

**DEPARTMENT FOR WORK AND PENSIONS**  
**Commercial Strategy**  
**2014 - 2017**



**Department  
for Work &  
Pensions**

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## 1. Background and Purpose

The Department for Work and Pensions (DWP) has a very important purpose and what we do matters to millions of people every day. The introduction of Universal Credit and other reforms are fundamental, once-in-a-generation changes that will transform the way we deliver welfare over the next four to five years. The commercial function has an important role to play in the delivery of services on which millions of people rely on every day, as to achieve it's objectives the department requires the support of a large number of external suppliers. The DWP Business Plan 2013-2015 [web](#) sets out the programme of work, with clear milestones to measure progress.

In 2012/13 DWP spent £3.4 billion (exclusive of VAT) on third party suppliers, this is about 43% of DWP total running costs and around 8% of all central Government commercial spend. The significant majority of this spend was incurred under legacy contracting agreements through managed service arrangements for categories such as ICT, Welfare to Work, Estates and Business Services all of which will either be expiring, or about to expire, during the period covered by this Commercial Strategy.

This plan sets out our strategic commercial approach for the next three years explaining how we will, seizing the opportunity of Government Procurement Reform, market developments and contract expiry, transform the way we operate, under a Commercial Change Programme, to help the department achieve it's key responsibilities in improving services to the public and increasing organisational efficiency.

## 2. Strategic Objectives

**To deliver our savings targets over the Spending Review periods 2010/2013 and up 2016/17. At the same time raising the commercial capability and reducing the cost of our function.**

### **We will deliver this by:**

1. Playing a leading role in supporting the Government's Procurement Reform Agenda, through being one of the first departments to work in partnership with the Crown Commercial Services, effectively utilising central Government's leverage in buying standard commodity goods and services more efficiently.
2. By restructuring the Commercial Organisation through:
  - Building a cross government commercial team that is fit for the future and is respected and listened to by the business for its commercial and procurement skills and market knowledge
  - Creating Category Teams with end to end accountability and responsibility across the procurement lifecycle
  - Enhancing our utilisation of market and supplier intelligence to ensure we fully exploit market innovation to both improve the quality of service we receive and deliver savings
  - Increasing our ability to lead the delivery of savings from third party spend to meet savings targets.
3. Further enhancing and developing our commercial skills, enabling us to operate with staff skilled across the procurement life cycle within smaller teams, that effectively supports major programmes and service delivery with strong commercial direction.
4. Creating a more competitive, agile, diverse and innovative supply base (including greater use of SMEs, Voluntary and Community Sector and Civil Society Organisations) through changing our contracting approach to offer greater opportunities for the widest market competition, resulting in sustained Value for Money and less dependence on individual suppliers.
5. Focus on strengthening commercial management of key suppliers, managing performance, relationships and risks.

**Our commercial vision is:**



**3. Plan of Action**

To deliver our strategy there are five key individual strands as described in section 2. Detailed below are the high level steps we will take to ensure delivery.

STRAND	STEPS TO ACHIEVE
1.	<ul style="list-style-type: none"> <li>• Work with, agree and utilise the services of Crown Commercial Service (CCS) under a Service Agreement to achieve savings through collaborative procurement, the aim being to drive best value for DWP and the public purse. Identification of candidate common Goods and Services categories for early Wave 1 and Wave 2 transition <b>by December 2013</b>.</li> <li>• Use the performance measures and reporting commitments contained in the Service Agreement with Crown Commercial Service to ensure the specified service levels and savings to DWP are achieved.</li> <li>• Play a leading part in Crown supplier management and work effectively with Efficiency Reform Group, the Crown Commercial Representative network and other Government Departments in developing and maintaining strong, positive relationships with key suppliers.</li> </ul> <p>-----</p>
2.	<ul style="list-style-type: none"> <li>• Organise our structure around what we buy and the markets and suppliers we operate in, with the aim of implementing a new organisational structure <b>by April 2014</b>.</li> <li>• Teams will cover end to end processes with clear responsibility and accountability for category of spend.</li> <li>• Operate as a valued commercial business partner, promote the role of the intelligent customer and improve demand management understanding and activity. Supporting the business to make informed decisions on best value options for the delivery of DWP services, through professional analysis, commercial perspective and knowledge of the market as required.</li> <li>• Understand customer requirements and achieve affordable commercial outcomes that meet customer needs. Influencing business demand in terms of both volume and quality of specifications, so that we procure goods and services that are fit for purpose using industry standards as the norm.</li> <li>• Agree category specific saving targets and regularly review progress against them.</li> <li>• Reduce third party spend through strengthening Category Strategies and working with ERG, CCS and Crown Representatives to deliver the appropriate savings.</li> <li>• Utilise market and supplier intelligence and expertise much more effectively to deliver improved services and cost reduction.</li> </ul>

