

# Speech: Minister for Implementation's speech at the CBI: 20 February 2019

Thank you for that kind welcome. It is a pleasure to be here at the CBI and to see so many familiar faces. I've certainly made it a priority to engage around this agenda and there is a lot of work we can do together, particularly around innovation and the transformation of public services, which is another interest of mine.

This morning I am here to detail how this government is working alongside industry leaders like yourselves to ensure citizens are benefitting from the delivery of better, smarter and more efficient public services.

Now, as you all know, the collapse of Carillion just over a year ago affected the public's trust in government's ability to deliver services. As a result, it is right that we reflected on whether our service delivery model was fit for the complexities of modern society.

And over the last eight months the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, David Lidington, and myself have announced reforms to ensure that the way we outsource services is fit for the future.

This model rightly includes putting social values at the heart of what we do.

And the public would expect nothing less.

Since David last spoke on this issue in November 2018, the Government Commercial Function has worked jointly with industry and senior officials across government, as well as engaging with charities, social enterprises, unions and has finalised the review of our outsourcing processes.

And crucially, this review has concluded that we are not seeking to abandon our approach to using the private sector to deliver services to government.

Outsourcing, done well, I firmly believe, can deliver significant benefits.

It provides greater opportunity, better value and more innovative public services.

Economies of scale mean services can be provided more efficiently, at lower cost and can provide better value for the taxpayer.

For example, pensions administration for nearly two million teachers has been outsourced since the 1990s – with administrative costs less than half those of other comparable schemes.

So the evidence is out there in terms of individual outsourcing programmes but also in terms of the macro picture.

Research commissioned by the previous government has shown that outsourcing

delivers savings of some twenty to thirty per cent compared with bringing services in-house.

Critics baulk at the idea of a government that reaches out beyond SW1 to harness the talent of firms up and down the country.

But we are not so naive to think that government is best placed to deliver every public service, nor do we think that we alone have all the solutions to society's complex challenges.

While government has considerable resources at its disposal, it cannot do everything by itself. Different government projects require different skills and expertise.

It is true that collectively we need to work together to make those changes, but we must be bringing in that wider range of skills and expertise.

So we are making changes to enable our services to be delivered by private and social enterprises, small businesses, charities, mutuals and cooperatives. And as announced last June, the government is committed to putting social values at the heart of service delivery.

We are also making changes to ensure that critical services continue in the event of a corporate failure – and the work we have done over the past year provides that resilience.

We previously announced that in early 2019 we would be publishing guidance for officials that would help government to work smarter with industry, set up contracts for success and build a more diverse supplier base.

As promised, today we have published the Financial Distress Guidance to provide staff with the information they needed in the event of a supplier failure.

We have also published the [Outsourcing Playbook](#), which we pledged back in June 2018 and which will apply to all government departments.

You may already be aware of some of the Playbook's contents that we announced in November. But today I want to detail a further seven new measures that have been developed.

Taken together this means that from today, will be demanding more of government departments.

We will expect them to conduct more robust financial assessments and monitoring of high value, complex, high-risk suppliers.

New financial ratios will need to be considered when assessing the financial and economic standing of bidders during the procurement phase and through the life of a contract.

All complex outsourcing projects also will be required to undergo a central Project Validation Review (PVR) before any public commitment is made.

This step-change means that by undergoing an independent peer assessment ahead of the transition from policy to delivery, complex outsourcing projects will benefit from more cross-government expertise to help assure deliverability, affordability and value for money.

Departments will also be expected to conduct a more thorough, evidence-based 'Make or Buy' assessment before services are outsourced.

We will now expect a detailed analysis of the costs and benefits of each option supported by the possible consequences of outsourcing and a comprehensive evaluation of risks.

And I am well aware that how government approaches risk allocation has caused some disquiet within the industry.

I can today provide reassurance that the Playbook makes explicit that when designing contracts departments must seek to mitigate, reduce and then allocate risks to the party best able to manage it.

A more considered approach to risk allocation makes government a smarter, more attractive client to do business with.

At the end of the day, you all run businesses, and my colleagues and I are constantly working to balance the needs of everyone in society, from firm owners and investors to families struggling to make ends meet.

