

Policy through Procurement Action Plan



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Introduction

1. All public procurement is intended to address policy outcomes; that is after all why the Government buys things. With the public sector currently spending around £220 billion per annum buying works, services and goods, it is incumbent on government to squeeze as much value as possible out of that expenditure. Investment in infrastructure will be critical to growth of the economy, attracting investment in Britain and managing the transition to a low carbon economy.
2. This document outlines an action plan for additionally harnessing public procurement to deliver key policy agendas concerned with fair and sustainable economic growth and recovery, which the Government announced in the 2009 Pre-Budget Report (PBR). This indirect pursuit of policy agendas is known as Policy through Procurement (PtP).
3. The key agendas that the Government intends to pursue as PtP priorities are:
 - small and medium-sized enterprises (SMEs) – lowering barriers to their participation, including third sector organizations
 - skills training and apprenticeship opportunities and tackling youth unemployment
 - resource efficiency focusing on carbon reduction.
4. At the same time, public authorities will need to be innovative in their procurement practices and engage suppliers in developing innovative, high quality and cost-effective solutions to the delivery of works, services and goods.
5. Prioritisation will mean that progress against the three agendas will be supported and monitored by the Office of Government Commerce (OGC) through the introduction of performance metrics. The priority agendas will also be pursued by means of a voluntary charter with suppliers, enabling Government to speak with one voice on its priorities providing greater clarity to suppliers.
6. In catering for policy agendas through procurement, government has a role through its own buying not just to demonstrate concern for the people, the economy and the environment, but also to influence suppliers to pursue the same agendas.
7. This action plan focuses on the policy agendas that Government has identified as priorities to be delivered through procurement. Equality is a fundamental principle of fair and effective Government, and alongside these priorities, public sector organisations, in line with current legal requirements, have a responsibility to consider equality as part of every procurement. Further work will be done to promote equality through procurement by means of the Equality Bill and proposed specific duties. A suitable performance metric to monitor progress will be developed.
8. Procurers will still on a case-by-case basis either need to take forward other agendas, e.g. the Government's timber policy when buying furniture or be able to do so e.g. Fair Trade food and drink.
9. Most Government departments have now published Innovation Procurement Plans. Linking the delivery of these plans to the PtP agendas will ensure we maximise the potential offered by public procurement to deliver innovation and key policy priorities. Departmental progress in delivering their Innovation Procurement Plans and further developing innovative procurement practice will be reported in the Government's Annual Innovation Report. A pilot Innovation Index for the public sector will be developed by autumn 2010.

Delivering Growth

10. Government procurement has a powerful role in shaping markets and in helping address inequality, with the potential to drive demand for new services, technologies, skills and jobs. This creates opportunities for businesses and their employees to compete to meet government's needs. The *New Industry New Jobs* policy document made the case for smarter procurement as a means of sending strong, clear signals of what government requires of public procurers and suppliers.
11. Growth which is both fair and innovative lies at the heart of the investment-led recovery and the 'green-jobs revolution'. Using procurement to encourage innovation will enable government successfully to meet the challenging task of delivering efficiency in public spending, improving the quality of publicly procured goods and services. Through implementation of the current public sector Equality Duties it can also help address disadvantage.

Prioritising Policy through Procurement

12. Prioritisation of the three policy areas will be delivered through:
 - **Government departments and their arms length bodies in their formal procurement activity where relevant**
 - **collaborative procurement** led by the OGC and Buying Solutions
 - **a voluntary charter to be agreed between government and its major suppliers**, placing voluntary commitments on both sides to take forward the three policy priorities outside the formal procurement process; and
 - **work of the OGC's Centre of Expertise in Sustainable Procurement (CESP), including the Defra-led review of government's sustainable procurement and operations targets.**
13. OGC will work closely with lead policy Departments and lead bodies in the wider public sector to encourage the pursuit of these PtP agendas outside central Government.

