Speeding up Government Procurement

Presentation to Yorkshire CIPs

Graham Tomkinson

September 2012
PA Consulting Group: Who we are

Dedicated PA team for Government sourcing.

Some 23 CIPs members, mostly working in Central/Local Government:

Current clients for procurements:

- DECC smart metering – Competitive Dialogue
- NS&I BPO services – Competitive Dialogue
- Highways Agency Dartford Crossing – Restricted
- TfL back office services – Negotiated
- Suffolk back office services – To be determined

We own PROCSERVE – supporting the GPS
Who I am

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Recent clients:
Home Office/Police: Creation of NewCo, a police ICT procurement and contract management company
Highways Agency: Dartford Crossing and National Traffic information service.

Wider clients:
HMRC Aspire
MOD DII
Home Office Shared Service Centre
The procurement procedures open to Government

EU Directive 2004/18/EC, as implemented through The Public Contracts Regulations 2006, introduced a additional procurement procedure to make four in total.

- **Open**
  - Allows no pre-selection of suppliers. All bids have to be considered.

- **Restricted**
  - Allows for pre-selection of suppliers on basis of technical and financial capability.

- **Negotiated**
  - Used in special situations where the nature of the goods and services to be supplied does not allow for precise specification or pricing without a formal negotiation process (following pre-selection of suppliers).

- **Competitive Dialogue (CD)**
  - For use in awarding “particularly complex” contracts, where open or restricted procedures will not allow award of that contract. Following pre-selection of suppliers, period of dialogue before suppliers submit final proposals.
Reviews of Government Procurement: HM Treasury, November 2010

Where appropriately used both the public and private sectors believe the CD procedure has been a positive addition to the procurement spectrum. The procedure:

i. maintains competition;
ii. imposes discipline on all parties;
iii. establishes excellent working relationships between the public and private sectors;
iv. delivers improved solutions with a better „deal“ for the public sector; and avoids the scope and price creep often found with negotiated procedure procurements.

Where conducted inappropriately it can be burdensome and expensive. There was specific criticism focusing on:

i. the frequency with which Competitive Dialogue is used (especially where the project is not complex and the Restricted procedure could be used);
ii. the lack of preparation, insufficient skills and capacity on the part of contracting authorities; and
iii. the negative impact these issues have on bid costs and procurement times.
Cabinet Office: ERG Accelerating Government Procurement - a ‘lean’ study dated February 2011

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<th>Key themes</th>
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Mandatory for all Central Government Departments (including Agencies and NDPBs)

- Presumption against CD
  - Accounting Officer approval for any CD
  - Rules for the typical procurements where CD might still apply
- Earlier supplier dialogue – encouraging pre-procurement engagement
- All but the most complex procurements being completed in 120 working days
- Use of the “lean Sourcing Standard Solution” \(^a\)

\(^a\) The remainder of this presentation contains information licensed under the Non-Commercial Government Licence v1.0
The LEAN Sourcing Standard Solution

All procurements are required to follow these key principles:

• Establish a **clear understanding of the required business outcomes**
• **Carry out extensive pre-procurement market engagement**
• Establish a **strong planning and management discipline** using the Standard Solution as a guide; use visual management tools to help drive progress
• **Ensure proper readiness to go to market** by publishing a full bidder’s pack (specification, selection and award criteria, terms and conditions and timescales) at the point of going to market alongside the OJEU Contract Notice..
• **Streamline engagement with suppliers** by using a ‘boot camp’ approach to make best use of limited time and expensive resource.
• **Use OJEU compliant eSourcing tools** to help manage the full process.
• **Drive continuous improvement and reductions in procurement turnaround times by monitoring and measuring performance**
Lean sourcing standard solution

The Standard Solution enables the execution of the LEAN sourcing process. It provides a suite of tools that you can use to execute the sourcing process from business need identification and baselining through to contract award & signature.

Procurement Route Decision Tree
A tool to assist procurement professionals to think through and identify the most appropriate procurement route for their requirement.