So it is important that in this spirit the Playbook also outlines new guidance on the Pricing and Payment Mechanisms that complements the new balanced approach to risk allocation. It is designed to incentivise the behaviours and outcomes that government wants to achieve from its suppliers and contracts.

The Playbook also specifies that Departments will now regularly Publish Commercial Pipelines looking at least 18 months ahead.

This change will help us move forward by helping you gain a better understanding of the government's demand for services and allow you to better respond to contract opportunities.

Finally, the Playbook will re-emphasise the need for departments to engage early and thoroughly with the Market and will ask them to produce a market health and capability assessment.

And these assessments will be kept under review throughout the life of a contract not filed away to gather dust in a digital desk drawer.

Taken together the eleven key policies that underpin the Playbook are a significant change in the way government undertakes outsourcing decisions and will enable us to make smarter outsourcing decisions that will achieve better value for money.

But to stress – the future of government outsourcing relies on a new model of reciprocity.

We are changing to ensure we make smarter outsourcing decisions, but we also need industry to change too.

In order to put the needs of service users at the heart of public service delivery I want to see suppliers and government working in partnership to ensure that contracts continue to meet the diverse needs of citizens.

So today I am publishing a revision to the Supplier Code of Conduct which sets out the behaviours taxpayers expect of central government's suppliers but also what suppliers should expect of government. The Code is designed to build trusting and transparent relationships between government and suppliers.

The updated code highlights the importance of government departments creating the right conditions for innovation and the right conditions for building collaborative and constructive relationships.

I want to highlight three key aspects:

Firstly, the Code requires prime contractors to ensure that they do not pass on risk inappropriately to subcontractors, who are often small businesses unable to manage these risks.

Secondly, we want to ensure that suppliers across the public sector supply chain are paid promptly – this is so important, particularly for small suppliers. I announced in November that we expect suppliers to pay subcontractors within 30 days on public sector contracts and comply with the standards set out in the Prompt Payment Code on all other contracts. Failure of companies to demonstrate their prompt payment to suppliers could result in them being prevented from winning government contracts.

The government has a long-standing target of paying 80% of undisputed and valid invoices within five days, with the remainder paid within 30 days. And just last autumn, I announced our ambition to pay 90% of undisputed invoices within five days.

Thirdly, because we know the importance of robust data from government during procurements we will ensure that we provide data that captures the full scope of the services being procured or build in added flexibility to allow for subsequent validation of data, particularly where new services are being provided.

The Code is clear that we also expect incumbent suppliers to be forthcoming and prompt with information required for the re-tendering process.

Finally, I would like to update you on the government's Strategic Supplier Risk Management Policy. Experience from the past year has demonstrated to us that how we manage risk with suppliers to government needs to be reviewed. A fact also recommended by the Public Accounts Committee.

Our previous high-risk designation process was designed to deal with poor performance but it proved less appropriate when managing the financial distress of firms who were delivering critical public services.

So today, I would like to announce that we will be changing our approach.

We will be introducing a Memorandum of Understanding between the Cabinet Office and Strategic Suppliers.

This new approach will provide flexibility to government on how it manages risk across its supplier base through the improvement of current tools, and this will be in partnership with industry.

Better risk management will increase accountability for our suppliers and enhance current departmental relationships.

Government relies on its suppliers for the delivery of many important public services and while this is underpinned by a contractual relationship, these reliances need to be based on a relationship of trust between government, suppliers and the public.

Healthy and competitive markets support our ability to achieve value for money for taxpayers and deliver sustainable economic growth.

And the collaboration with the private sector will continue to live at the heart of how this government delivers public services and prosperity.

In keeping with best practice in policy-making we will continue to review and refine our approach.

From the new financial year we will begin an 18 month implementation phase to ensure these new reforms are embedded across government departments.

I would like to thank you for your engagement and collaboration over the past year.

Between us, we have collectively contributed over 1,400 hours of our time.

And as we move into this next phase of work, we will continue to call on you both as partners and critical friends.

Because only in continuing to work together, and changing "poor" practices of the past, will we be able to achieve our collective goal of delivering world-class public services for all of our citizens.