

Department for Transport Procurement Capability Review Improvement Plan

Version and Date:	Version 1
Approved by:	DfT Exec Board
Plan Owner:	Jack Paine, Procurement Director

DfT - PCR Improvement Plan

<p>Summary of Review</p>	<p>The Review highlighted the importance of the procurement/commercial function to the delivery of the strategic business objectives of the DfT and its Agencies, and noted the complex commercial environment in which it operates, with a high concentration of spend on rail franchises and highways. We were pleased that the Review recognized the success of rail franchising both in terms of best practice processes and financial outcomes, and that other DfT(C) major commercial projects were well managed. The Review also noted the benefits achieved from the recent amalgamation of the DfT(C) and Rail Group procurement functions and suggested that further opportunities were available if closer links could be established with the various Agency procurement organizations. Likewise, the Review was impressed with the level of procurement professionalism across much of the Department and its Agencies, and the work done on sustainability, but recognized that a further strengthening of procurement/commercial skills, and a succession planning and reward system was needed to sustain the progress achieved to date. The proposed organisational changes to strengthen procurement/commercial in the Highways Agency were noted. Other areas for improvement included the need for an over-arching procurement/commercial strategy, and stronger supplier management and development, although the Review recognized that progress was hampered by the lack of management information from the current IT systems. Whilst the Review commented on the poor implementation of the Shared Services programme, and elements of the Highways programme, it noted that actions were in hand to address these issues.</p>
<p>Vision</p>	<p>To use the PCR and other ongoing initiatives to develop the Department's procurement/commercial capability such that we can consistently deliver affordable, compliant, deliverable, value for money (VfM) commercial solutions that meet the business objectives of the Department and its Agencies. The 'Plan, Buy, Do' approach should underpin all procurement/commercial activity.</p>
<p>Programme Governance</p>	<p>The procurement change and development programme will be led by the Director of Procurement, with the full support of the DfT Board. The existing procurement/commercial governance structure will be reviewed and updated to ensure that all future decisions receive the appropriate level of scrutiny based on risk, value and complexity.</p>
<p>Outcomes and Benefits</p>	<p>The review has highlighted the benefits of having a high quality, well motivated and skilled workforce, and the potential for adding value and improving efficiency through a corporate approach to procurement and commercial issues. Implementation of the PCR recommendations, and the DfT Commercial Strategy, including the Plan, Buy, Do approach, will deliver a procurement capability that adds value, and delivers, compliant and value for money contracts consistently.</p>

DfT - PCR Improvement Plan

Today	In 12 months	In 24 months
<p>1. Organisation, Resources & Skills</p> <p>The amalgamation of the PED and Rail Group procurement teams to form a Procurement Directorate has improved the procurement capability of the DfT(C). However, further work is required to strengthen and improve the procurement function across the Department and its Agencies. Specifically, the review found that there was:</p> <p>1a. A requirement to avoid 'bottlenecks' in decision making and to strengthen commercial skills</p> <p>1b. The need to recruit SCS grade commercial/procurement staff in Highways Agency (HA)</p> <p>1c. To review the relationships between DfT(C) and the Agency procurement organisations, with particular emphasis on governance</p> <p>1d. A more structured procurement training and continuous development programme that meet the business needs of the Department</p> <p>1e. As yet the Department has not participated in the GPS graduate training scheme</p> <p>1f. There needs to be a clear link between the business plan, commercial/procurement performance and personal objectives</p>	<p>1a. A Commercial Manager has been appointed and has in place a plan to achieve a 4% saving on the recurring procurement spend</p> <p>1b. Major Projects, Commercial and Procurement Directors recruited and in place in HA</p> <p>1c. A 'Procurement Strategy' has been agreed by DfT Executive which addresses relationships. A Senior Commercial SG (at SCS level) has been formed and meets regularly. Agreement reached with Agencies on scope for rationalisation of governance, best practice processes, and scope for collaboration and rationalisation</p> <p>1d. Commercial training and development needs identified across the DfT family and an appropriate approach to training is being developed. Performance reports reflect the commercial needs of the organisation</p> <p>1e. A GPS graduate now employed by the DfT(C) and further opportunities for employment being explored across all Agencies</p> <p>1f. Performance reports and targets linked to the business plan and personal objectives</p>	<p>1a. Significant progress made to achieve the savings target of 4% by 09/10</p> <p>1b. Ongoing review</p> <p>1c. All procurement organisations and business units now working to same governance arrangements and use DfT(C) or equivalent best practice processes.</p> <p>1d. The Department has developed a structured professional development programme for procurement professionals and active programmes for others involved in commercial activity across the Department</p> <p>1e. Successful completion by graduate and future graduate opportunities identified.</p> <p>1f. Performance management process fully embedded. Line managers and staff fully understand the relationship between the business plan, objectives and individual performance</p>