STRAND	STEPS TO ACHIEVE
2. (cont)	<ul style="list-style-type: none"> <li>• Through the Welfare and Employment Category we will make an important contribution to informing and delivering key departmental policy objectives, enabling significant reductions in Annually Managed Expenditure and driving Value for Money savings through effective sourcing processes.</li> <li>• Ongoing review of existing framework/contracts to determine whether current "Standards and Policies" include appropriate security measures.</li> <li>• We will embed security across commercial activities with regard to the use and misuse of data to protect both the Department and our customers.</li> </ul> <p>-----</p>
3.	<ul style="list-style-type: none"> <li>• Establish a highly skilled, professional and expert commercial workforce that is utilised effectively to best support agreed business priorities.</li> <li>• We will value our people and support the development of their skills and capabilities to realise their individual potential.</li> <li>• Develop and embed people strategies and programmes to increase the commercial and procurement capability across the Directorate.</li> <li>• Undertake and maintain an organisational skills audit of staff against the Government Procurement Service Skills framework and develop a detailed plan focused on increasing capability.</li> <li>• Apply a workforce management approach to ensuring people in the commercial community have the right skills to do their job by providing appropriate learning and development tools and solutions.</li> </ul> <p>-----</p>
4.	<ul style="list-style-type: none"> <li>• We will stimulate enterprise, support economic growth and improve our procurement practices and supply chain innovation by taking advantage of contract expiry to break up large bundled contracts to encourage better competition and new entrants to our procurements.</li> <li>• Improve market and supplier commercial intelligence and relevance to promote market informed sourcing and competitive markets to meet emerging business requirements.</li> <li>• Use procurement to further sustainable procurement objectives through the supply chain: environmental (e.g. carbon reduction and climate change), the Public Services (Social Value) Act and economic growth (e.g. supply chain diversity and skills development) with the objective of achieving 25% spend with Small and Medium Enterprises.</li> <li>• We will influence and support the Welfare to Work Commissioning Strategy, enhancing the potential for new entrants to the Welfare to Work market, building upon the successful diversity that already exists within the supply chain.</li> <li>• Application of the mandatory DWP Sustainable Procurement Risk Assessment Methodology (SPRAM) toolkit and following the principles within the Sustainability Pledges, ensuring that effective methods are in place to monitor and report progress. Recognise the expertise that Medium/Small enterprises, Voluntary and Community Sector and Social Enterprises can provide and encourage the use of these enterprises in the supply chain by providing them with support and information on how to bid for government contracts.</li> </ul>

STRAND	STEPS TO ACHIEVE
5.	<ul style="list-style-type: none"> <li>Enhance our contract management skills to focus on ensuring we extrapolate maximum value from contracts by having clear contract management plans and comprehensive performance management processes in place.</li> <li>Optimise and continuously improve supplier performance and relations, including relationships between key suppliers and delivery businesses, through the increase of early and more strategic dialogue with current and future suppliers over contract opportunities.</li> <li>Improve market and supplier commercial intelligence and relevance to promote market informed sourcing and competitive markets to meet emerging business requirements.</li> <li>Take a proportionate approach to successfully managing commercial and supply risks to ensure sufficiently robust and flexible commercial arrangements are in place to support business continuity.</li> <li>Monitor and manage strategic supply risks including market dominance, monopoly powers, undue dependence, conflicts of interest and account position.</li> </ul>

