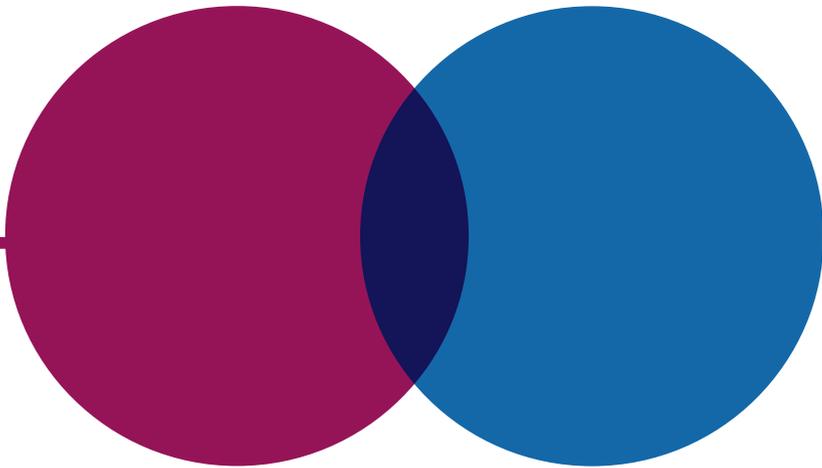




National Audit Office



REPORT

Efficiency in government procurement of common goods and services

Crown Commercial Service

SESSION 2024-25
HC 116



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National Audit Office

Efficiency in government procurement of common goods and services

Crown Commercial Service

Report by the Comptroller and Auditor General

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of Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

28 May 2024

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Contents

Key facts 4

Summary 5

Part One

The approach to central purchasing of common goods and services in the UK public sector 14

Part Two

The Crown Commercial Service's role in achieving efficiency in public procurement 23

Part Three

Improving efficiency in central procurement 36

Appendix One

Our audit approach 47

Appendix Two

Glossary 51

Appendix Three

Views of commercial directors 54

Appendix Four

Crown Commercial Service benefit calculation 64

Appendix Five

The Procurement Act 2023 requirements as compared with the 2015 Regulations 65

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Key facts

£125bn

estimated public sector market for common goods and services

£25bn

spend on common goods and services purchased through the Crown Commercial Service's (CCS's) 238 frameworks from which expenditure was being reported in 2022-23

unknown

number of frameworks available across all framework providers for use by one or more contracting authorities; third-party data providers have identified at least 8,000 frameworks

- £393 billion** estimated spending on public procurement in 2022-23. This estimate from *Public Spending Statistics* dated February 2024 includes the procurement of goods and services by one public sector body from another
- 0% to 11%** percentage of revenue charged to suppliers for each contract by framework providers as a 'levy' or 'commission rate' (technical terms are defined in the glossary at Appendix Two); some framework providers charge additional fees to suppliers and subscriptions to members to use their services
- 0% to 2%** typical levy rate for CCS, whose average levy is 0.7% (CCS has two outlier frameworks where the combination of levy and management charges amounts to 4% and 11% respectively. One expired in June 2023 and the other is due to expire in January 2025)
- 19,606** organisations, including all of the main central government departments, which used CCS to buy common goods and services in 2022-23
- 3,926** number of suppliers who reported spend through CCS frameworks in 2022-23 (2017-18: 2,039)
- £3.6 billion** CCS's reported commercial benefits – representing an average price benefit of 10.37% by using CCS commercial agreements compared to external price benchmarks; there is an additional £0.2 billion of change related benefits not included in this figure

Summary

Background

1 The public sector spent some £393 billion on goods and services in 2022-23. This figure includes capital and current expenditure and spend between public sector bodies. Thousands of public bodies buy common goods and services, such as energy, temporary staff, and travel, as well as more specialist items such as defence equipment and pharmaceuticals. Procurement of goods and services makes up around one-third of total public spending and has increased by 22% in real terms in the five years since 2017-18.

2 Public sector procurement in the UK is subject to a legal framework which is intended to encourage value for money and free and open competition, in line with internationally and nationally agreed obligations and regulations. In March 2024, HM Treasury, in response to a speech by the head of the National Audit Office, included procurement as one of five areas in which it expects the government to create efficiency savings. The Cabinet Office notes that it is not possible to accurately model the impact of procurement reform on competition, but illustrative scenarios it looked at indicated that increased competition in public procurement could deliver annual benefits of between £4 billion and £7.7 billion.

3 A number of bodies across the government have specific responsibilities for procurement:

- The Crown Commercial Service's (CCS's) purpose is to help the UK public sector get better value for money from its procurement of common goods and services. CCS achieves this by establishing commercial agreements (such as framework agreements and Dynamic Purchasing Systems) for common goods and services for use by the UK public sector.
- The Government Commercial Function (GCF) leads public procurement policy including setting standards for the procurement of goods and services for government.

4 The Public Contracts Regulations 2015 permit a public sector body to establish frameworks and to act as a 'central purchasing body' (CPB). Under the Procurement Act 2023, a CPB is referred to as a 'centralised procurement authority' (CPA). CPAs can create frameworks that other buyers can use to purchase goods and services. CCS is the largest CPA and framework provider by the volume of spend it manages. The implementation of the new Act is expected in October 2024 and, for this reason, we refer to these organisations (CPBs and CPAs) as CPAs in our report, or 'framework providers' when we are emphasising issues relating to frameworks.

5 CCS was established in 2014. It is a trading fund and an executive agency of the Cabinet Office. CCS's main objective is to help the UK public sector get better value for money from its procurement of common goods and services. Of an estimated market of £125 billion in common goods and services, £25 billion of spend goes through CCS's frameworks. We last examined CCS in 2017 and we reported that although CCS's customers could save money by using CCS agreements, we expected a larger volume of savings would have been delivered if CCS had been set on a sounder footing. We concluded then that government reforms to central buying had not been well managed.¹

Scope of this report

6 This report looks at the efficiency of the central purchasing of common goods and services. It examines:

- how common goods and services are purchased by the UK public sector;
- whether CCS has achieved its principal objectives of helping the UK public sector get better value for money for the procurement of common goods and services; and
- what more CCS and the government need to do to secure greater efficiencies.

We did not examine the procurement of major programmes (for example, large infrastructure projects) and we did not look at how organisations outside central government undertake procurement, although we would expect many of our findings to apply across the public sector.

¹ Comptroller and Auditor General, *Crown Commercial Service*, Session 2016-17, HC 786, National Audit Office, January 2017.

Key findings

The central purchasing system in the UK

7 The government has made progress aggregating purchasing to get the benefit from collective buying of common goods and services for the public sector, but it has more to do. In 2016, GCF created a Government Functional Standard which set out steps for government organisations to maximise their purchasing power by aggregating demand and using collaborative procurement channels. CCS told us that it contributes to aggregation benefits because suppliers bid competitively for places on its frameworks in expectation of gaining a share of the anticipated overall scale of public sector business. CCS told us that since we last looked at its operations in 2017, it has enabled further aggregation benefits by negotiating pricing agreements with suppliers which secure volume discounts and by running events that pool customer demand in specific product categories, including on water, technology and fleet. CCS is yet to implement this aggregation on a wider scale. However, it is now developing five pilots to explore additional aggregation opportunities. During our fieldwork, commercial directors in government departments reported that there were practical difficulties in scheduling purchasing and that there were insufficient data to help make decisions on opting into collective buying (paragraphs 1.16 to 1.17).

8 The government does not have any oversight of the many frameworks or framework providers, leading to missed opportunities for greater efficiency. Public procurement in the UK is largely decentralised and involves a mix of public sector and private sector organisations offering many thousands of frameworks. Third-party market data providers have identified a range of 8,000 to more than 21,000 public sector frameworks, but there is no definitive list at this time. This fragmentation prevents the government from acting as a single buyer across numerous categories of common goods and services, resulting in duplication of effort and increasing bidding costs for suppliers. The framework providers benefit from higher levels of public expenditure as this increases their income from levies, commissions and charges. The government has proposed in its latest reforms to establish a register of commercial tools to capture information on the frameworks awarded under the Procurement Act 2023, with planned implementation from October 2024 (paragraphs 1.4 to 1.14 and 3.6, Figure 4 and Appendix Five).

9 The emergence of procurement frameworks hosted by small contracting authorities and operated by private sector organisations raises questions about how those frameworks contribute to value for money at a system level. We note with interest several instances of small contracting authorities, such as small health trusts or academies, 'hosting' frameworks operated by the private sector. These frameworks are marketed to a wide range of public sector buyers as a convenient route to market with proactive customer service. These frameworks operate separately from central initiatives to aggregate demand and improve category management and have not been subject to oversight or accreditation. Commissions charged to suppliers (and in some cases, buyers) for using these frameworks can be as high as 5% to 6% (compared to the average of 0.7% for CCS frameworks) and in some instances may incentivise direct awards over competition at call-off stage. Profits generated from commissions are not available to improve the public procurement system (paragraphs 1.6 to 1.15, 3.9 to 3.14 and Figure 4).

CCS's contribution to efficiency in central purchasing

10 CCS's objective and management targets have incentivised it to grow the volume of spend that goes through its commercial agreements. There is a risk that this leads it to prioritise growth over maximising value. CCS has more than doubled the annual value (in real terms) of the transactions through its agreements from £12 billion in 2017-18 to £25 billion in 2022-23. CCS told us that it saw growth in spend as a means to enable better value for money for procurement of common goods and services, because it meant more transactions were being undertaken using the terms, specifications and maximum price it sets through the framework procurement process and because greater spend through its commercial agreements gives it more influence with suppliers. There are still segments like local communities and housing and the NHS where CCS believes greater usage of its frameworks can help secure better value for money. However, growth on its own does not lead to an efficient central purchasing system, and there is a risk that incentivising growth means it is prioritised over maximising value. The majority of CCS's income is from the levy that suppliers pay to CCS as a proportion of the value of business they win through CCS's frameworks. CCS's levy is currently averaging 0.7% of spend through its frameworks. Other framework providers use a similar model. Many central government departments told us that they see CCS as the default organisation for buying certain categories of common goods and services, suggesting that they see benefits in using CCS's services. However, a number of departments alluded to inconsistencies in the quality of customer service provided by CCS (paragraph 1.3 and Figure 1, and paragraphs 2.2 to 2.6, 2.14 and 3.13 to 3.16).

11 CCS develops government-wide category management strategies for common goods and services and has improved since we last reported in 2017, but it still has more to do to effectively implement its approach.² It is good practice for organisations to categorise the goods they frequently buy and develop a strategy for each category. CCS has started to refresh its strategies for managing the categories of goods and services available via its frameworks in order to better engage with its markets. In March 2021, CCS reported that it had completed category strategies in its 76 categories of common goods and services. In September 2023, CCS developed a new categorisation approach with three top-level categories: ‘technology’, such as purchasing digital specialists or laptops; ‘estates’, which includes facilities management and construction, and ‘corporate’, which includes consultancy and temporary staff. Within those three top-level categories there are 49 subcategories. CCS told us that, under its new approach, it expects to revise its strategy for every category each year. As of March 2024, five subcategories (10%), had a refreshed strategy in place and 11 more (22%) were in progress (paragraphs 2.9 to 2.12 and Figure 7).

12 Departments consider that using CCS saves them money, although CCS’s calculation of commercial benefits is not well understood by its customers and is not aligned with departments’ own savings calculations. CCS reported commercial benefits from commercial agreements of £3.6 billion in its 2022-23 annual report and accounts (this excludes £0.2 billion of change related benefits). Some departments told us that they do not place much weight on CCS’s benefits calculation because they do not understand it, and that CCS’s methodology is not aligned with the way they calculate savings. However, their own internal calculations show that there are savings and benefits to using CCS, and so decisions to use CCS are made despite the differences. CCS does not currently collect data from public sector organisations on the prices of goods and services included in contracts awarded but relies on data from suppliers. CCS then uses its category specialists and third parties to identify reliable market comparators. However, it is not always able to obtain reliable market prices, so this picture is incomplete. A review of the process for calculating commercial benefits by the Government Internal Audit Agency (GIAA) in 2020 provided an overall substantial assurance opinion but reported that the calculations used to determine the overall commercial benefit, though consistent, did not align with current ways of working and recommended that CCS’s documentation of the process is reviewed and updated. CCS told us that this has now been completed (paragraphs 2.19 to 2.22 and Figures 11 and 15).

² Category management is a strategic approach to procurement. It allows more focus on categories that have opportunities for consolidation and efficiencies.

Opportunities for improving efficiency in central purchasing

13 Although no single supplier has more than 7% of the £25 billion public sector spend through CCS, its frameworks have created some highly concentrated markets. Competition among suppliers supports value for money. The average revenue generated by each supplier that reported spend through CCS frameworks was £6 million in 2022-23. Since we last looked at CCS in 2017-18, it has brought more suppliers onto its frameworks (there were over 9,500 suppliers with a place on CCS frameworks and 3,926 suppliers reported spend through CCS frameworks in 2022-23 versus 2,039 in 2017-18) but CCS could do more to expand access to a wider pool of suppliers. We used metrics adopted by competition authorities to assess whether buyers have a large choice of potential suppliers. To help with this determination, we analysed 308 lots within 107 frameworks with recorded spend above £100,000 in 2022-23.³ Our analysis showed that CCS frameworks had 24 single-supplier lots and a further 25 lots where all contracts were awarded to a single supplier even though other suppliers were available. This suggests that a number of frameworks have a few suppliers winning most of the work, creating highly concentrated markets. CCS told us that the number of suppliers it awarded places to on its frameworks and lots through its competitive procurement processes was determined by the commercial strategy for each category. For example, single-supplier frameworks are justified where the commercial strategy determines that the competition to win the only available place on a framework could lead to a better outcome (paragraphs 2.13 and Figure 8, and 3.2 to 3.4 and Figure 12).

14 The Procurement Act 2023 provides opportunities for the government to improve transparency and mechanisms for data collection once it is implemented in October 2024. Public sector organisations use different procurement systems which do not always allow for data to be easily shared with central purchasers or framework providers including CCS. Although CCS obtains data on spending through its commercial agreements from suppliers, it also relies on collecting published data and subscribing to data service providers to access the information they hold on public sector spending. The Cabinet Office established ‘Contracts Finder’ in February 2011 to open up opportunities for small and medium-sized enterprises and voluntary, community and social enterprises, and ‘Find a Tender’ service was introduced in January 2021, when the UK was leaving the European Union, to replace the system used for advertising opportunities. Most public sector organisations have been required by legislation and policy to publish procurement data using these systems, but compliance has been poor. The Cabinet Office told us that it has no mechanism for enforcing compliance. To meet the enhanced transparency requirements of the Procurement Act 2023, the Cabinet Office is introducing a central digital platform which requires contracting authorities to publish significantly more information about upcoming procurements and contracts (paragraphs 3.5 to 3.6 and 3.19 to 3.20).

3 A framework can be divided into lots.

15 CCS's average levy rate is 0.7%, double the rate it requires to achieve its financial objective of a 5% return on capital employed on average over a five year period, but it has insufficient incentives to reduce the levy. CCS's levy system has resulted in an unintended accumulation of surpluses somewhat to the dissatisfaction of some of the CCS customers that we spoke to. CCS generated income from levies of £177 million in 2022-23, nearly twice its operating cost of £94 million. CCS told us that, because of the rapid increase in spending through its commercial agreements – which it attributes to the active role it played in the COVID-19 pandemic – its income had grown faster than expected. CCS told us that it has been asked to pay a larger dividend to the Cabinet Office. CCS is introducing a payment scheme in 2024-25 to return part of its surplus to some of its customers. HM Treasury agreed the plan to reduce CCS's surpluses in September 2023 and also asked CCS to consider reducing the levy rate if surpluses continue to grow above current levels. We analysed CCS's projections and, if CCS manages to grow spend through its agreements in line with these projections, it could cut the levy by 50%, with the reduction phased in as frameworks are replaced. Based on our analysis, if the levy was halved, instead of distributing the surplus through dividends and the payment scheme, and if all of the savings were passed to CCS's customers through price reductions by suppliers, public sector organisations using CCS frameworks could avoid over £500 million in costs over five years to 2028-29 (paragraphs 2.3 to 2.4, 3.10 to 3.16 and Figure 13).

16 CCS could take a system leadership role in public procurement of common goods and services but is constrained by its operational capacity. CCS's purpose is to help the UK public sector get better value for money from its procurement of common goods and services. CCS has an ambition to increase the value it provides to the public sector. Some departments told us that CCS could do more to drive efficiency across the public sector. CCS is subject to Cabinet Office's headcount 'cap' and told us that it has implemented a 20% reduction in staff, which has made it more challenging to realise its ambition. A recent Board evaluation raised concerns over the potential conflict from the role of the Government Chief Commercial Officer, who is a non-executive director of CCS and is also the Cabinet Office sponsor for CCS. The report noted that the most obvious example during the period of the review was the handling of the surplus. The report also noted that it is entirely appropriate, given his executive role, for him to express a Cabinet Office view on how the surplus should be redistributed but any conflict needs to be managed. The dividends paid to the Cabinet Office by CCS are currently used to cover the cost of the central commercial teams which report to the Government Chief Commercial Officer. The Cabinet Office told us that from the next Spending Review onwards, the central commercial teams will be funded by HM Treasury and the Cabinet Office. CCS has proposed in its revised 2024 to 2026 business plan to update its purpose as follows: "to help the UK public sector to better extract value from its commercial and procurement activity" (paragraphs 2.2 to 2.6, 3.24 to 3.29 and Figure 6).

