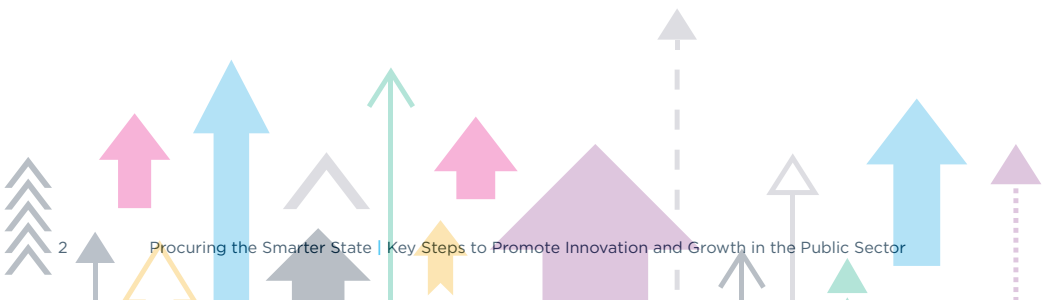


PROCURING THE SMARTER STATE
KEY STEPS TO PROMOTE INNOVATION AND GROWTH
IN THE PUBLIC SECTOR





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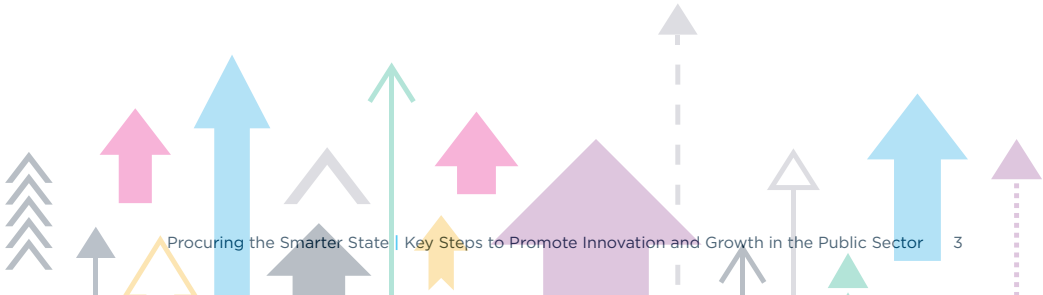
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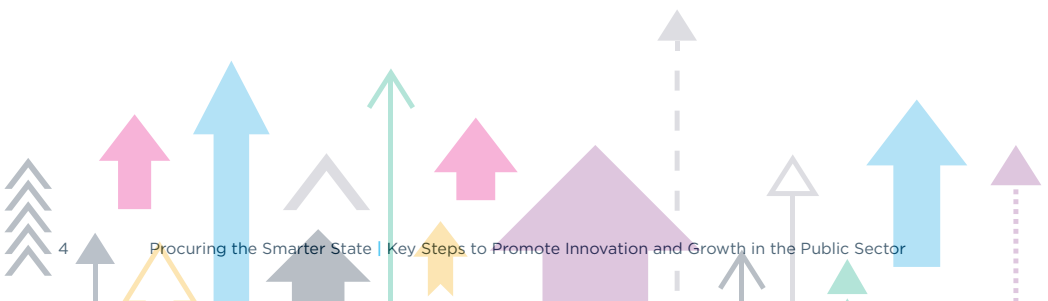
Introduction

The last decade has seen an increased understanding within Government of the importance of driving digital transformation to protect and improve our public services amid rising public sector debt and demands on usage. As outlined in 'techUK's Manifesto: Inventing the Future', the only way to protect front-end service delivery is by reinventing our public services through radically improving efficiency and outcomes. Promoting innovation and growth through public sector ICT procurement will be pivotal to achieving this vision.

Much has happened in public sector ICT procurement since techUK published 'Procuring for Innovation and Growth' in 2015.¹ There have been two general elections, a decision to leave the European Union, four Ministers for the Cabinet Office, three Directors of GDS, a Digital Strategy, a Transformation Strategy and an Industrial Strategy. This report revisits the current policy landscape and examines the views of those working in the public sector and GovTech suppliers to explore how to 'procure the smarter state'.

The message of this report is simple - for the Government to deliver its transformation and growth commitments, it must make a step change in procurement in central government and the wider public sector. I look forward to working in partnership with Government to develop the next generation of public services, and to stimulate growth in the UK GovTech market.

Rob Driver | Head of Public Sector | techUK



Foreword

The UK benefits from one of the most vibrant and thriving tech ecosystems globally and the experience and innovation of the UK's tech industry is a valuable resource for the public sector.

