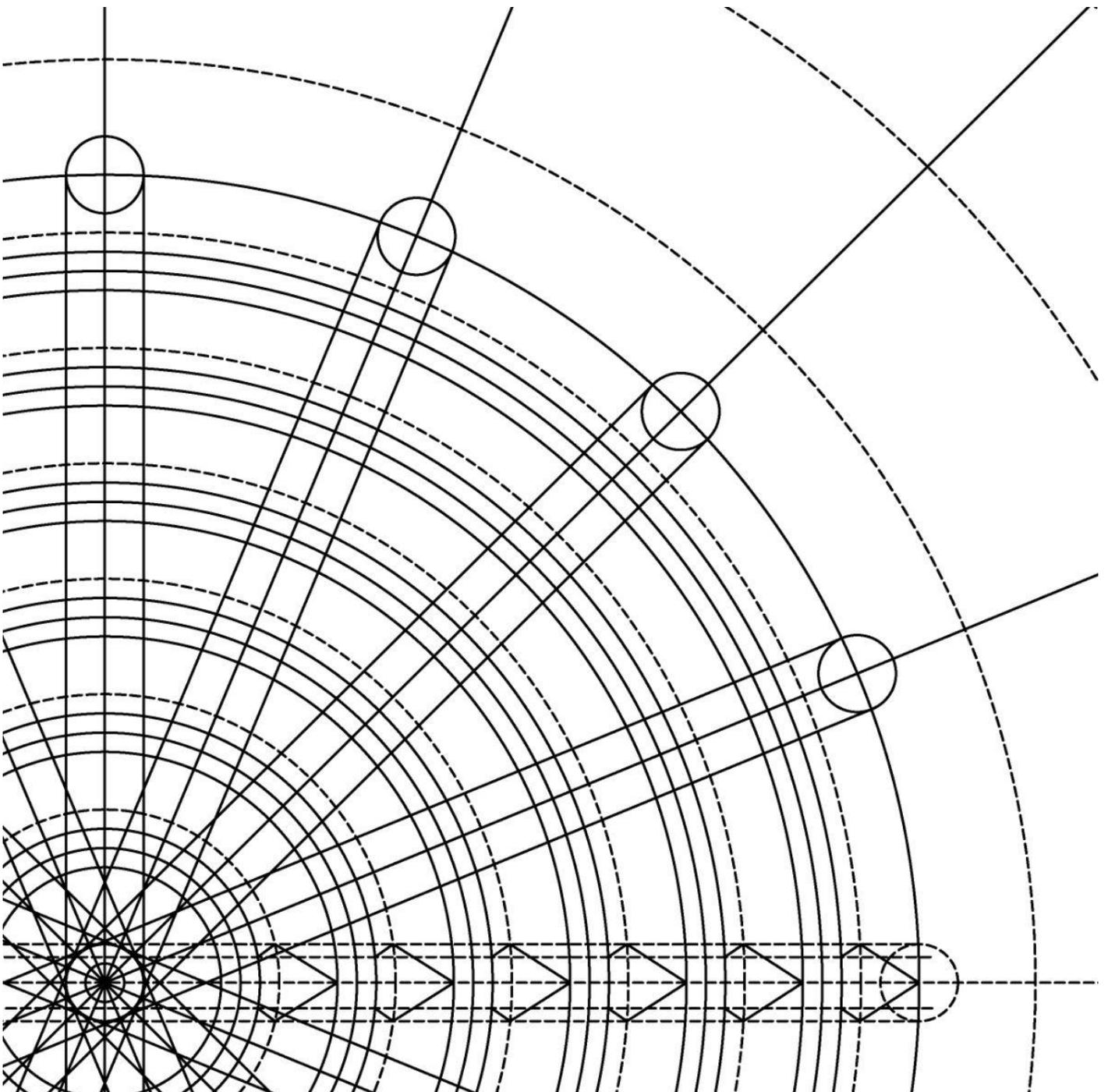


TIF's Commissioning and Procurement Working Group

Strengthening Commercial Skills in the Civil Service



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Strengthening Commercial Skills in the Civil Service: A Hub and Spoke approach with a one-stop-shop recruitment arm

This paper sets out the views of The Infrastructure Forum's Commissioning and Procurement working group on the need for enhanced commercial capability within Government. It recommends a hub and spoke approach which establishes a lean central resource, challenges and targets Departments to up skill with commercial talent, and sets up a one-stop-shop recruitment arm which could be outsourced to private sector experts.