Conclusion on value for money

17 Public sector bodies spend around £125 billion each year on common goods and services but public procurement is largely decentralised, with many public sector and private sector organisations operating within the system. GCF, working in conjunction with CCS, should streamline the central purchasing system to deliver better value for money for the public sector. More broadly, the government needs to address the profusion of framework agreements. By reducing poor-quality frameworks and supporting CCS to make improvements to its offer, there is scope for the government to significantly improve the value for money for the £125 billion spent on common goods and services each year, of which around £25 billion was spent through CCS's frameworks in 2022-23.

18 Since we last looked at CCS in 2017-18, it has grown to become the largest framework provider, and central government departments regard CCS as the default organisation for buying certain categories of common goods and services. CCS is improving its offering but could make much better use of data and technology to increase transparency and promote competition. CCS should also deliver efficiency benefits through more aggregation of buying, better management of goods and services categories and improved understanding of its markets.

Recommendations

19 Both GCF and CCS have stated they are committed to bringing about the changes that are required to improve public procurement. These recommendations are intended to help both organisations as they develop their plans for change and improvement.

- a** We have previously recommended that GCF publishes a playbook or good practice guidance for framework agreements, and our findings from this study further support that recommendation and highlight an urgent need for this to be implemented. Through the playbook, GCF should set the standards for accrediting framework providers and ensure greater transparency over how frameworks are created and operated, including guidance on how and when direct awards via frameworks should be permitted – the aim being to achieve fewer frameworks, lower levies and commission rates and improve the quality of frameworks and framework providers.
- b** To help government make better decisions and encourage contracting authorities to be transparent about prices and the quality of goods and services, GCF should introduce a methodology that allows for consistency in data collection and reporting. The Cabinet Office should develop a mechanism for monitoring and addressing non-compliance.

- c** CCS needs to focus on its purpose which should be aligned with its strategy to maximise the wider benefits of central purchasing to the public sector. CCS's corporate performance metrics over the last several years have been set in line with its growth and commercial benefits strategy, with the assessment of the performance of some of CCS's management being set accordingly. As a result of its successful growth, CCS should now focus on delivering an efficient central purchasing system for the UK public sector.
- d** CCS, as the largest UK framework provider, should act as the system leader for the procurement of common goods and services. As part of this, CCS should put in place appropriate commercial capability, make better use of the data already available within the procurement system and identify opportunities for innovation and more effective competition in the wider market wherever feasible.

Part One

The approach to central purchasing of common goods and services in the UK public sector

1.1 This part sets out the scale and approach to central purchasing in the UK public sector with a focus on how common goods and services are bought through framework agreements.

One third of public expenditure is spent on goods and services

1.2 The gross value of public spending on goods and services in 2022-23 was £393 billion (includes capital and current costs and the procurement of goods and services by one public sector body from another).⁴ This is around one third of the £1.2 trillion total public spending in 2022-23, and has increased by 22% in real terms in the five years since 2017-18 (**Figure 1** on pages 15 and 16). As a share of GDP, UK procurement spending has increased from 13% to 15%, whereas the average for all European Union countries was 14% of GDP as reported by the European Court of Auditors in 2023. In March 2024, HM Treasury, in response to a speech by the Comptroller and Auditor General, the head of the National Audit Office, to Parliament included procurement as one of five areas in which it expects the government to create efficiency savings.^{5,6}

1.3 Public procurement activities range from common goods and services, such as energy, technology, facilities management, temporary staff and travel, which are routinely purchased by thousands of public bodies, through to complex outsourcing arrangements and distinct purchases of items such as defence equipment and pharmaceuticals. The government does not have a formal definition of 'common goods and services'. The Crown Commercial Service (CCS) estimates that the market for common goods and services that it serves is worth around £125 billion in 2022-23 (around 32% of estimated spending on public procurement of goods and services in 2022-23). This estimate was produced using data from 68,188 organisations but may be overstated because it contained over 4,000 duplicate entries and includes some non-government organisations (such as private healthcare providers).

4 This estimate comes from HM Treasury's *Public Spending Statistics* published in February 2024. An alternative estimate of £385 billion was published in the July 2023 *Public Expenditure Statistical Analysis*. Both data sets are National Statistics and include procurement by one public sector body from another.

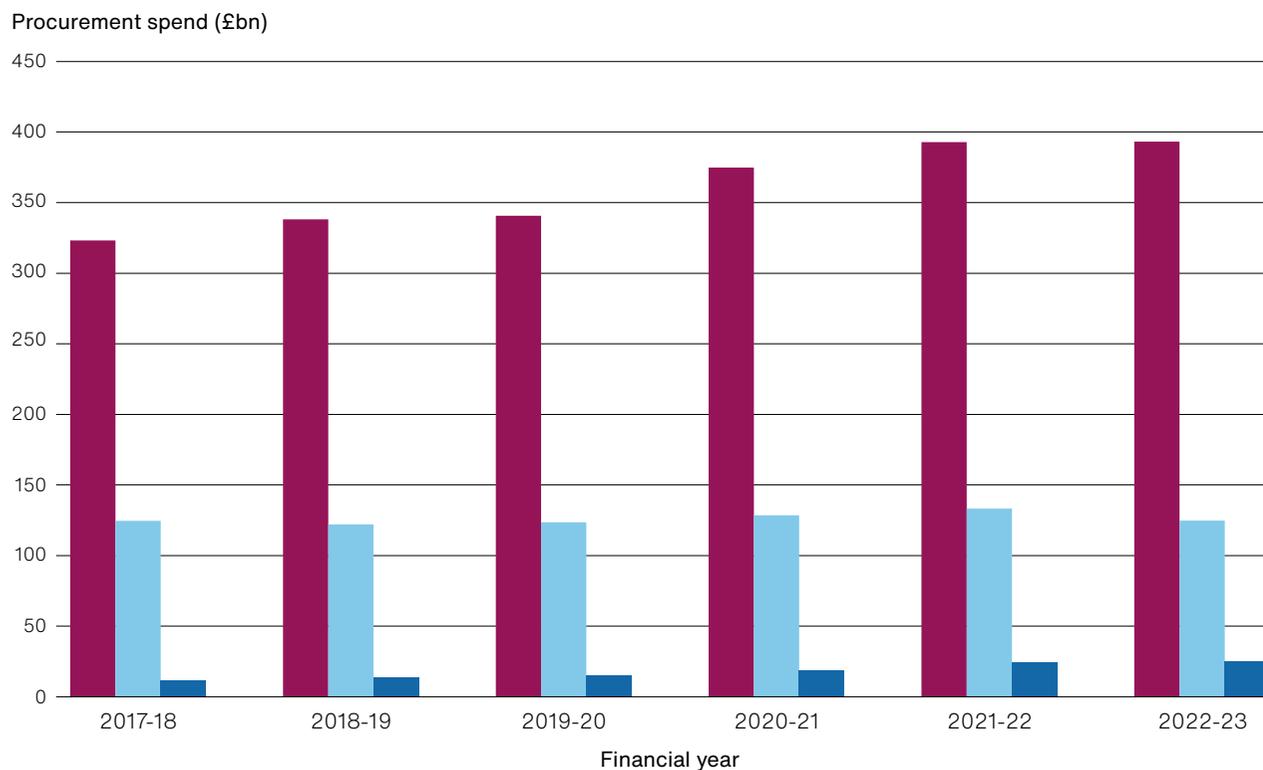
5 Improving productivity could release tens of billions for government priorities, National Audit Office, press release, 16 January 2024.

6 HM Treasury, *Seizing the Opportunity: Delivering Efficiency for the Public*, March 2024.

Figure 1

UK public sector procurement, 2017-18 to 2022-23

The public sector spent **£393 billion** on procurement in 2022-23, including an estimated **£125 billion** on common goods and services, of which **£25 billion** was through Crown Commercial Service (CCS)



Public sector procurement (£bn)	323	338	341	375	393	393
Potential spend through CCS (£bn)	125	122	124	128	133	125
Actual spend through CCS (£bn)	12	14	15	19	25	25
Gross Domestic Product (GDP) (£bn)	2,493	2,530	2,380	2,363	2,633	2,656
Public sector procurement as a percentage of GDP (%)	13.0	13.4	14.3	15.9	14.9	14.8
Actual spend through CCS as a percentage of GDP (%)	0.5	0.5	0.6	0.8	0.9	0.9

Figure 1 *continued*

UK public sector procurement, 2017-18 to 2022-23

Notes

- 1 We converted spend data to real terms by adjusting the nominal data to 2022-23 price levels using GDP deflators from HM Treasury (published 8 January 2024).
- 2 Potential spend through CCS is CCS's estimate of the total value that it could manage. This has been used as a proxy for total spend on common goods and services, but there is no definition for that term.
- 3 Data on procurement spend through CCS may not match the figures reported in CCS's annual reports and accounts due to differences in data sources and methodology changes over the years.
- 4 Procurement through CCS is spend where the commercial agreement or framework is owned and managed by CCS. This is different from memoranda of understanding and transacted spend (such as Government Procurement Cards) where CCS has offered support for buying through an agreement that is managed by another organisation.
- 5 We used gross public procurement data from HM Treasury's *Public Spending Statistics*, published February 2024. An alternative estimate of £385 billion was published in the July 2023 *Public Expenditure Statistical Analysis*. Both data sets are National Statistics and include procurement by one public sector body from another. The Whole of Government Accounts gives an estimate of purchase of goods and services excluding intra-government spend of £256 billion for 2021-22. This figure does not include capital expenditure and data for 2022-23 are not yet available.
- 6 We included data on GDP, the proportion of public sector procurement and procurement through CCS as additional contextual information.

Source: National Audit Office analysis of data from the Crown Commercial Service, HM Treasury and the Office for Budget Responsibility

Purchasing is decentralised

1.4 Public authorities, including central government departments, make their own decisions about whether to run a public procurement process directly, purchase through a CCS framework, or use a framework established by another contracting authority. Supporters of the decentralised approach view this as a way of placing the procurement function closer to the needs of an individual buyer. However, a decentralised approach risks losing the savings and benefits that a centralised approach offers for the public sector through standardisation of terms, aggregation of demand and economies of scale.

Procurement via frameworks has increased

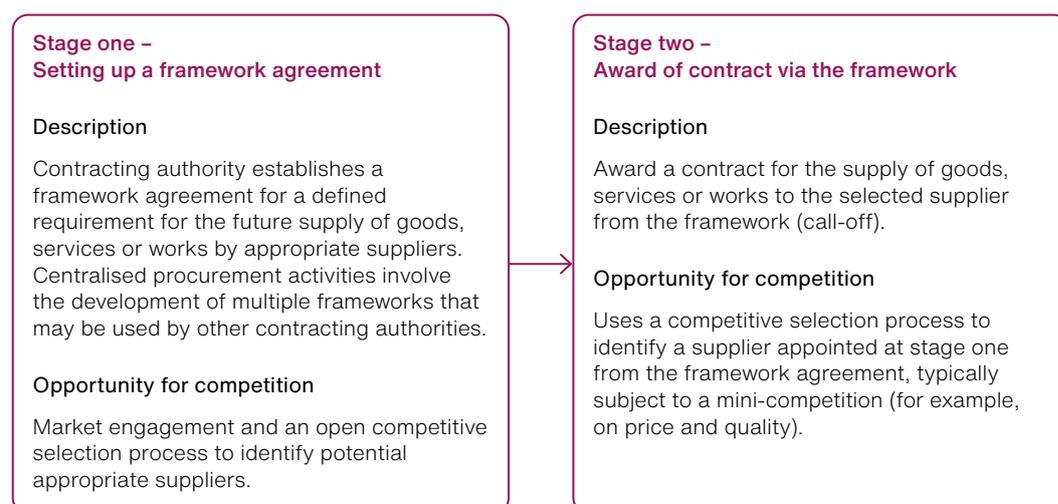
1.5 In our 2023 report *competition in public procurement*, we noted that the government procured 72% of its large contracts through frameworks in 2021-22 compared to 43% in 2018-19.⁷ Frameworks are intended for purchasing common goods and services and to allow departments to access economies of scale, but they may not always lead to achieving the best competition. Guidance produced by the government states that, where the goods or services are not common, a full procurement process should be undertaken.

⁷ Comptroller and Auditor General, *Lessons learned: competition in public procurement*, Session 2022-23, HC 1664, National Audit Office, July 2023.

1.6 Framework agreements involve two stages (**Figure 2**). In stage one, the framework provider runs an initial selection process, to find potential suppliers. Successful suppliers are added to a ‘framework’ but are not guaranteed work. In stage two, a ‘call-off process’ is then arranged by the buying organisation to award a contract to a supplier on the framework. Depending on the terms of the framework, this involves a mini-competition between suppliers on the framework or a direct award to a supplier on the framework without further competition but based on criteria established in the framework terms, such as price. This will generally be quicker than a full procurement process (such as a competitive procedure) because some of the preliminary due diligence checks and much of the contractual agreement would have been completed when the framework was established.

Figure 2
Key stages of a framework agreement

A framework provides two potential stages to use competition to deliver value for money



Notes

- 1 A framework is a contract between a contracting authority and one or more suppliers that provides for the future award of contracts by a contracting authority to the supplier or suppliers. See Appendix Five for further details.
- 2 Framework agreements involve a two-stage procurement procedure to secure the supply of goods, services or works in the future.
- 3 The first stage of the procurement procedure is the first opportunity to use competition to identify and select the best potential suppliers to be included in the framework agreement. The main competition on the terms of the procurement is at this first stage, and some bidders may be eliminated at this stage (i.e. suppliers who do not have the legal and financial capacity or the technical ability to perform the contract).
- 4 The second (call-off) stage is a further opportunity for competition on a limited number of variables or refined terms (including price) for the supply of goods, services or works.

Source: National Audit Office analysis of the Procurement Act 2023

Many contracting authorities operate frameworks

1.7 The 2015 Public Contracts Regulations permit a public authority to establish a framework. These regulations also allow a contracting authority to create and advertise a framework agreement that can be used by other contracting authorities. Contracting authorities in the NHS and local government sectors collaborate to create their own frameworks and some of them have opened their frameworks to other buyers across the public sector.

1.8 The Procurement Act 2023, which is anticipated to take effect from October 2024, formalised the concept of a centralised procurement authority (CPA), which refers to any contracting authority that is in the business of carrying out procurement for or on behalf of other contracting authorities, or for the purpose of the supply of goods, services or works to other contracting authorities.

1.9 Since 1991, government has attempted to make better use of framework agreements to deliver efficiency savings in the purchasing of common goods and services. CCS is the largest CPA in the public sector by the volume of spend it manages. The government does not collect data on how many such framework providers exist, but available data show that CCS is twice as large as the next 19 biggest organisations combined (**Figure 3**).

1.10 In the local government and NHS sectors, several regional bodies have formed consortia or joint ventures to purchase commonly used goods and services, such as school meals, energy, and stationery. Historical arrangements exist for pooling the purchasing arrangements of, for example, local authorities at a regional level or universities and schools at a sectoral level. We show some of these in **Figure 4** on page 20.

1.11 Private sector companies are not generally authorised to establish public procurement frameworks as they do not meet the definition of a contracting authority (some utility companies are within the scope of public procurement regulations). Some private sector companies have, however, been appointed by contracting authorities under commercial relationships to operate frameworks on their behalf and market these agreements to a wide range of public sector buyers as a convenient route to market with proactive customer service. The rates of commissions and charges charged by private sector framework providers to suppliers (and, in some instances, buyers) can be as high as 5% to 6%. Public bodies which agree to host frameworks may receive income from these private sector partners. There is a lack of transparency about the allocation of risk and benefits between framework provider and host. There may be delays or omissions in the reporting of the procurement procedures and the value of call-off activity via some frameworks. Additionally, the extent to which these frameworks are being used as a route for direct awards instead of competition at the call-off stage is unknown.

Figure 3

Providers of frameworks to the UK public sector

By value of contracts awarded, the Crown Commercial Service (CCS) is twice as large as the next 19 biggest framework providers combined

Framework provider	Value of contracts awarded using its frameworks (2022-23) (£bn)	Number of frameworks
Crown Commercial Service	16.8	175
Ministry of Justice	1.2	25
Department of Health & Social Care	0.7	19
National Highways	0.7	43
Department for Education	0.7	42
Ministry of Defence	0.6	97
Yorkshire Purchasing Organisation (YPO)	0.5	179
Eastern Shires Purchasing Organisation (ESPO)	0.5	139
Torus62 Ltd	0.4	12
NHS Shared Business Services	0.4	52
Fusion 21 Ltd	0.3	24
Hampshire County Council	0.3	94
Lincolnshire County Council	0.3	34
NHS England	0.3	93
Communities & Housing Investment Consortium (CHIC)	0.3	20
NHS London Procurement Partnership	0.3	23
Homes England	0.3	29
NHS Supply Chain	0.3	118
Scottish Government	0.2	59
Portsmouth Water Ltd	0.2	1
Total	25.3	1,278

Notes

- 1 This table is based on frameworks that were live during 2022-23 and for which data were available.
- 2 The value shown is the total value of contracts awarded in 2022-23 using frameworks from each provider. This is the contracting authorities' estimate of the amount to be spent through those contracts rather than the amount spent in 2022-23.