DfT - PCR Improvement Plan

Today	12 Months	24 months
<p>2. Commercial Relationships The report identified a number of weaknesses in the Department's relationships with suppliers. Specifically:</p> <p>2a. There was a need to strengthen supplier relationships across the DfT family through the introduction of a SRM programme and processes to extract real value from suppliers and to address sustainability issues</p>	<p>2a. At least one Departmental 'Trade Day' held</p> <ul style="list-style-type: none"> - Business units have set up open door arrangements and engage with their marketplace suppliers - SRM programme established and agreed by the Senior Commercial SG - Regular meetings held between Department and all major suppliers - Electronic data collection methods being developed 	<p>2a. Suppliers have a clear understanding of future DfT and Agency requirements.</p> <ul style="list-style-type: none"> - Regular feedback briefings held to advise on contractor performance across the Department. - Trade Days held at least annually. - SRM data collection system embedded, and supplier reports available electronically and updated quarterly.

DfT - PCR Improvement Plan

<p>3. Governance & Procurement Process</p> <p>3a. Although there is a commercial & procurement strategy it needs to be articulated in greater detail, agreed by the DfT Board and implemented across the DfT family</p> <p>3b. There is good commercial governance across major parts of the organisation but there is concern that there could be duplication and overlap in the scrutiny processes.</p> <p>3c. There are robust processes for managing most of the major procurement activity, such as rail franchising. However, there are opportunities to leverage better value from lower value (Type B) contracts, possibly through rationalisation of procurement activity, collaboration and category management.</p>	<p>3a. A Commercial Strategy has been published and agreed by DfT Board</p> <p>3b. A review of the scrutiny and approval processes has been completed and any overlaps eliminated. All review bodies clear as to their role in the scrutiny/approval process.</p> <ul style="list-style-type: none"> - Terms of Reference will have been approved and published in the appropriate governance manuals. <p>3c. A plan will be developed and agreed with all procurement areas which articulates in detail how Type B contracts will be managed, by whom, where and when, and the benefits that should accrue.</p> <ul style="list-style-type: none"> - Plans will take advantage of the potential opportunities offered by the SAP ERP system and the Shared Service Centre. - The plan will also outline any staff resourcing, development and training requirements, and a timetable for any proposals to transfer staff and/or information. 	<p>3a. The Commercial Strategy is reviewed for effectiveness and updated as required</p> <p>3b. Approval process reviewed on a regular basis</p> <p>3c. The new arrangements for managing Type B contracts will have been implemented and are working effectively.</p> <ul style="list-style-type: none"> - Staff across the Department will be fully aware of how to initiate Type B contract action and with whom. - Category management and collaborative arrangements will be in place to maximise efficiency and VfM - Plans implemented that provide robust procurement and contract functionality that are standardised across the Department and Agencies.
--	---	--

