

Speech: Chancellor of the Duchy of Lancaster speech at BSA Annual Chairman's Dinner

Introduction

It's a pleasure to be here and I want to thank you all for the contribution you make to the delivery of public services in this country.

I want to restate this Government's resolve to make the most of the opportunities that outsourcing provides for individuals, businesses and public bodies alike.

As we begin to explore new ways of working that can fundamentally improve the relationship between the public and private sectors.

Outsourcing update

It's almost eleven months since the collapse of Carillion.

Our immediate priority then was to protect the delivery of essential public services.

Thanks to the sheer hard work of the Civil Service, we succeeded in that task. The government provided support to suppliers and safeguarded over 13,900 jobs.

And following the liquidation we began work on a package of measures to build a new model for delivering public services.

In June I set out our approach providing:

- More transparency and accountability for the public.
- Greater clarity for public servants overseeing the contracting of services, and more opportunities for the suppliers who deliver them.

On transparency, it's right that suppliers should be held to account for their performance.

In June I said that we would require the publication of Key Performance Indicators on our most critical contracts and the first performance data set will be published in the coming months.

This data will be contract specific and will ensure that all parties, both government and suppliers, are held to account.

By reviewing and enhancing our Supplier Code of Conduct we are setting out the behaviours the public would expect of all of central government's suppliers and also detailing what suppliers should be entitled to expect of government.

For example, paying our suppliers promptly and placing risk with the party best able to manage it.

I also announced that we would require 'living wills' from key suppliers as part of our post-Carillion approach.

Carillion was a complex business and when it failed it was left to government to step in – and we did.

But we did not have the benefit of key information that could have smoothed the management of the liquidation.

By ensuring plans can be quickly put in place in the very rare event of supplier failure, we will be better prepared to maintain continuity of critical public services, to minimise the potential impact on critical national infrastructure and to ensure a smooth transition to new service providers should the need arise.

Tonight I can announce this evening that we will begin piloting the use of these living wills with suppliers including Serco, Capita, Sopra Steria, Engie and Interserve – I thank them for stepping forward, with others joining in weeks to come.

Each firm delivers critical public services and by leading the way in the use of living wills, they are providing the public and civil servants with the confidence that they deserve.

And the role civil servants play is critical too.

So we are strengthening development programmes to help officials get procurement right from the beginning.

We are professionalising our contract management through accreditation of all government contract managers and from today an estimated 30,000 civil servants across central government will have access to new online contract management training.

In June I also announced that a 'Playbook' of guidance would be developed to help government work more smartly with industry.

Tonight I can confirm that the principles of the Playbook will apply to all Government outsourcing, with a particular focus on complex and first generation projects.

This will include a new presumption in favour of running a pilot where government is outsourcing a service for the first time to understand risks and implementation challenges and a new requirement for government to produce an assessment of how much a service 'should cost' to deliver when deciding

whether to utilise the private sector.

Developed in a partnership with industry, the Playbook, will be launched early next year.

It will help government ensure we're setting outsourcing projects up to succeed and working more closely with industry from the start.

We will also be implementing additional central support and challenge to projects during the approval process.

The Playbook will link to the Treasury's 'Managing Public Money' guidance which will be used alongside new Financial Distress Guidance that explains how to assess the financial health of firms and details the steps to take in the event of company failure.

These are sensible and prudent steps.

But equally important is our determination to ensure contracts are managed well in the first place and making the most of digital technology can help government to do this more smartly.

Today I can announce that we have developed the first iteration of a new digital analytics platform to capture cross-government spend and contract information.

This new system highlights and tracks exposure to suppliers across departments, across categories and across time.

Through interactive analysis of commercial data we can quickly understand when critical contracts are set to expire enabling us to be smarter about how we plan our procurement.

We will also capture contract performance data in the coming months; ensuring commercial professionals across government have a much richer view of the performance of our most important contracts.

This will help us monitor areas of concern.

And it will help us spot and therefore reward areas of innovation, too.

Because I believe strongly that one of the prime benefits to government, of outsourcing, is what it brings in terms of innovation, which would not be generated from within the state system itself.

Driving innovation

As part of our Modern Industrial Strategy we are driving innovation through more strategic procurement.

We have already taken steps towards this, but will go even further by accelerating the adoption of the Innovation Partnership procurement procedure currently available to government and establishing pilots in departments over

the coming months.

This procedure allows the public sector to contract with a diverse range of suppliers for the development and subsequent purchase of innovative solutions, currently unavailable on the market.

Because to build a Britain fit for the future, with the challenges that face us from global competition, we need businesses of all sizes and sectors to innovate and create good jobs that support a thriving economy.

We are levelling the playing field so it's easier for the owners of small and medium sized firms (SMEs) to access government contracts.