The last decade has seen an increased understanding within Government of the importance of driving digital transformation to deliver efficient, effective public services which meet the needs of citizens. As such, this is an important report that should be considered as a platform for the whole of the public sector to engage with current and prospective ICT suppliers.

At Crown Commercial Service (CCS) we are leading the way in simplifying the application processes for small businesses who wish to become government suppliers. More than one million visits have been made to the Contracts Finder website since it was re-launched in 2015, with a 46 per cent rise in the number of small and medium sized enterprises (SMEs) signed up to receive the latest procurement alerts for public sector opportunities in the last year alone. In 2018, we will do much more to simplify the procurement process for suppliers and customers, including cutting down and digitising our terms and conditions.

Government spent more than £12.2bn with SMEs in 2015/16. Thousands more tech SMEs have signed up to sell their services to Government in the last year through agreements like G-Cloud and Digital Outcomes and Services. But the Government recognises that there is more to be done to reach its aspiration of spending one pound in every three with SMEs by 2022. That is why we will be proposing new measures to encourage more spend to flow to SMEs.

This is a challenging report which should be considered as part of the wider debate around the Government's work to transform public procurement. I welcome techUK's contribution to this important conversation.

Niall Quinn | Director | Technology | Crown Commercial Service



Step 1: Use Procurement as a Tool to Deliver the Vision of Government Transformation

Innovation and Growth

Small businesses are the engine and heart of the UK economy and SMEs contribute to the UK's position as one of the great digital economies. As a significant purchaser of goods and services, the UK Government recognises the role it can play as a force for change by exploiting its spending power to open up public procurement to innovative small firms.

The Government has set a target to spend £1 in £3 of its procurement budget with SMEs by 2022. While the spend target is welcome, techUK's research suggests that it has had a limited impact upon the attitudes of ICT procurement staff within the public sector. Only 21 per cent of civil servants believe that there is an appetite within their department or organisation to increase the involvement of SMEs in the procurement chain.²

Despite the above, there is much to be positive about in the GovTech space, particularly amongst SMEs. As of July 2017, total spend through the Digital Marketplace has exceeded £2.6 billion. Of this spend, 45 per cent was through SMEs.³

The Digital Marketplace offers many SMEs their first chance to supply to Government and can help startups get funding - helping them to scale their business. Through greater use of SMEs, the Government is provided with greater access to innovation, often at a lower cost - which can also boost local economies.

The Digital Marketplace also provides huge overseas opportunities for the digital, data and technology suppliers who are successfully delivering to the UK Government through the Digital Marketplace. There is potential to expand the Digital Marketplace to create more business opportunities for UK suppliers to grow through exporting their expertise.



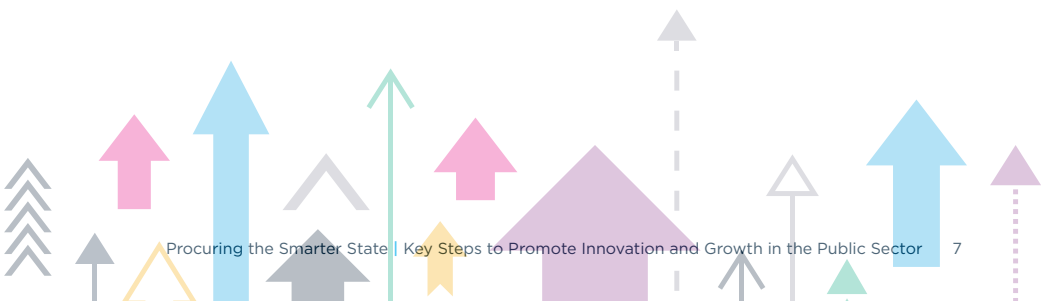
Government Transformation

The very scale and complexity of the challenge Government has set itself in its Transformation Strategy means that it should be taking every opportunity to learn from the wealth of knowledge and experience held by the UK's thriving tech sector. Industry can provide Government with both the tools it needs to deliver tech-enabled public services, and the experience of managing large-scale transformation projects. To harness this innovation and expertise there must be a 'step change' in procurement in central government and the wider public sector.

Besides its Transformation Strategy, the Government has also committed to using its procurement spend to support innovation in the private sector in its Industrial Strategy. These commitments should be treated as complementary: for Government to meet this pledge to support innovation in industry, it needs to design services that take advantage of the innovative solutions Britain's tech sector has to offer.