DfT - PCR Improvement Plan

Today	12 months	24 months
<p>3. Governance & Procurement Process cont..</p> <p>3d. The Nicholls report highlighted the need for alignment between the 'intelligent client' (the Department sponsor) and the HA</p> <p>3e. The commercial and procurement function in HA is being reviewed and action is in hand to recruit senior commercial and procurement directors. However, further work is required to clarify functional governance and responsibilities to ensure no overlap or conflicts.</p> <p>3f. There are anomalies and weaknesses in the SAP Shared Services (SS) procurement business processes, which have manifested themselves in problems with the P2P system and accounts payable performance.</p>	<p>3d. A organisation has been established whereby RNN undertakes the intelligent client role, with HA responsible for delivery.</p> <p>3e. All senior commercial and procurement posts filled and roles and responsibilities clearly defined, working satisfactorily and understood across the wider Department.</p> <p>3f. A review has been completed of SAP SS procurement business requirements and plans are being developed to implement proposals</p>	<p>3d. Effective arrangements will be fully embedded and refined as a part of a process of continuous improvement</p> <p>3e. Continuous review of workload, manning and skills</p> <p>3f. Procurement processes and management information needs met by SAP</p>

DfT - PCR Improvement Plan

Today	12 months	24 months
<p>4. Knowledge and Performance Management</p> <p>4a. The report highlighted the lack of management information available from the current IT systems which limited the Department's ability to manage the commercial business effectively. Whilst there were areas of best practice that captured and implemented 'lessons learned' this practice was not widespread, and the information was not made available to all. Specifically, better information is required by all levels of management on:</p> <ul style="list-style-type: none"> • knowledge management • contracts and contract spend; • category management spend • procurement performance • the type of spend to facilitate decisions on category management; • supplier spend and performance across the Department; • key suppliers 	<p>4a. A database will be created and available to all procurement staff to inform who to contact for specific skills and/or knowledge and to record lessons learned.</p> <ul style="list-style-type: none"> - A central record will be available of all contractor spend and performance. This information will be initially collated manually on a regular basis, but arrangements will be ongoing to create a system that will provide the information electronically, and which will be updated daily. - An analysis of the information will be made available to senior procurement managers on a 6 month basis 	<p>4a. Knowledge management database is updated on a regular basis, is accessible across the Department and Agencies, and used to inform procurement processes.</p> <ul style="list-style-type: none"> -All supplier spend and performance data will be collated electronically. -Management Information will be available as and when called for, and a monthly analysis will be provided to Director of Procurement for consideration.

DfT - PCR Improvement Plan

Workstreams/ Recommendations	Project Objectives	Deliverables	Timing
1. Develop a Commercial Strategy	<ul style="list-style-type: none"> To develop and implement a Commercial/Procurement Strategy that is agreed by DfT Executive and principles accepted across the DfT(C) and all Agencies Establish a Senior Commercial SG to oversee the delivery of the Commercial strategy, development of DfT Commercial capability and PCR Improvement plan 	<ul style="list-style-type: none"> Consultation with key stakeholders across DfT family Draft Commercial Strategy document. Stakeholder consultation DfT Exec approval All business unit and Commercial directors advised of approved strategy Strategy document published on Transnet and DfT website Establish Commercial SG Embed strategy and monitor compliance with commercial principles, and delivery against commercial objectives 	Feb 08 Mar 08 Apr 08 Apr 08 Apr 08 May 08 July 08 Mar 09
2. Develop Supplier Relationship Management (SRM) arrangements	<ul style="list-style-type: none"> To improve the communications and overall business relationships between the Department and its major suppliers To collect and analyse supplier performance data across the Department and Agencies To inform commercial decision making, and improve value for money through SRM To use SRM to develop sustainable procurement objectives 	<ul style="list-style-type: none"> A dedicated resource to organise and manage SRM A regular report (3 monthly) that provides management with an overview of contracts by value and type, and an analysis of supplier performance An integrated IT system that enables supplier information to be captured regularly with minimum resource requirement, and which produces reports and data required to complete supplier analysis. Regular 'Trade Days' to inform both DfT and suppliers of future plans and intentions, and to develop good ideas to deliver improved best practice and value for money. To have sustainability embedded as a standard commercial objective in the contracting process and supply chains where relevant and appropriate 	Sep 08 Mar 09 Mar 10 Jun 08 Mar 09