Source: National Audit Office analysis of information from Tussell (a third party data provider)

Figure 4

Comparison of different centralised procurement authorities (CPAs)

There are multiple public sector framework providers in the public procurement system

Characteristic	Crown Commercial Service	NHS Supply Chain	ESPO ¹	YPO ¹	NEPO ¹
Customers	Public sector	NHS trusts and healthcare organisations	Public sector organisations	Public and private sector organisations	Public sector organisations and charities
Total spend managed in 2022-23 (£bn)	25.3	4.5 ²	2.4	1.2 ²	0.7 ²
Funding model	Levy on frameworks	Central funding 'top sliced' from trusts	Levy on frameworks and profit from direct sales	Levy on frameworks and profit from direct sales	Levy on frameworks and subscription
Typical range of levy charged ³	0%–2%	Not applicable	Up to 5%	0.4%–2%	0.5%–2.5%
Sponsor organisation	Cabinet Office	NHS England	Local authorities	Local authorities	Local authorities
Legal structure	Executive agency and trading fund	Government owned company	Local government owned	Local government owned	Local government owned
Services	<ul style="list-style-type: none"> ● Framework provision ● Assisted procurement 	<ul style="list-style-type: none"> ● Framework provision ● Direct sales 	<ul style="list-style-type: none"> ● Framework provision ● Direct sales 	<ul style="list-style-type: none"> ● Framework provision ● Direct sales ● Assisted procurement 	<ul style="list-style-type: none"> ● Framework provision
Examples of type of goods and services provided	<ul style="list-style-type: none"> ● Digital services ● Facilities management ● Consultancy 	<ul style="list-style-type: none"> ● Medical equipment and consumables ● Stationery ● Furniture 	<ul style="list-style-type: none"> ● Stationery for schools ● Food and catering, waste collection, vehicles ● Construction 	<ul style="list-style-type: none"> ● Construction ● Facilities and waste management ● Corporate and financial services 	<ul style="list-style-type: none"> ● Construction and facilities management ● Energy and financial services ● Social care and professional services

Notes

- 1 ESPO is the Eastern Shires Purchasing Organisation, YPO is the Yorkshire Purchasing Organisation and NEPO is the North East Procurement Organisation.
- 2 Spend managed by NHS Supply Chain is a September 2023 estimate of the spend managed in 2022-23. The latest data available for YPO are the spend it managed in 2022, and for NEPO, the spend managed in 2021-22.
- 3 We collected these data from framework providers' websites, published accounts and interviews.
- 4 Some of the Crown Commercial Service's (CCS's) frameworks have other charges in addition to the levy that are paid by suppliers. For example, one of CCS's technology frameworks charges a 1% levy and a 10% management fee, bringing the total charges to 11%. Another framework, for recruitment had a combined charge of 4%. CCS's average levy is 0.7%.

Source: National Audit Office analysis of publicly available information and information supplied by framework providers

1.12 The Local Government Association told us that there is some duplication of framework agreements offered by framework providers. This causes confusion for public sector organisations trying to navigate the public procurement system, increasing time and costs, and reducing efficiency. It is also likely to increase the cost of bidding for business for suppliers, especially small and medium-sized enterprises.

1.13 The Welsh and Scottish governments have published guidance relating to the risks to value for money that stem from ‘speculative frameworks’ and of private companies operating frameworks which are hosted by small public authorities as ‘flags of convenience’. Speculative frameworks, which are marketed as ‘vendor neutral’ have been established without direct reference to contracting authorities and offer ‘direct awards’ with private sector operators potentially earning fees from buyers and suppliers. The Cabinet Office told us that under the 2023 Procurement Act it will no longer be permissible for framework providers to charge suppliers to gain access to a framework. Fees can only be charged if the rate at which the fees will be set are stated in the framework document and are in proportion to the value of spend. The rate at which the fees are charged cannot be changed during the lifetime of the framework.

1.14 Government does not know how many frameworks exist, but third-party data service providers have identified more than 21,000 from published data. We obtained data on frameworks from three public sector market data service providers as follows: Tussell Ltd identified 8,990 frameworks, from 1,101 framework providers, that were live at any point in 2022-23; BiP Solutions Ltd reports 11,194 frameworks (between 2021 to 2023); and Delta Market Analytics, 21,561 frameworks (between 2020 to March 2024).

1.15 Dynamic Purchasing Systems (DPSs) are one way to reduce barriers to entry at the first stage of a framework, as they allow new suppliers to join once the agreement is established. CCS recognises the advantages of DPSs, including the flexibility of suppliers applying to join after the framework has gone live and using unlimited numbers of suppliers and unrestricted access to small and medium-sized enterprises.

The government has made limited progress aggregating demand

1.16 In 2016, Government Commercial Function (GCF) created a Government Functional Standard. The current standard requires government organisations to maximise their purchasing power by aggregating demand and using collaborative procurement channels, including CCS's collaborative procurement arrangements, where it represents value for money. Aggregation may also involve contracting authorities considering opportunities for working together to deliver best value for money. The more standardised the good or service, the greater the potential to aggregate demand. Commercial directors noted in their response to our inquiries that, while greater aggregation was important, they recognised that there were practical difficulties in scheduling purchasing and that there are insufficient data to help make decisions on opting into collective buying. They also told us that CCS could improve aggregation by encouraging disparate buyers to align procurement timescales or to harmonise specifications.

1.17 CCS told us that it contributes to aggregation benefits because suppliers bid competitively for places on its frameworks in expectation of gaining a share of the anticipated overall scale of public sector business. CCS also told us that since we last looked at its operations in 2017, it has enabled further aggregation benefits. CCS has achieved this by negotiating pricing agreements with suppliers which secure volume discounts with the whole of government, and by running aggregation events which bring together pooled demand (for example, on water, technology and fleet) and requirements from across the public sector. CCS is yet to implement this aggregation on a wider scale. CCS is now developing five pilot exercises to explore additional aggregation opportunities that will combine similar needs of customers from across the public sector to increase their buying power and to achieve savings that may not be possible through individual buying.

Part Two

The Crown Commercial Service's role in achieving efficiency in public procurement

2.1 This part of the report assesses the Crown Commercial Service's (CCS's) contribution, as the UK's main centralised procurement authority (CPA), to driving efficiency in the wider procurement system. We set out CCS's:

- history and governance arrangements;
- frameworks;
- suppliers;
- customers or public authorities that use its frameworks;
- customer satisfaction levels; and
- estimated commercial benefits provided to customers.

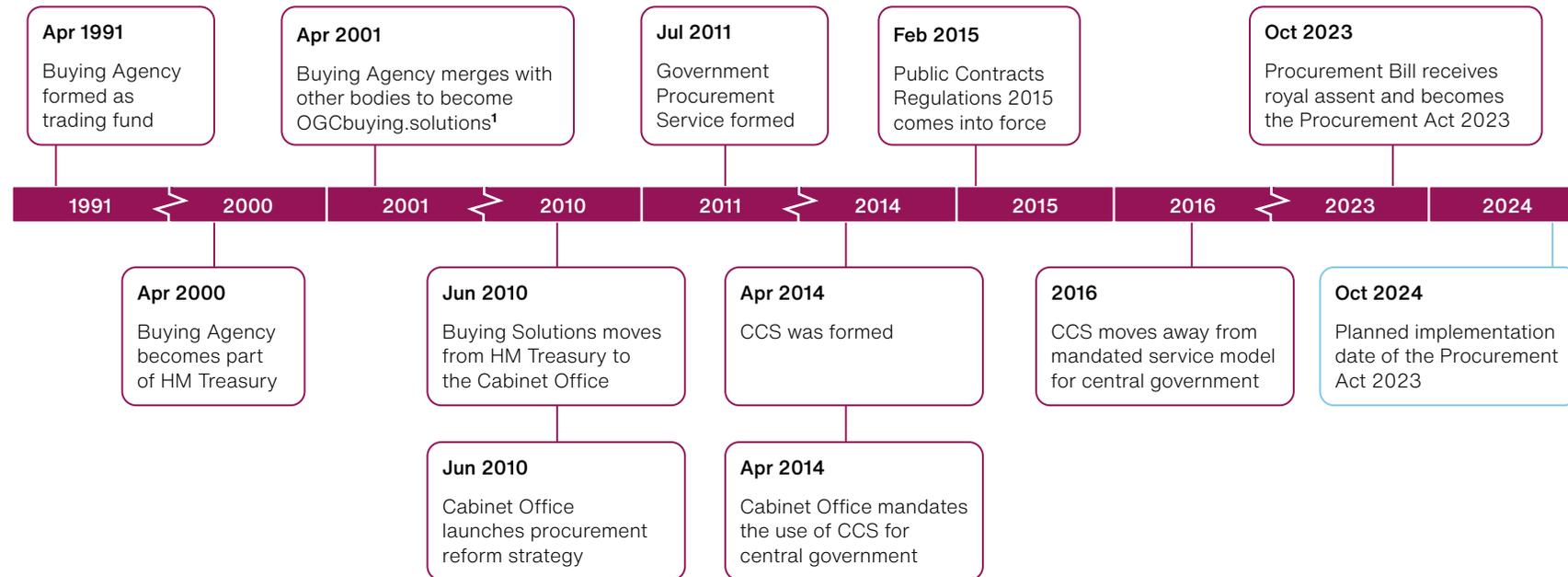
History and governance arrangements

2.2 In 2014, CCS was established by merging the former Government Procurement Service (GPS) and the strategic commercial functions of the Cabinet Office (**Figure 5** overleaf). CCS was created by transferring some of the staff responsible for buying common goods and services for government departments to the existing GPS. Originally, CCS was asked to buy common goods and services for departments directly, but this approach changed in 2016. CCS operates primarily by awarding and managing framework agreements.

Figure 5

History of the Crown Commercial Service (CCS), 1991 to 2024

CCS was established in 2014 by merging the former Government Procurement Service, the strategic commercial functions of the Cabinet Office and parts of departmental procurement teams



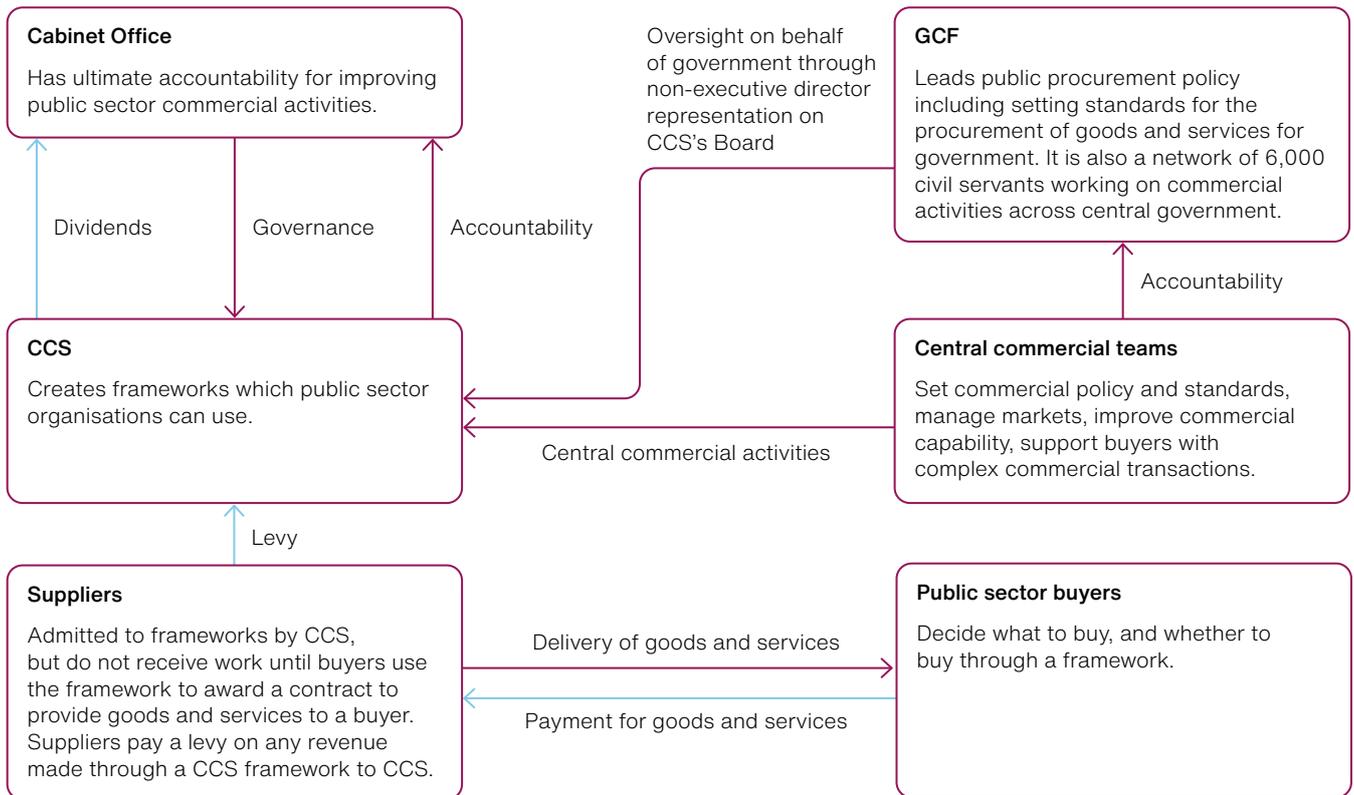
- Past event
- Future event

Note
 1 The Buying Agency, the Central Computer and Telecommunications Agency, Property Advisors to the Civil Estate and other units from the Treasury merged to form OGCbuying.solutions.

2.3 CCS is a trading fund and an executive agency of the Cabinet Office, with oversight provided on behalf of the government by the Government Chief Commercial Officer, who sits on the CCS Board as a non-executive director (**Figure 6**). CCS is a key part of the Government Commercial Function (GCF), whose aim is to improve the commercial capability of the civil service. GCF is one of 14 cross-government networks and employs circa 6,000 civil servants working in procurement. CCS has a financial objective set by the Cabinet Office (with the agreement of HM Treasury) to deliver a 5% return on capital employed.⁸ CCS defines its purpose as “to help the UK public sector get better value for money from its procurement of common goods and services”. CCS has proposed in its revised 2024 to 2026 business plan to update its purpose as follows: “to help the UK public sector to better extract value from its commercial and procurement activity.”

Figure 6
Governance and accountability for the Crown Commercial Service (CCS)

CCS is overseen by the Cabinet Office and the Government Commercial Function (GCF)



- Organisation and responsibility
- Non-monetary support and accountability
- Monetary payments and funding

Source: National Audit Office analysis of publicly available information

⁸ Defined as CCS’s operating surplus (before interest and dividends) as a percentage of the annual average of net assets. Its target is measured over a five-year period.

2.4 CCS has more than doubled the annual value (in real terms) of the transactions through its agreements from £12 billion in 2017-18. CCS's annual report for 2022-23 showed that £25 billion of public sector spend was channelled through its commercial agreements and that it also supported customers with procurements worth a total annual contract value of over £2.3 billion. CCS's target 'market share' has remained relatively unchanged at 20.86% in 2022-23 (2021-22: 19%) against a target of 20.94%. CCS aims to achieve a 50% market share of common goods and services in the next four years.⁹ There are still segments, like the NHS, and local communities and housing, where CCS believes greater usage of its frameworks can help secure better value for money.

2.5 A recent Board evaluation found that CCS follows good practice in governance, but there were some challenges that needed to be managed. The evaluation found that CCS's Board was effective and rated the Board as 'Good', 'Strong' or 'Excellent' in 12 out of 20 areas of governance, but identified that improvements were needed in eight areas, including the following:

- **Succession planning:** CCS's Chair, chief executive and finance director were leaving CCS either on retirement or to pursue other ventures. The report noted the need to manage the succession for these roles and considered that the Board would benefit from greater diversity.
- **Setting appropriate criteria to measure CCS's performance:** The evaluation reported that seven out of eight respondents to the questionnaire agreed that CCS had established an appropriate set of Key Performance Indicators (KPIs). Interviewees expressed concerns regarding whether targets underpinning the KPIs were sufficiently stretching and whether some of the KPIs that had served the organisation well needed to be amended. The report also noted that KPIs are most effective where there is a clear alignment of the financial and non-financial KPIs with the strategy and the organisation's purpose.

We note that CCS appointed a new Chair in 2023; the finance director departed in March 2024 with an interim finance director appointed; the current chief executive will leave in the summer of 2024 and their replacement has been announced.

⁹ This target measures spend in nominal terms, so includes growth in spending due to inflation.

2.6 Several respondents to the recent Board evaluation said that there was potential for conflict over the role of the Government Chief Commercial Officer, who is a non-executive director of CCS and is also the Cabinet Office sponsor for CCS. The report noted that the most obvious example of this conflict during the period of the review was the handling of the surplus. The report also noted that it is entirely appropriate, given his executive role, for him to express a Cabinet Office view on how the surplus should be redistributed but any conflict needs to be managed. The dividends paid to the Cabinet Office by CCS have increased and, among other things, are used by the Cabinet Office to cover the cost of the central commercial teams which report to the Government Chief Commercial Officer. The Cabinet Office told us that from the next Spending Review onwards, the central commercial teams will be funded by HM Treasury and the Cabinet Office. Respondents considered that the benefits of having the insights of the Government Chief Commercial Officer on the Board outweighed risks, but, nevertheless, the arrangement required management. The CCS Board has accepted all substantive recommendations in the Board evaluation.

