



Office of Government Commerce

Procurement Capability Review Programme Department for Transport

Delivering World Class Procurement Operations



**William Jordan
Tim Thirlwall
Peter Smith**

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Six key facts to give context to the Review findings:

- 1 The strategic objectives of the Department of Transport (DfT) are to sustain economic growth and improve productivity through reliable and efficient transport networks; improve the environmental performance of transport; strengthen the safety and security of transport; and enhance access to jobs, services and social networks, including for the most disadvantaged.
- 2 DfT includes a 'corporate centre', known as DfT(C), which includes financial and policy functions, along with the management of rail franchises and other major projects. There are also seven agencies: Driving Standards Agency (DSA), Driver and Vehicle Licensing Agency (DVLA), Vehicle Certification Agency (VCA), Vehicle and Operator Services Agency (VOSA), Highways Agency (HA), Maritime and Coastguard Agency (MCA), and Government Car and Despatch Agency (GCDA) as well as a further eleven arms' length bodies.
- 3 The total running cost of the department (including the cost of capital and depreciation) is about £15.9 billion per annum (2006/07), with £10.9 billion of this accounted for by third party spend. The ratio of third party spend to total costs is higher, we believe, than for any other major government department, which highlights the importance of commercial skills for the department.
- 4 Some £3-4 billion of this expenditure takes the form of formal procurement. HA spends some £2.6 billion a year with suppliers. DfT(C) has direct responsibility for major projects such as Crossrail and the Intercity Express project, where spend is irregular but project value can run into £ billions, and some £200 million a year expenditure on common goods and services. The other agencies in total account for around £0.6 billion annually, with DVLA the largest. There are very small levels of procurement spend in arms' length bodies such as the British Transport Police. DfT is also accountable for other forms of third party expenditure - for rail franchising, with a net cost of some £1.0 billion a year, and for payments and grants to Network Rail, Transport for London, and Local Authorities. DfT has varying levels of governance and leverage over this spend.
- 5 DfT's commercial environment is complex. The markets DfT face are highly variable. In the case of rail franchising and major road projects, the market is limited and increasingly international, with consequent challenges; major financing issues are often key to these major commercial activities. Other major spend areas include major business process outsourcing, again with supply challenges. There is a high concentration of spend with major suppliers in all areas e.g. rail franchises, road construction and maintenance, and even in the smaller agencies (e.g. Siemens contract in VOSA, IBM in DVLA).
- 6 The commercial focus of the DfT means that there are many hundreds – probably thousands – of staff who have a strong commercial focus in their work including contract managers, finance staff and project managers working with suppliers. A DfT(C) Procurement Directorate (PD) has been formed recently from the merger of the rail procurement team and the procurement element of PED (Procurement and Estates Division). This Procurement Directorate in DfT(C) has some 50 staff. There are over 100 procurement staff in HA, around 50 in DVLA and smaller numbers elsewhere.

- 1 Procurement and the management of spend through third parties is central to DfT's business. The DfT Board has commercially experienced and aware members in most roles with direct accountability for major spend, but the Board could play a stronger role in driving commercial performance: there is currently no overarching commercial or procurement strategy at Board or functional level. The DfT(C) Procurement Director has strong credibility with colleagues; but procurement leadership roles in HA are currently in transition. In both DfT(C) and HA there is considerable good practice and some that is genuinely leading edge. Performance overall in other agencies is strong, relative to the size of third party expenditure.
- 2 DfT is going through a period of considerable change in its key commercial areas. In DfT(C), the merger of rail and Procurement and Estates Division procurement teams has been successful, but is still bedding down, and there are further opportunities. HA is going through even more significant changes: the relative roles of the "commercial" and "procurement" functions were being resolved as the PCR took place. Spend in DfT(C) is well-controlled; influence over third party spend by local authorities, TfL and Network Rail is reasonable, given the structures within which DfT is required to work. Investment decisions in major "Tier 1" projects are controlled by the DfT Board across the DfT family, but otherwise the influence of DfT(C) across the DfT family is heavily dependent on the high personal regard of colleagues for the Procurement Director.
- 3 There are impressive people in procurement and related commercial functions across the department. However, there are some skills shortages in senior commercial areas, and the capability of the procurement teams is rated as mixed by internal clients. There are issues of succession planning, reward and resource management that have not been fully grasped. Procurement training has been generally strong, if in places a little narrowly focused. Supplier management is good in some individual areas, but there is a shortage of management information across the DfT family, which means that top suppliers are not managed as well as they might be. DfT has worked enthusiastically with OGC and others, taking the lead in some areas and making good use of collaborative contracts. There is a shortage of management information across the DfT family.
- 4 Rail franchising is now a very impressive process, which has demonstrated innovation, good market involvement, transparent and robust processes, and successful financial outcomes. Future developments should include more focus on service/quality improvements without losing the focus on value and propriety. Other DfT(C) major commercial projects are well managed.
- 5 HA has been reviewed extensively, notably in the Nicholls report; much of the response is in hand and looks appropriate. Procurement processes have continued to operate effectively since the departure of the dedicated Board-level Procurement Director but there is a lack of clear commercial leadership. Proposed recruitments should help; a Board level Major Projects Director, and two SCS posts (one to take forward leadership of the procurement function, and a Commercial Director for the Major Projects division). Other agencies demonstrate sound procurement processes, and impressive procurement skills, but they can struggle to resource their very biggest projects such as the Siemens contract with VOSA.
- 6 The implementation of Shared Services (covering two agencies currently) has been poorly managed, although there are signs of improvement. Business processes have not been re-engineered prior to transition; planning, governance and implementation were flawed, and consequences include supplier payment problems and increased processing costs.