1. Background

- 1.1 The Infrastructure Forum's Commissioning and Procurement group, chaired by Claire Durkin, has concern that Whitehall still lacks sufficient commercial capability to maintain properly symmetrical partnerships between public and private sectors in the procurement of projects, assets and public services.
- 1.2 A generalist culture still prevails in which capable individuals are quickly moved onto other areas. This leads to a loss of corporate memory and leaves procurement teams outgunned by their private sector counterparts.
- 1.3 Impressive commercial capability does exist already in pockets within Government. The Shareholder Executive, Infrastructure UK and the commercial units within the Cabinet Office have shown an impressive ability to bring in commercially experienced talent.
- 1.4 There is a need to go further and build up more mixed skill teams across Departments. The recommendations in this submission have benefited from the advice of past and present civil servants as well as procurement experts from the private sector and other specialists.

2. The need for greater commercial capabilities

- 2.1 The House of Commons Public Administration Select Committee last year conducted a review into the future of the Civil Service. This inquiry was much broader than just the recruitment and skill set of civil servants but these issues were touched upon during the examination of witnesses. Several witnesses including Lord Browne, Lord Adonis and Dame Janet Paraskeva, highlighted the need to recruit more commercially skilled people from the private sector into the civil service.
- 2.2 In his written evidence to the inquiry Sir David Normington, First Civil Service Commissioner, identified an urgent need in Government for more "commissioning"

skills, with the need to address pay, rewards and incentives, as opposed to only training. In the short term Sir David concluded that it will be necessary to recruit these skills from the private sector, and that greater flexibility over contracts will be required in order to attract sufficient talent.

- 2.3 Prospect, the trade union representing some 34,000 professionals, managers and specialists employed in the civil service, called for the re-establishment of specialist career paths and opening up access for specialists to the senior civil service in its submission.
- 2.4 On 22 January 2014 the Public Administration Select Committee launched an inquiry into Civil Service Skills. This inquiry will focus on the skills and capabilities the Civil Service needs to ensure good governance for both current and future government.
- 2.5 The National Audit Office has conducted similar inquiries into the Government's management of its commercial relationships. In November 2013 the NAO concluded "there is a risk that the Cabinet Office's ambitions for the centre of Government are not matched by the right resources, capability and information. Taking on more responsibility at the centre creates an obligation to perform. The Cabinet Office does not currently have the right resources in place, with gaps in commercial experience and expertise below senior levels."
- 2.6 Government itself has already acknowledged that commercial skills and expertise are lacking within the civil service. In 2013 the Cabinet Office stated it would introduce a number of reforms to address shortcomings in broader commercial skills across Government.
- 2.7 This included a five year capabilities plan for the whole of the Civil Service to identify how commercial skills and capabilities will be developed, and the recently established Major Projects Leadership Academy to train senior leaders in the delivery of major projects. In future only project leaders who have successfully completed this programme will be able to lead a major government project.
- 2.8 The five year plan published in April 2013 is the first time that Government has published a Capabilities Plan for the whole Civil Service. It set out work proposed to address skills deficiencies in four key areas:
 - a. Leading and managing change
 - b. Commercial skills and behaviours
 - c. Delivering successful projects and programmes
 - d. Redesigning services and delivering them digitally
- 2.9 The plan is at its core about how to train individuals and develop their competencies. It also considers organisational structures and management processes – the plan sets out what leaders need to do, what needs to be done at a corporate level and what departments need to do.

