and October 2012**. The survey highlighted the high degree of frustration that continues to be felt by UK businesses towards procurement processes.
- Nearly **100 businesses** from across the UK responded to the survey.
- **Over 50%** of responses were from small and medium sized businesses
- Responses came from across the economy and around the UK with responses from 12 key sectors of the economy ranging from advertising to construction
- Respondents welcomed the Cabinet Office's work to improve procurement but expressed significant concerns about the slow pace of reforms in many areas.

Summary of results

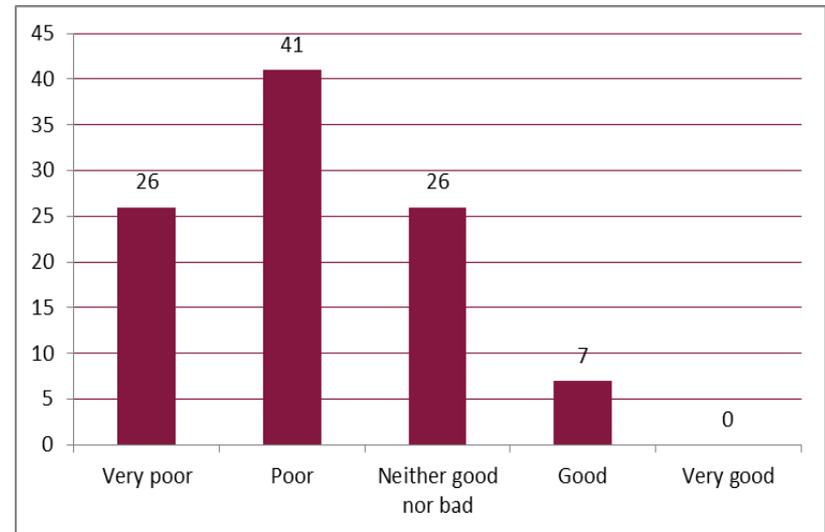
Procurement policy is heading in the right direction.....but implementation and delivery is lacking

Policy assessment		Implementation assessment
8/10	Overall Score	5/10
7	Focus on outcomes	6
9	Better information about future opportunities	7
8	Pre-procurement dialogue	6
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Why public procurement reform matters

- The UK public sector spends £230 billion a year purchasing goods and services from the independent sector.
- With the public sector confronted by huge pressures on resources, procurement reform will be crucial to achieving better results and boosting the wider economy.
- The facts make for depressing reading: procurement in the UK is slow, expensive and a common source of irritation for both businesses and the public sector. Long, complex and poorly designed procurement processes make it difficult and expensive to bid and award contracts. This can lead to higher prices and deter companies from entering the market.
- Despite improvement driven by the Cabinet Office’s reforms the message was clear: over two thirds of respondents described the effectiveness of procurement processes in the UK as poor or very poor.
- At the heart of the problem lie two key concerns: a lack of commercial skills and understanding in procurement departments and the policy teams they work with, and the lack of the sort of holistic and mutually beneficial relationships between buyers and suppliers that can drive reforms.

Overall, how would you describe the effectiveness and efficiency of procurement processes in the UK? (% of respondents)



The Government has made progress in delivering the policies that can lead to change

- Significant changes to the public procurement policy landscape have been made since the coalition government came to power in 2010 – driven in large part by the Cabinet Office.
- Government reforms are focused on making procurement cheaper, faster and more focused.
- By engaging with business, the government has made a positive start towards the development of a procurement system which delivers better results for the public, the taxpayer and the wider economy.
- Markets have been opened up to competition, innovative new payment by results models have been implemented and barriers to entry brought down to create markets of suppliers of all sizes from the public, private, voluntary and mutual sector.



But the relationship between government and suppliers needs to move from conflict to partnership

- The CBI believes that the government has been unambitious about the pace of driving procurement reform. It has also not been sufficiently holistic in its approach and the relationship between procurement reform and the wider public sector reform agenda.
- To deliver long-lasting change, procurement reforms need to change the nature of the relationship between the government and suppliers from that of adversary to one of long-term partnership.
- This requires relationships that begin long before procurement begins and continue after contracts have ended. This will ensure that both purchasers and suppliers work together throughout the commissioning and procurement process to deliver better services and value for money.



The focus now needs to be on delivering change on the ground....