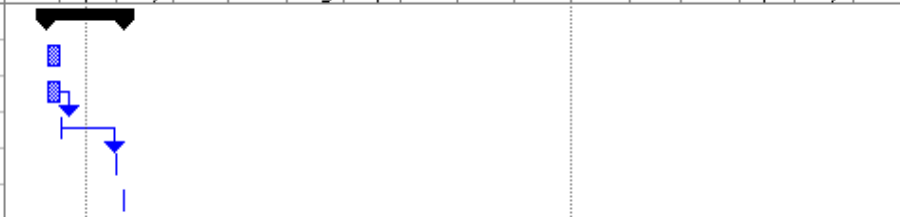
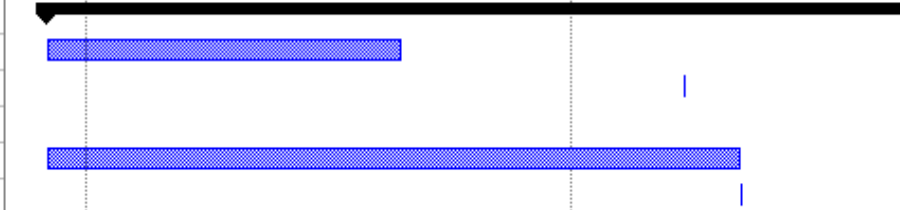
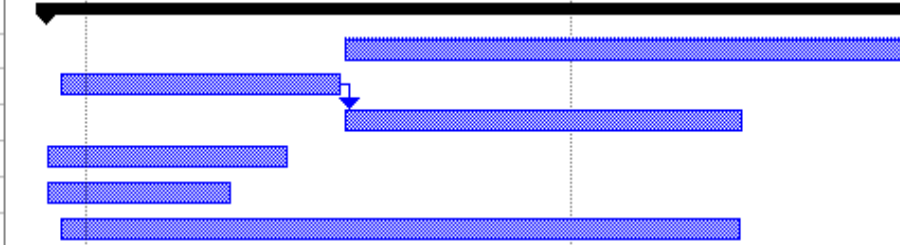

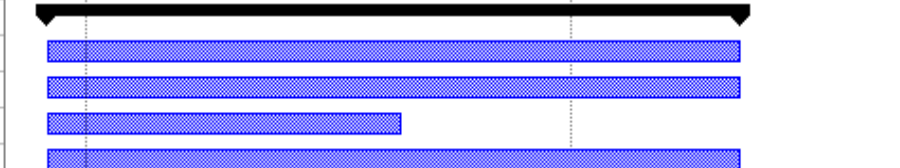
DfT - PCR Improvement Plan

Workstreams/ Recommendations	Project Objectives	Deliverables	Timing
3. To develop common commercial and procurement best practices and governance across the Department and Agencies where this will bring efficiency benefits	For all major procurements: <ul style="list-style-type: none"> • To achieve a PLAN, BUY, DO approach for all major contracts • To implement anonymised bidding • To implement a CAC approach at all major procurement decision points • A common system of delegations • A review and approval process without duplication or overlap of responsibilities • To develop a knowledge base of lessons learned and best practice 	<ul style="list-style-type: none"> • A regular forum of senior commercial directors is held to develop ideas and opportunities for common best practice • A documented process for PLAN, BUY, DO; Anonymised bidding; and CAC reviews • Implementation of above across the Department and Agencies • An agreed common approach to Contractual Authority (CA) delegations across the Department • A governance process that provides commercial and compliance assurance without duplication of review, scrutiny and approval • A knowledge database that can be accessed by all staff, and a lessons learned process following all major procurements feeding back into the Procurement Manual 	Jul 08 Apr 08 Mar 09 Jul 08 Oct 08 Mar 09
4. To implement category management	<ul style="list-style-type: none"> • To consolidate all Type B contract activity across the Department and Agencies so that: efficiencies are achieved through use of framework contracts; there is effective collaboration with OGC and OGD on the use of their frameworks; procurement is organised on a category management basis; and information is available through the Shared Service Centre 	<ul style="list-style-type: none"> • A plan that identifies opportunities for category management across the Department and Agencies • A plan that identifies opportunities for collaboration on procurement • A procurement organisation that manages Type B contracts on a category management basis • A system that provides and maintains category management information on the SSC for use by all Department requisitioning and contracting staff. 	Mar 09 Mar 09 From Mar 09 From Mar 09