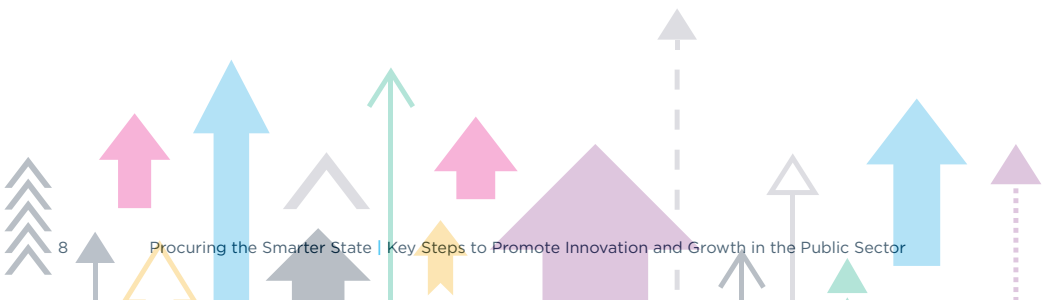
To enable the Government to achieve its vision of 'Procurement for Growth', a strategic approach to procurement must be developed that takes into account the commitments of the Public Services (Social Value) Act 2012 - with specific focus on how to create more opportunities for SMEs through public sector ICT procurement. In the new policy environment, central government departments and the wider public sector have a unique opportunity to work with key stakeholders to redetermine and articulate how social value should be embedded and evaluated in ICT procurement.

For the Government to deliver its strategic objectives, the public sector must invest in long-term strategic relationships with suppliers of all sizes and build on what has been achieved in the GovTech sector over the past five years.



Recommendations

- To deliver the commitment of expanding the use of the Digital Marketplace across the wider public sector, the Cabinet Office must clearly communicate across Government the approach it will undertake to promote adoption, and make CCS easier to do business with.
- City CDOs and metro mayors should champion smarter procurement processes for their city or region to deliver more efficient and integrated ICT services. These leaders should also be working together with public sector finance and procurement leaders to collaborate with the tech industry to adopt meaningful pre-procurement engagement with the breadth of tech industry, this will help to better understand what innovations are available.
- The use of the Digital Marketplace should be expanded by increasing the spend going through frameworks, and the number of non-Whitehall parts of the public sector using the system - with a focus on local authorities and government agencies.

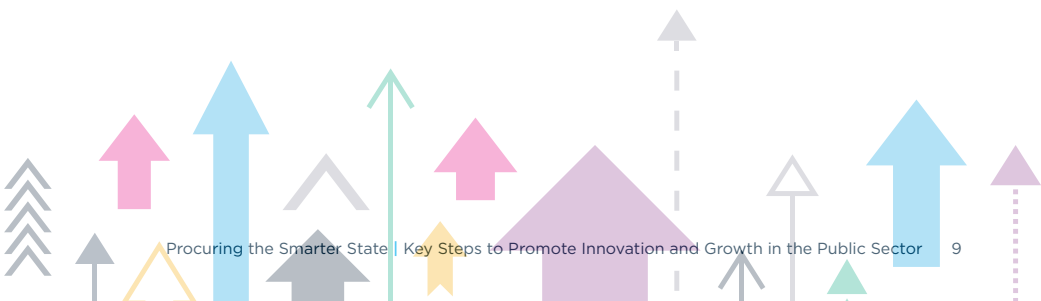


Step 2: Take Advantage of the Opportunities Offered by the UK GovTech Market

By 2019, the public sector software and IT services market will be worth £11.9 billion⁴ and the latest figures from the Complex Transaction Team (CTT) show that there are IT contracts with a value of £3.8bn ending over the course of the next three years.⁵ Fundamental to this context is exiting large, single supplier and multi-year IT contracts (one of the priorities of the Government Transformation Strategy). Despite this commitment, there is no reference within the strategy explaining how Government will engage with the tech sector to successfully manage and deliver this transition. As these contracts come to an end, there is a renewed impetus to engage more constructively with the whole of the UK GovTech market - from startups and SMEs to systems integrators.

Through the Government Digital Service (GDS) and CCS collaborating on the use of the Digital Marketplace, the frameworks have transformed Government procurement, and made it easier for suppliers to sell to Government through connecting cloud and digital suppliers with public sector buyers. However, the Government's understanding of its indirect spending with SMEs remains incomplete. Departments have reported that they are reliant on third party data and they usually have no way to verify the accuracy of the figures. Furthermore, suppliers may have different approaches to collecting and validating data and identifying SMEs, leading to inconsistent measurements.⁶

It is clear that there is a wealth of opportunities for GovTech providers over the next few years. The Cabinet Office and central government departments have a unique opportunity to build on the successes of diversifying the GovTech supplier base and should use the ICT public sector procurement pipeline as an opportunity to engage with the wider UK GovTech market. This should be predicated on robust data collection, and improved communication channels.