- 2.10 As part of the Capabilities Plan the Cabinet Office said that it “will create the Complex Transactions Team – a new unit within the Cabinet Office comprised of commercial specialists to assist departments in buying and managing the commercial delivery of complex ICT services. We will recruit to this new team largely from the private sector though also from fast streamers and where appropriate departments.”
- 2.11 More broadly a “central database of commercial specialists, starting with procurement professionals” was to be established and extended to other related professions across Government.
- 2.12 Under the Plan the Cabinet Office would “develop a programme by summer 2013, in partnership with Civil Service Learning, to improve commercial skills, aimed at all civil servants who may influence what goods and services we buy, how we buy them, who we buy them from and how we manage their delivery.” This would start with the Senior Civil Service and build upon the work of the Commissioning Academy.
- 2.13 The Capabilities Plan aimed to “better connect the Fast Stream with the commercial agenda. In particular we will actively seek to assign a small number of fast streamers to the Cabinet Office commercial team.”
- 2.14 In conjunction with these reforms, a review of Whitehall’s capability to deliver infrastructure was led by Lord Deighton, Commercial Secretary to the Treasury. The Infrastructure Delivery Update 2013 announced in March 2013 that following Lord Deighton’s assessment the Government would implement a series of reforms. These included “creating an enhanced central cadre of commercial specialists in IUK who will be deployed into infrastructure projects across Government, and the establishment of departmental Infrastructure Capacity Plans.” It was also announced that the Government would consider options for making more use of independent expertise in further developing its infrastructure strategy.
- 2.15 In the Treasury publication, *Investing in Britain’s Future*, published in June 2013, it was further announced that the Government would introduce “a new presumption that significant economic infrastructure projects and programmes should be undertaken by specialist delivery units with commercial expertise, reflecting private sector best practice. These units will be supported by a streamlined and commercially aware sponsor capability within departments.” Lord Deighton was invited to work with departments to determine how this new delivery model should be implemented in practice on a case-by-case basis.
- 2.16 In July 2013 the Cabinet Office issued an update on Civil Service Reform: the Civil Service Reform Plan – One Year On Report. The report acknowledged that Government “published a high-level Capabilities Plan six months later than planned. Lack of resources has hindered implementation, with no detailed plan in place to implement what is needed. We will finalise the implementation plan shortly and have the full team in place by September 2013.”
- 2.17 The One Year On Update confirmed that the Commissioning Academy was established in January 2013, with a target of 1500 graduates over the forthcoming three years. Departments were also beginning to set up their own schemes for improving

commercial skills: “for example the Department of Energy and Climate Change, reflecting its significant infrastructure portfolio, has created the “DECC school” to provide training for project planning and initiation, risk management and procurement.”

- 2.18 It also confirmed that a Civil Service High Potential Stream had been launched which would “identify, assess, manage and deploy talent to meet business needs across the organisation. In future the Civil Service High Potential Stream will be the route by which internal candidates develop their skills and abilities so they can be considered for Director General or Permanent Secretary roles.”
- 2.19 The graduate Fast Streams had “been re-vitalised and will be managed by a cross-government pool, instead of by department, and offers a secondment outside the Civil Service.” More broadly, measures to make it easier for staff at all levels to move between the civil service and the private sector had however been delayed due to lack of resources. There is now a “new team in place and is identifying potential partners for secondments out of, and interchanges into, the Civil Service as well as suitable high performing internal candidates. Placements will be linked to the Civil Service High Potential Stream. Departmental programmes will continue to offer their own opportunities to bring in expertise.”
- 2.20 The Ministry of Defence has also been reviewing its commercial capabilities in respect of defence procurement. Last year the Government a competition between a Government-owned, contractor-operated model, a GOCO, and a public sector comparator, exploring the maximum extent of flexibility that could be achieved within the public sector – an enhanced Defence Equipment and Support (DE&S+).
- 2.21 On 10 December 2013 the Secretary of State for Defence confirmed to the House that, in light of only one proposal for the GOCO being received, that he would not continue the competition. “Without a competitive process I have concluded that the risks of proceeding with a single bidder are too great to be acceptable.”
- 2.22 The DE&S+ model is now being taken forward by the MoD. The MoD has stated that “a key feature of the new organisation is the freedom around how it recruits, retains, rewards and manages both existing and new staff, along more commercial lines. The organisation will be able to employ staff at market rates and will be able to recruit new staff through an accelerated process that does not require us to follow the usual civil service recruitment process.”¹