Reporting Mechanisms and Monitoring Progress

14. Progress will be monitored by OGC using a set of key performance metrics for Government. These metrics are:
 - the value of contracts placed with SMEs
 - the number of apprenticeships supported through public procurement building towards our aim of securing 20,000 apprenticeships over the next 3 years
 - the number of young unemployed people taken into the workforce as a result of public procurement
 - the absolute number of departmental "key" suppliers (and the % of their total third party spend this represents) that have agreed to disclose their greenhouse gas emissions, with the aim that Government will work with them to support their supplier carbon reduction programmes. Suppliers should seek to disclose their emissions in accordance with the Defra/DECC guidance on measuring and reporting greenhouse gas emissions.¹
15. In addition, OGC will monitor the number of key suppliers that have signed the Supplier Charter and the impact of the Charter.
16. Departments will be required to report regularly against these metrics and for the first time in Spring 2010. As well as monitoring progress, OGC will explore how delivery of these agendas can best be embedded into its project assurance tools such as the Starting Gate and Gateway processes.
17. OGC will develop by the end of February 2010 an assessment tool to help public procurers decide under which circumstances a given policy agenda should be promoted. This will be key to delivering

¹ <http://www.defra.gov.uk/environment/business/reporting/index.htm>

against the three priority agendas, but it will also assist in delivering the other agendas that Departments may need to further on a case-by-case basis e.g. timber policy when buying furniture.

Future Milestones

18. The following table outlines the key future milestones for implementing this PtP action plan.

| Milestone | Date |
|--|----------------|
| PtP Action Plan published. | January 2010 |
| Metrics agreed. | January 2010 |
| Buying Solutions to agree to which existing contracts the PtP action plan applies and commence work on a forward strategy. | January 2010 |
| OGC Markets and Collaborative Procurement (MCP) to agree to which collaborative procurement deals the PtP action plan applies and commence work on a forward strategy. | January 2010 |
| Online training aimed at increasing SME understanding of the public procurement process enhanced and re-launched on Learn Direct. This will be a free of charge service. | January 2010 |
| Phase 1 of OGC's non-legislative equality toolkit launched. | January 2010 |
| Defra to publish targets for sustainable operations and procurement for central government, including how PtP priorities are integrated into government's targets. | January 2010 |
| Assessment tool shared with commercial director community. | February 2010 |
| Publication of PtP assessment tool. | February 2010 |
| First wave of signatories to Supplier Charter. | March 2010 |
| Suite of guidance for procurers and small businesses published. | March 2010 |
| Anticipated Royal Assent date of the Equality Bill. | April 2010 |
| Investigate feasibility of asking departments to publish forward programmes of likely SME-friendly (including third sector) opportunities on departmental websites. | April 2010 |
| Launch of training programme for public procurers. | April 2010 |
| Review of PtP assessment tool. | May 2010 |
| Baseline against metrics for departments collected. | June 2010 |
| Government Delivery Plan Update on Sustainable Procurement and Operations on the Government Estate, including the work of CESP and departments on PtP. | July 2010 |
| Next wave of signatories to Supplier Charter. | September 2010 |
| Consult with lead public sector bodies e.g. Communities and Local Government (CLG) and Regional Improvement and Efficiency Partnerships (RIEPs) on applying the PtP | October 2010 |

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|--|---------------|
| action plan to the wider public sector. | |
| Review of Supplier Charter with relevant supplier representative bodies, key suppliers and government bodies. | October 2010 |
| Review of performance against action plan on agreed Buying Solutions and MCP contracts. | October 2010 |
| Public Sector Innovation Index published. | Autumn 2010 |
| Launch of free to access portal for below threshold procurement opportunities. | December 2010 |
| Regional training events to be held in all 9 English regions through the RIEPs. | December 2010 |
| Government Delivery Plan Update on Sustainable Procurement and Operations on the Government Estate, including the work of CESP and departments on PtP. | December 2010 |
| PtP One –Year On progress report published. | December 2010 |
| Anticipated coming into force date for the public sector single equality duty and proposed specific duties. | April 2011 |

Supporting SMEs

19. OGC worked with the Department for Business Innovation and Skills (BIS) to support the Glover committee in formulating its recommendations aimed at facilitating SME participation in public procurement.² The Government will have delivered on all the recommendations by the end of 2010. The key challenge is to institutionalise SME-friendly procurement across the public sector to enable SMEs to benefit from public procurement opportunities and to enable the public sector to benefit from their vfm, innovation, flexibility and diversity. To do that OGC is working with change agents in the local government, health and education sectors. A list of achievements in each of the Glover recommendation areas, together with an outline of next steps, is attached to this action plan.