#### 4. Measuring our Performance

No	Key Performance Indicator	How we will measure		
1	Deliver Saving Targets and increase efficiency savings as % of third party spend  Process Efficiencies – added value benefits that result in the department avoiding costs they would otherwise have incurred  Reductions in Annually Managed Expenditure (AME) – where commercial activity has enabled the department to reduce benefit payments	Year	Category	Target
		2013/14	General(Excluding ICT, Welfare to Estates)	£55.7m
			Estates	£60m
			ICT	£34m
		<b>TOTAL</b>	<b>£149.7m</b>	
		2014/15	General	£50.1m
			Estates	£45m
			ICT	£38.5m
			<b>TOTAL</b>	<b>£133.6m</b>
		2015/16 <sup>1</sup>	General	£55m
			ICT	£135m
			Estates	£60m
			<b>TOTAL</b>	<b>£250m</b>
		2016/17 <sup>2</sup>		
		<sup>1</sup> To be agreed		
		<sup>2</sup> To be confirmed		
2	Increasing percentage of spend channelled through Crown Commercial Services	<ul style="list-style-type: none"> <li>Agreement to what commodity items will be transferred as part of "Wave 1" will be agreed by end of December 2013.</li> <li>Implementation of Wave 1 Go-Live by end of March 2014 or soon after</li> </ul>		

No	Key Performance Indicator	How we will measure
3	Reduce the cost of the commercial function and improve return on investment	<ul style="list-style-type: none"> <li>Decreasing cost of the commercial function</li> <li>Improving return on investment (savings divided by cost of function)</li> </ul>
4	Improving supply base diversification, including spend with SMEs	<ul style="list-style-type: none"> <li>Improving from a baseline of directing 70% of spend through 15 suppliers</li> <li>Improving from a baseline of directing 95% of spend within the ICT Category through 10 suppliers</li> <li>Increase of spend with SMEs, either directly or indirectly through the supply chain – 22% by March 2014 and 25% by March 2015<sup>3</sup></li> </ul> <p><sup>3</sup>DWP target is currently under review following discussion with Cabinet Office as regards to the difference in methodology used to calculate indirect spend</p>
5	Improving staff engagement	<ul style="list-style-type: none"> <li>Outcome of staff surveys and development of action plan with measurable objectives</li> </ul>
6	Improving procurement people capability in terms of professionalism, technical competence and experience	<ul style="list-style-type: none"> <li>Improving skills sets against individual baselines within personal development plans</li> </ul>
7	Maximise the contribution to sustainable and wider government procurement objectives	<ul style="list-style-type: none"> <li>Reduce carbon emissions by 25% by 2015 from a 2009/10 baseline</li> <li>Reduce waste generated by 25% by 2015 from 2009/10 baseline and reduce percentage sent to landfill</li> <li>Reduce water consumption from a 2009/10 baseline</li> </ul>

## 5. Approval, Ownership and Maintenance of the Strategy

The DWP Commercial Strategy is owned and delivered across DWP under the governance of the Commercial Directorate Senior Management Team (CDSMT). Assurance of compliance with the Strategy will be provided by regular audits directed under a programme agreed by the CDSMT. Delivery and performance against the Commercial Strategy will be reported quarterly using a balanced scorecard and risk register, linking to wider DWP performance measurement and risk management processes and methodologies. Significant commercial risks that impact on the Department's key strategic objectives, financial position or reputation will be escalated through Finance Group Executive Team (FGET) and reported to the Departmental Executive Team and Board where appropriate.

The agreed sub-set products of the Commercial Strategy are:

- Commercial Assurance Strategy
- Commercial Development and Capability Plan
- IT Transformation Strategy
- Contestability Strategy

The Commercial Director is responsible for taking the lead to ensure the strategy is communicated and embedded across the DWP. It will be developed and maintained by the Strategy and Performance Team reporting to their Commercial Directorate Head.