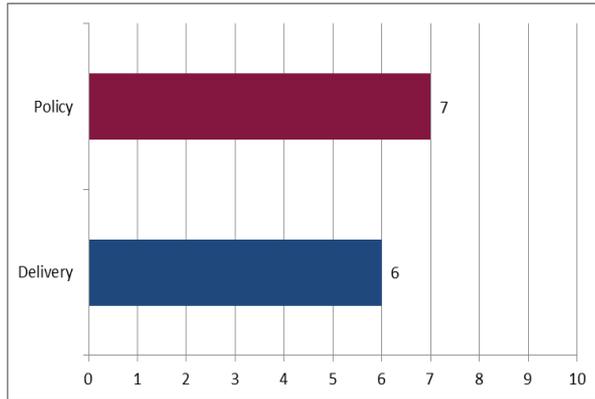
- The first steps towards a new approach can already be seen. For businesses large and small, the way that government engages with and buys from them has begun to change significantly.
- However, to move the reform agenda forward, these early steps need to be built into a seamless process which delivers procurement processes informed and shaped by the market that deliver the right results, at the best price and to the maximum benefit of both users and the wider economy.
- This starts with initial consultations based on desired outcomes, through engagement with the market to determine how those outcomes could be delivered leading to procurement processes which focus on delivering the best outcomes through quicker and simpler processes than today.



And procurement reforms won't deliver the right results in isolation, they need to be part of a wider reform agenda

- Business believes that a shared commitment to, and responsibility for, driving forward better and more strategic relationships between government and suppliers can help foster a better understanding of the opportunities available to each side.
- More needs to be done to connect procurement reform with the wider developments which impact on the interaction between the public and private sector: the open public services agenda, civil service reform, industrial policy and the strategic relationship between the public sector and its suppliers are all linked to procurement reform.
- Unless government acts like a single customer and is able to have a single conversation with suppliers, implementing joined up reforms across the whole of government, suppliers will not be able to engage with it effectively and opportunities for improvements and savings will be lost.
- Without trust and understanding, the potential for the adoption of the sort of reforms that the Cabinet Office is seeking to implement will be severely restricted.

Results 1 : Focus on outcomes



Survey Results

- Flagship reforms in welfare and justice are making greater use of outcomes based procurement
- However, only 25% of respondents said that they were seeing progress made on greater use of outcomes and over half of respondents had seen no changes

Recommendations

1. Government departments should promote the greater use of outcomes-based specifications
2. Greater focus on engagement with suppliers to determine the right outcomes to procure for
3. Increased use of supplier events to address complex problems

Why it matters

It is vital a procuring authority understands what it needs and is able to make an informed decision about the best way to address the demand.

Assessment

Limited skills and a lack of engagement is still resulting in procurement processes where the outcome is not properly specified at the outset.

Positives

- New Commissioning Academy to boost skills
- Procurement pledge for “open door” policy to promote dialogue
- Good supplier engagement on welfare reform and justice issues promoting focus on outcomes

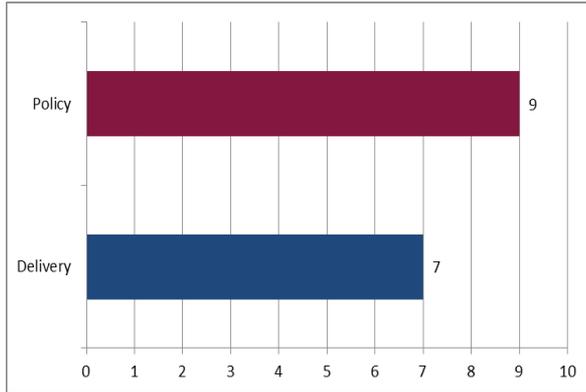
Negatives

- Continuing lack of integration between commissioning and procurement processes
- Lack of engagement with suppliers in the development of policy and shaping of procurements

Survey comment

“...the opportunity to present new and innovative solutions that may go some way to addressing the fiscal challenges that the public sector faces is being missed...the public sector is procuring broadly the same products it did 5 years ago.”

Results 2: Better information



Survey Results

- 43% of respondents said that they felt better informed about upcoming procurement processes than they were one year ago
- 60% said that the pipelines could be useful to their business in the future

Recommendations

4. Pipelines should be further developed to become broader (covering more areas of spend), deeper (including content from more public sector bodies) and longer (going further into the future to match investment timescales)
5. Pipeline notices should evolve as they are shaped by engagement. Early notices should be conceptual – based on specific outcomes that are being sought. Greater detail should be added as dialogue progresses
6. The confidence ratings on pipelines should be altered to reflect the authority’s priorities to promote engagement around how a solution could be delivered
7. Pipelines should be extended across the public sector – including local government

Why it matters

Information about future plans is the best basis for engagement and promoting investment. It doesn’t just lead to better procurement processes; it leads to better outcomes.

