

corruption from procurement professionals could have a very damaging effect on the integrity of the project and the image of the Olympics. The Strategy will make a strong commitment to transparency of process, probity and business ethics being adopted throughout the ODA's procurement processes.

The Olympic Games will be subject to the provisions of the Freedom of Information Act (FOIA) which establishes a general right of access to all types of 'recorded' information held by public authorities. The Procurement Strategy should recognise the key role that good access to information plays in helping to achieve its goals and targets. The interim ODA recognises that such freedom is essential to the credibility of Olympic procurement processes.

## RISK MANAGEMENT

The scale and value of the Olympic Games procurement project is significant. Some of the more significant projects may be delivered through partnering-type contracts. These contracts may warrant innovative approaches to risk sharing and management to ensure there is appropriate interest from the market, that the private sector is appropriately motivated and that commissioning can be undertaken efficiently.

## GOVERNANCE

For the purposes of coordination and monitoring it is important to be clear about how procurement fits within the broader Olympic and Paralympic Games programme management and governance arrangements. Clarity of the client lead roles, approvals and decision making for the placing of contracts will be a critical feature of the detailed Procurement Strategy.

Given the scale and importance of this work it is proposed to establish an Olympic Delivery Group (ODG) sub-group – the Contracts and Procurement Sub-Group – which will take day-to-day responsibility for the procurement-related work of the ODA. Membership of this group will include core procurement expertise drawn from the key stakeholders as well as specific experts in sustainability and design. Ultimately the Procurement Strategy will be approved by the Olympic Steering Group and Board.

## CONTRACT STRATEGIES

While it is important that there is a coherent overarching Procurement Strategy, the way in which individual procurement projects are undertaken will vary significantly depending on issues such as subject matter, owner, timing, risk, impact and value. The Strategy will recognise this, but provide that individual procurements should be focused on delivering its strategic aims.

## MANAGING INNOVATION

While innovation should not be an end in itself, it can add value to a proposition. Procurement is generally more effective if it is open to ideas from the supply side. Supply-side innovation has the potential to create better value for money through better quality, faster delivery and reduced whole life costs.

*Innovation can be captured through procurement by:*

- Early supplier engagement to build in supplier expertise up front where there is greatest potential.
- Specifying outputs.
- Accepting variants, where appropriate.
- Developing a diverse supplier base.
- Appropriate management of intellectual property rights.
- Focus on value for money rather than lowest cost.
- Early communication of requirements to the marketplace.
- Management of risk rather than risk aversion.
- Incentivisation and reward mechanisms.

The Olympic Games is a long-term project stretching beyond 2012 into its lasting legacy. It is important to ensure maximum flexibility in contracts to ensure innovation can be captured and utilised over the life of the Olympic Games project.

## DISPUTE RESOLUTION

Contractual disputes can be time-consuming and expensive. They can cause significant damage to client/supplier relationships which have been built up over a period of time and can impact on the supply chain. They can add substantially to the cost of the contract as well as negating some, or all, of its benefits or advantages. They can also impact on the achievement of value for money.

For a project with the profile of the Olympic Games it will be important to ensure that disputes are dealt with in an appropriate and expedient manner. The form of dispute resolution will be determined by the circumstances but the full range of conventional and alternative routes should be at the contract manager's disposal. The Procurement Strategy will commit any Olympic procurement disputes to alternative dispute resolution wherever possible.

## ELECTRONIC PROCUREMENT

Electronic procurement has demonstrated tangible benefits to those organisations that implement it correctly. It can streamline procurement process and has the potential to provide significant price improvement from suppliers. Given the scale and number of procurement projects required by the Olympics it will be problematic not to engage technology for coordination and monitoring purposes. At an operational level, procurement staff will be encouraged to utilise appropriate e-procurement systems to realise the maximum benefit from the supply side.

*These systems may include:*

- Electronic Auctions.
- Electronic Marketplaces.
- E-Tendering Systems.
- Contract Management Systems.
- Business Portals.

The Strategy will make it clear that these technologies will not be employed at the expense of individual suppliers or groups of suppliers who may not be in a position to engage or trade through electronic means.

## WHOLE-LIFE APPROACH

It is often the case that the initial purchase cost of a service, system or construction project is only a fraction of the cost of operating or maintaining it throughout its life. A narrow focus on purchase cost in procurement decisions can lead to a failure to deliver value for money in the long term. This is a crucial issue for the Olympic Games due to its long-term legacy aspect. Investment decisions will not be made on the basis of initial purchase cost alone, but will incorporate an evaluation of development, running, maintenance and disposal costs.

## CHANGING WITH EXPERIENCE

These principles will evolve with experience. In particular, lessons learnt from the delivery of the Turin Winter Olympics and the Beijing Summer Olympics will inform the Procurement Strategy.