CCS frameworks

2.7 As of 2022-23, CCS had 238 frameworks from which ongoing spend was being reported and 19,606 customers, including all of the main central government departments.¹⁰ CCS sees its role as providing frameworks for categories of goods and services that it has identified as having a high customer demand and therefore able to be supported by a framework. This means buyers who use CCS still need to maintain commercial capacity to utilise a CCS framework. CCS also offers an 'assisted procurement' service, in which it undertakes the administrative elements of the procurement; however, organisations using CCS frameworks still need to develop the requirements, obtain relevant approvals, and manage any risks, such as the potential for legal challenges, and post award, undertake contract management.

2.8 Central government commercial directors told us that they recognise that CCS can deliver savings in purchasing commodities, for example, on energy and certain technology, however, progress is limited across some other categories (Appendix Three). Many told us that they preferred CCS's frameworks for buying some categories of goods and services. They viewed CCS's range of frameworks, suppliers, and design as positive, and were broadly satisfied with CCS's performance. In addition, CCS frameworks were seen as compliant with legislation.

¹⁰ The figure of 238 combines frameworks that are live and those that have expired but continue to report spending because call-off contracts are ongoing.

2.9 CCS develops government-wide category management strategies for common goods and services. GCF does not mandate category management but considers that category management can improve procurements by developing markets, informing supplier management and ensuring procurements deliver wider objectives such as social value or environmental benefits. In March 2021, CCS reported that it had completed category strategies for all of its 76 categories of common goods and services.

2.10 In September 2023, CCS developed a new categorisation with three top-level categories: 'technology', such as purchasing digital specialists or laptops; 'estates', which includes facilities management and construction, and 'corporate', which includes consultancy and temporary staff; below these sit 15 secondary categories and 49 subcategories (**Figure 7**). This change was intended to make CCS's framework offering clearer to users. CCS has not yet updated its website or internal systems to reflect this change.

2.11 CCS has yet to update individual strategies for many of its categories; and these strategies need to always reflect the latest developments. CCS told us that, under its new approach, it expects to revise individual strategies for every category each year. Every subcategory has a specific owner responsible for developing a strategy in a standardised template, but as of March 2024, five subcategories (10%) had a refreshed strategy in place and 11 more (22%) were in progress.

2.12 We reviewed CCS's strategy for the five categories that were available and found that the strategies did not always set out how CCS will deal with the demand.¹¹ We consider CCS's category strategies would be further improved if CCS always set out what it would do to utilise information and trends from analyses.

Suppliers on CCS frameworks

2.13 The Cabinet Office noted that it is not possible to accurately model the impact of procurement reform on competition, but illustrative scenarios it looked at indicated that increased competition in public procurement could deliver annual benefits of between £4 billion and £7.7 billion based on cost reductions of between 2% and 3.8%.¹² CCS has brought more suppliers to the market for public contracts. There are over 9,500 suppliers with a place on CCS frameworks, but not all will win business. The number of suppliers reporting spend through a CCS framework has grown from 2,039 in 2017-18 to 3,926 in 2022-23. In 2022-23, the average revenue generated by each supplier that reported spend through CCS frameworks was £6 million, and no single supplier had more than 7% of the £25 billion spent by the public sector. There is limited overlap between government's strategic suppliers that are managed by GCF and the suppliers that generate the largest revenue from CCS frameworks (**Figure 8** on page 30).¹³

¹¹ Facilities management, learning and development, construction, temporary clinical staff, and energy.

¹² Cabinet Office, Impact assessment for the Procurement Reform Bill, April 2022.

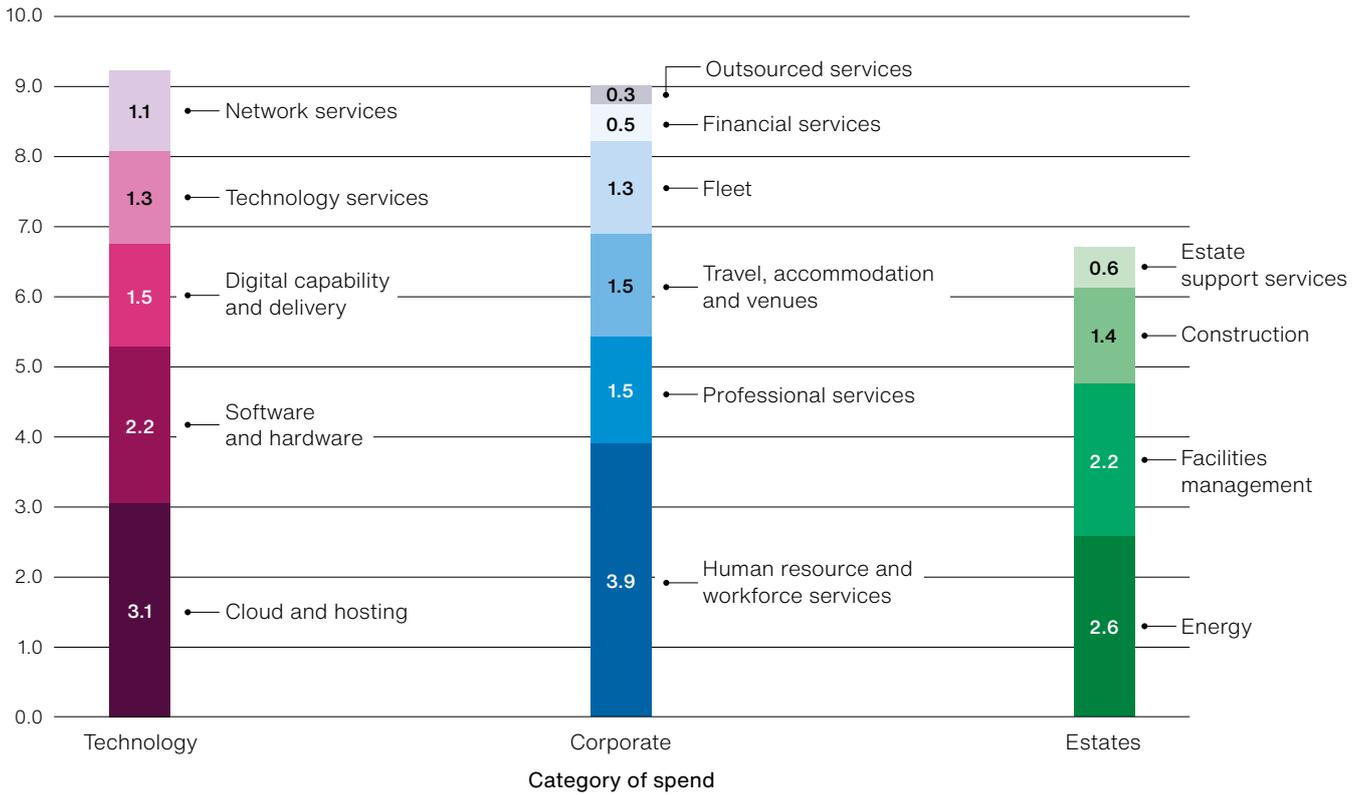
¹³ www.gov.uk/government/publications/strategic-suppliers.

Figure 7

Categories of spend managed by the Crown Commercial Service (CCS), 2022-23

In 2022-23, CCS's technology category had the most spend at £9.2 billion

Procurement spend (£bn)



Note

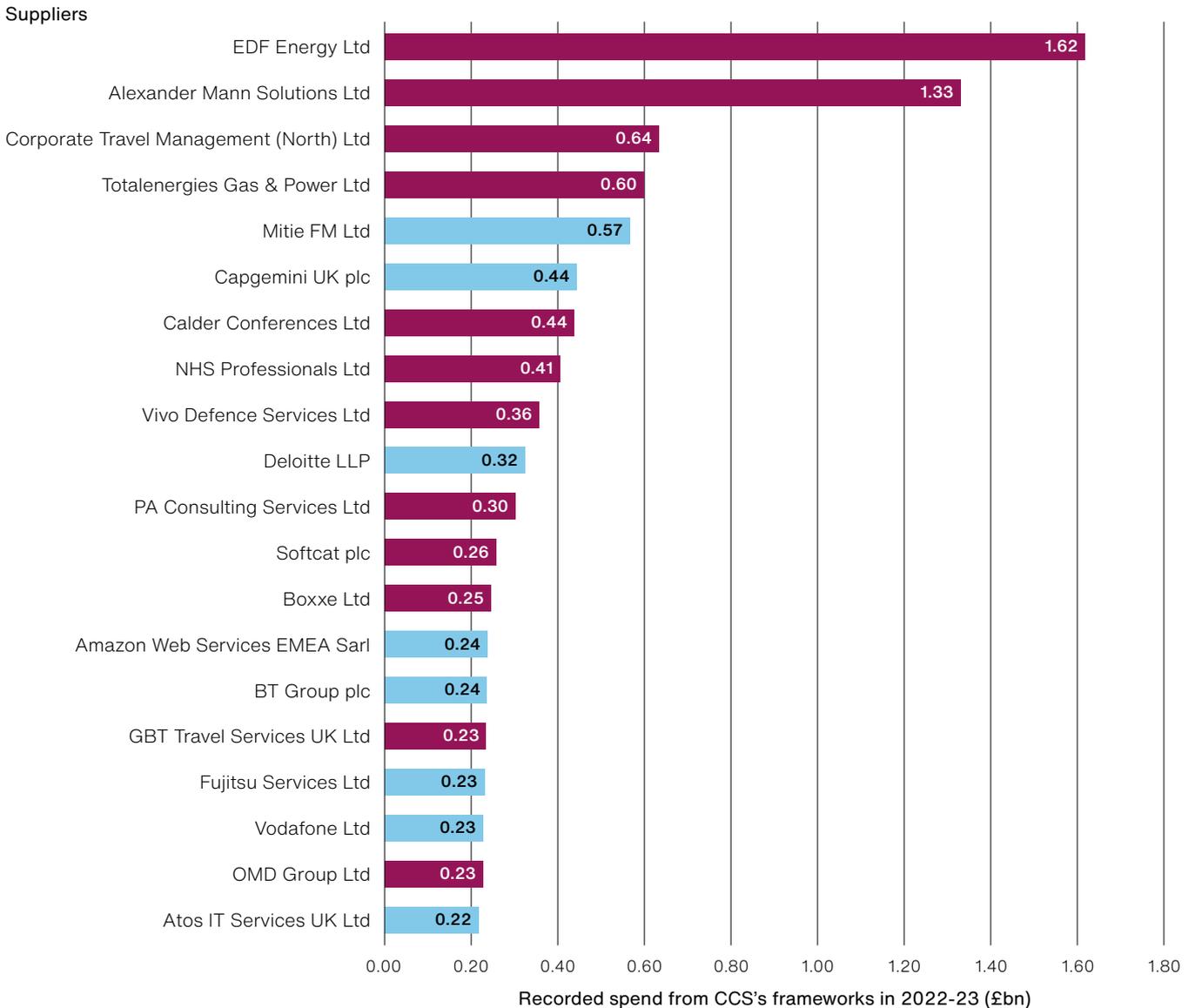
1 There is an additional £3.8 million of spend classed as 'general common goods and services', which has not been allocated to CCS's three new top-level categories.

Source: National Audit Office analysis of information provided by the Crown Commercial Service

Figure 8

Top suppliers by amount of spend recorded through the Crown Commercial Service’s (CCS’s) frameworks, 2022-23

The top four suppliers by volume of spend on CCS’s frameworks are not government strategic suppliers



■ Other supplier
 ■ Government strategic supplier

Note
 1 A total of 3,926 suppliers won contracts through CCS frameworks in 2022-23.

Source: National Audit Office analysis of information provided by the Crown Commercial Service

Public authorities that use CCS

2.14 CCS’s growth reflects its success in attracting public sector bodies to use its service, as well as encouragement through Cabinet Office controls (**Figure 9**). Several commercial directors told us that CCS has significant expertise in some areas and that they regard CCS as the default organisation for buying certain categories of goods and services, including facilities management, consultancy and estate management.

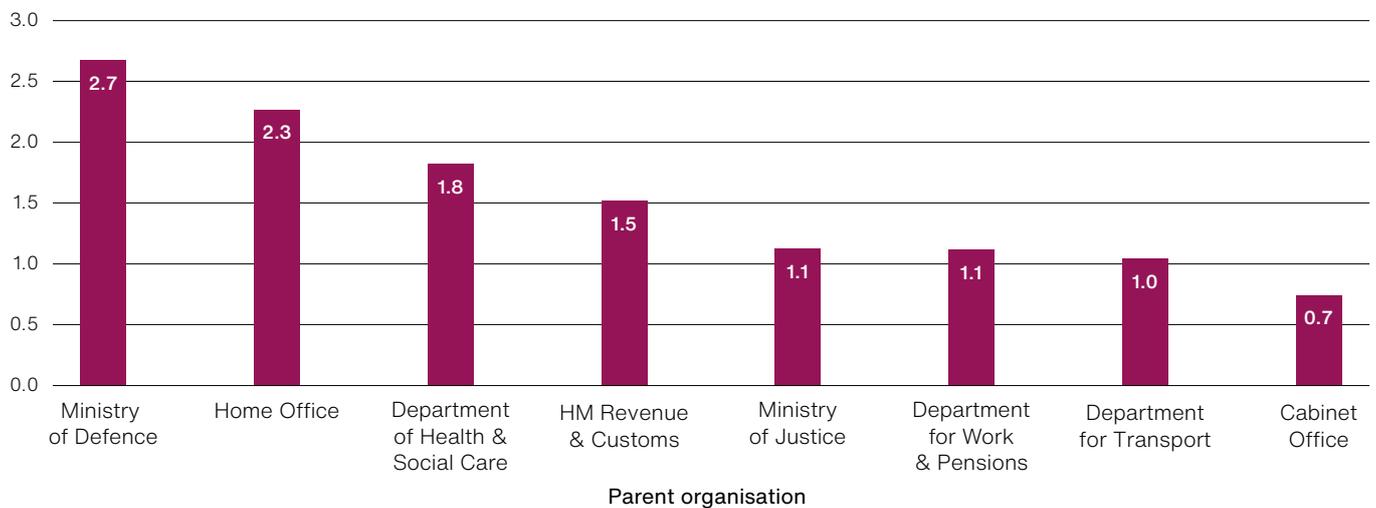
2.15 CCS still has much to do to encourage all central government and more public bodies to use its frameworks. For example, the 2023 National Infrastructure and Construction Pipeline indicates that, of £22 billion estimated pipeline of construction procurement by central government bodies, only 7% (£1.6 billion) is expected to be via a CCS framework.

Figure 9

The Crown Commercial Service’s (CCS’s) biggest customers, 2022-23

Eight organisations account for almost 50% of the spend through CCS frameworks in 2022-23

Spend through CCS frameworks (£bn)



Note

1 Spend through CCS is taken from data suppliers provided to CCS. These data sometimes record different parts of departments as multiple ‘customers’, so ‘spend through CCS frameworks’ may be understated. We have aggregated spend in some instances but did not review all 19,606 recorded customers. The eight departments shown are the largest customers on the basis of our aggregation.

Source: National Audit Office analysis of information provided by the Crown Commercial Service

Customer satisfaction

2.16 CCS's core functions are centred around framework management, assisted procurement, market, and customer relations. Departments told us that they want more customer service after a framework call-off (after contract award), but that CCS is only able to deliver this service in a small number of cases. Departments bear all the risks throughout the commercial lifecycle.

2.17 Commercial directors of larger departments told us that they have a generally positive experience of working with CCS and that CCS is good at understanding how it can support them in saving time and reducing the risk of challenge to the procurement process. However, there is less clarity about how CCS can get them a better price. Some commercial directors told us that they get the most out of CCS frameworks by running a mini-competition. Smaller organisations have reported that CCS systems were complex and not readily accessible, and that they needed more support when using CCS's frameworks.

2.18 Since 2014, CCS has collected customer feedback using a Net Promoter Score (NPS) as the only proxy measure for its customer satisfaction (**Figure 10**). The measure does not include supplier feedback or evaluate specific CCS frameworks. In January 2023, CCS commissioned consultants to review its approach to customer feedback. The consultants recommended that CCS concentrates on its key sectors and adopts an approach that focuses on the issues that are important to customers. CCS told us that it is moving away from using NPS as its sole measure for its customer satisfaction due to its limitations. In 2023, CCS introduced a new system for collecting feedback from its customers and suppliers. CCS believes that this system will provide better data on customer and supplier feedback.