¹ 17th December 2013, Parliamentary Deb, Hansard, House of Commons, Col 549W

3. Bringing together commercial expertise into a ‘Hub and Spoke’ model

- 3.1 The initiatives to attract and enhance commercial capabilities within Whitehall are welcome but the initiatives so far only go a limited way to boost commercial skills across government. In particular commercial skills are scattered in small pockets across Whitehall. There needs to be a central hub to challenge Departments to up skill and to set quantitative targets for each Department and monitor success in delivering these annually.
- 3.2 The limited number of commercial specialists within these small units and the high level of movement of individuals have contributed to a lack of continuity in terms of corporate memory. This leaves civil servants at a disadvantage when bargaining with the private sector.
- 3.3 Private sector observers believe that it has also led to an imbalance of knowledge and bargaining power in terms of the worrying number of civil servants who do not feel sufficiently qualified or empowered to the corresponding private sector level.
- 3.4 Because commercially skilled officials are scattered in small pockets across Whitehall there is no one-stop-shop to look outward and act as a central point for inquiries from potential recruits, The absence of a central Government brand has been likely to contribute to the difficulty in attracting private sector entrants. It reinforces suspicions that there is no clear career structure for commercial experts within Government and that there may not be much enthusiasm to recruit them.
- 3.5 A central hub challenging and targeting improvement in Departments could incorporate such a one stop shop which could promote job vacancies for commercially-skilled applicants and generate inquiries from outside. This role could be contracted to a skilled private sector headhunting or recruitment firm.
- 3.6 Some, such as the former Cabinet Secretary Lord O’Donnell would go further. He has called for the adoption of the Canadian ‘Infrastructure Ontario’ model. This would see a central “agency staffed with real experts paid at rates much closer to the market rates” which would assume responsibility for commissioning throughout the public sector. “Indeed such an agency could become a broader commercial hub, along the lines of Infrastructure Ontario in Canada. It would take over all activities where commercial skills were needed. And it would have an ‘innovation arm’ that would suggest new areas where it could improve outcomes for the service users and of course the taxpayer....my idea would be to extend the remit of the Shareholder Executive to cover these new areas.”
- 3.7 Given the departmental nature of Whitehall and the fact that Department’s cost accountability is through their Secretaries of State the group does not feel this model of a single centralised purchasing agency is feasible.
- 3.8 Such an approach could also fail to recognise, and potentially put at risk the several centres of commercial excellence already in existence within the civil service.

- 3.9 The Shareholder Executive is regarded as one of the best Government units for recruiting commercially trained individuals from the private sector. The executive was established in 2003 and manages the taxpayers' stake in businesses owned or part owned by the Government.
- 3.10 A report by the National Audit Office in 2007 concluded that the fact the Shareholder Executive operates within the departmental pay and grading limits "may inhibit recruitment of appropriately skilled staff." The report recommended that the Executive be given sufficient pay flexibility to continue to recruit high calibre staff in a market for commercially-related skills.
- 3.11 The 2012/13 Annual Review of the Shareholder Executive stated that "we maintain the split of approximately 65 per cent civil servants and 35 per cent corporate financiers with the latter in more senior positions and recruited on fixed term contracts from the private sector."
- 3.12 A more recently established commercial example is the Green Investment Bank, which is one of the businesses within the portfolio of the Shareholder Executive. At its incorporation the 25 staff from the Green Investments unit of BIS transferred to the GIB and since then it has recruited 74 employees from the private sector. The GIB has now invested over £800 million and is expanding its brief into construction risk and debt investments.
- 3.13 Another well-regarded unit with commercially skilled staff is Infrastructure UK, established in 2009 as a unit within HM Treasury.
- 3.14 At the time of the 2012 Autumn Statement the Government agreed to increase the commercial expertise of Infrastructure UK to boost the delivery of growth enhancing infrastructure projects across Government. This will now take the form of an enhanced central cadre of commercial specialists in IUK which can be deployed into infrastructure projects across Government.
- 3.15 Within the Cabinet Office the Commercial Relationships Team is a further centre of commercial expertise. The team is responsible for managing the relationship between Government and its strategic suppliers, leveraging buying power to deliver a better deal for taxpayers and to resolve any disputes swiftly.
- 3.16 At the end of July 2013 the Cabinet Office announced "the creation of a new commercial service to strengthen the Government's business-like approach to how it buys goods and services and maximise public sector buying power and generate more savings." The Crown Commercial Service (CCS) will bring together the Government Procurement Service, the Commercial Relationships Team and the Complex Transactions Team.
- 3.17 The Crown Commercial Service is now operating as one organisation, with a new management structure, led by Bill Crothers, the Government's Chief Procurement Officer. Recruitment is managed currently by Cabinet Office and the Government

