



Business Services Association  
130 Fleet Street,  
London.  
EC4A 2BH

Rt. Hon. David Lidington, C.B.E., M.P.,  
Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster,  
70 Whitehall,  
London.  
SW1A 2AS

26 January, 2018

*Dear David,*

I am writing to request a meeting and to propose a series of constructive initiatives for industry and government to take, together and separately as appropriate, with the intention being to improve the delivery of central government services and projects by the private and voluntary sectors. This proposal is not about making life easier for suppliers. It is about better services and better value and a better, more dependable market and recognising we share the same goal of delivering efficient service delivery.

Delivering services and projects is often a difficult and challenging process. It is something the United Kingdom is good at. The vast majority of such delivery in the United Kingdom, c.70 per cent, is business-to-business, with some 30 per cent being private-to-public. It is estimated 3 million people are employed in the sector overall, with it accounting for 8.75 per cent of economic output. It is estimated 1.2 million people are directly employed service providers delivering public services. The sector is split between national and local/regional government.<sup>1</sup> More recently, we have also seen an expanded role for the voluntary sector.<sup>2</sup>

We have been urging procurement reforms since 2010, with three government chief procurement officers and four Cabinet Office Ministers. In these meetings we have been advocating for reform, faster professionalisation, lower emphasis on the lowest bid and greater focus on quality and value for money. We have also called for greater co-operation with the voluntary and private sectors to make delivering government projects and services a more attractive and vibrant activity for small and medium sized businesses, as well as larger ones.

For some time we have been concerned that businesses of all sizes are being deterred from partnering with central government in the delivery of services.<sup>3</sup> The lowest cost approach combined with inappropriate levels of risk transfer have distorted the market, enhanced the risk of failure and deterred many potential new entrants from bidding.

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<sup>1</sup> Oxford Economics, 2015, *The size of the UK outsourcing market - across the private and public sectors*

<sup>2</sup> In 2013/14 the voluntary sector received £15bn (34%) of its income in the form of contracts and grants from government. <https://www.ncvo.org.uk/policy-and-research/public-services>

<sup>3</sup> Professor Sturgess, 2016, *Just another paperclip?: Rethinking the market for complex public services*

T: 020 7822 7420 W: [www.bsa-org.com](http://www.bsa-org.com)

Government procurement processes can be overly complicated, deterring smaller and medium sized businesses, dampening rather than encouraging a vibrant and innovative response to government tendering processes, and there are lessons for all sides from recent events.

To that end we would like to suggest discussion of the following:

- The establishment of a permanent government/industry forum. This would enable issues to be discussed and concerns on both sides aired at an early stage. The BSA is the only forum that brings together businesses from across different sectors and could provide a good starting point, but not the only point, for establishing such a forum. Government seeks, sensibly, to engage with businesses as they deliver a range of services for it so it makes good sense to engage with a forum that represents that reality.
- Contracts should be published on-line. A reworking and agreement of what is genuinely commercially confidential should be agreed between industry, the voluntary sector and Parliament, so that all sides have confidence and trust when the phrase is invoked.
- The Public Services (Social Value) Act 2013 clearly requires commissioners to think about how they can secure wider social, economic, and environmental benefits. In addition the 2016 Procuring For Growth Balanced Score Card requires procurements over £10 million to balance cost against social, economic and environmental considerations. Too often however the focus would seem to be on lowest cost. We would encourage Ministers to lead a cultural change in this area, and where necessary to legislate or revise rules.
- Review of existing codes of conduct to ensure they are robust, mutually beneficial and apply equally across the public, private and voluntary sectors.
- Open book accounting and spot checks by the NAO should be the standard practice, where appropriate.
- A new procurement model, which sits alongside existing ones, should be agreed. This should address directly the issues of risk and reward. We need simpler and more accessible processes that are conducted more swiftly, to encourage more participants of all sizes.
- Procurement processes and cultures are inconsistent across Whitehall. The Cabinet Office has the power to propose and introduce reform centrally, but not enforce it across Whitehall. A significant policy initiative is needed to ensure all central government departments procure in the same way. This requires a policy, administrative, and cultural change across Whitehall.
- The establishment of an independent arbitration body should be created to resolve disagreements between contractor and client in a speedy and low-cost manner. Its powers need to go further than the current Mystery Shopper Regime.
- The establishment of an independent body that can arbitrate independently and authoritatively if a bidder wants to challenge a procurement decision. Too much taxpayer time and money is spent on existing legal procedures. This new process should be independent, authoritative, transparent, inexpensive and swift. I believe many, if not all, of my members would be prepared to support this arrangement, only resorting to legal action where truly necessary. Brexit may provide an opportunity to amend contract award resolution procedures and introduce concepts such as binding arbitration.
- The establishment of a centre for excellence for the applied study of public service contracting, and the design and operation of public service markets. This would work best if jointly funded by industry and government with a commitment to the centre's longevity and independence.

There are many thousands of people working hard across the private and voluntary sectors to deliver many public services and they are no less serious about delivering good and effective services as their public sector colleagues. The government has sought to discern across all Whitehall departments who provides what and where. This is sensible, but government is resistant to acknowledging the existence of a sector it is itself dealing with as a customer. I have raised this in letters with three Secretaries of State for Business and meetings with departmental officials since 2010, with Cabinet Office officials and most recently with BEIS officials in the context of the industrial strategy and sector deals.

Regrettably, we have so far been unable to persuade BEIS of the merits of this argument, even though as a customer the government as a customer seeks to deal with the sector in this coherent and joined up way. We believe this leads to a damaging lack of understanding of the UK Business Services sector and sub-optimal practice.<sup>4</sup> Full and proper recognition by BEIS and the wider government would help understanding and transparency. It would also help in encouraging SMEs, supporting supply chains, skills, training and apprenticeships.

The philosophical merits of the public sector using the voluntary and private sectors to help deliver services and projects must, of course, primarily be one for the party political debate. However it must also be for business seeking to partner with national and local government to be willing to offer policy initiatives and reform.

In many of these areas we have been suggesting reform and renewal for some time, acknowledging that both sides need to change and evolve. We have worked closely and well with officials who, in recent times, have done much to improve process and approach.

In the end however it must be for Ministers to drive policy and impose an approach on the conduct of government in this area, and for business and the voluntary sector to respond to the market and environment government creates. In recent times we have seen larger providers beginning to shy away from tendering and SMEs deterred. Government is the dominant force in the state - it sets the rules, devises the contracts, runs the procurement processes, speaks to investors, awards the contracts, monitors contracts, and has the convening power only government can deploy. I believe there is scope for the government and the industry to work together to introduce constructive reform and renewal, bringing benefits to both the government client and consumers alongside the market and our industry.

For ease of reference I enclose the following publications:

*Just Another Paperclip 2017*

*The Size of the UK outsourcing market 2015*

*The use of business services by UK industries and the impact on economic performance 2015*

I look forward to hearing from you.

Yours sincerely,



**Mark Fox**  
**Chief Executive**

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<sup>4</sup> Oxford Economics, 2015, *The size of the UK outsourcing market - across the private and public sectors*