Commercial benefits measured by CCS

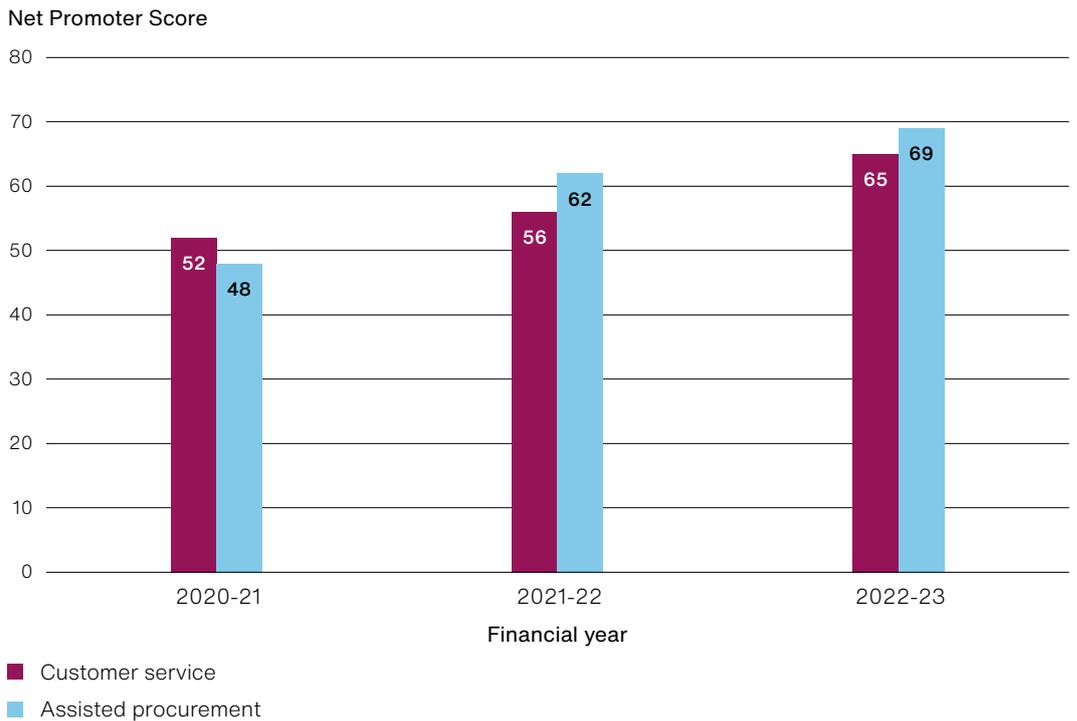
2.19 HM Treasury defines efficiency as being able to spend less to achieve the same or greater outputs, or to achieve higher outputs, while spending the same amounts.¹⁴ CCS's approach, which it refers to as the 'commercial benefit' of a framework rather than a 'saving', is not a measure of the value of the framework or the genuine reduction in cost from using the framework (Appendix Four).

¹⁴ Comptroller and Auditor General, *Cabinet Office functional savings*, Session 2022-23, HC 1865, National Audit Office, October 2023.

Figure 10

Customer satisfaction with the Crown Commercial Service's (CCS's) customer service and assisted procurement service, 2020-21 to 2022-23

Between 2020-21 and 2022-23, the majority of customers who responded to CCS's survey said they were likely to recommend CCS's customer service and assisted procurement programme to others



Notes

- 1 Organisations use Net Promoter Score (NPS) as a measure of gauging customer satisfaction with a service or the organisation by asking one single question, "how likely are you to recommend this organisation to a friend?", with a rating usually on a scale of 0 (not at all likely) to 10 (extremely likely). The NPS ranges from -100 to +100. Positive scores imply that there are more people who would promote the service/organisation than there are 'detractors' (people who would not promote). Higher positive scores are taken as higher levels of satisfaction.
- 2 CCS currently surveys its customers every quarter to assess how likely they are to recommend CCS to colleagues. CCS has used NPS as its sole proxy measure for customer satisfaction since 2014. It calculates the overall satisfaction score using a methodology that gives greater weight to the scores of customers who are negative towards CCS. This methodology disregards customers who are neutral or mildly positive about CCS.
- 3 The target for 2022-23 to 2023 (quarter three) was 55 for both customer service and assisted procurement as set out in CCS's corporate performance summary reports.
- 4 The sample size for 2023 (up to quarter three) ranged from 599 to 1,131 for customer service, and 16 to 43 for assisted procurement per quarter.

Source: National Audit Office analysis of information provided by the Crown Commercial Service

2.20 CCS does not benchmark itself or its frameworks against other central purchasing organisations. CCS quantifies the benefit of many of its commercial agreements, and reports this in its annual report (**Figure 11**). It estimates its agreements led to £3.6 billion of benefits in 2022-23 (this excludes £0.2 billion of change related benefits), which is 10.37% of the gross spend managed.¹⁵ This ratio has doubled since 2019-20, but this reflects the inclusion of more data and better outcomes: frameworks for which benefits were estimated represented some 91% of spend in 2022-23 (2019-20: 75%). Around two-thirds of CCS agreements had their commercial benefits calculations updated in 2022-23, while 37% of reported benefits from CCS agreements were based on data between 2019-20 to 2021-22.

Figure 11

Commercial benefits reported by the Crown Commercial Service (CCS), 2022-23

Around two-thirds of CCS agreements had their commercial benefits calculations updated in 2022-23, while 37% of reported benefits from CCS agreements were based on data between 2019-20 to 2021-22

Year estimate of benefits was last updated	Number of agreements with reported benefits	Spend (£bn)	Reported benefit (£bn)	Reported benefit as percentage of total (%)
2022-23	60	19.0	2.3	64
2021-22	29	6.0	1.1	31
2020-21	21	2.0	0.1	3
2019-20	20	1.2	0.1	3
Total	130	28.2	3.6	100

Notes

- 1 CCS quantifies the benefit of many of its frameworks, which it describes as 'commercial benefits'.
- 2 The table does not show £0.2 billion of other benefits reported by CCS in its 2022-23 annual report. These relate to advice provided by CCS.
- 3 CCS reported benefits for 130 agreements. The other 128 had spending of £2.8 billion but no recorded benefits.
- 4 The £28.2 billion total spending includes £23.4 billion of spending via CCS frameworks, £2.3 billion on other agreements, and £2.5 billion on payment transaction agreements managed by CCS.
- 5 Where CCS reports benefits as a percentage, this is calculated by dividing the 'benefit' by the sum of 'spend' and 'benefit'.
- 6 Percentages do not add to 100% due to rounding.

Source: National Audit Office analysis of information provided by the Crown Commercial Service

¹⁵ CCS reports £3.59 billion of spend related commercial benefits representing a gross margin of 10.37% on £31.02 billion of spend.

2.21 A review of the process for calculating commercial benefits by the Government Internal Audit Agency (GIAA) in 2020 provided an overall substantial assurance opinion but reported that the calculations used to determine the overall commercial benefit, though consistent, did not align with current ways of working and recommended that CCS's documentation of the process is reviewed and updated. CCS told us that this has now been completed. CCS told us that commercial benefit is a measure of price effectiveness of products against the market. Departments consider that using CCS provides benefit and saves them money, although CCS's calculation of commercial benefits is not well understood by them and is not aligned with their own savings calculations. In the future, CCS would like to focus on using commercial benefits as a key performance indicator for its own internal performance management purposes.

2.22 Suppliers contracted through a CCS framework issue invoices to the contracting authority and provide a supplier return to CCS alongside the levy payment. However, CCS and the contracting authority do not share information collected, so CCS does not know some of the final prices that were paid at the call-off stage. CCS does not directly measure the saving it generates. Instead of collecting data from contracting authorities, CCS relies on data from suppliers and uses its category specialists and third-party providers to identify suitable market comparators, including price indices published by the public sector. For example, CCS uses the quarterly energy prices issued by the Department for Energy Security & Net Zero as a benchmark for its energy framework. CCS told us that finding a good enough comparator is not always possible.

Part Three

Improving efficiency in central procurement

3.1 This part identifies six opportunities that the government could prioritise to deliver better efficiency in the procurement of common goods and services. These are:

- enhancing competition within frameworks;
- fewer frameworks and accreditation of framework providers;
- reduction of levies;
- greater rivalry between framework providers;
- better data and greater transparency to improve decisions; and
- system leadership by the Crown Commercial Service (CCS) for the procurement of common goods and services.

Enhancing competition within frameworks

3.2 In our 2023 report on competition in public procurement, we reported that the effectiveness of frameworks may be reduced, for example, when there are too few suppliers to support a mini-competition; too many suppliers to provide an opportunity to win sufficient work; or aspects of pricing and commercial terms which undermine their effectiveness.¹⁶

¹⁶ Comptroller and Auditor General, *Lessons learned: competition in public procurement*, Session 2022-23, HC 1664, National Audit Office, July 2023.

3.3 CCS has not examined the pattern of contract awards or the competitive dynamics within its frameworks. As CCS collects supplier returns, information contained within these returns may be used to assess contract award patterns and the competitiveness of frameworks. We assessed CCS frameworks using the Herfindahl-Hirschman Index (HHI), a key ‘concentration measure’ used by the Competition & Markets Authority (see Appendix One for more information) and this could be applied by CCS and other contracting authorities to evaluate competition within frameworks. The HHI is the sum of the squares of the ‘market share’ of each supplier on a framework, and ranges from zero to 10,000 (100 times 100) with lower numbers representing a less concentrated ‘market’. We used CCS’s supplier returns to measure supplier concentration in 308 lots within 107 frameworks with recorded spend above £100,000 in 2022-23 and found significant pockets of highly concentrated markets (**Figure 12** on pages 38 and 39). Our results show the following:

- For the first graph (the theoretical distribution), had each supplier in a market won an equal share of contracts, many frameworks would have a low or moderate supplier concentration. However, the graph shows that 24 out of 308 lots had only one supplier – indicating a larger proportion of direct awards, (no competition is possible at the call-off stage).¹⁷ CCS told us that single-supplier frameworks are justified where the commercial strategy determines that it could lead to a better outcome.
- The second graph is based on how buyers used the frameworks. This shows that, in addition to the 24 single-supplier lots, there were a further 25 lots where all contracts were awarded to one supplier even though other suppliers were available. This suggests that a number of frameworks lead to a few suppliers winning most of the work, creating highly concentrated markets. This merits further examination to evaluate how much competition takes place at the call-off stage and to identify opportunities to enhance competition within frameworks.

3.4 The Cabinet Office told us that the interpretation of the illustration in Figure 12 would need to take account of a variety of factors, including overall market conditions at stage one of the framework; the commercial strategy of the framework provider; and plans to use mini-competition at stage two. We consider that this illustration provides a useful starting point to encourage CCS to make more use of its data to understand competition and refine its commercial strategy to enhance value for money.

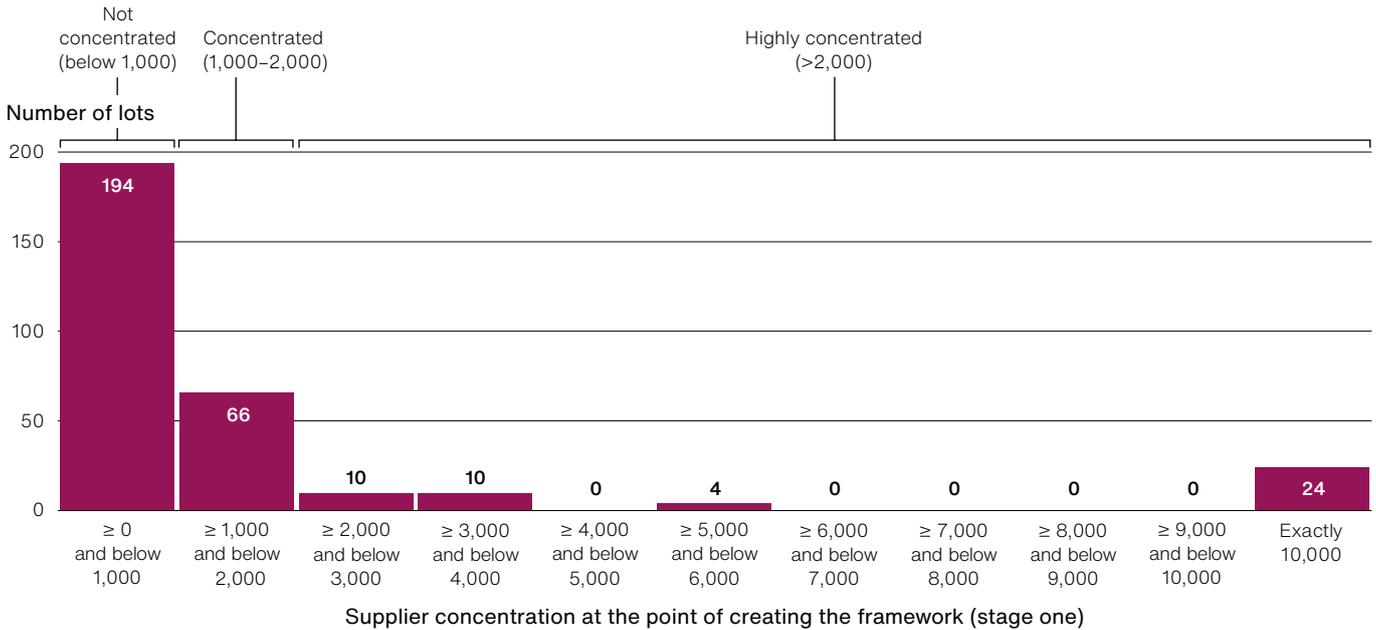
¹⁷ A framework can be divided into lots. We have excluded lots with spend under £100,000 in 2022-23, or where the framework expired before 1 April 2022.

Figure 12

Supplier concentration in Crown Commercial Service (CCS) frameworks, 2022-23

National Audit Office illustration of CCS's frameworks using the Herfindahl-Hirschman Index

Theoretical concentration of suppliers is low to moderate at the point of creating the framework



Actual concentration of suppliers is high at the point of contract award. Whether this results in a loss of value for money will depend on the situation

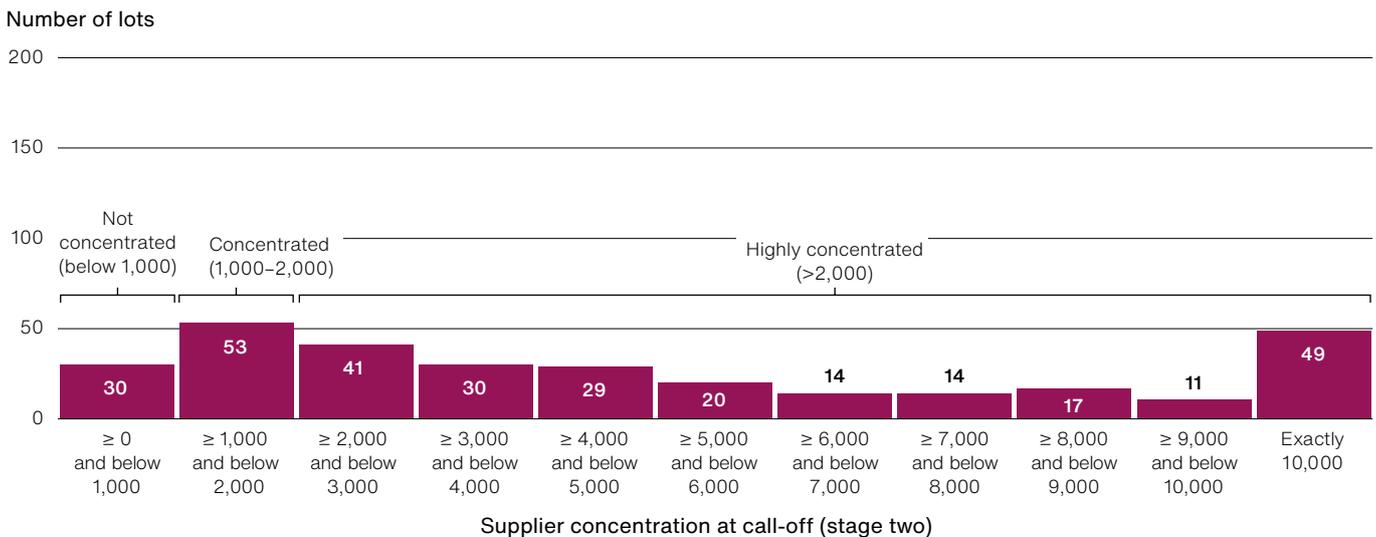


Figure 12 *continued*

Supplier concentration in Crown Commercial Service (CCS) frameworks, 2022-23

Notes

- 1 Market concentration (or supplier concentration) is the extent to which market shares are concentrated between a small number of firms, it is a proxy for the intensity of competition. In other words, a low concentration indicates high competition and vice-versa.
- 2 The Herfindahl-Hirschman Index (HHI) is a common measure of market concentration and is used to determine market competitiveness. The index measures the size of companies relative to the size of the industry they are in and the amount of competitiveness. The HHI is calculated by squaring the market share of each firm competing in a market and then summing the resulting numbers. The 'theoretical' value is what would be achieved if all suppliers had an equal market share: the excess of the 'actual' over the 'theoretical' measures the variance from this idealised situation. The HHI value can range from close to 0 to 10,000, with lower values indicating a less concentrated market. For example, if there is only one supplier, the value is 10,000, if there are 10 suppliers, the theoretical value is 1,000.
- 3 'Stage one' refers to the theoretical share between all registered suppliers on a framework and 'Stage two' refers to the actual share between suppliers that won one or more contracts from the framework.
- 4 The bar charts show the distribution of concentration indices for 308 lots within 107 frameworks that CCS recorded spend against in 2022-23.
- 5 Spend data are reported by suppliers to CCS. We have excluded lots with spend under £100,000 in 2022-23, or where the framework expired before 1 April 2022.