Assessment

Concept of the pipelines has been welcomed but, the usefulness of the pipelines has been hampered by a lack of scale and detail.

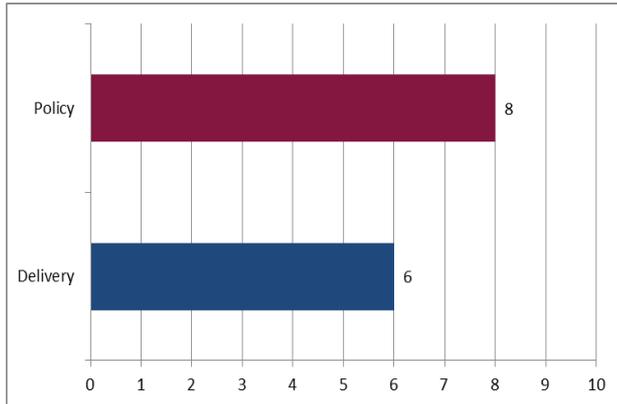
Positives

- Publication of pipelines of future opportunities in 15 key spend categories
- Pipelines have opened debate between departments and suppliers about future plans

Negatives

- Assembling the pipelines has been a very challenging process for departments, as a result the level of detail and depth of pipelines is disappointing
- Scepticism around the concept has led to uneven uptake of pipelines across the public sector

Results 3: Pre-procurement dialogue



Survey results

- 58% of respondents having taken part in pre-procurement discussions over the past year
- 44% of respondents saying that this was happening more often than it did in the past

Recommendations

8. Increased training for policy and procurement staff on how to effectively manage pre-procurement engagement with suppliers
9. Pre-procurement dialogue should not be used as an alternative to competitive dialogue

Why it matters

Pre-procurement dialogue helps buyers decide what they want before they enter into a procurement process. This can lead to better, cheaper and quicker formal procurement processes.

Assessment

The Cabinet Office have worked hard to dispel the myth that you can't talk to suppliers prior to procurement. More now needs to be done to give public sector staff the skill to engage effectively with suppliers.

Positives

- Increased awareness of potential to talk to suppliers pre-procurement
- Commitment in the procurement pledge to an "open door" policy is a major step forward to facilitate and target dialogue more effectively

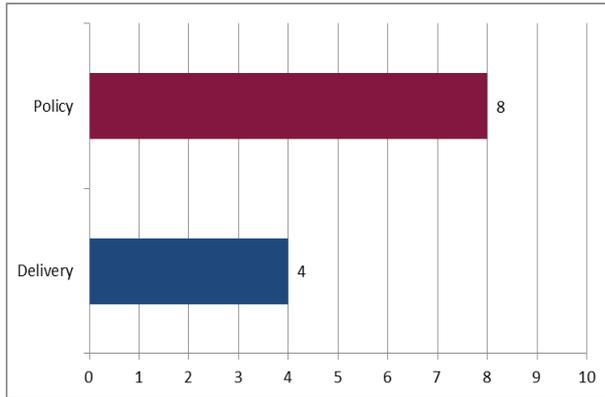
Negatives

- Pre-procurement dialogue can have significant cost and resource implications if poorly implemented or if implemented like a competitive dialogue
- Pre-procurement processes being carried out without clear objectives leading to exclusion of SMEs

Survey comment

There is an "embedded culture and a fear of 'breaking the procurement rules' that prevents conversations and knowledge sharing taking place."

Results 4: Faster procurement



Survey Results

- Only 15% of respondents felt procurement processes had sped up.
- 55% felt things hadn't changed and 35% felt things had got worse or significantly worse.

Recommendations

10. 120 day target should be used intelligently to ensure it accelerates procurement where appropriate but allows flexibility for more complex procurements
11. Procurement processes must not simply reduce time for bidders to prepare their bids when shortened processes are used
12. The Cabinet Office review of standard contractual terms and conditions should be developed in collaboration with industry

Why it matters

Despite some improvement, procurement in the UK still takes too long and is hampered by poorly designed processes. Procurement can be improved by avoiding the unnecessary complications and negotiation caused by poor practices and outdated standard terms and conditions.