Skills Training and Apprenticeship Opportunities

20. OGC is working closely with BIS to ensure that the public sector makes full use of the potential for its procurement to promote skills training and open up apprenticeship opportunities on public sector projects and programmes including to groups often excluded, economically disadvantaged or under-represented within certain sectors.
21. In September 2009, BIS announced a new cross-Government ambition to secure 20,000 apprenticeships over the next three years by encouraging employers working with Government – whether to build a new school or hospital, to develop a new IT system, or to deliver facilities management services – to invest in the skills of their employees and provide apprenticeship opportunities. All Departments and Agencies will be expected to play their part in delivering this ambition.
22. This builds on a number of recent Government commitments to promote skills and apprenticeships through procurement. In the 2008 PBR, Government committed that when Departments and Agencies let new construction contracts they would consider, on a case-by-case basis, including a requirement that a proportion of the workforce is made up of apprentices. This approach has been extended to Government's IT procurement spend where prospective suppliers will be asked to sign up to the standard industry skills framework.

² http://www.ogc.gov.uk/key_policy_principles_creating_opportunities_for_smes_and_third_sector_organisations.asp

23. In *New Industry, New Jobs*, Government made the overarching commitment to routinely consider skills issues and promote training across its full procurement activity.
24. A number of public bodies have already made firm commitments to promoting skills and apprenticeships through their procurement programmes. Building on the significant number of apprentices already supported, the Building Schools for the Future programme is expected to create upwards of 250 new apprenticeships a year from 2011 through its contractors' framework. Similar numbers will be coming through Local Education Partnerships (LEPs) from the end of 2011. The Homes and Communities Agency is promoting skills and employment opportunities through all its major funding streams and this is expected to create an additional 3,000 apprenticeships and job opportunities; these opportunities must be genuinely available to all.
25. OGC is working closely with BIS and Departments to provide advice and support on the inclusion of skills training and apprenticeships in procurements and to drive delivery of the overall ambition through Departments' procurement activity and through OGC's own collaborative procurement agenda. A range of guidance, case studies and model documentation has been produced to support delivery of this ambition, including an OGC guide '*Promoting Skills through Public Procurement.*'

Tackling Youth Unemployment

26. Allied to the above, it is a priority for the Government to tackle unemployment, particularly youth unemployment and move back to the level and rate of employment seen before the recession. The aim will be to move young people into jobs created through public procurement, a proportion of which will be from the unemployed. OGC and the Department for Work and Pensions (DWP) will issue guidance to suppliers on recruitment and working with Jobcentre Plus through Local Employment Partnerships. Action will need to take place on a voluntary basis so as not to contravene EC Treaty principles and procurement rules around free movement of labour.

Resource Efficiency focusing on carbon reduction

27. The Government's 'Low Carbon Industrial Strategy', July 2009, set out a strategic view of Britain's low carbon strengths and opportunities based upon harnessing the dynamism of the private sector and a strategic role for Government to help ensure that it makes the most of the potential benefits of innovation. A key aspect of the strategy is the use of smarter procurement by the public sector - driving demand for low carbon products. This includes the use of innovative procurement mechanisms such as 'Forward Commitment Procurement' (FCP) and the Small Business Research Initiative (SBRI). In November 2008, BIS launched an FCP competition on the theme of 'innovation for sustainability' to encourage the development of a number of flagship projects which can be used to showcase the potential for procuring new, more environmentally sustainable solutions. The Technology Strategy Board and CLG launched the 'Retrofit for the future' SBRI competition in March 2009. The £16m competition challenged industry to develop and demonstrate solutions for refurbishment of entire homes that deliver deep cuts in energy use and carbon emissions. The high level of response showed a significant appetite from industry to be active in this area, and therefore demonstrated the potential for effective innovation in providing low carbon solutions. Further competitions on a low carbon theme are being developed.
28. A key commitment, identified in the UK Government's Sustainable Procurement Action Plan, is to deliver carbon reduction and resource efficiency across the Government estate and supply chain. Working with suppliers to improve the sustainability of their goods and services is critical to the Government achieving this. The main emphasis over the last 12 months has been to build upon the success of the 2008 Carbon Disclosure Project (CDP) pilot by mainstreaming the measurement of greenhouse gas (GHG) emissions.

29. This year, 14 Government departments and executive agencies have worked together to capture the wider impact on the environment of the UK Government's activities by requesting that suppliers respond to the CDP Public Procurement Programme (PPP). In all, over 250 suppliers across all sectors were asked to complete the CDP questionnaire. 164 suppliers responded making a response rate across all departments of 64%, an excellent outcome considering that many of these companies were disclosing for the first time.
30. We will continue to encourage resource efficient and low carbon supply chains, as our direct contribution to the bigger goals of transforming UK business to meet the needs of a low carbon economy. By asking our supply chains to report their resource use and impacts we will raise the profile of these issues directly through their business transactions with Government. In response, business will be encouraged to produce more sustainable goods and services.