Source: National Audit Office analysis of information provided by the Crown Commercial Service

3.5 We also sought the views of a cross section of suppliers; they considered that frameworks have been useful in providing access to a market for public procurement following the framework procurement process. However, there is a cost for suppliers to compete or secure a position on a framework due to the procedure and time it takes to get onto a framework. Some suppliers said that sometimes the terms and conditions of the framework do not meet other compliance requirements – for example, on insurance, apprenticeship and data protection. Suppliers also said that they welcome changes that would lead to a central repository of documentation and would allow suppliers and buyers to communicate and avoid duplication of work.

3.6 The Procurement Act 2023 and draft transparency regulations envisage that the government will establish a single database for the collection of information on frameworks. The Cabinet Office intends this to be a register of 'commercial tools' which can help public sector organisations make decisions about how to go to market. The Cabinet Office is developing a system to allow suppliers to provide administrative information that can potentially be re-used across the public sector for multiple procurements. This new system provides opportunities for CCS to use the data to clarify and improve requirements for calling off a framework agreement. There are also opportunities for CCS to provide greater support to smaller organisations within the wider public sector to develop the skills and capabilities to use mini-competition more effectively at the second stage of the framework agreement.

Fewer frameworks and accreditation of framework providers

3.7 In our 2023 report on *competition in public procurement*, we recommended that government expand its guidance on frameworks, and in December 2023, the Committee of Public Accounts (PAC) recommended that the government produce a framework playbook.^{18,19} In its response to PAC, the Cabinet Office stated that it has done a lot of work to ensure that value is maximised when using frameworks. It is working together with CCS and other stakeholders to review current framework guidance and the standards that framework providers should meet to ensure framework agreements operate effectively in line with government guidance, policy, and regulation. However, the Cabinet Office has not committed to developing a framework playbook or identified how it will ensure that framework hosts comply with good practice standards for framework agreements.

3.8 The new Procurement Act provides an opportunity to improve the central purchasing system and provide guidance to new and existing central purchasers. A formal system of accreditation by the Cabinet Office would provide an opportunity to professionalise the central procurement system. Accreditation standards could be a process of re-evaluation to ensure that central purchasers are meeting the objectives of the Procurement Act and are compliant with both legislation and procurement policy statements. This could protect the interests of all stakeholders, including the government, customers and suppliers, and ensure that the central purchasing system achieves high levels of performance in multiple areas – including stopping value leakage from the public sector, driving competition and achieving efficiencies for public procurement. Accreditation could also help clarify responsibility for supplier due diligence after a call-off.

3.9 Our research showed that several private sector ventures are operating frameworks hosted by small contracting authorities and they are promoting ‘direct awards’ of contracts from within frameworks to appoint a supplier. The extent of this disapplication of competitive processes is unknown.

Reduction of levies

3.10 In 2015-16, 28% of CCS’s income came from charging departments a fee for its services, including buying goods and services on their behalf. This fell to 11% in 2016-17, and to less than 1% by the end of 2017-18. CCS has stopped charging most departments a fee for buying goods and services on their behalf, with only two departments still paying a small fee for managed services in 2022-23. The majority of CCS’s income is from the levy that suppliers pay to CCS as a proportion of the value of the business they win through CCS’s frameworks.

¹⁸ See footnote 16.

¹⁹ Committee of Public Accounts, *Competition in public procurement*, Sixth Report of Session 2023-24, HC 385, December 2023.

3.11 Public authorities are charged indirectly by suppliers when they use frameworks. Suppliers may pass on some or all of the cost of using frameworks to buyers. CCS and many other framework providers charge a percentage of the value of contracts awarded via their frameworks to suppliers. Some organisations we spoke to told us that the levy paid by suppliers is embedded in the price of goods and services and paid for by buyers. This transfers funds from buyers to framework providers and it is an incentive for the framework provider to maximise the flow of procurement spend and open their frameworks for other public authorities to access. CCS told us that it explicitly requires suppliers not to invoice customers separately for the cost of the levy.

3.12 We looked at five private sector companies offering procurement frameworks to public sector buyers. Three of the five companies together generated an annual operating profit of around £26 million in the last financial year. The remaining two published abbreviated accounts. Profits generated from commissions are not available to improve the public procurement system. Some framework providers owned by local authorities told us they did not retain any of the fees paid by their founding members, but they may generate a surplus from other public sector buyers that use their frameworks.

3.13 CCS told us that, because of the rapid increase in spending through its commercial agreements, which it attributes to the active role it played in the COVID-19 pandemic, its income had grown faster than expected and generated a surplus. CCS's levy, which is an average of 0.7%, generated income of £177 million in 2022-23, nearly twice CCS's operating cost (£94 million).²⁰ In 2022-23, CCS doubled the annual dividend it pays to the Cabinet Office to £36 million (20% of the levy collected), but still retained a substantial surplus, somewhat to the dissatisfaction of some of the CCS customers that we spoke to.

3.14 There is limited evidence that framework providers have used the surplus income generated from levies to make procurement more efficient. CCS is able to fund improvements on behalf of customers from its surpluses but some commercial directors of central government organisations we spoke to did not know about this CCS offer. CCS told us that it has allocated surplus to fund improvements in commercial capability in local government and our fieldwork identified the NHS as another example of one such organisation that had taken advantage of the opportunity and had used the funding to invest in a new procurement system.

²⁰ CCS generally sets the levy at 1%, but alternative rates can be used if justified.

3.15 CCS has obtained approval from the Cabinet Office and HM Treasury to reduce its surplus and levy rates as commercial agreements are replaced. These are yet to be implemented. CCS plans to return a share of its levy income to its largest 1,700 customers via a payment scheme, which is likely to result in a net cash transfer between different parts of the public sector. The payment scheme will require additional administration, and there is a risk that CCS's reliance on data it collects from suppliers (paragraph 3.21) means payments may not always accurately reflect the usage of CCS frameworks.²¹ Funding pressures mean commercial directors are happy to receive cash payments from CCS, but they also felt that a wider review of the levy system could identify a more efficient way to distribute CCS's surplus.

3.16 Based on CCS's target return on capital employed and its planned costs, investment and growth in spend through its commercial agreements, we consider that CCS could deliver a 50% reduction in its levy, with the reduction phased in as frameworks are replaced. Analysis of the current portfolio of CCS frameworks suggests there is no relationship between the levy and commercial benefit generated by frameworks (**Figure 13**). A reduction in the levy charged by CCS is the most direct way to return cash to CCS's customers. The extent to which CCS's suppliers pass this on to CCS's customers cannot be estimated reliably as it depends on supplier behaviour. Based on our analysis, if the levy was halved instead of distributing the surplus through dividends and the payment scheme, and all of the savings were passed to CCS's customers through price reductions by suppliers, public sector organisations using CCS frameworks could avoid over £500 million in costs over five years. A reduced levy could improve rivalry between framework providers and potentially reduce the opportunity for private sector frameworks to extract profit from the system. CCS told us that it would pay an increased dividend to the Cabinet Office and the payment scheme it is introducing in 2024-25 will see it return part of its surplus to some of its customers.

Greater rivalry between framework providers

3.17 CCS does not view other central purchasers solely as competitors, but as partners and allies. When determining its addressable spend, CCS would sometimes identify central purchasers with whom to partner to host framework agreements, and some of these arrangements may be based on levy share partnerships. An addressable spend is the portion of an organisation's spending that can be influenced and optimised through strategic sourcing and procurement activities. In 2023-24, CCS reported that it would increase its spend through new or existing partnerships.

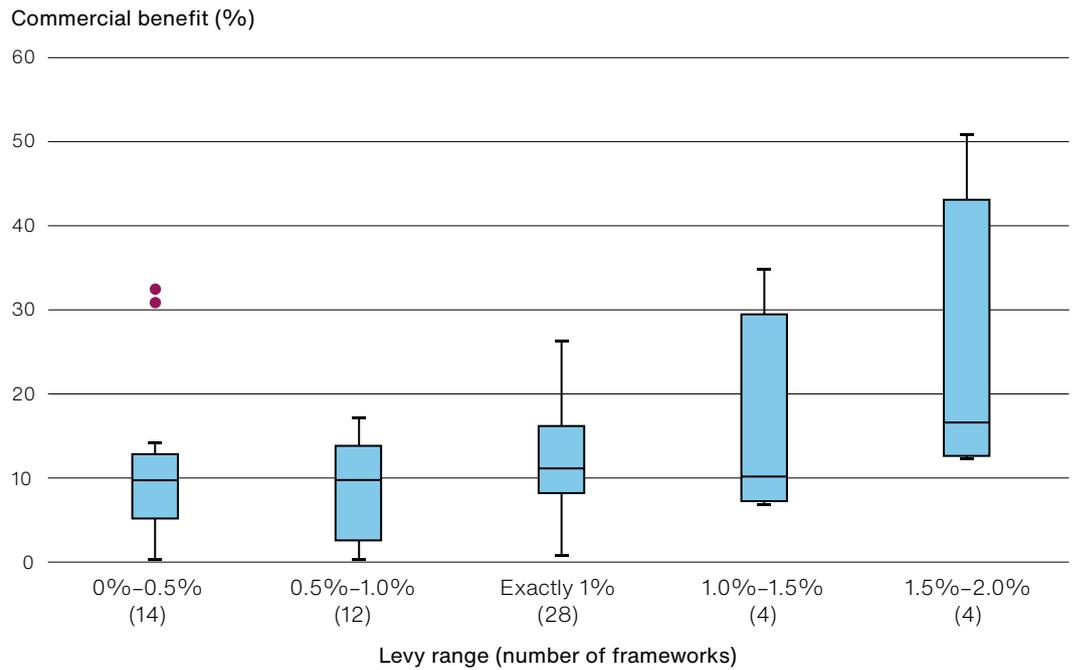
3.18 Some central purchasers we spoke to reported that the collaboration and partnering arrangements with CCS were working well. They told us that CCS was a useful ally and the lead on policy matters. CCS may often be the route to market with the other central purchasers providing the expertise.

²¹ For example, CCS's information suggests that the Home Office is CCS's largest customer, but it would move down to second place if different parts of the MOD, which are recorded as separate 'customers' were combined.

Figure 13

The levy and benefit for Crown Commercial Service (CCS) frameworks, 2022-23

CCS's levy averages 0.7% for each framework, but varies significantly and is not determined by CCS in relation to the expected or actual rate of commercial benefit that its frameworks may generate for buyers



	Levy range (number of frameworks)				
	0%-0.5% (14)	0.5%-1.0% (12)	Exactly 1% (28)	1.0%-1.5% (4)	1.5%-2.0% (4)
Maximum benefit	14.1	17.1	26.2	34.8	50.8
Third quartile	12.7	13.6	16.0	29.2	42.9
Median benefit	9.7	9.8	11.1	10.2	16.6
First quartile	5.3	2.6	8.3	7.1	12.7
Minimum benefit	0.4	0.2	0.8	6.8	12.2
● Outlier one's benefit	30.6				
● Outlier two's benefit	32.1				

Notes

- 1 This graph shows the levy and benefits for 62 frameworks which were live in 2022-23 and for which data on the levy rate and commercial benefit were available.
- 2 CCS sets its levy at 1% by default although some frameworks attract other rates, giving an average of 0.7%.
- 3 The framework with the highest commercial benefit in 2022-23 was 'Crown Hosting'. There was only one supplier on this framework, which had a commercial benefit of 50.8%.
- 4 The box and whisker plot is constructed using a standard statistical approach to display the distribution of data. Within each group shown on the graph, the 'maximum commercial benefit' is capped at the third quartile (Q3) plus 1.5 times the interquartile range (IQR), and the 'minimum commercial benefit' is capped at the first quartile (Q1) minus 1.5 times the IQR. Any data points that fall outside these capped values are displayed as 'outliers' in the plot.

Source: National Audit Office analysis of information provided by the Crown Commercial Service

Better use of data and increased transparency to improve decisions

3.19 Public sector organisations use different procurement systems which do not always allow for data to be easily shared with central purchasers or framework providers, including CCS. Most public sector organisations have been required by legislation and policy to publish procurement data using Cabinet Office systems, but compliance has been poor and there has been no enforcement. The Cabinet Office established Contracts Finder in February 2011, and Find a Tender service in January 2021, when the UK was leaving the European Union, to advertise contracts coming to the market and to notify the market of the progress of the procurement and the award decision. The systems are limited in functionality and some buyers have not met their legal requirements to provide complete, accurate and timely data. The Cabinet Office told us that it has no mechanism for enforcing compliance to provide data and that Contracts Finder and Find a Tender service were principally intended to advertise upcoming opportunities to prospective bidders and to enable small and medium-sized enterprises and voluntary, community and social enterprises to participate. The Cabinet Office is introducing a Central Digital Platform to meet the new transparency requirements of the 2023 Procurement Act. The Central Digital Platform is intended to support the new procurement regime through three component parts: sign-in and registration, organisation information, and an “enhanced” Find a Tender Service. This new platform has the potential to deliver a significant increase in publicly available data, and by using agreed data standards, it could result in higher quality data that is more easily searched and analysed.

3.20 CCS told us that feedback from its customers shows that many buyers do not consider price a primary concern when using frameworks but instead the ease of use is a key consideration – particularly for smaller buyers. There is currently no central portal or database (paragraph 3.6) for buyers to compare prices between different framework providers. Greater emphasis on price comparisons would inform purchasers about the prices they are paying and improve efficiency.

3.21 In order to prepare its commercial benefits estimates, CCS collects information from suppliers and compares this to external market data. CCS has no access to purchase orders or invoice data processed by individual buyers who call off a CCS framework. Although CCS obtains some data on spending through its commercial agreements from suppliers, it relies on collecting published data and subscribing to data service providers to access the information they hold on public sector spending.

3.22 Buyers and users of frameworks have an important role to play in promoting efficiency and good practice in the public procurement system. We would encourage a behaviour change and practices which support procurers to: follow a competitive process; ensure that direct awards are only used where clearly justifiable as the most effective and efficient means to buy; only use frameworks that are value for money, of the highest quality, and provide optimal prices; and comply with Government Commercial Function (GCF) best practice guidance once published.

3.23 The role that framework providers play in public procurement is crucial, as they set the specifications, the range of suppliers and accessibility of frameworks. Framework providers should strive to provide less complex frameworks that are accessible by all or the majority of suppliers including small and medium-sized enterprises; easy to use by customers; clear about who has responsibility for assuring suppliers on their frameworks on a variety of matters including ongoing monitoring of supplier financial standing.

CCS as the system leader for the procurement of common goods and services

3.24 As the largest framework provider, CCS is well placed to be the system leader in the public procurement of common goods and services. Some departments told us that CCS could do more to drive efficiency across the public sector. Departments recognise that CCS can provide the expertise and capacity that many contracting authorities may lack: for example, the capacity to prepare and carry out complex tenders in areas, such as energy, requiring specific product or market expertise. This helps to reduce the risks (for example, complaints and inadequate contract terms) that otherwise would be borne by the contracting authority.

3.25 Increasing spend through CCS improves overall efficiency if its frameworks are more accessible and achieve better outcomes for buyers than they would achieve otherwise, but CCS does not have a way to benchmark its frameworks against other framework providers. Several factors increase the risk that CCS prioritises spend growth over value, including:

- **CCS's funding model:** CCS funding is proportional to the spend managed, since it increases its funding for every contract that goes through its frameworks. This creates an incentive to encourage greater spending through CCS.
- **CCS's corporate performance measures:** These have focused on growth in spend through commercial agreements. CCS's metrics also measure benefits and customer satisfaction to a certain level, but no other measures of efficiency, such as speed or quality of framework. CCS's business plan for 2024-25 includes actions to amend its metrics and deprioritise spend growth.
- **CCS's management incentives:** Some management incentives in the last several years were linked with rewards for growing spend through CCS. CCS told us that as part of its 2024-26 business plan, it has removed spend growth targets from personal objectives and will instead focus on incentivising value.

3.26 CCS told us it is planning how it will introduce the ‘open framework’ concept that the 2023 Procurement Act describes, which would allow future frameworks to be designed to admit new suppliers during the operational life of the framework. In addition, PAC recommended that GCF and the Cabinet Office set out arrangements for learning and development to ensure government buyers have and continue to develop commercial capability.²²

3.27 CCS wants to enable the wider public sector, including the NHS, local communities and housing sectors, to use its frameworks. However, CCS’s frameworks are not always easy for smaller purchasers to navigate. Smaller authorities are constrained by resources and buyers want simple, easy-to-use facilities.

3.28 Since establishment in 2014, CCS has operated an ‘assisted procurement’ service primarily to central government departments. CCS identified that the service could be provided to more public sector organisations to support those who may otherwise find it difficult to use its frameworks but have limited capacity. The service has not reached its full potential and is often used by larger departments who may have the resources to carry out procurement activities themselves. The service is therefore not reaching CCS’s target audience and could be more impactful if re-focused.

3.29 CCS is subject to the Cabinet Office’s headcount ‘cap’ and told us it has already implemented the latest policy of a 20% reduction. At the end of 2022-23, it had 1,000 staff (782 employees, 172 deployed from the Government Commercial Organisation and 47 agency and contract staff).²³ CCS has insufficient data on a number of metrics, including speed, quality and volume of procurement to properly benchmark itself against other central purchasers. The skills required to deliver procurement differ from those that CCS will need for innovation, data collection and market analysis.