DfT Expenditure with third parties

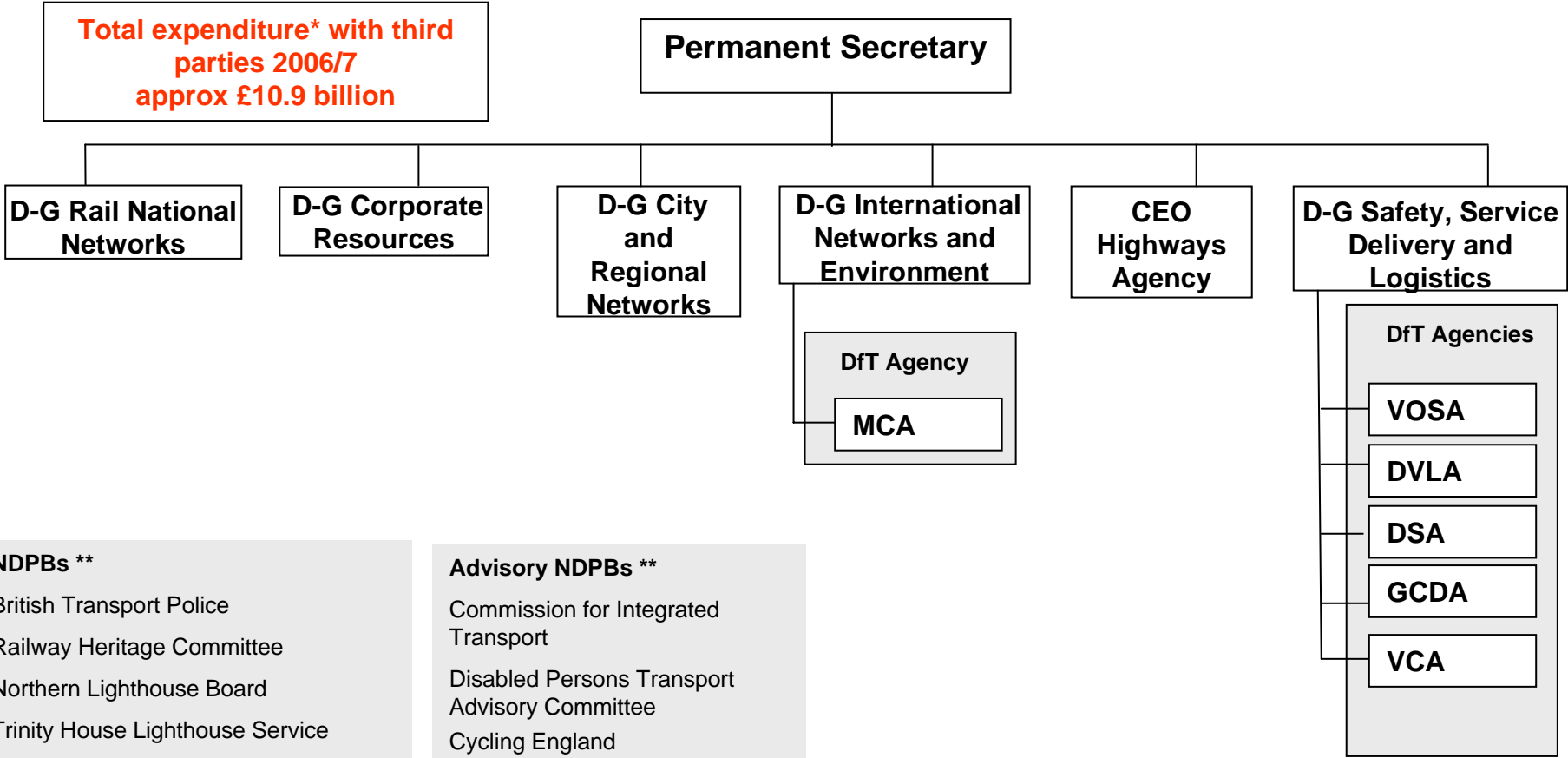
Organisation	Third party expenditure	Notes
DfT (Centre)	Rail franchising (<i>net</i>) £1.0bn Network Rail £3.1bn Local & Regional Transport £3.5bn Other <u>£0.2bn</u> £7.8bn	Expenditure channelled through Network Rail and through Local & Regional Transport is largely in the form of grants etc.
Highways Agency	£2.6bn	Expenditure derived from cost of major projects, traffic operations and support (£2662m) less salaries (£77m) and admin costs (£30m) = £2555m. Source: Finance Director, HA
Driver and Vehicle Licensing Agency	£257m	Source: OGC Expenditure Survey
Maritime and Coastguard Agency	£80m	Source: Finance Director, MCA
Driving Standards Agency	£80m	Source: Head of Procurement, DSA
Vehicle and Operator Services Agency	£90m	Source: CEO and Corporate Services Director, VOSA
Government Car and Despatch Agency	£13m	Source: CEO, GCDA
Vehicle Certification Agency	£5m	Source: Finance Director, VCA
British Transport Police	£50m	Source: Head of Procurement, BTP
	Total approximately £10.9bn	