DfT - PCR Improvement Plan

Workstreams/ Recommendations	Project objectives	Deliverables	Timing
5. Resourcing & skills development	<ul style="list-style-type: none"> • To have all commercial / procurement posts filled • To develop a structured approach to CPD that meets individual and organisational needs, and particularly enhancement of commercial skills • To participate in the GPS graduate training programme • To develop with HR a succession planning process • A system that links commercial performance with personal objectives • To enhance the commercial skills, knowledge and awareness of colleagues 	<ul style="list-style-type: none"> • All commercial/procurement posts filled by appropriately qualified and experienced staff • A Departmental wide programme of training that matches the organisations skill requirements with individuals CPD needs • Employment of GPS graduates at least on a two yearly basis • An HR process and pay structure that facilitates the recruitment and retention of experienced professional procurement staff • A reporting system that links commercial performance with personal objectives • Delivery, with others, of the department's commercial awareness training packages. 	Mar 09 Apr 09 Sep 08 Mar 09 Apr 09 Apr 09
6. Wider Organisational Commercial development issues <i>[Integrated within DfT 4ward programme – the response to Cabinet Office Capability Review]</i>	<ul style="list-style-type: none"> • Improve DfT intelligent client capability of Highway programmes • Enhance commercial knowledge & experience of DfT board • Improve Board MI covering key commercial issues and introduce exception reporting on the progress of major projects • Development of Strategic Plan (response to Eddington) which covers investment 2014-2019, & arrangements for private sector involvement in joint transport investment. • Resolve operational issues associated with implementation of shared services 	<ul style="list-style-type: none"> • RNN as Project Sponsor for initiation of Highway programmes • 4ward - Leadership Action 1 The Permanent Secretary and Directors General will invest time to build a Board which is, and is seen to be, an effective team leading the Department • 4ward - Leadership Action 4 Overhaul financial and risk reporting plus Director Procurement exception reports • 4ward - Strategy Action 1 Develop and publish our response to the Eddington Report and ensure that people across the Department and stakeholders understand what this means for the future direction of the Department • 4ward - Delivery Action 2 We will complete, and review, the implementation of Shared Services in DVLA and DSA, and ensure that the central Department and MCA are on course for their roll-out next spring 	Apr 08 Apr 08 onward Apr 08 onward Apr 08 onward Apr 08 onward

DfT - PCR Improvement Plan

ID	Task Name	2009													
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
1	Develop a Commercial Strategy														
2	Consultation with key stakeholders														
3	Draft Commercial Strategy document and consult with stakeholders														
4	DfT Exec approval														
5	Advise all business unit and Commercial directors of approved strategy														
6	Commercial Strategy published on Transnet and DfT website														
7	Develop SRM arrangements														
8	Dedicated resources to organise and manage SRM														
9	Provide regular report quarterly on supplier performance														
10	An integrated IT system that captures SRM data, and provides reports, with minimum resource n														
11	Organise regular Trade Days to inform DfT and suppliers of future plans														
12	To have 'sustainability' embedded as a standard commercial objective in ctt process and supply c														
13	To develop common commercial and procurement best practices and governance across														
14	Hold a regular forum of senior commercial directors to develop common best practice and integr														
15	Implementation of Plan, Buy, Do approach, CAC and Anonymised bidding														
16	Implement Plan, Buy, Do and CAC and anonymised bidding across Dept and Agencies														
17	Agree a common approach to CA delegations across the Dept														
18	Review governance processes to minimise duplication of scrutiny														
19	Develop a 'Knowledge Database' of lessons learned														
20	To implement Category Management														
21	Develop plan for Category Management across DfT and Agencies														
22	Management of Type B contracts on a category management basis														
23	Provision of category management information on SSC														
24	To address resourcing and skills development														
25	All commercial post filled by appropriately qualified and experienced staff														
26	A Dept wide programme of training that matches skill requirements and individual CPD needs														
27	Employment of GPS graduate														
28	HR process in being that facilitates timely recruitment and retention of professional staff														