Assessment

Faster procurement is not just about carrying out existing processes more rapidly; it needs to be accompanied by the market management and commercial skills that lead to better specifications and smoother, more streamlined processes.

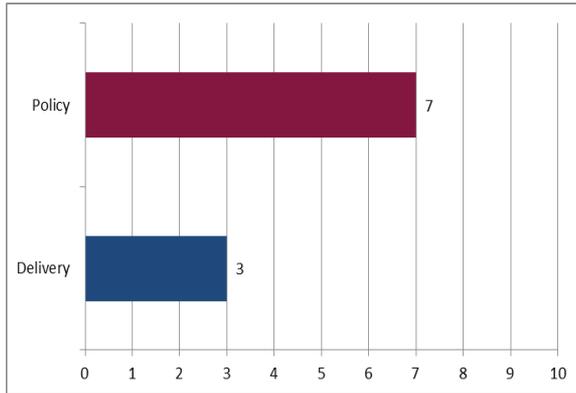
Positives

- Focus on completing simple procurements in 120 days
- Presumption against the use of competitive dialogue
- Review of standard terms and conditions for government contracts

Negatives

- 120 day target being imposed without consideration of what is being purchased and the implications for bidders of time limits
- Hard time-target is being met by curtailing scope for discussions with bidders

Results 5: Simpler procurement processes



Survey Results

- 50% of respondents said that over the past year, attempts to simplify procurement had had a negative or very negative impact
- 30% of respondents felt that PQQs were getting longer and nearly 20% reported that the last PQQ they completed contained over 100 questions

Recommendations

- Public sector bodies should look at how the number of procurement portals in use can be rationalised and their operation standardised
- Standard information should be requested across all procurement portals to reduce burden on bidders
- Rollout of LEAN procurement processes across public sector should be accelerated

Why it matters

Reducing the complexity of procurement processes has significant benefits and enables a focus on what matters most: getting the right outcome.

Assessment

The cost and complexity of winning work from the public sector deters many - particularly smaller - companies from bidding for work. It also raises costs and causes delays and frustration.

Positives

- Rollout of LEAN procurement approach
- Reduction in procurement guidance from over 5,000 pages to 300 pages.
- End of PQQs for smaller contracts
- Move towards creating standard sets of supplier information and certification

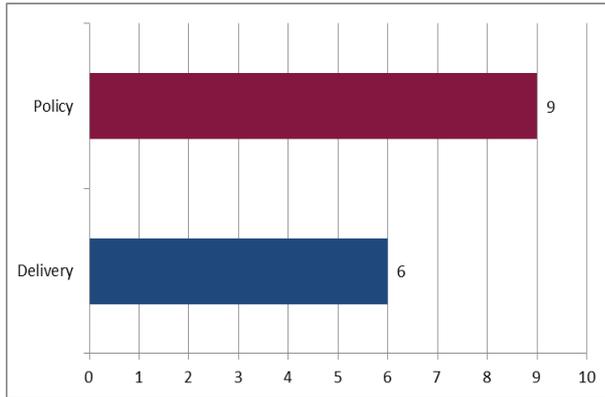
Negatives

- Little evidence of improved use of PQQs
- Proliferation of procurement portals placing significant burden on bidders

Member case study

- One member reported that the move to the use of portals had meant their company now had to register and use over 70 portals across the UK, each with different processes and requirements

Results 6: Commercial skills



Survey Results

- 28% saw improved commercial skills being used while 24% felt skills had declined.

Survey comment

“We have seen some improvements but these are limited. There is still too much concern over process and not enough over outcomes.”

Recommendations

16. Training should be provided for framework purchasers on the use of standard terms and conditions
17. Consideration should be given to the increased use of delivery partners like the Olympic Delivery Authority
18. Expert training programmes should be created for staff leading the procurement of technical and specialist goods and services
19. Central government departments should commission an annual assessment of their performance by their suppliers
20. Procurement departments should analyse procurement performance metrics and publish data

Why it matters

Developing the commercial skills of staff will help deliver better procurement processes from start to finish. To get the best from suppliers, the government must develop market and supply chain management skills.

Assessment

LEAN approach is having an impact on the ability of government to manage its expenditure more effectively. To drive reform and further savings, engagement between the government and suppliers must be further developed and approached holistically. Suppliers have submitted reform ideas but little progress in implementing these initiatives has been made.