3.30 Contracting authorities manage the call-off process and contract management alongside their daily operations, which can put pressure on resources. When resources are scarce, there is a risk that a lower priority is given to aspects of the contract call-off or contract management, and this risk could be higher for smaller organisations. A shortage of staff and lack of capability can be a barrier to effective procurement. Our competition in public procurement report recommended capability as a key component for effective commercial activities.²⁴

²² See footnote 19.

²³ The Government Commercial Organisation is the employer of senior commercial professionals within GCF.

²⁴ See footnote 16.

Appendix One

Our audit approach

Our scope

1 This report evaluates government procurement of common goods and services by the UK public sector and the role played by the Crown Commercial Service (CCS), as the government organisation responsible for ensuring that central procurement is efficient and value for money. We look at what CCS has achieved since our last report on CCS in 2017 and the barriers to CCS making further improvements. Our conclusions were based on analysis of evidence collected between November 2023 and April 2024. The timing of our report means that the majority of our data reflect 2022-23, as data for 2023-24 are not expected to be finalised until later in 2024. We do not consider that this significantly impacts any of our conclusions.

Our evidence base

Data analysis

2 We used web scraping to download the complete list of suppliers on CCS frameworks from CCS's website to understand the extent of CCS's activities and the extent to which frameworks were creating single-supplier markets.

3 We requested information on the usage of every CCS framework over the last three financial years (2020-21 to 2022-23). These data were extracted by CCS from its management information system, and are provided by suppliers to CCS. We did not specifically audit these data or the process by which they are collected, but it is a key system assessed as part of the National Audit Office's (NAO's) financial audit of CCS's accounts. The data received include buyer, frameworks, the amount paid to the supplier and the amount of levy paid by the supplier to CCS. The total levy recorded in this dataset is £185 million. This includes £4.9 million, which is reported as 'commission sales' and is not included in the headline net income figure reported in CCS's 2022-23 accounts. The remaining difference between CCS's gross income and the data provided is £4,000 (2%) which CCS considers is due to suppliers submitting late returns after its accounts were finalised. CCS considers this difference is immaterial.

4 We analysed these data to understand the usage of CCS frameworks by the public sector and to select frameworks for further analysis. We used the Herfindahl-Hirschman Index (HHI) to understand the extent to which framework awards are distributed between suppliers on a framework. The HHI is a common measure of market concentration and is defined as the sum of the squares of the market shares. The market shares are as integers rather than percentages, so the HHI is greater than 0 and at most 10,000 (100 times 100). We calculated market shares as the spend with each supplier divided by the total spend on each framework lot.

5 We used GDP deflators from 8 January 2024 to convert nominal data to real-terms, with a 2022-23 base year. GDP deflators measure general inflation and may differ from other measures such as the Consumer Price Index.

Document review

6 We analysed CCS documents, including policy papers, documentation of its processes, category strategies, board minutes, analysis of market share, and reports on how it is improving its customer feedback and board effectiveness to understand its policies, strategy, and approach.

7 We also used publicly available information such as:

- framework terms and conditions;
- information for buyers on CCS's website;
- information on markets that CCS operates in;
- procurement legislation;
- Organisation for Economic Co-operation and Development (OECD) case studies on other countries' approaches to central purchasing; and
- previous NAO reports including NHS Supply Chain, the 2017 report on CCS, our guidance on the commercial lifecycle and the lessons on competition report.

Site visit

8 We visited the CCS energy trading floor in February 2024 to observe how CCS procures gas and electricity on behalf of the public sector.

Interviews

9 Our interviews were generally conducted online and used to triangulate other evidence and inform our requests for evidence. We interviewed CCS's commercial teams, senior management team and leadership (including the outgoing and incoming Chairs), Government Chief Commercial Officer to understand CCS's strategy, operational approach, and internal processes. We also spoke to senior staff responsible for:

- category management;
- customer feedback and the assisted procurement process;
- customer management;
- supplier and market analysis;
- collecting supplier data to calculate the levy;
- supplier due diligence; and
- governance over frameworks.

10 We also interviewed eleven commercial directors from central government organisations and the Scottish government. The purpose of which was to understand:

- how they use CCS and why;
- what alternative methods they use for purchasing common goods and services;
- their views of the central purchasing system; and
- the value created by CCS and how central purchasing as a whole could be improved.

11 We also asked another 10 central government commercial directors for a response. Seven of 10 responded and their feedback is summarised in Appendix Three.

12 We spoke with other organisations to understand practitioners' views of central purchasing:

- the Cabinet Office, to understand the extent to which CCS is mandated through its spend control process;
- Government Internal Audit Agency staff, to understand their views of CCS's internal processes;
- the OECD, to understand how other countries approach central procurement, and to understand the OECD's framework for assessing central purchasers;

- World Commerce & Contracting, an association of procurement professionals, to understand how the private sector and other governments approach central procurement;
- data service organisations such as SpendNetwork and Tussell, and other data companies involved in the use of automation and machine learning to analyse government commercial data to understand the wider perspective;
- other public sector framework providers, North East Procurement Organisation (NEPO), Yorkshire Purchasing Organisation (YPO), Eastern Shires Purchasing Organisation (ESPO), and Fusion 21, to understand their role in the system;
- the Local Government Association, to understand how local government buys common goods and services;
- individuals undertaking academic research on public procurement, to obtain a wider perspective; and
- suppliers, to understand their view of frameworks and the central purchasing system.

Appendix Two

Glossary

- 1 A table of terms used in this report is set out in **Figure 14** on pages 52 to 53.

Figure 14

Terms relating to the purchase of goods and services

There are several technical terms used to describe the purchase of goods and services

Term	Definition
Accreditation	Framework agreements assessed for compliance with the features of an effective framework.
Addressable spend	Refers to the portion of an organisation's spending that can be influenced and optimised through strategic sourcing and procurement activities.
Aggregation	A type of procurement where a group of buyers who want the same product or service can combine their orders to get a better price from a supplier, leverage total volume or spend across distinct products, to give higher discounts, typically most effective where the supplier's marginal production cost is low.
Buyer	Another term used for customer or contracting authority that is buying a good or service.
Cabinet Office spend controls	Central government organisations, including departments and the bodies they sponsor, must obtain Cabinet Office approval when they want to spend money on specified activities, as part of the wider government financial delegations and approvals process.
Call-off	When a contracting authority awards a contract by either a mini-competition or direct award to a supplier selected from a framework for the supply of goods and services.
Category management	A strategic approach to procurement. It is where organisations segment their spend into areas which contain similar or related products. It allows more focus on categories that have opportunities for consolidation and efficiencies.
Central purchasing body or central purchaser	A contracting authority which provides centralised purchasing activities, and which may also provide ancillary purchasing activities.
Centralised procurement authority	A contracting authority that is in the business of carrying out procurement for the purpose of the supply of goods, services or works, for or on behalf of other contracting authorities.
Closed framework (2023 Procurement Act)	<p>A type of framework that enables the future award of a contract without further competition in the marketplace, either by awarding to the sole supplier party to the framework, or by applying the framework methodology for a mini-competition between the suppliers party to the framework.</p> <p>The maximum term of a closed framework is, in relation to any defence and security frameworks or in relation to a utilities framework, eight years; and in relation to any other framework agreement, four years. It should be noted that the maximum term as set out in section 47(1) does not apply to: open frameworks (provided for in section 49); frameworks awarded by private utilities; or frameworks which relate to light touch contracts (provided for in section 9(5)).</p> <p>Note: Under the 2015 Regulations, the term is four years, save in exceptional circumstances: Regulation 33(3).</p>
Contracting authority (2023 Procurement Act)	<p>This is defined in section 2(1), as either a public authority, which is a 'person' that is wholly or mainly funded out of public funds, or subject to public authority oversight, and does not operate on a commercial basis. In the case of a utilities contract, this includes a public authority, public undertaking or private utility, other than an excluded authority.</p> <p>The definitions of public authority, public undertaking and private utility are set out in section 2(2). A public authority is defined as a person that is wholly or mainly funded out of public funds, or not subject to public authority oversight, but does not operate on a commercial basis. A public undertaking is defined as a person who is subject to public authority oversight, and operates on a commercial basis. A private utility is defined as a person that is not a public authority or public undertaking, and carries out a utility activity.</p> <p>Note: Under the 2015 Regulations, 'contracting authorities' means the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities, but does not include His Majesty in his private capacity.</p>
Dynamic Purchasing System	A procedure available for contracts for works, services and goods commonly available on the market. As a procurement tool, it has some aspects that are similar to an electronic framework agreement, but where new suppliers can join at any time.

Figure 14 *continued*

Terms relating to the purchase of goods and services

Term	Definition
Framework agreement/ Frameworks	These help public and third sector buyers to procure goods and services from a list of pre-approved suppliers, with agreed terms and conditions; legal protections; and frequently with an agreed maximum price, that can be further negotiated down during a call-off.
Herfindahl-Hirschman Index (HHI)	A common measure of market concentration and is used to determine market competitiveness. We have applied HHI to assess supplier concentration in frameworks.
Net Promoter Score	A customer loyalty and satisfaction measurement taken from asking customers how likely they are to recommend your product or service to others on a scale of 0–10.
Open framework (2023 Procurement Act)	A scheme of frameworks that provides for the award of successive frameworks on substantially the same terms. The maximum term is up to eight years, provided that the framework is reopened for opportunity and competition, at least once during the first three years and once again in the five years following that.
Procurement	An all-encompassing term to describe the stages of activities involved in obtaining goods, services or supplies, including supply chain management, sourcing, purchasing, contracting, contract and supplier management, supplier relationship management and supplier development.
Payment Scheme	A non-business activity cash transfer between parts of the public sector which is not in consideration for a supply and is therefore outside the scope of VAT under the VAT Act 1994.
Lot	A single framework may be divided into a number of categories called lots which group similar goods or services.
Levy	A management charge levied on suppliers by the framework provider on the actual contract value for the supply of goods or services to a contracting authority under a call-off from a framework agreement.
Public sector	Central government, local government, NHS bodies and other organisations funded or controlled by government.
Trading fund	All trading funds are established under the Trading Funds Act 1973. A trading fund must finance its operations from trading activity and is expected to generate financial return commensurate with the risk of the business in which it is engaged. The Crown Commercial Service Trading Fund was established under section 4(1) of the Government Trading Funds Act 1973 that is under the control and management of the Minister for the Cabinet Office.
Saving	According to Cabinet Office policy, a saving should be real and represent a genuine reduction in cost and is calculated as the difference between the baseline price and the final price.

Source: National Audit Office analysis of publicly available information

Appendix Three

Views of commercial directors

1 We asked 18 commercial directors about how they purchase common goods and services. The results are summarised in **Figure 15** on pages 54 to 63.

Figure 15
Interview and survey of commercial directors

Commercial directors' views on purchasing common goods and services

Organisation	Type	What is your interaction with the Crown Commercial Service (CCS) as a framework provider for central purchasing for the public sector?	What is the overall pattern of commercial spend, definition and relevance of 'common goods and services' (CG&S), proportion/mix of departmental commercial spend that CG&S represent?	Types of procurement/categories of goods and services purchased by your department via a centralised procurement authority (central purchasing body under the 2015 Regulations), such as CCS, and what benefits/considerations apply to this strategy?	What is your assessment of efficiency savings and other benefits and quality of service that CCS provides relative to other procurement strategies (including yours as a department)?	Ideas of how much efficiency improvement could be realised through centralised procurement authorities, other changes or improvements to CCS	What is your view of the government's strategy for central purchasing of CG&S?
Department for Education	Ministerial department	CCS is first option for CG&S.	Awarded 112 CCS contracts valued at £239 million in 2022-23. 156 unclassified contracts valued at £412 million, may also include spend through CCS. £11 billion to £12 billion non-staff spend through schools, a portion of which may be used for the purchase of CG&S.	Technology, digital, corporate services, people, travel and construction.	The levy is recognised as the cost of doing business. Frameworks are complicated. Assisted procurement is clunky and difficult to use.	CCS could do more for post-award supplier management. A stronger focus on customer service.	CCS focuses on large government departments. More could be done to fully harness the buying power of government.
Department for Levelling Up, Housing & Communities	Ministerial department	CCS frameworks are the default route to market with the majority of third-party spend going through CCS frameworks. Limited purchases via other procurement routes where a suitable framework is not available.	Approximately £112 million spent via CCS frameworks in 2023-24.	Consultancy and professional services, some legal services, research evaluation, software and digital specialists. The key benefit to the department is speed to market and process efficiency through standard contract suites/tender documents.	Generally, value for money, considerable efficiency in procurement time/activity/resource. Have a reasonable spread of suitable suppliers. Suppliers are familiar with contract documents and ways of working. Assisted procurement has a long lead time.	Better customer engagement to understand the nuance of customer needs. If assisted procurement service was more reactive and able to function as a surge capacity this would be valuable.	Broadly it does what we need it to do. As yet unclear what the new Procurement Act means in terms of the landscape for frameworks and Dynamic Purchasing Systems.

Figure 15 continued

Interview and survey of commercial directors

Organisation	Type	What is your interaction with the Crown Commercial Service (CCS) as a framework provider for central purchasing for the public sector?	What is the overall pattern of commercial spend, definition and relevance of 'common goods and services' (CG&S), proportion/mix of departmental commercial spend that CG&S represent?	Types of procurement/categories of goods and services purchased by your department via a centralised procurement authority (central purchasing body under the 2015 Regulations), such as CCS, and what benefits/considerations apply to this strategy?	What is your assessment of efficiency savings and other benefits and quality of service that CCS provides relative to other procurement strategies (including yours as a department)?	Ideas of how much efficiency improvement could be realised through centralised procurement authorities, other changes or improvements to CCS	What is your view of the government's strategy for central purchasing of CG&S?
Department for Work & Pensions (DWP)	Ministerial department	Utilise CCS when it is the best, most efficient route to market for government departments.	Approximately 23% of contract value goes through CCS frameworks (based on active contracts as of 11 April 2024). However, DWP contract spend through CCS is much greater at approximately 40%.	Digital, contact centres, travel and corporate services. Bespoke employment and health, people and resources are not procured through CCS.	CCS is utilised where appropriate and can deliver excellent efficiencies, for example, through consolidation of spend. The service can sometimes be too transactional and insufficiently tailored to needs, which sometimes leads to the department preferring other routes to market.	More sharing of best practice and further alignment of wider strategies could lead to realisation of improved benefits across government. Data access could provide more information on suppliers and improve supplier management.	Levy driven with extraordinary growth goals. Could do much more than just be a route to market. Focus should be on the value that can be added to the customer.
Home Office	Ministerial department	CCS is first option for CG&S. Arm's-length bodies also use CCS.	Approximately £2 billion. Has increased over past two years.	Technology, facilities management and accommodation, contingent labour, managed labour and consultancy.	Biggest asset is its people. Ensure the department can deliver compliant procurement. Lack agility and is not user friendly.	Better customer engagement. CCS not leveraging its expertise. More could be done to manage the supply chain. More support for post-award supplier management.	CCS is focused on its own spend rather than departments' needs.
Ministry of Defence	Ministerial department	Use CCS for less complicated CG&S.	Now approximately £1.7 billion. Four to five years ago, spend was low.	Contingent labour and resource, facilities management, commoditised Information Technology (IT) and construction.	Speed of call-off as against running a full procurement. Lack of transparency of pricing.	CCS needs better customer engagement. Change to the levy rate.	Focused on growing its own spend. Unable to identify specific value-add of using CCS.
Ministry of Justice (MOJ)	Ministerial department	High level of engagement with the MOJ leveraging many CCS framework contracts for goods and services.	£4 billion, commercial spend: 2022-23. 40% (£1.8 billion) of spend on CCS frameworks in 2022-23. £693 million, total annual value of awarded contracts through CCS frameworks in 2022-23. £297 million, spending on grants in 2022-23.	Construction, professional services, facilities management and IT/digital goods and services.	Speed and ease of access to markets and suppliers. Frameworks will not always provide the best rates. When used appropriately can mitigate risks. Opportunities exist to reshape the assisted procurement process.	Certification of non-CCS frameworks. A more consistent approach to the delivery of government targets and themes within frameworks (e.g. social value and inclusion).	The tracking of benefits via CCS and departments is not standard. The operating model between CCS and the Government Commercial Function could be better optimised to leverage the levy.
Department for Energy Security & Net Zero	Ministerial department	CCS is default option.	58% (205 out of 354) of procurement completed through CCS frameworks in 2022-23. 70% (£281 million of £403 million) of total contract value awarded through CCS frameworks in 2022-23.	Consultancy and contingent labour, systems, software, IT support, research and legal services.	Time savings. Resource savings – pre-agreed terms rather than having to draft project specific terms.	A single e-Procurement system. Support for environmental and social sustainability. Supplier assurance with ongoing monitoring. Defined career development pathways for learning and development with curated content.	Aggregation needs to be closely considered to ensure: <ul style="list-style-type: none"> not creating unhealthy market dynamics by restricting the market; and the aggregation is genuinely a beneficial solution for contracting authorities.