Value Stream Map
The route map which sets out the LEAN sourcing process.

Standard Operating Procedures (SOPs)
A set of high level desk instructions describing the best known method for carrying out the activities described in the value stream map.

Visual Management
A way of displaying information to drive the performance of the process & specific parts of the process.

Team Implementation Plan (TIP)
An action plan showing who will do what and when in specific functions and processes.
Lean Sourcing Standard Solution: Procurement Route Decision Tree

You have been approached with a new requirement OR you have an operational imperative – e.g. an expiring contract

1. Analyse the requirement to ensure that you have a sound understanding of business outcomes required and engage the market
   - Is your requirement covered by Government’s Central Procurement Programme for common goods and services?
     - YES → Refer to the Government Procurement Service.
     - NO → 2. Engage the market to sound out ideas on the best way to shape, and where possible, simplify and breakdown the requirement
       - Is your requirement covered by an existing departmental or cross government contract?
         - YES → Use pre-existing departmental or cross government arrangement
         - NO

Now that you have completed pre procurement market engagement (including publication of a project specific PIN and Industry Bootcamp) can you define and specify in accordance with the appropriate EU Regulations:
1. How the project outcome will be delivered,
2. How the contract and commercial deal will be structured

Yes but there is strong evidence the market is very large and the pre-qualification is the only option

OPEN PROCEDURE
Use the Open Procurement Route following the Standard Operating Procedures (SOPs)

There is a government commitment to move towards greater use of the Open Procedure, see: Cabinet Office

RESTRICTED PROCEDURE
Confirmed by Commercial Director / Head of Procurement

Follow the Restricted Procedure LEAN sourcing Standard Operating Procedures (SOPs)

Use mandatory standardised PQQ and ensure it contains proportionate and relevant criteria, and not at all for sub £100k work

COMPETITIVE DIALOGUE PROCEDURE
Government presumption against its use

Use of Competitive Dialogue may be challenged by ERG

Follow the Competitive Dialogue Standard Operating Procedures (SOPs).
The ‘lean’ Standard Approach: Restricted
### Application of the key LEAN sourcing principles:
- Ensure a sound understanding of business outcomes - voice of the customer (1)
- Advertise potential requirement (1)
- Establish a planning & management discipline using visual management tools (2)
- Structured industry engagement – boot camp (1)
- Readiness for OJEU – Bidders pack containing outcome / output based requirements (3)
- Use e-sourcing tools to support the process (1 to 9)
- Drive continuous improvement & reductions in turnaround times (1 to 9)
### Key specific differences in practice

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<th>Typical as-is:</th>
<th>New approach:</th>
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<tr>
<td>1. Publish OJEU &amp; PQQ</td>
<td>1. Publish OJEU, PQQ &amp; Bidders pack (including Ts &amp;Cs) at same time</td>
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<td>2. Evaluate PQQ</td>
<td>3. Use time between 1 &amp; 2 to develop ITT (full bidders pack)</td>
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<td>4. Issue ITT to those who get through pre-qualification</td>
<td>5. Evaluate responses to ITT</td>
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### Problems with this:
- Suppliers may get through PQQ and not like Ts & Cs and then cause delays in timescales - waste
- Inefficient supplier self de-selection - they may not have entered the competition if they had seen full pack

### Benefits:
- Provides full clarity to market and opportunity for supplier self de-selection
- Helps to ensure that requirement are crystal clear before going to market.
- Helps to ensure the widest possible market is aware of and understands the opportunity to compete pre-OJEU
- Helps consortia and other partnerships to form
Assurance and approvals

INTEGRATED ASSURANCE AND APPROVALS - Lifespan of a Major Project on the Government Major Projects Portfolio

This is a flexible framework - assurance and approval processes for individual projects and programmes will be decided on a case by case basis.