Supporting the Wider GovTech Ecosystem

Over the last five years, there has been a fundamental change in the approach to technology use in Government, and crucial to this has been Government's commitment to opening up public sector ICT procurement. The Government and tech industry agree that a more diverse supplier base, that benefits both, is needed. To support this diversification, techUK has undertaken an annual comprehensive survey to capture the views of SMEs operating in the public sector tech market to better understand their experiences on the ground.

Our survey confirms that the Government is on the right track to achieve diversification, but more needs to be done. There is overwhelming support for the Government's new target to award 33 per cent of procurement spend, both directly and indirectly, to SMEs, with a majority of respondents supporting the new target. Despite this progress, only 21 per cent of civil servants believe that 'there is an appetite within their department or organisation to increase the involvement of SMEs in the procurement chain'. There has been a particularly large drop (13 percentage points) in the proportion of respondents working in tech-facing roles who agreed with the statement.⁷

There is widespread concern that public sector commissioners are not making sufficient use of all the tools at their disposal. With a majority of SMEs saying that civil servants need to make more use of the Digital Marketplace, and there was a lack of awareness of the initiatives such as Mystery Shopper and Contracts Finder, that are directly aimed at the SME market.

To deliver the Government's strategic objectives of innovation, transformation and growth the public sector must do more to support dynamic British based SMEs to scale and grow. There must be greater commitment from government departments and the wider public sector to have a genuine two-way conversation with a diverse range of suppliers throughout the procurement process.



Procuring the Smarter State: the View from GovTech SMEs

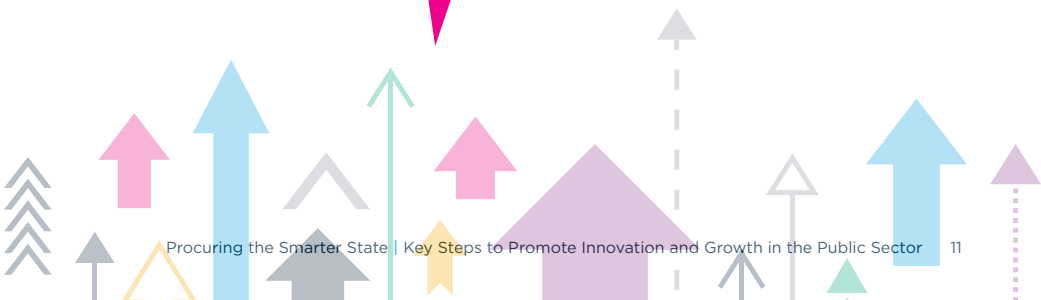
The UK is the best at opening up to SMEs and opportunities for SMEs are great. SMEs are hungry for more

We are not familiar with a lot of the tools we could use to have better connection to the public sector

We would like to have more opportunities which actively encourage partnerships between SME and large and public/private sector organisations

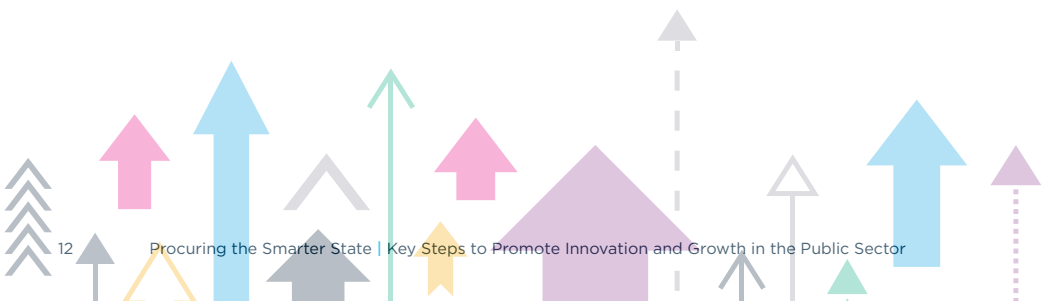
As an SME we simply don't have the resources to undertake large numbers of free proofsthere needs to be more resources available to support the proving of new technologies

Full results of the survey are available @ www.techuk.org/focus/programmes/central-government