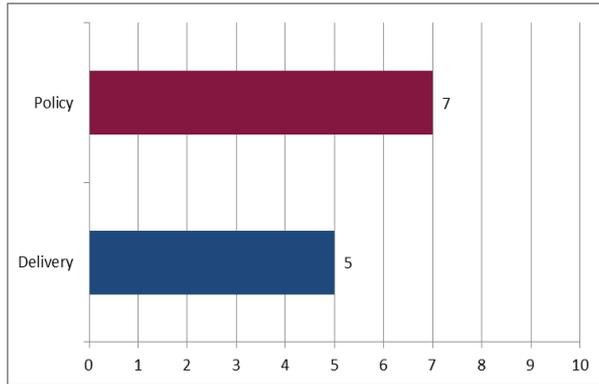
Positives

- Professionalisation of procurement and the relationship between the government and its largest suppliers.
- Development of new training and support processes with input from business

Negatives

- Focus on cost rather than reform leading to commoditisation hindering innovation
- Lack of information about the outcomes delivered by procurement department makes it hard to analyse and address performance issues

Results 7: SME access



Survey Results

- Nearly 2/3 of respondents believed that SME access had not changed, while over 25% thought the situation was worse or significantly worse
- More than 2/3 of respondents were unaware of the Mystery Shopper initiative

Recommendations

21. An information campaign should be launched to promote awareness of reforms amongst businesses and procurement officials
22. Better metrics on SME access to procurement should be developed to help accurately measure direct awards and value delivered through sub-contracting

Why it matters

Harnessing the skills of the UK’s small and medium-sized businesses can help improve procurement outcomes, lower costs and promote growth and innovation. Making it quicker, cheaper and easier to bid for contracts has benefits for companies of all sizes

Assessment

The focus on making contracts easier for small and medium-sized businesses to win has led to a number of positive policy developments. but awareness of reforms is still low

Positives

- Pipelines are particularly beneficial for SMEs
- 25% SME aspiration has helped focus attention on the role that SMEs can play in public sector supply chains
- Creation of Departmental SME Champion and SME Crown Commercial Representative

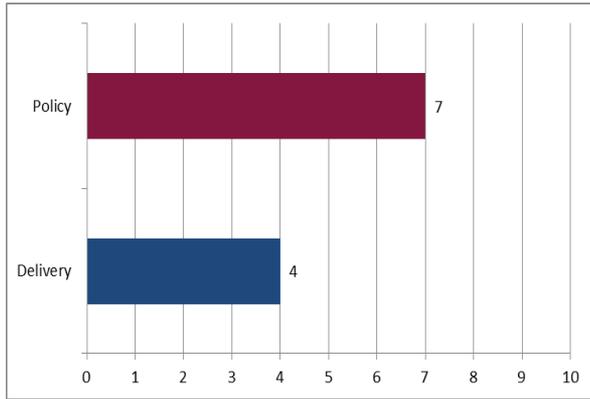
Negatives

- Low awareness of reforms amongst SMEs and procurement departments
- Poor collection of SME data
- Poor commercial practices particularly impact on SMEs

Survey feedback from an SME

“If I owned the business I worked for I would actively avoid government contracts. They are massively bureaucratic and low value.”

Results 8: Promoting economic growth



Survey Results

- 69% of respondents said better procurement processes would make them consider investing more in the UK
- 55% felt procurement processes hadn't changed to reflect the need for growth and 35% felt things had got worse or significantly worse.

Recommendations

23. Further capabilities strategies should be developed in collaboration with sectoral bodies
24. Government departments should ensure that their policy and commercial processes take into account the potential to transform services and promote investment by suppliers in new products

Why it matters

While there is limited scope for procurement to directly promote British industry and wider economic growth, there is much that can be done to boost the capacity and competitiveness of the UK economy to position it to win contracts in the UK and abroad.

Assessment

Used properly, procurement can be a powerful tool for building industrial capacity and promoting growth in supply chains in a way that rewards investment and innovation.

Positives

- Publication of pipelines, capabilities strategies welcomed by industry but much more work needed
- Discussions with suppliers around growth and reform are taking place across the UK

Negatives

- Cost pressures are leading to a focus on initial price at the expense of outcomes
- Outcome of engagement with suppliers failing to lead to reforms
- Lack of commercial skills hampering engagement with businesses

Survey comment

"Procurement has the potential to make a huge difference to both the cost and quality of public services, but an investment is required up front to recruit, retain and train competent staff."

Summary of recommendations

Focus on outcomes

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Better Information

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