Stage
Policy Formulation

Project Initiation
Planning, Business Case & Delivery Strategy development

Delivering the Project
Design/Build/Test

Operations
Benefit Realisation and Business as Usual

Planned Approvals
(see notes 1 & 2)

Integrated Assurance
Approvals Plan

HMT Approval Point (SCB)

HMT Approval Point (DRI)

HMT Approval Point (DRC)

Further Approval Points set by HMT Spending Teams

MPA Planned Assurance Reviews
(at key milestones - see notes 1 to 4)

Assurance Review

MPA Recommendations

Annual Assurance Reviews (if applicable) by Major Projects Authority

Planned Departmental Assurance &Approvals

Ongoing Assurance (including functional assurance, technical assurance, internal & external audit etc) and Departmental Investment Points

Consequential Assurance
& Intervention
at any stage in Major Project lifecycle

Are the project risks/suffciently resolved?

NO

YES

Ongoing monitoring through MPA reports

Does it require stopping or recouping?

MPA Point

Recommendations to MPA

Review IAF and return to planned assurance

Further support &/or intervention until the project is out of difficulty and delivery confidence is improved may be evaluated

3-Monthly Reports to the MPA

Key Project Activity
MPA Activity
HMT Activity

Joint Activity at the Centre
Headquarters Activity
Departmental Activity

NOTES 1: For more information on how to plan for integrated assurance and approvals, see MPA guidance on Integrated Assurance and Strategy and MPA Plans.
2: The Integrated Assurance and Approvals Plan (IAPP) is periodically updated (after assurance review, scope of risk changes) and re-submitted by MPA, MMT & ELA (where appropriate).
3: Assurance reviews provided will be the specific approval point or other implementation within DRI Gateway Review or a Project Assurance Review (PAR).
4: For more information on the components of this process see MPA guidance documents on Planned Assurance Approaches or Consequential Assurance & Intervention For the latest versions of MPA guidance please contact your organisation’s MPA Centre of Excellence/Portfolio Office (or equivalent), or email: mpaoffice@pa-consulting.com

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Observations on the speeding up initiative

It is right to speed up and reduce the costs of procurement – there were clearly areas of poor practice.

CD is a positive addition to the procurement Landscape!

The market can affect the speed of a procurement.

Where are the standard Ts and Cs?
Will the market agree with them?

How do we make sure Tenders are fit for purpose?
What we have seen:

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  • Excessive guidance with variation, duplication and confusion  
  • Approach to project management elongates timescales, before OJEU and during the procurement  
  • Serial processing and inefficient engagement with suppliers  
  • Input based specifications vs outcomes  
  • Risk aversion through the process                                                                                   | Redesign published. More Guidance!  
Difficulty of access to standard terms and conditions (where is the ICT standard contract?)  
Retain existing guidance on input/output/outcomes                                                                   |
| Capability               | Lack of capable senior procurement resources                                                                                                                                                    | Senior posts created in ERG                                            |
| Pre-OJEU readiness       | OJEU process is commenced with insufficient preparation and planning beforehand                                                                                                                  | Included in the new processes                                          |
| Bureaucracy              | Endemic bureaucracy in government procurements leading to excessive levels of approvals and governance                                                                                        | More governance introduced.                                           |
PA has been delivering a visible difference for almost 70 years across the globe

- 1940s: optimises production of WW2 munitions
- 1950s: improves Bank of England’s banknote security process
  - 1960s: co-ordinates completion of the Sydney Opera House
- 1970s: develops the video disc’s forerunner
  - 1980s: pioneers maintenance of Shell’s first North Sea oil platform
- 1990s: develops the world’s first pre-filled, single use, disposable autoinjector
- 2000s: leads Siemens VDO Automotive’s global relocation of six factories, exceeding all targets
- 2001: develops test equipment for the latest fourth generation mobile networks
- 2005: boosts Nissan’s production by 30% using existing car making facilities
- 2006: helps transform the Republic of Georgia’s collapsed electricity supply system
- 2007: develops new ‘fresh air’ technology that protects against superbugs
- 2008: medical venture company Meridica realises $125 million on sale
- 2009: creates next-generation heart disease probe for Thermocore Medical
- 2010: 2009: develops test equipment for the latest fourth generation mobile networks