

**The OGC**

**transforming  
government  
procurement**

## The OGC

### Transforming Government Procurement

On 23 January 2007, the Financial Secretary to the Treasury launched HM Treasury's new vision for procurement in Government, *Transforming Government Procurement*. This booklet sets out how the Office of Government Commerce is working with central Government departments to deliver that transformation and to achieve major value for money savings and effective procurement of high-quality public services.

A full copy of *Transforming Government Procurement* can be found on [www.ogc.gov.uk](http://www.ogc.gov.uk).

## Why procurement matters

Government procurement comprises over £125 billion of annual spend. In this, there is remarkable capacity both to save money and to acquire higher-quality goods and services including the acquisition, management and use of the buildings we occupy. The Government believes strongly that these advantages should be optimised, to ensure the public services we deliver to the citizen are world-class. Through closer management of Government procurement systems, OGC will continue to promote positive change, freeing up valuable resources to be re-deployed to critical front-line work. Procurement is important; it's at the heart of Government's major programmes and projects. It's how we deliver better public services.

It is crucial that this is done to the absolute highest standard. Accordingly, OGC will dedicate our expertise to focusing on key central responsibilities, setting the standards and the processes in place to capitalise on the Government's collective buying power to achieve value for money and to drive up procurement capability across central Government.

delivering  
better  
public  
services

# The OGC. How we're changing

## Procurement Capability Reviews

The introduction of Procurement Capability Reviews will help us to assess how far procurement in government meets the demanding standards we've set, and to enable Departments to make real improvements. The reviews cover the widest definition of procurement, from commodities through to complex PFI projects. Procurement activities across the whole lifecycle, from policy and strategy decisions to delivery and disposal will be included. Programme and project management capability is therefore within scope. Spend throughout the full length of the Department's delivery chains will be explored, from central Departmental functions, through to Agencies, NDPBs, partners and end users.

The reviews will involve the deployment of a small team of high calibre procurement and commercial experts, engaging intensively with Departments over a short period. The review team will identify the highest priority areas for improvement and provide feedback direct to the Permanent Secretary. Review outputs including the Department's improvement plan will be published, as will pan-government lessons arising from the review programme.

## Major Projects Review Group

Gateway reviews have demonstrably helped the successful delivery of programmes and projects, and the achievement of value for money savings, and these will continue to be a major support tool for use across Government projects. However, it is recognised that there is a need for further assistance mechanisms which will provide Ministers and the Treasury with the means to intervene where necessary. *Transforming Government Procurement* builds on the Gateway process with the creation of the Major Projects Review Group (MPRG).

The MPRG will be chaired by HM Treasury, and comprise commercial experts. It will scrutinise projects at key stages of their lifecycle:

- when the business case is being developed, and there is the maximum scope to influence the outcome of a project and approach to procurement;
- before the project goes out to tender, to test if the specification of the requirement is clear and unambiguous, all the procurement options have been explored, and there is a realistic prospect of success; and
- following the assessment of bids, but before the award of the contract, to check that the contract decision is likely to deliver what is needed on time, within budget, and value for money.

## Professional Skills

Professional procurement takes a number of specialised skills: negotiating and influencing; understanding a wide range of markets – and being able to judge the future of those markets; an ability to engage fluidly with technology and understand technological advancement; financial and business acumen; managing our relationship with suppliers who are of strategic importance to delivery; not to mention good, plain common sense. It's important therefore that we create long-term investment in better skills and increased capacity.

There are two ways to go about this: to strengthen the existing profession, and to recruit high-calibre people to sustain the profession. A comprehensive agenda for change to the Government Procurement Service (GPS) has already been set out, including a new framework of agreed competencies, standard job descriptions and career paths, to help individuals map their progression. This will ensure those currently undertaking procurement on behalf of the Government are aware of the rigorous standards being set, and that those professionals can, in turn, know that their skills are truly recognised for the level of proficiency they represent.

These steps will reinvigorate the Service, creating stronger professional links with Commercial Directors and Heads of Procurement, and establishing a more flexible approach, utilising tools like secondments, including those across public and private sector lines.

To establish a recruitment pipeline that will deliver the highest quality candidates for the longer term, a Government Procurement Graduate Scheme has been established. In its first pilot year, we aim to recruit more than a dozen graduates to join six Departments.

## Stronger Collaboration

Collaborative Procurement – the collective purchase by several Departments or organisations of commonly used goods and services – is one of the most dynamic means by which we can free up public sector funds to be re-deployed to critical front-line work.