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## OLYMPIC DELIVERY AUTHORITY – PROCUREMENT PRINCIPLES

London has been awarded the honour of hosting 'the greatest show on earth' – the Olympic and Paralympic Games in 2012. But the real prize in winning the Games is not simply the event itself, but its transformational impact and the lasting legacy it can leave behind.

A new Olympic Delivery Authority (ODA) is being established to spearhead the delivery of the physical infrastructure required for the Olympic and Paralympic Games and Legacy – ranging from transport through to all the venues. A Bill is currently passing through Parliament to establish the ODA.

*In exercising its duties, the Bill makes specific provision for the ODA to:*

- have regard to maximising the benefits of hosting the Games; and
- contribute to achieving sustainable development.

Some of the early areas of activity for the interim ODA are to: build a dedicated procurement team; establish a clear Procurement Strategy; and let a number of critical early contracts.

Within its longer-term role in relation to the Olympic Park, the ODA will have the following four significant areas of procurement activity:

**PEOPLE** are core staff, supported by a wide range of professional, technical and advisory consultants. Some of these contracts will be large frameworks that are wide-ranging in nature and may well last for many years. Others will be shorter, task- or project-specific activities.

**OLYMPIC PARK** the contracts for the delivery of the early works to the Olympic Park will be a mix of site-wide and zone-specific, eg land assembly, land modelling and remediation, infrastructure/servicing and generally creating a platform for the development of the individual venues, which is designed with longer-term legacy use in mind.

**VENUES** this work encompasses the permanent venues including support facilities for all Olympic and Paralympic sports (inside and outside the Olympic Park). It will also include the entire transport infrastructure and may also include other supporting facilities.

**LEGACY** the dismantling of the temporary Games infrastructure, the conversion of Olympic Games infrastructure to legacy use, and the delivery of the long-term legacy development.

The main purpose of this Guidance is to map out the core principles for ODA procurement activity. This will then form the basis for a detailed Procurement Strategy to be developed and agreed with Olympic stakeholders.



Many of the issues and principles set out in this Guidance may be relevant to the London Organising Committee for the Olympic Games (LOCOG), which will procure goods and services and temporary installation relevant to the staging of the Olympic and Paralympic Games. It is hoped that a shared approach to many aspects of procurement can be developed as plans move forwards.

## OLYMPIC PROCUREMENT STRATEGY

### GUIDING PRINCIPLES

The delivery of the Olympic and Paralympic Games and Legacy is like no other project. It has a set of very specific and challenging delivery requirements. The Procurement Strategy sits at the heart of a successful Games and Legacy, not least in terms of delivering against programme and budget. The scale and specialist requirements of the Games, coupled with an unmoveable deadline for delivery, creates many challenges. Whilst the delivery and funding of the Games and Legacy is a joint public/private sector endeavour, ultimately the Government has provided guarantees to the International Olympic Commission (IOC) and is therefore responsible for delivery and funding.

*From a procurement perspective this gives rise to the following four key issues.*

- As a large-scale project utilising public money there is a responsibility to ensure it achieves best value for money for the taxpayer.
- The management of risk needs to be carefully considered and balanced between cost and programme certainty.
- The scale of procurement means it will have a noticeable socio-economic and environmental impact, which needs to be as positive as possible over both the short and long term to leave a meaningful and lasting legacy.

- It will be a major customer for industry and needs to take account of capacity, expertise and competition.

## MASTER PLANNING AND PROGRAMMING PRINCIPLES

The early work needs to build on the current masterplan and create a clear, coherent and high-quality overall design and development framework for the Park.

A site-wide approach must be taken to the Olympic Park to deliver vacant possessions, the core design work and the early enabling and preparation works. This site-wide approach will also apply to ground modelling and the development of key infrastructure.

Once the parallel activities of the site preparation/enabling works and the overall design of the Park are at an advanced stage, more focus will then be on zoning the site for the next stages of delivery.

This approach would allow the ODA to procure designers and contractors to be responsible for the design and delivery of not only the Olympic and Paralympic Games, but also the legacy plans. This would allow a relatively seamless transition from Games to Legacy in the most efficient and cost-effective way.

The ODA will need to work closely with private sector partners to deliver certain parts of the Olympic Park and venues elsewhere in London and the UK.

As the Masterplan design is further developed, a detailed contract packaging strategy will need to be developed. The contracting package and approach should mirror the overall design packaging of the works.