Department-wide budget & third party spend	Total DfT expenditure 2006/2007	Approx £15.9bn
	Third party expenditure excl cost of capital and depreciation	Approx £10.9bn
	Cost of capital, depreciation and staff costs	Approx £5.0bn
	% of total expenditure with or channelled through third parties incl cost of capital and depreciation	Approx 96%

DfT Commercial Governance



Office of Government Commerce



- NDPBs ****
- British Transport Police
 - Railway Heritage Committee
 - Northern Lighthouse Board
 - Trinity House Lighthouse Service
 - Passenger Focus

- Advisory NDPBs ****
- Commission for Integrated Transport
 - Disabled Persons Transport Advisory Committee
 - Cycling England

- Public Corporations ****
- British Railways Board
 - Civil Aviation Authority

- Tribunal NDPBs ****
- Traffic Commissioners and Deputies

* Excludes cost of capital and depreciation of approx £4.3bn and staff costs of approx £0.7bn

** Governed by Management Statements and Financial Memoranda between core dept and body

Review Model

9 indicators of procurement excellence in 3 groups:

Leadership

1. Visibility and impact of leadership
2. Vision, aspirations, business and policy alignment
3. Stakeholder and supply base confidence levels

Skills development and deployment

4. Effective resourcing of procurement activity
5. “Intelligent client” capability

Systems and processes

6. Governance and organisation
7. Strategic and collaborative approach to market engagement and sourcing
8. Effective use of procurement and PPM tools and techniques
9. Knowledge and performance management

1. Visibility and impact of leadership

The DfT Board has some very commercially experienced and aware members but could usefully consider commercial matters more regularly and fully. The Procurement Director has shown strong personal leadership, as have some other key functional leaders. Commercial leadership in HA is critically dependent at present on the Chief Executive.