We are doing that by breaking down contracts into smaller lots and, by moving towards an ambition of paying 90% of valid invoices to SME suppliers within five days, and by taking action on late payment in public sector supply chains.

We are committed to excluding suppliers from major government procurements if as part of their supply chain management, they cannot demonstrate good payment practice with their subcontractors and we shall be announcing further details of this in coming weeks.

Making it easier for SMEs to know what government needs, and making the process of bidding for contracts less complex, will help build opportunity across the UK.

This is particularly important in the GovTech sector, where it is crucial that we access the best technologies quickly.

The only solution is to streamline our processes and develop solutions to reward innovation.

For example, under the GovTech Catalyst programme suppliers are being funded to carry out feasibility testing on their solutions to complex public sector challenges:

How can we use technology to combat rural loneliness and isolation?

How can prisoners receive medicines in a timely manner?

We know there is a strong appetite from SMEs to participate in these competitions – more than 130 applications were put in for the first three challenges alone. Many from companies who have not competed for government contracts before.

The GovTech Catalyst is more than just an innovation fund.

It's a new way of working in partnership with the private sector to solve public sector problems.

Ten challenges have already been announced and in the New Year a further five challenges will all be awarded funding of up to £1.25 million.

Just as the most successful suppliers will receive more funding for further development, so too are we looking at ways that will help get new pilot projects off the ground.

We want to help scale a contract once proof of concept has been completed, and allow more public sector bodies to access proven solutions.

So, as an example, those public sector organisations taking advantage of the GovTech Catalyst fund can, where it makes good sense, structure their procurements so as to commercially acquire the innovative solution.

We are now considering how we could scale the GovTech Catalyst programme as part of the Innovation Strategy to be published in the spring.

It will build on the action already taken to ensure the UK is at the forefront of emerging digital technologies.

And as part of the preparations for the Spending Review, the Cabinet Office will be considering how government can use AI, automation and data in new ways to drive public sector productivity and deliver better public services

Social value

These measures will deliver jobs and support businesses. They will help improve standards of public service delivery.

But we also want to use government procurement to prioritise social value in new, important ways.

In June I announced central government procurement will take better account of social value.

Departments are already looking beyond price to factor in wider social and economic benefits when they consider the design of projects.

The Government Commercial Function has now developed a common approach for use in the £48bn annual spend by central government departments.

And today I can announce that the approach for central government will be based on a model already being successfully used for assessing social impact in parts of Local Government.

This will provide departments with a framework of policy areas and specific measures to include in procurements, giving them the flexibility to select those outcomes that apply most appropriately in their circumstances.

We will ensure this further levels the playing field for our small businesses and social enterprises – they are closest to our communities and will be in the best possible position to deliver social value through the contract.

Our new model will provide a standard framework for key social outcomes and metrics to be evaluated in tenders and a first tranche of priority policies including:

- removing barriers to government contracts for small businesses and social enterprises;
- improving skills and employment opportunities for the disadvantaged; and
- increasing equality and diversity in the workforce.

So for example, a department letting a contract for a facilities management service could specify that opportunities needed to be provided for ex-offenders or young people Not in Education, Employment or Training (NEET).

Or a department could specify in the letting of a logistics contract that the successful bidder would need to focus on tackling the environmental impact by showing that it will reduce carbon emissions and air pollution in the delivery of the contract thereby supporting the objectives of the government's 25 year Environment Plan.

The overarching objective for the government's commercial activities will remain achieving the best commercial outcome but it is right that we also use government's purchasing power to support key social outcomes .

And the more that we can link in the minds of the public the right commercial outcome with the right social outcome, the greater our chance of rebuilding frayed public confidence in outsourcing.

We are confident that as the framework will be standardised, the market should be able to respond more easily with innovative solutions.

Conclusion

Our approach to social value reflects our approach to public service delivery: that public services should be delivered with values at their heart.

This Government is committed to nurturing vibrant, healthy, innovative, competitive and diverse marketplaces.

And nearly a year on from the collapse of Carillion, we are in a much better position to change the way the public and private sectors work together.

I want to conclude by thanking all of you for your contribution in helping open up these new opportunities.

Since my speech in June, officials have worked with industry leaders, academia, trade unions and a wide range of trade bodies.

We could not have achieved as much as we have so far without your input.

For the very first time industry and government have come together with a shared joint vision on how the public and private sectors can work better together.

I am encouraged by this industry commitment.

Our new model will provide greater opportunity.

It will provide better value.

And it will improve confidence in a system that allows the private sector to continue to play a vital role in delivering public services.

A role this government will continue to champion.

I am confident that working with industry, we can restore trust not just between ourselves, but between us and the British people as well – and in doing so, build public services that work for everyone in this country.

Thank you.