## SUSTAINABLE PROCUREMENT

The principle of sustainable development was embodied within the Candidature File under the concept Towards a One Planet Olympics and is a core theme across all Mayoral and Government strategies. The procurement of the Games and the Legacy development will have a fundamental influence on its overall sustainability credentials. A Sustainable Development Strategy is currently in development which forms part of the Grampian conditions as part of the Olympic Park planning permission. The Procurement Strategy will need to take account of this strategy and other work under way on sustainable development, to embed sustainability into all streams of procurement activity, from design development through to final delivery of the venues and Legacy development. The Procurement Strategy will also set out how the ODA will aim to maximise the positive and minimise the negative impacts of its procurement activity beyond London's boundaries.

Sustainability will need to lie at the heart of the culture of the ODA. The Procurement Strategy will articulate how sustainability will form a core element of all procurement processes within the Olympic project. This will include how it will be mainstreamed into procurement processes, from identification of need through to termination and disposal of assets.

*Specific issues to be addressed in the Procurement Strategy will include the following:*

### DESIGN QUALITY

- The main facilities within the Olympic Park, eg the aquatics centre and the stadium, will be procured by major design competitions. Other appointments for smaller venues and temporary venues would be procured by the appointment of an architect supported by a professional team. Other design input will be drawn into the project on the basis of 'mini' design competitions from specialist ODA design panels. These competitions and selection processes would be conducted in collaboration with representatives from the Mayor's Architecture and Urbanism Unit and from CABE and be in line with established best practice.

### MAXIMISING LOCAL BENEFITS AND THE WIDER ECONOMIC DIVIDEND

- These important issues will be dealt with as standard clauses agreed with key partners such as the boroughs and the Greater London Authority (GLA) – across all aspects of the procurement process. A key assessment criterion in the selection of contractors should be their commitment to working with the LDA/ODA and

others to underpin delivery of a programme of local community involvement and benefits, including: employee representation; fair and ethical employment sourcing; London living wage; supplier diversity; local labour; community benefit; training; and supply chain initiatives.

- The Procurement Strategy will set out how these issues will be implemented, making full use of the opportunities available within the British and EU procurement regimes. To make such programmes effective, a parallel proactive approach will be required by the London Development Agency (LDA) and others through the Local Employment and Training Framework.
- We would see agencies such as the LDA, working with the boroughs, the Learning and Skills Council and the DTI/Small Business Service, developing a sophisticated programme to ensure the delivery of these benefits. Such programmes will need to be properly resourced both in terms of people and finance with networks across London and the UK, developed in conjunction with the Regional Development Agencies (RDAs).

## GREEN PROCUREMENT

- Maximising the potential to improve the environment in East London and minimising adverse environmental impact of the Games and Legacy development will be a key consideration in procurement. This ranges from designing-in low environmental impact into the Olympic Park, infrastructure, and buildings through to encouraging suppliers and contractors to be more environmentally friendly in their operations – eg using recycled materials.

## REGENERATION AND LEGACY

- A key objective of the Olympics Games project is to bring lasting economic, social and environmental benefits to London and the wider UK. The procurement strategy will be mindful of the long-term nature of the Olympic Games and the need to facilitate this regeneration and the creation of a lasting Legacy. The principles above and elsewhere in this Guidance will be integral to all procurement to enable the delivery of Legacy objectives.

## EFFICIENCY AND VALUE FOR MONEY

The use of public funds places an emphasis on being able to demonstrate that value for money has been achieved. There is a perceived natural tension between sustainability and efficiency and clear direction needs to be provided from the outset as to how this tension is to be managed. Examples of international best practice in both sustainable and efficient procurement will be sought out, evaluated and learnt from to ensure that these themes can be successfully delivered hand in hand. The Procurement Strategy will recognise that procurement solutions can be both 'sustainable' and offer value for money.

## DOMESTIC, EUROPEAN AND INTERNATIONAL LEGAL FRAMEWORK

Procurement activities for the Olympic Games will take place within a multi-layered legal framework. In addition to the complexities of commercial contracting, the use of public money will bring Olympic contracts under the ambit of the European Procurement Directives. It is recognised that the guiding principles of EU procurement – transparency, proportionality and non-discrimination – are key to the achievement of positive outcomes in procurement exercises. These cornerstone principles will be adopted into Olympic Games procurement activities, and the provisions of the new EU Consolidated Directives, particularly in relation to the inclusion of social and environmental considerations, will be fully explored.

The profile of the Olympic and Paralympic Games will bring its procurement activities under a great deal of scrutiny and every care must be taken to ensure that these activities follow procurement legislation to the letter.

## COLLABORATIVE WORKING

The successful delivery of the Olympic Games will rely heavily on government and delivery bodies working in close partnership with other

stakeholders. These will come from a wide range of public, private and voluntary sectors. In some areas links have already been established, while in others, for example forthcoming procurement projects, collaborative working will be explored during their inception. The Procurement Strategy will set out guiding principles for identifying, engaging and utilising a broad range of skills and expertise across all of these sectors.

## COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT STRATEGY

Many of the decisions taken in the first 12 months of the project will have a very strong influence on its overall shape. It is important that time is taken to create the most effective and efficient overall procurement framework and to get 'buy in' from stakeholders, including key industry groups and the London Centre of Excellence.

There is already a great deal of expectation about the business opportunities which the Olympic Games will bring to companies in the UK, London and, in particular, those located within the immediate vicinity of the Olympic Park. It is important to ensure that these expectations are managed and that opportunities are delivered within an appropriate legal framework. A proactive programme of skills training will need to be undertaken by a range of bodies to complement the Olympics Procurement Strategy and to maximise leverage/local benefit opportunities.

There is a need to ensure that there is a consistency in the way that business opportunities are communicated and also that this communication is clear and timely. It is important that there is sufficient notice of requirements to allow for firms (with assistance from intermediaries) to develop the appropriate skills and capacities to compete for contracts. The Procurement Strategy will set a framework for how these important communications issues will be addressed.

The Procurement Strategy will identify key stakeholder groups and set out the methodology and terms by which they will be engaged. Through adopting a structured approach to stakeholder management we will ensure that, where appropriate, key stakeholders have the opportunity to help provide input, comment and sign off on documentation and key decisions.

Each contract and area of procurement policy will have its own group of key stakeholders – while the nature of some stakeholders' involvement will require them to be engaged in many aspects of Olympics procurement (for example Transport for London will be involved in all elements of work that have a transport interface), others will be engaged on a contract by contract basis. The stakeholder engagement methodology to be developed in the Procurement Strategy will be applied in the contract planning phase of each procurement to ensure that the appropriate set of key stakeholders are engaged.

*The following principal groups of stakeholders have been identified to date:*

**FUNDERS AND CORE STAKEHOLDERS.** These stakeholders all have a central budgeting and decision making role.

*The agencies that fall within this definition are:*

- Government departments – the Treasury, DCMS, Office of the Deputy Prime Minister, etc
- The Greater London Authority, the London Development Agency and Transport for London
- London 2012/LOCOG
- The British Olympic Association

**PRIMARY STAKEHOLDERS.** These stakeholders do not have a central decision making role across the whole project. Nevertheless, they are important players in influencing, commenting on and, if appropriate, helping with key decisions and appointments.

**OTHER KEY STAKEHOLDERS.** These stakeholders are important groups and agencies that need to be engaged and involved in the process, but are not central to the funding or delivery of the project. Their role is one of providing expert help and assistance and, if appropriate, helping with key decisions and appointments.

The Procurement Strategy will set out how these stakeholders will be engaged in the procurement process.



## EXPERTISE

The Procurement Team at the interim ODA will operationalise the principles contained in this Guidance into a Procurement Strategy. The team will include expertise as appropriate to enable delivery of procurement according to these principles. The team will draw on external expertise where required.

## DESIGN EXCELLENCE

Developing London as a sustainable and well-designed city is a core theme to be embedded within the Procurement Strategy for the Olympic Games. The interim ODA will appoint a Director of Design to oversee and champion design across all aspects of the work, and be the custodian of the vision for the Olympics and the Olympic Park. It is proposed that this role would be supported by a small, expert Design Panel to help provide ongoing design expertise and assistance, particularly in the development of briefs, peer review of projects and competition/selection processes.

A core part of the commitment to design excellence is inclusion and accessibility for all. This is important in the context of the diversity of communities in London, and East London in particular. It is proposed that the ODA have an access champion and that this is dealt with as an important cross-cutting theme. The draft Access Framework, being developed as one of the planning permission strategies, will provide a key input into the Procurement Strategy. The establishment of a small access forum will help to debate the issues and provide expert help and advice in shaping the strategies and ensuring that this work is embedded in the whole culture and approach of the ODA.

## PROGRAMME AND PROJECT MANAGEMENT

The Olympic Games project has a clearly defined budget and an unmoveable timescale. There are a myriad of projects within the procurement sphere that need to be completed in parallel and sequentially in order to meet the tight timescale and budget. These will need to be carefully tracked, monitored and driven forward in a way which is transparent, professional and robust and which ensures that project progress and risks are carefully monitored.

A Programme Office is being established as an early priority. The programme management role is central to the success of the project and a very significant contract and financial commitment for the ODA and its partners.

It is proposed that this work is undertaken jointly with the Office of Government Commerce (OGC) to ensure that appropriate processes are in place, for example Gateway Review principles, for significant procurement processes to ensure consistency of process and appropriate scrutiny.

## TRANSPARENCY, PROBITY AND BUSINESS ETHICS

The Olympic Games project will be subject to intense scrutiny at all levels. Any suggestions of inappropriate behaviour, misconduct or