Key Facts:

- DfT is responsible for third party spend of £10.9 billion per annum. Each Board member is accountable for significant procurement spend ranging from Shared Service provision to Crossrail to helicopters to road construction and maintenance. The Board collectively considers major investment decisions on “Tier 1” projects (around 20). Board members with responsibility for some of the largest areas of third party spend have strong commercial backgrounds in the private sector.
- Spend has been generally well controlled. Exceptions in recent years include Shared Services and investment in the Highway Programme. In both cases issues are being or have been addressed.
- Commercial leadership is good but not best in class. Some Board members have limited commercial experience. Commercial thinking is not yet fully integrated with strategic development (to ensure full account is taken of the changing commercial landscape and new methods of financing projects). Nor does the Board routinely use (a) financial reports and (b) exception reporting on the status of major projects to help monitor and control third party spend.
- In HA, there has been a lack of clear professional procurement leadership since the departure of the previous Procurement Director early in 2007. Board level leadership on commercial issues is currently de facto the responsibility of the Chief Executive. This should be addressed by the proposed appointment of a Board level Major Projects Director. Appointments at SCS1 level to take forward leadership of the procurement function and a Commercial Director for the Major Projects division should also help. Procurement function leadership in the smaller agencies is impressive given their size but Board level commercial leadership in the agencies appears variable.
- There is strong commercial leadership below Board level including Jack Paine, the DfT(C) Procurement Director (PD). Jack Paine is well regarded, energetic, and visible (though principally in the Centre). The grading of the post, currently SCS1, is lower than in most comparable departments: job weight is currently being evaluated. There are other pockets of strong leadership elsewhere in DfT(C) including Corporate Finance and the sponsorship of major projects in Rail National Networks (RNN).

2. Vision, aspirations, business and policy alignment

There are good procurement strategies in some agencies and at project level, including some leading edge work in a number of areas. However, there is no overarching commercial strategy – either at Board level (covering long term commercial issues) or at functional level (how commercial issues should be handled across the DfT family). Procurement activities are generally business aligned but it is too early to judge the impact of changes in the procurement and commercial functions in the Highways Agency.



Key Facts:

- The Board would like to see a stronger commercial capability and culture. The 2005 transfer of staff and rail franchising activity previously carried out by the Strategic Rail Authority (SRA) has provided DfT(C) with strong commercial skills but the SRA commercial culture has not yet been fully integrated into the department.
- Some projects have been late in engaging but generally there is good control of expenditure by the Procurement Directorate (PD) in DfT(C). Internal Audit has a good relationship with the PD and carries out a range of related reviews.
- There is a lack of overall DfT commercial strategies at both Board and functional levels. At Board level, there has been some discussion of long term commercial issues (such as the impact of Infrastructure Funds on funding for transport projects). A Strategy Committee has recently been established for corporate planning purposes: it needs to address these issues. At functional level, there is no clearly defined picture of how commercial principles are applied across the department, including issues of governance, organisation and skills, and an overarching commercial/procurement strategy is required.
- HA is currently reviewing its procurement strategy, and strategies are in place for some of the smaller agencies.
- Commercial strategies at project level have demonstrated innovation and good market involvement e.g. rail franchising, Early Contractor Involvement, Road Pricing, Intercity Express, and the Royal Flight.
- Strategic alignment between procurement, business areas, contract management and Project and Programme Management appears good in most areas. The alignment between the 'intelligent client' (the department's sponsor role) and HA has been less successful, as identified in the Nicholls report, but this is now being addressed.
- Procurement in HA was not well integrated with the business units and has now been partly decentralised so that there are procurement functions within the two major business units.
- There has been very impressive work on sustainability in DfT(C) which has been promulgated around DfT. HA is not as advanced as DfT(C) and should consider working more closely with the Procurement Directorate in this respect.

3. Stakeholder and supply base confidence levels

Government stakeholders rate DfT as 'about average' in terms of commercial activities but this varies greatly across the different areas. Amongst the supplier community, rail franchisees are generally positive, as are highway contractors, but there is some fear of the future given current changes in the Highways Agency. Suppliers to other agencies and areas gave a mixed response.



Key Facts:

- **Highways** – Suppliers are generally positive about HA ; there is 'mutual trust'. Processes are fair but onerous, and two key HA procurement processes ('Capability Assessment Tool' and 'Early Contractor Involvement' (ECI)) are well regarded. The quality/price model is seen by suppliers as 'far sighted'.
- Contract management in HA is seen as variable, but there are good high level relationships up to Chief Executive level. ECI allows more profit certainty. This means that suppliers can appoint project managers whose strength lies in delivering projects to time, budget and quality rather than tough commercial negotiators who can make a job profitable through variations.
- There are concerns, following the departure of the previous procurement director, about a reversion to more aggressive contractual relationships. Predictability of funding is the other major HA supplier concern.
- **Rail** – Suppliers perceive fair, balanced and proper procurement processes. More integrated forward planning would be helpful (e.g. track improvements impacting on revenue). Suppliers appreciate regular meetings with the Director General.
- Suppliers would like to see more credit given to innovation and quality in the rail franchising process.
- **General/Other** – Internal stakeholders show high confidence in the rail franchising process and there is evidence of good stakeholder management in some major projects e.g. Royal Flight. There is less user confidence in the urgency and business focus of some procurement staff engaged in some corners of the Procurement Directorate.
- Other government stakeholders (NAO, OGC, Cabinet Office etc.) perceive the DfT as reasonably positive – with strengths in rail, but obvious and well known concerns in areas such as Shared Services and the highway sponsor role.
- There is good communication with suppliers and good information available on various DfT websites, but little is done to encourage SMEs.
- There has been little structured stakeholder engagement from procurement, but a 'marketing plan' covering the DfT family is under development for 2008.

4. Effective resourcing of procurement activity

There are good procurement skills evident in DfT, and resource levels appear appropriate. Training is taken seriously. However, there is a shortage of highly skilled commercial staff with consequent dependence on external resource in some areas. Succession planning is weak, with high dependence on a few key people, and there is no overall resourcing strategy or plan.



Key Facts:

- It has been difficult for both HA and RNN to recruit and retain 'high level' commercial managers in procurement, delivery and contract management. Rail specialists perceive difficulties in reaching SCS level without wider policy experience and there are problems in matching pay scales in the private sector. In general, 'growing your own' is not easy given the specialist experience needed.
- There is no overall 'people strategy' covering succession, resourcing, reward, etc. Succession planning is weak and an issue – particularly for key senior figures in RNN.
- Recruitment and retention have been less of an issue in 'traditional' procurement groups, and in HA procurement, where teams appear well resourced with good retention levels. The Corporate Finance group has also successfully developed a range of skills through the use of recruitment, fast stream placements, and secondment.
- There is generally a good balance between internal/external resource (including use of Partnerships UK) given the irregular project nature of much commercial activity. However there is high dependence on external resource and long term contractors in some project areas (principally rail) with subsequent risks.
- The new procurement structure has a high dependency on Jack Paine. He is clearly very busy. Colleagues wish to see Jack in person, not his deputies, with consequent impacts on his diary: "it takes 3 weeks to get to see him". However, he has been invited to pitch for more resource by DfT's Executive Committee.
- There are strong skills in major project areas but general commercial skills appear lacking in some procurement and contract management areas. Procurement and business skills at lower levels in the Procurement Directorate are also variable. There is evidence here of a focus on process and rules rather than business outcomes.
- HA Procurement has over 100 people – none are currently at SCS level and there is currently no dedicated professional procurement leader. The function reports to a Board member with other significant responsibilities. There are, however, plans to recruit a Major Projects Director at SCS2 level with strong commercial experience and additional commercial heads including a dedicated procurement professional leader at SCS1 level.
- The focus on CIPS training is very strong (e.g. 20 people going through training in DVLA) but the approach can be somewhat generic rather than focusing on business and individual needs. Post CIPS, there are some good initiatives, such as EFQM, legal awareness and financial courses, but the approach to continuous professional development is not very structured.

5. 'Intelligent client' capability

DfT is an intelligent client in most of its major spend areas and with most suppliers. Contract management is usually well structured and taken seriously. Supplier relationship management has been successful in a number of key areas, but could be linked more closely to extracting real value from suppliers. There is no overarching view of key suppliers across the department.



Key Facts:

- The 'sponsor' relationship between DfT(C) and HA was unclear but now (post Nicholls) is moving in the right direction. The developing Project Control Framework document is good, with DfT providing the SRO for the options stage.
- ECI appears to be a good process and has delivered improvements in delivery timescales, but requires HA to have good commercial skills to develop and negotiate the agreed Target Price.
- The 'client' role in rail appears strong.
- Contract management is generally good in rail. There are strong links between the procurement and contract management phases ensuring continuity of approach and knowledge transfer, although even here contract managers are perceived as lacking in high-level commercial skills. Contract management is less strong in some other DfT(C) areas.
- Contract management is somewhat variable in HA – processes are less embedded with more reliance on individual skills. Other agencies rightly focus contract management effort on key contracts and do so professionally.
- There has been good work in rail, HA and other agencies in terms of Supplier Relationship Management (SRM) although there are still opportunities to become 'world class' e.g. plans to extract defined additional value from suppliers. SRM is less developed in the non-rail part of DfT(C).
- However, there is no overarching DfT view of key suppliers e.g. what major contractors are doing across the department, including rail projects, highway construction/maintenance, and work for TfL and Network Rail. In some cases, suppliers have won major contracts in one part of DfT while in dispute with another DfT agency.
- Some good work has been done in terms of supplier information, but there are no consolidated SRM processes across the DfT family.
- DfT have participated positively in OGC SRM activities and have contributed to the Common Assessment Framework for major government suppliers.
- There are good examples of positive links between suppliers and senior managers, including in DSA, VOSA and DVLA. Escalation to Ministers is infrequent but has been used to resolve major issues.