Figure 15 continued

Interview and survey of commercial directors

Organisation	Type	What is your interaction with the Crown Commercial Service (CCS) as a framework provider for central purchasing for the public sector?	What is the overall pattern of commercial spend, definition and relevance of 'common goods and services' (CG&S), proportion/mix of departmental commercial spend that CG&S represent?	Types of procurement/categories of goods and services purchased by your department via a centralised procurement authority (central purchasing body under the 2015 Regulations), such as CCS, and what benefits/considerations apply to this strategy?	What is your assessment of efficiency savings and other benefits and quality of service that CCS provides relative to other procurement strategies (including yours as a department)?	Ideas of how much efficiency improvement could be realised through centralised procurement authorities, other changes or improvements to CCS	What is your view of the government's strategy for central purchasing of CG&S?
Department for Science, Innovation & Technology	Ministerial department	CCS is default option.	46% (53 out of 114) of procurement completed through CCS frameworks in 2022-23. 30% (£20 million of £66 million) in total contract value awarded through CCS frameworks in 2022-23.	Research, consultancy and contingent labour, legal services, systems, software and IT support.	Time savings. Resource savings – pre-agreed terms rather than having to draft project specific terms.	A single e-Procurement system. Support for environmental and social sustainability. Supplier assurance with ongoing monitoring. Implementation of new commercial policy. Defined career development pathways for learning and development with curated content.	Aggregation needs to be closely considered to ensure: <ul style="list-style-type: none"> not creating unhealthy market dynamics by restricting the market; and the aggregation is genuinely a beneficial solution for contracting authorities. <p>Note: Good in some true commodity sectors such as energy. Could do better/more in other areas, particularly digital. However, it is not simply a procurement play – but to be truly effective it requires a single specifier (functional owner – for example, for digital/ in clusters or pan-government).</p>
Department of Health & Social Care	Ministerial department	CCS is default option. Engage CCS regularly on a range of subjects.	59% of spend through CCS frameworks. 41% of direct spend.	No internal definition of CG&S. Corporate and clinical services, Digital, Data and Technology (DDaT) and professional services.	Time savings. Requirements with urgency are more likely to be carried out via a framework. Resource savings.	Improving/upgrading digital systems. Simplifying procurement routes and guidance. Improving evaluation and acceptance criteria. Allowing price negotiation. Better access to expertise. More flexibility for assisted procurement.	Current strategy adds value by providing lean sourcing routes. Do not feel the benefits of the buying power of government is being fully harnessed.
Foreign, Commonwealth & Development Office	Ministerial department	Purchasing decision includes consideration of whether a framework should be used or whether to go direct to market.	Spend through CCS frameworks: 2021-22: £452 million 2022-23: £485 million 2023-24: £595 million	Finance and insurance, communication and marketing, contingent labour, travel and accommodation, management consultancy and professional services, learning and development, DDaT, energy, facilities management, and technical professional advisory services.	Time savings. Access to competitive prices/rates. Robust terms and conditions that are already accepted by suppliers on the framework. Efficiency savings. Quality of service is generally good.	Frameworks are generally fit for purpose, though mainly UK centric with limited global reach. More value-add services, for example, share its expertise and resources in development of category strategy. More collaboration with departments on post-award supplier management.	Would encourage CCS to harness flexibilities and potential innovation offered by transformation of public procurement. Welcome the introduction of a central register for all frameworks (offered by all central purchasing bodies).
Department for Environment Food & Rural Affairs	Ministerial department	Extensive use of CCS.	50% of approximately £2 billion per year.	IT, corporate services, labour, facilities management, fleet and construction.	Time saved running a mini-competition instead of a full procurement. CCS manages the strategic supplier relationship. Financial savings.	Better digital systems. Allowing flexibility to negotiate price. Allowing flexibility for direct awards.	More incentives to encourage use of CCS. Would support levy at 0.7% but recommend its use to fund CCS and offset departmental commercial costs.

Figure 15 continued

Interview and survey of commercial directors

Organisation	Type	What is your interaction with the Crown Commercial Service (CCS) as a framework provider for central purchasing for the public sector?	What is the overall pattern of commercial spend, definition and relevance of 'common goods and services' (CG&S), proportion/mix of departmental commercial spend that CG&S represent?	Types of procurement/categories of goods and services purchased by your department via a centralised procurement authority (central purchasing body under the 2015 Regulations), such as CCS, and what benefits/considerations apply to this strategy?	What is your assessment of efficiency savings and other benefits and quality of service that CCS provides relative to other procurement strategies (including yours as a department)?	Ideas of how much efficiency improvement could be realised through centralised procurement authorities, other changes or improvements to CCS	What is your view of the government's strategy for central purchasing of CG&S?
NHS England (NHSE)	Executive non-departmental body, sponsored by the Department of Health & Social Care	CCS has applied to be accredited under the NHSE framework accreditation programme. CCS is first choice for central buying of all CG&S.	Across addressable spend of around £30 billion for all spend, £5 billion goes through NHS Supply Chain, £5 billion does not.	Energy, workforce – one framework covering temporary spend, estates – including construction, fleet leasing and digital.	CCS considered expert on CG&S for health sector. Accessed levy surplus to fund commercial projects, e.g. Atamis. Frameworks are easy and uncomplicated. CCS works to understand what the NHS wants.	NHS tests and negotiates levy regularly.	The levy could be more sophisticated in how it is charged and whether there is a rebate. Think of CCS as a partner to fund significant projects and programmes.
Government Property Agency	Executive agency, sponsored by the Cabinet Office	Strategic alliance with CCS. CCS is the default route to market for CG&S.	£893 million total spend for 2022-23. 75% (£673 million) core spend on CG&S in 2022-23. 25% (£220 million) on leases, etc.	Construction and utilities, corporate services, DDaT, furniture, workplace contracts, professional works contracts and private finance.	Main asset is its people. Frameworks provide better deals and are compliant. Challenge whether small and medium-sized enterprises (SMEs) can access CCS frameworks. Time, resource and financial savings. Consistent user of assisted procurement.	Cabinet Office commercial control approvals is the source of some frustration. Needs to be more consistency in the service provided by staff. The one-size-fits-all model is insufficient and will not always result in meeting customer needs.	The levy puts limitations on CCS for wider benefits.
Scottish Procurement and Property Directorate (SPPD)	Devolved government	There is a Memorandum of Understanding which governs a loose framework for the interaction with CCS. Where no Scottish collaborative framework exists or is planned, search of CCS frameworks will be carried out to identify viable options. Will do own frameworks where there is a strong indigenous market in Scotland.	National collaborative agreement spend (approximately £1.6 billion) represents around 10% of total public sector procurement spend of approximately £16 billion. Of that £1.6 billion, just over £100 million derives from CCS frameworks.	Travel, liquid fuels, public sector electronic purchasing cards, vehicle hire and G-Cloud. There is a partnering agreement for utilities – SPPD has its own utilities frameworks but uses CCS in an advisory capacity.	Management information data is patchy. Can benefit from aggregation where there are no sustainability or indigenous SME metrics to meet. Significant time and resource savings. Frameworks are easy to use and streamlined.	CCS could provide more post-award supplier management support.	CCS facing a challenge with devolved procurements under devolved administrations. Consider it a collaborative relationship with CCS. Scotland has a strong focus on the delivery of social, environmental and economic benefits via SPPD procurements which is not always achievable on CCS frameworks.
Network Rail	Executive non-departmental body, sponsored by the Department for Transport	Network Rail sees CCS as a key route to market for CG&S. Local goods and services are devolved to the five regions with Route Services managing national procurements.	Approximately 15% of spend on CG&S. A 22% increase from 2022-23.	The biggest area of spend to date is on: contingent labour/interim labour, facilities management, property consulting and management consultancy.	Provides more control and cost reduction. CCS can achieve volume leverage. Must do mini-competitions to get better value. Generally, suppliers on frameworks are good. Not an abundance of diversity/SMEs on CCS frameworks (yet).	More category strategy/change management support and more post-award supplier management support (CCS is only really involved in escalations). Share more information on pipelines and future frameworks.	The levy is considered a management fee so on large value procurements CCS does not feel like value for money.

Figure 15 *continued*

Interview and survey of commercial directors

Organisation	Type	What is your interaction with the Crown Commercial Service (CCS) as a framework provider for central purchasing for the public sector?	What is the overall pattern of commercial spend, definition and relevance of 'common goods and services' (CG&S), proportion/mix of departmental commercial spend that CG&S represent?	Types of procurement/categories of goods and services purchased by your department via a centralised procurement authority (central purchasing body under the 2015 Regulations), such as CCS, and what benefits/considerations apply to this strategy?	What is your assessment of efficiency savings and other benefits and quality of service that CCS provides relative to other procurement strategies (including yours as a department)?	Ideas of how much efficiency improvement could be realised through centralised procurement authorities, other changes or improvements to CCS	What is your view of the government's strategy for central purchasing of CG&S?
HM Revenue & Customs	Non-ministerial department	CCS is the first option for CG&S.	Total spend: £2.4 billion. CG&S: £2.1 billion in 2022-23.	IT, facilities management and workplace services, corporate services, construction works and contingent labour.	Efficient and time saving compared with running open procedures. Ease of access but no demonstrable value for money, benchmarking, risk management or ability to negotiate.	Remove cross government duplication by offering a full end-to-end service for commoditised goods and services. External benchmarking to demonstrate value (including CCS cost to serve). Manage frameworks more, reviewing non bidders or concentrations on particular suppliers. Introduce aggregate risk management of suppliers. Better customer engagement on requirements and drive to highest standard rather than average.	It is logical to aggregate demand for CG&S and create easy to access frameworks where terms are pre-agreed but would encourage improvements as noted in the previous column to be made.
Department for Business & Trade (DBT)	Ministerial department	Consistently uses CCS frameworks.	Majority of spend goes through CCS frameworks. DBT also uses a non-CCS framework for contingent labour.	Contingent labour, DDaT, marketing and communication, professional services, legal services and travel.	DBT do not assess the savings of using CCS frameworks as that is the overall central strategy that DBT follows. There are clearly significant efficiencies and commercial buying power through doing so.	CCS could centrally do some of the things departments currently do separately (if CCS were appropriately staffed), for example, supplier checks, checking supplier robustness against cyber threat, supplier data policies/approaches.	Agree with the strategy of using centrally let frameworks as the primary option.
Cabinet Office/ HM Treasury (HMT)	Ministerial department	CCS is an effective route to market for CG&S.	£2 billion spend for Cabinet Office and HMT through CCS frameworks. £1 billion total spend across the two departments. Spend through CCS frameworks is the majority.	Technology, consultancy and people-related services.	CCS is especially valuable in using market intelligence to understand the department's strategy. However, there appears to be a disconnect between the category and assisted procurement teams.	CCS could do better at leveraging government scale.	What will be good is to have a "seamless one stop shop". CCS could become the buying centre for government. There is more that CCS could do to provide an efficient buying service for government departments or at least enable departments to offer more self-serve routes. This is a significant efficiency opportunity.

Notes

1 Interviews were conducted with 11 commercial directors from central government organisations, devolved administrations and government agencies.

2 Surveys were sent to 10 central government bodies (mainly departments). Responses were received from seven.

Source: National Audit Office analysis of government information

Appendix Four

Crown Commercial Service benefit calculation

1 Crown Commercial Service (CCS) does not have information on the price that buyers achieve from its frameworks, so it cannot estimate how much it has saved its customers. CCS's customers do not generally know the price that they would have paid without the framework. Due to the lack of information, CCS and its customers use different methods to estimate benefits and savings which creates inconsistency (**Figure 16**).

Figure 16

Crown Commercial Service (CCS) benefit calculation

CCS and its customers use different methods to estimate the benefits and savings generated by frameworks

Method	Example	Explanation
Last year's cost less chosen bid	$£100 - £112 = (£12)$	Price increases are not classed as a negative saving. This is a Government Commercial Function (GCF) approved method.
Median bid less chosen bid	$£120 - £112 = £8$	A GCF approved method for reprourement only.
Budget less chosen bid	$£114 - £112 = £2$	Depends on the budget set by the buyer.
External benchmark price less average of actual prices paid by customers as detailed in supplier returns	$£115 - £105 = £10$	This is how CCS reports the 'benefit' of a framework.
External benchmark price less chosen bid	$£115 - £112 = £3$	Requires the external benchmark (only known by CCS) and actual price (only known by the buyer).

Source: National Audit Office illustration based on information received from the Crown Commercial Service

Appendix Five

The Procurement Act 2023 requirements as compared with the 2015 Regulations

1 The table below sets out procurement requirements under the 2015 regulations and the changes as introduced by the 2023 Act (**Figure 17** on pages 66 to 67).

Figure 17

Procurement requirements under the 2015 and 2023 legislations

Establishing frameworks

Legislation/Regulation	Public Contracts Regulations 2015 (PCR)	Procurement Act 2023	Transparency Regulations (Consultation stage)
Stage one: Procedures for establishing a framework with multiple suppliers	<p>Regulation 33: (Procurement of Framework Agreements) provides the parameters for how contracting authorities may conclude framework agreements with one or more suppliers.</p> <p>Regulation 33(1): confirms that the procedures in Part 2 of the PCR must be used to establish a framework.</p> <p>Regulation 33(5): those procedures may be applied only between those contracting authorities clearly identified for that purpose in the call for completion and those economic operators party to the framework agreement as concluded.</p>	<p>The Act does not specifically state that either the open procedure or the competitive flexible procedure is to be used to establish a framework but the definition of Public Contract includes a framework, therefore, section 19 applies.</p> <p>Section 45(5): frameworks must include the following information: description of goods, services or works to be provided under contracts awarded in accordance with the framework; the price payable, or mechanism for determining the price payable, under such contracts; estimated value of the framework; any selection process to be applied on the award of contracts; the term of the framework (section 47); the contracting authorities entitled to award public contracts in accordance with the framework; whether the framework is awarded under an open framework (section 49).</p>	<p>Regulation 15 is the key regulation for the awarding of frameworks, but Regulations 13 and 14 are cross-referred to for the detail to be contained in the notices. Regulation 15 sets out the requirements of tender notices issued in relation to the award of frameworks.</p> <p>Regulation 15(3)(a to k): (if the open procedure is used, the same information as set out in Regulation 13(3); if the competitive procedure is used, the same information as set out in Regulation 14(3)), the price payable, or mechanism for determining the price payable, the term of the framework, if awarded under an open framework the unique framework identifier, procedure applied to generate the framework, number of suppliers, whether the intention is to award to a single or multiple suppliers; details of the selection process to apply to contract award, percentage commission rate applied to estimated contract value.</p>
Stage two: Contract award with a framework with multiple suppliers	<p>Regulation 33(8) sets out how a framework agreement may be performed if concluded with more than one economic operator:</p> <ul style="list-style-type: none"> 33(8)(a): following the terms and conditions of the framework where: all the terms governing the provision of the works, services and supplies concerned, and the objective conditions for determining which of the economic operators that are party to the framework agreement shall perform them, which conditions shall be indicated in the procurement documents for the framework agreement. 33(8)(b): allows for a mixture of direct award and further competition where the framework and the procurement documents clearly allow for this. 33(8)(c): reopening competition amongst the framework members where not all the terms governing the provision of the works, services or supplies concerned are laid down in the framework agreement. 	<p>Section 45(3): provides that a framework may only provide for future award of a public contract via a competitive selection process unless section 45(4) applies.</p> <p>Section 45(4): provides that a framework may provide for future award of the public contract without competition between suppliers if: there is only one supplier party to the framework agreement; or if the framework sets out the core terms of the public contract and an objective mechanism¹ for supplier selection.</p> <p>Section 46(1): a competitive selection process may provide for conditions of participation only if the contracting authority is satisfied that the conditions are a proportionate means of ensuring that suppliers party to the framework have the legal and financial capacity to perform the contract, or the technical ability to perform the contract.</p> <p>Section 46(8): a competitive selection process may provide for the assessment of proposals, but only by reference to one or more of the award criteria against which tenders were assessed in awarding the framework.</p>	<p>Contract Award Notices are covered at Regulation 20.</p> <p>Regulation 20(1) to (4) sets out the requirements of contract award notices, including the particular information which needs to be included in a contract award notice: the contracting authority information; title of the procurement, the unique identifier for the framework, the contract subject matter; award process (competitive/direct), date of when the contracting authority decided to award, total number of tenders submitted, estimated value, details of any lots, successful supplier details, details of unsuccessful bidders.</p> <p>Where the contract notice relates to the award of a framework (when the framework is established), Regulation 20(3)(i) is relevant to state which procedure was used.</p>
Authority to create a framework, and its purpose	<p>Contracting Authority may establish a framework using one of the procedures in Part 2 of the PCR: 33(1).</p> <p>Section 33(2): the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular, with regard to price and, where appropriate, the quantity envisaged.</p>	<p>The Act does not specifically state that either the open procedure or the competitive flexible procedure is to be used to establish a framework, but the definition of Public Contract includes a framework, therefore, section 19 applies.</p> <p>A Contracting Authority may award a public contract in accordance with an established framework: section 45(1).</p> <p>Section 45(2): provides that a 'framework' is a contract between a contracting authority and one or more suppliers that provides for the future award of contracts by a contracting authority to the supplier or suppliers.</p>	<p>The Regulations do not expand on this as they are aimed at supplementing the transparency obligations under the Act.</p>
Transparency Arrangements	Contracts Finder, Find a Tender.	Central Digital Platform.	

Note

¹ The 2023 Act does not clarify what the intended meaning behind the 'objective mechanism' is nor do the explanatory notes or guidance provide any clarification on this.

Source: National Audit Office analysis of publicly available information

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