Collaborative procurement saves on both cost and staff effort. Up to £4 billion, by our estimation, can be recouped by sharing contracts. And staff work hours can be saved as well – which means procurement professionals can dedicate their time to more strategic planning and management. Not to mention, collaborative purchasing generally delivers a better product – the combined negotiating power of several Departments gives economies of scale that have more leverage than any one organisation standing alone. That means getting better quality for the same price, or more of a product for a lower price – quality and savings that are passed directly on to the taxpayer.

OGC's work with Departments has increased the take-up of collaborative deals, but we want to see it go even further. There are huge savings to be realised and benefits to be had by participating in collective purchasing; not taking part only costs an organisation – and ultimately the citizen – time and money. In the new structure of OGC, our bottom line means Departmental compliance with collaborative procurement is expected, unless the Department in question can show it is doing at least as well on its own. 'Comply or explain' is the deal the Government's offering. There is no opt-out clause from being the best.



## Estates Transformation

OGC will also be requiring high standards in the area of Estates Transformation. The Civil Estate represents a considerable asset and investment: it comprises more than 9000 individual properties, covers 13 million square metres of floor space, is worth £30 billion and costs £6 billion a year to run. And just as a tactical approach to procurement can save taxpayers' money and result in higher-quality public services, so can a strategic management and use of the Government Estate: we estimate the possibility to realise savings of between £1 billion and £1.5 billion a year by 2013. For that reason, HM Treasury has launched *High Performing Property* – a five-year high-level strategy and implementation plan for improving the management and use of the Government's office estate, to be overseen by OGC.

Much of this will involve monitoring and assessment. We will oversee the implementation of mandated controls on Government property acquisitions and leases, starting in London and the South East. And the mandated Government Property Benchmarking Service will gauge efficiency (cost and use) and effectiveness (sustainability, workplace productivity and operability) on a building-by-building basis against set benchmarks. The resulting data provides the means by which Departments can improve building and estate management. In addition, e-PIMS, OGC's electronic property database, is now established as Government's core database and tool for coordinating the civil estate.

And OGC will continue to manage the Government's Relocation Programme, which has proven to be more than on-target for delivering on the Government's commitment to move 20,000 posts from London and the South East to all other parts of the country. This programme is focused on reducing Government's presence in London where it costs 2.5 times more to locate a civil servant than elsewhere in the UK.



## Supplier and Market Development

Part of getting the best out of the goods and services we acquire is building relationships with those from whom we purchase them. The changes to the Government Procurement Service are part of an overall plan to make Government a better customer. We'll continue our work to establish a dialogue with our suppliers, ensuring we communicate effectively across public and private lines to get the absolute best out of Government procurement deals. A better-informed customer is a better customer, and OGC will carry on with our work to build stronger ties and promote discussion between the private sector and the public bodies they supply.



## Procurement Policy and Standards

Policy interpretation and implementation play a crucial role in procurement. Effective policy supports and enables both increased savings through procurement and the promotion of other Government policies such as support for the sustainability and innovation agendas. This is important both domestically and abroad, and we're proud that, under the guidance of the OGC, Britain has built an excellent reputation for pioneering work on the development of the most recent procurement Directives from the European Union.

OGC will continue its role as the Government's procurement policy experts, leading for the UK on international and European policy.

We will set out a single and coherent domestic policy and standards

framework, consistent with the Government's objectives on value for money and open markets and providing clarity for public procurers on those policies that should be complied with and how they should be implemented. We will also provide a new complaints function for suppliers and others who feel that good practice is not being followed in public procurement.



## OGCbuying.solutions

As OGC's executive agency, OGCbuying.solutions will align itself with and support the work OGC is undertaking. Collaborative procurement is at the forefront of its new three year strategy which is focused on realising savings of at least £1 billion for the taxpayer each year from 2010/11. This will be achieved through innovative business methods, increased effectiveness and efficiency, higher skill and expertise levels, better management of services, improved communication and greater emphasis on sustainability.

A major switch of emphasis to a category management approach to procurement lies at the heart of its plans.

We look forward to the bold new future of the OGC. There are challenges ahead, but we have no doubt we will succeed in truly changing the face of Government procurement, resulting in better public services for all of us. For more information, please visit [www.ogc.gov.uk](http://www.ogc.gov.uk).



Office of Government Commerce

#### **About OGC**

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OGC Gateway™ is a trademark of the Office of Government Commerce.

#### **OGC Service Desk**

OGC customers can contact the central OGC Service Desk about all aspects of OGC business.

The Service Desk will also channel queries to the appropriate second-line support. We look forward to hearing from you.

You can contact the Service Desk 8am - 6pm Monday to Friday

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