6. Governance and organisation

Spend is generally well controlled in DfT, but governance between DfT(C) and the agencies needs to be clearer. Where DfT works through, or funds, other bodies, reasonable influence is exerted within the bounds of what is achievable. The DfT estate is well managed. In HA, plans for reorganising procurement and commercial functions will require further definition and vigorous implementation.

Key facts:

- The DfT(C) Procurement Directorate has been formed from the merger of the ex-SRA rail procurement team and the procurement part of the old Procurement and Estates Division. The merger is working well, but cultural change in the former PED is not yet fully embedded. Estates across the DfT family are well managed through an effective Property Assets Management Board chaired by a DfT Board member.
- The proposed organisational changes in HA and recruitment of senior commercial staff should improve procurement capability and performance, provided they are supported by strong and clear functional governance and clear definition of responsibilities.
- The Board has recently empowered the DfT(C) Procurement Director to review all major DfT(C) projects at varying stages of procurement through a Contract Awards Committee (CAC). His brief in respect of the agencies is to advise and guide. This appears to be adequate at present with goodwill on all sides, but the governance framework and processes, including use of the CAC, are at present not fully or clearly defined.
- There is good commercial governance, including clear delegation policies, in DfT(C) and at agency level. Procurement delegations were higher in PED, but have since been tightened, with all contracts over £1 million requiring approval from the Procurement Director.
- The Investment Appraisal Framework seems to be a good process but does not refer specifically to the roles of the Highways Investment Board (HIB) or Railways Investment Board (RIB). There is some lack of clarity regarding the value added at each stage of the approvals/governance process. It is claimed that the old Driver and Vehicle Operations Board provided 'stronger commercial scrutiny' than the current arrangements.
- Local Authorities – where DfT have some leverage or control, such as in approval of PFI contracts, they exert appropriate scrutiny/involvement e.g. sitting on project boards for projects such as Birmingham PFI. In other areas, such as capital spend channelled through the Revenue Support Grant, there is no real leverage. The Office of the Rail Regulator supervises Network Rail (NR) and controls budgets, costs, etc. DfT have agreed protocols with NR on major projects which include gain/pain share arrangements. NR follows a number of appropriate DfT policies including sustainability.
- Funding to TfL is committed under the Greater London Authority Act and the agreed Olympics projects. There is good dialogue and DfT exerts influence in so far as it is possible to do so.

7. Strategic and collaborative approach to market engagement and sourcing

DfT has demonstrated very impressive market engagement and sourcing processes in rail franchising, highways and some other major projects. There is some innovative work in this area. DfT has played a positive role in collaborative activities across government but could usefully develop their own Category Management approach further in some key spend areas.



Key Facts:

- The market and sourcing approach on rail franchising projects is very strong, with robust processes, a high degree of transparency (ITTs and evaluation processes are published) and anonymised bidding to ensure propriety. Other major rail projects are generally good but there have been some slippages on timescales e.g. Intercity Express.
- Other major projects e.g. Royal Flight and Road Pricing appear to be managed very well, with good early market engagement. But the Search and Rescue Helicopters project, a joint project with MoD, has a very lengthy timescale.
- HA sourcing processes appear robust. Sourcing in other agencies generally looks appropriate given their size.
- There has been good use of collaboration, with wide use of shared contracts (such as OGCbuying.solutions) across the whole department. DfT has taken the lead in some collaborative procurement areas e.g. recycled paper and envelopes, and has been a leading influence in government environmental and sustainable procurement over some years.
- There has also been some involvement with other collaborative initiatives such as the GPS, although this could be stronger in some areas e.g. participating in the GPS graduate training scheme.
- Generally, there has been a limited category management approach in DfT(C). This is not surprising given the strong collaboration focus and use of wider deals. However a category management approach could be useful in DfT(C) (and perhaps more widely) in areas such as consulting, research and FM, where the current approach is somewhat fragmented. There is a category management approach in use at DVLA.
- Project and programme management is strong as is procurement input to major projects. For example, there are good examples of early market engagement, understanding of specifications, robust and fair selection processes, etc.
- There has been unresolved discussion about the procurement and contract management of common goods and services ('type B' contracts) including the possibility that these will be managed, in whole or in part, by the Shared Services Centre.
- PACT (the IBM contract with DVLA) has been used widely but within the scope of the original OJEU advertisement. Much has been achieved through the contract, but at times the desire for speed may have outweighed the potential benefits of opening work up to competition.