Recommendations

- One minister in every department should be given responsibility for tech and should champion driving consistent implementation of the Digital Strategy, as well as aligning with the Government Transformation Strategy. A key area of focus for these ministers should be the commitments relating to procurement and SMEs, and promoting the use of Contracts Finder to advertise opportunities.
- Where common standards are introduced on ICT procurement, CCS should provide civil servants with clear guidance on what is expected, and where necessary, training to ensure it is well understood by those making procurement decisions within government departments and the wider public sector.
- To promote better engagement between the tech sector and Government, a forum should be developed to capture the supplier feedback on procurement issues in a planned, strategic and collaborative way to improve procurement processes for both suppliers and buyers. The focus for this forum should be to help improve the ecosystem by tackling unintended barriers that inhibit collaboration between Government and the tech industry.

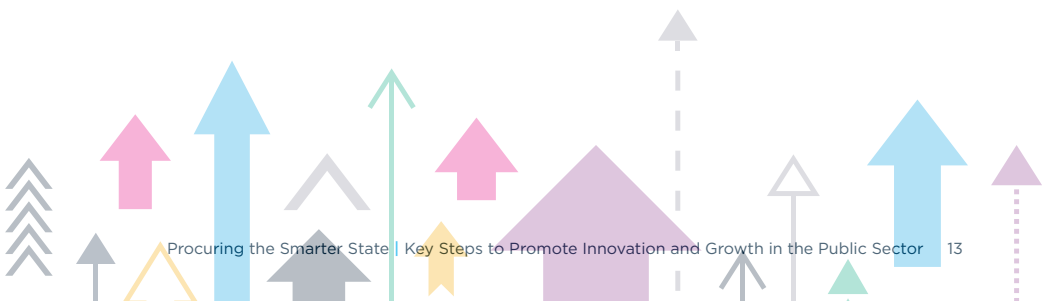


Step 3: Take a Strategic and Innovative Approach to Market Engagement

It is clear that central government and the wider public sector have a unique opportunity to innovate more successfully with technology. However, there is a common theme emerging from the current policy landscape, the views of those supplying GovTech services and attitudes within the civil service. More industry expertise and knowledge needs to be brought into Government. This can be achieved through a range of market engagement tools provided by techUK.

The fundamental principle of techUK's engagement is to support those working in the public sector earlier in the procurement process and help develop policy with technical expertise. The past 12 months have seen a wealth of market engagement across central and local government. This includes the launch of the NHS Digital-techUK Strategic Partnership, a programme of Concept Viability sessions across government departments, the Public Services 2030 Conference and a wide range of innovative market engagement sessions between the tech industry and local government.

Central government departments and the wider public sector should take a broader and strategic approach to communicating with the tech sector on planned procurement activity, and take advantage of the market access provided by techUK.



Recommendations

- Central government departments should take a broader, transparent and strategic approach to communicating with the tech sector on planned procurement activity. This should include adopting a more proactive approach to engaging with prospective suppliers, publishing pipelines and emerging opportunities well in advance of procurement decisions.
- The Cabinet Office and techUK should disseminate examples of where GovTech market engagement has worked well in the procurement process to deliver innovation and growth. This must include a specific focus on the savings and improved outcomes that come as a result of working with a broad supply base, and adherence to the 'Social Value Act'.
- The Cabinet Office should work in partnership with techUK to communicate to central government departments and agencies the benefits of working with SMEs - both directly and through the supply chain. This should be underpinned by market engagement activity with the tech sector to identify the relationship between specific departmental projects, the benefits of different types of SME provider and routes to market for suppliers. The 'Tech for Government Market Engagement Tools' section of this report should inform this market engagement activity.



Procuring the Smarter State: A Public Sector View

How can the public sector make the most of its relationship with suppliers?

“A common approach to all IT-related business”
SEO, Ministry of Defence

“Better IT-literate commercial staff & commercially minded IT staff”
Grade 7, Home Office



“A procurement process that allows for getting the right product rather than focusing solely on cost”
SEO, Home Office



“Senior management engaging with users before making procurement decisions”
SEO, Department of Transport