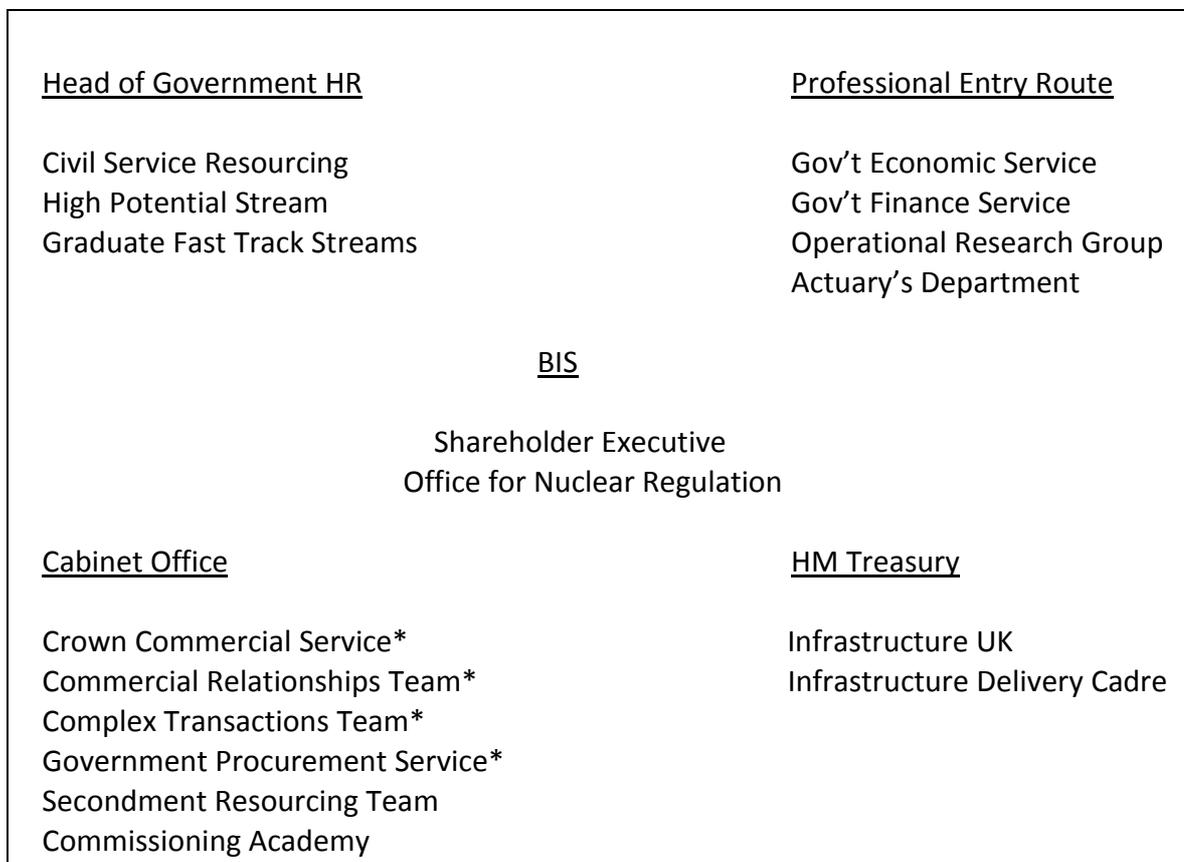
Procurement Service, with Civil Service Resourcing responsible for advertising vacancies. The CCS recruits its personnel from both internal and external candidates

3.18 The civil service has also developed specialist ‘professions’. The professions recruit professionally qualified people at both the graduate and professional level separately from the mainstream civil service. The list of established professions currently include:

- a. Government Finance Service
- b. Government Economic Service
- c. Government Legal Service
- d. Government Actuary’s Department
- e. Government Social Research Service
- f. Government Statistical Service
- g. Government IT Profession
- h. Government Operational Research Service
- i. Defence Engineering and Science Group
- j. Government Procurement Service

3.19 Figure 1 illustrates the resulting number of commercially skilled pockets across Whitehall. This list is not exhaustive.

Figure 1: Overview of Whitehall’s Commercial Centres



*The Crown Commercial Service merges together the Commercial Relationships Team, the Complex Transactions Team and the Government Procurement into one operational organisation.