8. Effective use of procurement and PPM tools and techniques

DfT generally has good procurement and PPM processes. There has been some good use of Government Procurement Card and early adoption of e-Procurement in some areas. However, the early transition of two agencies to a Shared Services environment has not been successful. There have been many issues, not all as yet resolved, and this is negatively impacting 'Purchase to Pay' performance.



Key Facts:

- There are strong PPM (Programme and Project Management) and procurement processes in place in rail franchising – the 'Plan/Buy/Do' approach has been well thought through, defined and successfully embedded.
- Other large projects e.g. Royal Flight and Road Pricing also demonstrate impressive processes and good integration of PPM and procurement activities. Some of the work here appears exemplary.
- OGC consider DfT to be Gateway 'zealots', who use the process enthusiastically. Risk management is strong with good evidence from HA, DVLA and elsewhere.
- Procurement transactional processes range from adequate to very good ('Buynet' e-Procurement system). Use of the Government Procurement Card is widespread and impressive across all parts of the department and even overseas (VCA).
- Legal advice – internal and external – is generally well integrated into procurement processes. But there may be scope to exploit competition between legal firms more fully when procuring external legal advice.
- The PED on-line procurement manual is considered very good, and is well used by all parts of the department with some local tailoring. It is now being merged with the rail procurement manual.
- There are currently a range of financial systems – Sun, SAP, Oracle – in use in the DfT family. It is understood that planning is underway to standardise on SAP.
- The Shared Service Centre ('SSC') is late, over budget and is currently performing poorly. Planning for the SSC was weak. There was no user acceptance testing, limited training, no business process re-engineering pre-transition, and it clearly should not have gone live when it did. There has also been poor governance (DfT(C)/DVLA/users), with several SROs. There are now, however, signs of improvement under its new management and the current SRO.
- One consequence has been an unacceptable Accounts Payable performance. This was previously very good across DfT but has declined in those organisations using the SSC. Supplier relationships are threatened, processing costs have increased, and workarounds are now causing further problems.

9. Knowledge and performance management

Spend/supplier information is available but requires considerable effort to obtain and at category level is even weaker. There is a strong focus on efficiency and savings but a broader approach to procurement performance measurement would be useful. Knowledge management is not systemised although there is evidence of a focus on lessons learned in some key areas, including rail and highways.



Key Facts:

- Commercial management information is weak, particularly when looking across the DfT family.
- Category spend information is not routinely collected across the DfT family. At individual agency level, a lot of 'digging' is needed to extract useful data. The DfT family response to the OGC's annual Public Sector Procurement Expenditure Survey, seeking category spend, comprised information for DVLA only.
- The outcome is a limited 'grip' on spend. For instance, there is no consolidated supplier information or assessment system to cover key suppliers or reports to Board level.
- Measurement of procurement performance is variable and not very strong in some cases. DfT(C) is looking at using the EFQM model to measure performance.
- Impressive savings have been generated by DfT. It appears that the rail franchising process has saved £6.6 billion in franchise costs (compared with the NPV comparator) since the transfer from SRA in 2005.
- Generally, there is an adequate approach to efficiency reporting and planning both in DfT(C) and in the agencies (e.g. DVLA).
- There is evidence of 'lessons learned' processes being in place e.g. rail franchising. The process has clearly improved with every franchise exercise as skills and knowledge increase. However there is no overall approach to knowledge management in each area. There is no strategy, agreed approach or database across the DfT family.
- The Procurement Director is looking to link the procurement planning process more strongly into business planning for 2008 and beyond.