Full results of the survey are available @ www.techUK.org/civil-servants-survey



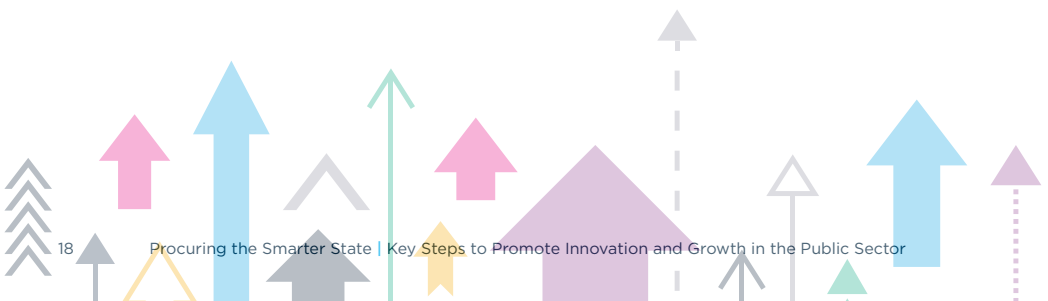
Tech for Government Market Engagement Tools

Tools	What is it?	Format	Benefits
<p data-bbox="105 240 300 264">Industry Briefing</p> 	<ul data-bbox="337 240 524 815" style="list-style-type: none"> • Opportunity for the public sector to engage with the whole of the tech market in a neutral environment • Providing the market with more information or an update on the public sector body's strategic objectives or direction 	<ul data-bbox="568 240 770 469" style="list-style-type: none"> • Roundtable, workshop, seminar or a briefing to a large audience • Informal networking 	<ul data-bbox="800 240 1005 612" style="list-style-type: none"> • Connect with a diverse mix of tech suppliers, large and small • Engage in a genuine two-way dialogue with the tech market as part of an early market engagement
<p data-bbox="105 860 306 884">Concept Viability</p> 	<ul data-bbox="337 860 538 1434" style="list-style-type: none"> • In-depth pre-procurement market engagement with the whole of the tech market in a neutral environment • Shape the design and roadmap for the transformation of specific procurement opportunities or projects in the pipeline 	<ul data-bbox="568 860 781 1406" style="list-style-type: none"> • Presentation from the procuring authority followed by Q&A and informal networking • Breakout sessions with suppliers discussing a set of questions • Industry feedback, compiled into a neutral report 	<ul data-bbox="800 860 1005 1347" style="list-style-type: none"> • Connect with a diverse mix of tech suppliers, large and small • Get feedback, ideas, and better visibility of risks from the market on all aspects of the project, from tech to commercial, as part of the pre-procurement process

Tools	What is it?	Format	Benefits
<p data-bbox="116 240 294 264">Innovation Den</p> 	<ul data-bbox="348 240 557 783" style="list-style-type: none"> • Opportunity for the public sector (and/or primes) to seek innovative solutions and address real business challenges • Access to UK based SMEs and better understanding of the innovative technologies available on the market 	<ul data-bbox="580 240 789 584" style="list-style-type: none"> • Pitches from SMEs to a panel of public sector buyers (and/or primes) on a predetermined topic or a set of challenges • Informal networking 	<ul data-bbox="812 240 1021 671" style="list-style-type: none"> • Access a range of innovative SMEs • Test new ideas in a risk-free environment • Identify potential innovative cost-effective solutions to business challenges
<p data-bbox="116 831 325 882">Snacks & Sips speed networking</p> 	<ul data-bbox="348 831 557 1086" style="list-style-type: none"> • Targeted networking opportunity for anyone with an interest in the public sector • Pitching is compulsory 	<ul data-bbox="580 831 789 1118" style="list-style-type: none"> • 30-second pitches from participants on what they can offer • Informal networking with snacks and sips 	<ul data-bbox="812 831 1021 1142" style="list-style-type: none"> • Identify and connect with a range of potential partners in the public sector market (companies large and small, and civil servants)

References

1. [techUK, Procuring for Innovation and Growth \(2015\)](#)
2. [techUK, Smarter Services: Delivering the Next Wave of Digital Transformation in the Public sector \(2017\)](#)
3. [Why spend data is important for the Digital Marketplace \(2017\)](#)
4. [Tech Market View, UK Public sector SITS Supplier Landscape: 2016-17 \(2016\)](#)
5. [Making a common case for exiting IT contracts. \(2017\)](#)
6. [National Audit Office, Government's spending with small and medium-sized enterprises \(2016\)](#)
7. [techUK, Smarter Services: Delivering the Next Wave of Digital Transformation in the Public sector \(2017\)](#)



For more information on our Central Government Programme, [visit our website](#).

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow.

The tech industry is creating jobs and growth across the UK. 950 companies are members of techUK.

Collectively they employ more than 700,000 people. These companies range from leading FTSE 100 companies to new innovative start-ups. The majority of our members are small and medium sized businesses.

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