- 3.20 There are undoubtedly examples of excellent public sector procurement within Departments that have demonstrated innovation and partnering skills. Those examples, together with the knowledge and experience gained, tend to be retained within the Departments and sometimes only within individual teams and agencies.
- 3.21 If the public sector is to develop a leading edge commercial capability in procurement these examples need to be communicated across Departments and sectors to form the basis of best practice. This will promote innovation and well-honed partnering skills, as evidence strongly suggests that these are skills that evolve through sharing experiences, both good and bad.
- 3.22 Taking account of the existing commercial expertise and the need for much improved communication and shared experience across Departments it is proposed that a hub and spoke approach is adopted which establishes a lean central resource, challenges and targets Departments to up skill with commercial talent, and sets up a one-stop-shop recruitment arm which could be outsourced to private sector experts.
- 3.23 Our proposal is that:
- i) A central hub is established to pull together expertise, challenge and monitor departmental growth of commercial skill, and serve as a one stop shop for recruitment.
 - ii) The departments and centres of commercial excellence act as spokes, with seconded experts procuring and managing contractual relationships at departmental level and accountable to the relevant Secretary of State.
- 3.24 The commercial hub would not take decisions for Departments or centralise procurement. It would instead have a responsibility for ensuring that Departments reach a level of commercial skill. Primarily this would be facilitated through the secondment of commercial experts into the departments for either a fixed term or on a project basis. It could also be required to set targets and monitor progress against them.
- 3.25 The risk with a central commercial stream that assumes responsibility for complex procurements is the loss of that inherent Departmental knowledge, while a central hub ensuring that commercial experts have been seconded into Departments to support projects may provide the catalyst for communicating best practice and promoting innovation.
- 3.26 It is crucial that this hub builds upon some of the existing commercial centres within Whitehall, to ensure its durability and impact: yet it must not be a mere re-branding either.
- 3.27 The Cabinet Office has recently made considerable effort at consolidating its commercial units into the Crown Commercial Service (CCS). The CCS includes the

Government Procurement Service, the Commercial Relationships Team and Complex Transactions Team.

- 3.28 It may be possible for the Crown Commercial Service to be adapted into the hub now proposed. However the CCS has a particular significant focus on internal procurement and it may be preferable to keep this distinct from, indeed a major spoke of, the central hub that deals with levels of commercial expertise for the whole of Government's work.
- 3.29 The inadequacies of the existing approach were recognised, by the Office of Government Commerce itself as long ago as 2008. Its report *Building the Procurement Profession in Government; GPS Reward Strategy* noted that "Procurement professionals face an inequitable marketplace. Poorly designed or non-existent career paths and progression opportunities are exacerbated by a plethora of titles and job classifications."
- 3.30 Indications are that current private sector recruits to the existing small pockets of expertise come through networking and contacts than through more formal and organised recruitment. The new hub we recommend could serve as a direct recruiting source with more far-reaching outreach, ideally harnessing private sector techniques and skills. A one-stop-shop would be tasked to raise outside awareness of opportunities and make it easy and straightforward to register interest.
- 3.31 A hub which is responsible for recruitment could take account of the increasing numbers of key services that are managed through third party contracts, procurement and long- term major contracts when designing the structures for recruitment, reward and career progression. In particular:
- a) Fast stream recruitment associated with the commercial hub and spoke should make clear that contract management skills are needed for progression. Assessment centre exercises should be reviewed to ensure that an element of procurement/relationship management is reflected;
 - b) Promotion to senior roles within the commercial hub and spoke should require direct exposure to, and preferably experience of, procurement/relationship management.
 - c) Departments should attach specific completion bonuses to roles that require individuals to remain in post for a long time to see a contract through;
 - d) Specific opportunities should be sought to reward and publicise successful procurement/relationship management leads

3.32 There is no need to uproot civil service personnel or pay policies to bring in more commercial expertise. There are already three main routes:

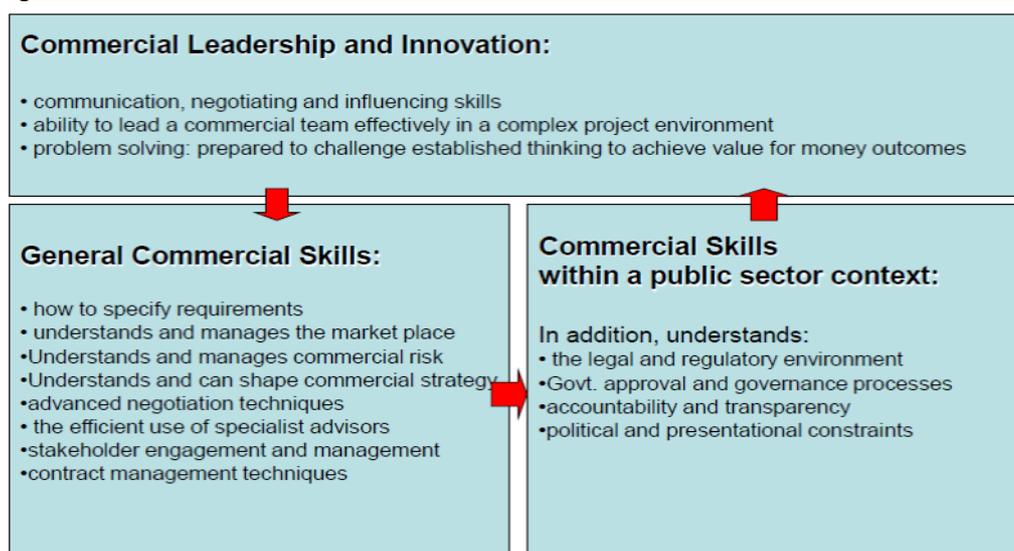
- a) Recruitment through fair and open competition, either to a permanent position or on a fixed term contract; this need not take more than 6 to 10 weeks and will normally be the best way of ensuring a proper search of the field of suitable candidates to secure the best possible candidate;
- b) A time limited appointment without competition for up to 2 years in cases where there is an urgent business need or where there is in practice only one credible candidate with that particular expertise. At senior level this needs the Civil Service Commission’s approval, but it can be given quickly (ie in a matter of days) where the business need is clear and urgent; and
- c) A secondment, again for up to 2 years (in the Commission’s view interchange between civil Servants and business is a wholly positive thing).²

3.33 Additionally under the Civil Service Recruitment Principles short term appointments up to a maximum of 2 years are possible to provide managers with the flexibility to meet short term needs.³

3.34 Necessary commercial skills must encompass both the procurement of a contract and the management of existing contractual relationships. There is currently a tendency within Whitehall to focus on the procurement of new contracts at the expense of managing existing contracts.

3.35 Figure 2 sets out the key aspects of commercial leadership and innovation which Whitehall needs.

Figure 2: Public Sector Commercial Skills



² Written Evidence, Tackling the Skills Deficit, submitted by Sir David Normington, First Civil Service Commissioner (CSR 28)

³ Civil Service Commission, Recruitment Principles (April 2012), Annex C

4. Conclusion

- 4.1 Many initiatives have been launched in Whitehall to strengthen commercial skills in the civil service. These include the launch of the Capabilities Plan, the establishment of the Crown Commercial Service and a centralised assessment of secondment opportunities; all of which are welcomed.
- 4.2 In particular there are two especial pockets of commercial expertise within the Civil Service – the Shareholder Executive and Infrastructure UK. Other centres of commercial skill include the Government Procurement Service, the Complex Transactions Team and the Commercial Relationships Team, recently merged into the Crown Commercial Service.
- 4.3 Yet the pockets of expertise and an increasing number of small units addressing the private – public interface present a fragmented picture to those looking into Whitehall as well as to those seeking to strengthen commercial expertise within it. Greater focus, clearer targets and higher visibility are required.
- 4.4 There would be benefit in establishing a commercial hub in the Cabinet Office. Building upon recent reforms the newly established Crown Commercial Service could serve as the basis of this hub. But it would have additional responsibilities to establish and monitor upskilling targets for all Departments.
- 4.5 These targets would cover recruitment, where a one-stop-shop would signal to the outside world that Whitehall is looking for commercial talent and has a range of attractive roles and secondments available.
- 4.6 They would also cover assessing the ability of Departments to operate truly multi-skilled procurement teams blending commercial expertise from the private sector and from across Departments. These teams would build expertise establish a corporate memory and be designed to match the skill of private sector bidding teams.
- 4.7 These proposals would not represent a centralisation of commercial skill or undermine the departmental teams' accountability for results to their Secretaries of State.

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