Final DfT Score Card

World Class Leadership	1	Visibility and Impact of Leadership	A/G	Well Placed
	2	Business and Policy Alignment	A	Development Area
	3	Stakeholder and Supplier Confidence	A/G	Well Placed
World Class Skills Development and Deployment	4	Resourcing	A	Development Area
	5	Intelligent Client Capability	A	Development Area
World Class Systems	6	Governance and Organisation	A	Development Area
	7	Sourcing and Collaboration	A/G	Well Placed
	8	Use of Tools and Techniques	A	Development Area
	9	Knowledge and Performance Management	A/R	Urgent Development Area

Recommendations

Leadership

Visibility and impact of leadership

1. The DfT Board should use the Board financial reports to highlight key commercial issues and consider exception reporting on the progress of major projects, in addition to its current consideration of 'Tier 1' projects.
2. Strengthen further the commercial experience of Board members, e.g. seek Non-Executive Director posts in major private sector companies to develop commercial skills of those DfT Directors who do not have senior private sector experience.
3. Expedite the appointments of a Major Projects Director at SCS2 level, a Commercial Director within the Major Projects Division at SCS1 level, and a Procurement Director at SCS1 level to lead the decentralised procurement function, as planned by the Highways Agency.

Business and policy alignment

4. Ensure that development of a Long Term Strategic Plan setting out the detailed response to Eddington includes consideration of how transport investment will be undertaken in 2014-2019, as well as arrangements for involving the private sector in joint transport investment.
5. Prepare and implement a Commercial and Procurement Strategy for DfT(C) covering third party spend, commercial values, general principles, governance, approval, customers, people, process, suppliers, organisation and commercial assurance.

Recommendations

Skills development and deployment

Effective resourcing of procurement capability

6. Develop and implement a strategy for dealing with pay differentials (particularly in RNN), professional recruitment, career development and succession planning.
7. Review responsibilities and delegated authorities of senior staff within the DfT(C) Procurement Directorate to avoid 'bottlenecks' in decision making and consider recruiting high level support for the Procurement Director, e.g. a Deputy Director.
8. Ensure close working with GPS and consider participation in the GPS graduate training programme in 2008.
9. Provide broader (post CIPS) commercial training and development and ensure training meets individual and business needs.

Intelligent Client capability

10. Develop, implement and communicate the new Project Control Framework for the Highway Programme with RNN acting as Project Sponsor for the options stage and HA responsible for project development and construction.

Supplier Relationship Management

11. Develop and implement an SRM programme for top suppliers across the DfT family to promote innovation, identify risks, improve understanding by developing better relationships, and encourage suppliers to support the sustainability agenda throughout their supply chains.

Recommendations

Systems and processes

Governance and organisation

12. Prepare a clear statement of governance arrangements for the DfT family including a review of the Investment Appraisal Framework and the terms of reference for the Rail Investment Board, Highway Investment Board and Contract Awards Committee to ensure there is no overlap.
13. Further define the relationship between the commercial and procurement functions and implement within the Highways Agency.

Strategic and collaborative approach

14. Develop Category Management arrangements across the DfT family including the procurement of consultants, research and facilities management.
15. Establish a senior user group drawn from across the DfT family to review the specification, procurement and delivery of Type B contracts including links to the Shared Services Centre, and implement as appropriate.

Shared Services

16. Review the original rationale for the shared services programme, and amend if necessary to ensure that it meets with current departmental strategic objectives. Communicate the resultant vision to all stakeholders.
17. Ensure that the Shared Services Centre (SSC) reports to the Corporate Services Division. Define and communicate the linkage between the SSC and DVLA.
18. Review current performance and set out a strategy for implementing subsequent stages including possible eventual use by other departments.
19. Review current business processes in DVLA and DSA and amend if necessary. Set up functional user group(s) comprising representatives from Rail National Networks, City and Regional Networks, Safety, Service Delivery and Logistics and the agencies so as to agree common business processes.

Recommendations

Systems and processes

Knowledge management

20. Establish and implement a knowledge management system across the DfT family to capture lessons learned on recent projects including the identification of 'go to' individuals for specific skills.
21. Identify an appropriate senior manager at SCS1 level to own and develop the knowledge management system including the promotion of learning from the experience of other departments and third parties.

Performance management

22. Develop mechanisms for central collection and analysis of data on third party spending across the DfT family.
23. Develop a strong and timely process for measuring commercial and procurement performance and ensure it links with personal objectives for staff.