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The department set up to improve the Ministry of Defence's procurement programme has come under heavy fire in a Government report.

The Defence Commercial Directorate (DCD) was set up three years ago to provide "strategic leadership" in an area that represents £18 billion of the MoD's £31 billion-a-year budget.

But now a report by the Office of Government Commerce (OGC), an independent office of the Treasury, has raised concerns over weaknesses in the department's own leadership. In particular, it describes leadership at the DCD as "variable" and calls for it to be strengthened.

The position of Defence Commercial Director has been vacant since Amyas Morse left to take charge of the National Audit Office earlier this year. Mr Morse had run the DCD since it was set up in 2006 with the aim of making the MoD more efficient.

The MoD says the report "reinforces" its own assessment of priorities for improvement, while also recognising areas of excellence.

The MoD has been under pressure to improve efficiency after a long list of embarrassing headlines including:

The Astute class submarine programme, which is more than £1 billion over budget.

The Chinook helicopter conversion programme, which will be delayed by up to nine years and will cost an extra £200 million.

The Future Rapid Effect System (FRES) utility vehicle contract cost the MoD £132m for the delivery of no vehicles.

The Nimrod replacement programme, which may end up being cut and is already eight years late and £1 billion pounds over budget.

The OGC report claims that the MoD has "come a long way" since the Defence Industrial Strategy was published in 2005. It also claims the Defence Acquisition Challenge Programme, the creation of a Defence Commercial Director and the Defence Equipment & Support (DE&S), led by the Chief of Defence Materiel (CDM), are starting to make through-life capability management a reality.

The report says: "CDM has already made significant progress in the DE&S, with his clear focus on skills, commercial practice and a through-life approach to capability management."

"DCD's Fit For Business (FFB) will provide a refreshed commercial vision and a five-year strategic plan. To deliver consistent procurement excellence, however, requires long-term behavioural change across the department and further enhancements in business and commercial skills; the roles of DCD and CDM are vital, as is the sustained, visible support of the Board.

"FFB needs the department commitment and resources to ensure its delivery and to address many of this Review's recommendations. There is a concern that both DCD's central organisation and the wider commercial function is underpowered at senior level to deliver this change.

"Leadership throughout the function is variable; it must be strengthened, better aligned and performance driven for the change to be enduring and delivered at the required pace.

"The performance management system for acquisition has an insufficiently clear focus on the Commercial function's contribution. The function is not coherently driven to improve performance and it is impossible for DCD to present an aggregate picture of performance and difficult to support investment in improvement.

"There are a few exceptional individuals but, overall, procurement staff lack the broad commercial skills essential for the future; too many do low value tactical work. Work has started on a formal, department-wide approach to resource, career plan, train, develop and retain but this needs to be substantially strengthened for it to meet the future challenge. A sound Category Management approach for commodities delivers value both to the MoD and wider Government.

"There is an established Key Supplier Management programme. These, and equipment sector strategies demonstrate the benefits of cross-cluster and cross-Top Level Budget approaches but opportunity is being lost through a failure to adopt such approaches consistently. There has been some strong market differentiation but it is not uniformly applied.

"Work has started to define some of the key processes, including the creation of a contracts' database but there is, as yet, no comprehensive procurement systems strategy for the department to support end-to-end commercial processes and no easy availability of management information."

The OGC makes 22 recommendations aimed at improving leadership, skills development and deployment and systems and processes within the DCD.