Supplier Charter

31. While much can be done during the formal procurement process to deliver policy outcomes, there is scope to take action on a voluntary basis outside the procurement process through ongoing supplier relationship management. Many private sector organisations have entered into charters or codes of conduct with their suppliers, to encourage them to adhere to their values and sustainability objectives. A PtP Charter between Government and its major suppliers presents an early opportunity to act on our priority policies, given that formal procurements can take many months. One Charter for the whole of Government, to which suppliers can commit in whole or in part, will also result in significant savings for suppliers as they will not have to deal with a number of different departmental priorities. OGC will work with Government departments and industry to agree the Charter and enlist signatories.

Benefits to Suppliers

32. By publishing its PtP priorities, the Government is setting out a clear prospectus for suppliers who will benefit from:
 - Government speaking with a single voice through the Supplier Charter
 - public procurers acting more uniformly on PtP issues in individual procurements
 - collaborative procurement strategies embodying the priority PtP agendas.
33. By being a demander of innovative products and services the Government will encourage industry to develop forward looking offerings. SMEs will benefit from the continuing drive, through the Access for All programme, to address barriers to their participation in public procurement. Particularly intended to benefit SMEs will be the provisions in the Supplier Charter to open up supply-chain opportunities and pass down prompt payment and other terms and conditions to sub-contractors.
34. Government and supplier interests coincide on the addressing of training, apprenticeships and the fight against youth unemployment through public procurement. Government benefits from the knowledge that its contracted workforce will be trained and replenished for the good of future contracts as well as the current one. Suppliers benefit from the investment in their workforce and from making a contribution to people's well-being. The spotlight on carbon reduction means that suppliers stand to benefit from the low carbon economy of the future.

Access for All – One Year On

Background

1. The Glover Committee was set up at Budget 08 to review the barriers for small businesses accessing Government procurement opportunities. The Committee was headed by Anne Glover, the Chief Executive of Amadeus Capital Partners - a venture capital management company.
2. The Glover Committee's final report, "Accelerating the SME Economic Engine"³, was published at PBR 08. The report outlined 12 recommendations that were fully accepted by the Government. A progress report was included in Budget 09. A full list of the report's recommendations can be found at Annex A of this document.

Key Achievements One Year On

3. Progress against each of the report's recommendation areas is as follows:

Increased Transparency

- Government will set-up a new **single online portal**, where all government contracts worth more than £20,000 can be viewed in one place. This will be free at the point of use for businesses to access, and will form part of the HMRC Business Link website. It will go live in 2010/11". Prime contractors will also be able to publish sub-contracting opportunities, which may be particularly suited to SMEs, on the portal.
- The OGC has recently published a new e-procurement policy for government covering the full spectrum of issues from e-marketplaces, e-sourcing to e-auctions⁴. OGC will in early 2010 publish a guide for procurers on the use and benefits of e-tendering.
- Departments will be required to publish details of contracts awarded on the new opportunities portal once live. OGC is recommending that, to increase access to contracts at the earliest opportunity, those departments that do not already routinely do this publish contract award details on www.supply2.gov.uk by January 2010.
- OGC will publish in early 2010 guidance on contract flagging to encourage procurers to highlight those contracts that are particularly suitable for SMEs. In the meantime there is a draft available on the OGC website. The guide covers some of the issues to be considered through the procurement process to ensure SMEs are not disadvantaged following an expression of interest. A contract flagging facility will be available on the opportunities portal.

³ http://www.ogc.gov.uk/key_policy_principles_creating_opportunities_for_smes_and_third_sector_organisations.asp

⁴ http://www.ogc.gov.uk/key_policy_principles_delivering_value_for_money_in_procurement.asp

Simplicity

- OGC has updated its Pre-Qualification Questionnaires (PQQs) that can be used to select suppliers through to the next stage of the tender process, and will encourage their use by Government departments and the wider public sector. Accompanying guidance covers the assessment process for the pre-qualification stage of a procurement and highlights the importance of allowing references from both the private and public sector, so as not to discriminate against smaller businesses that have not previously worked for government.
- This guidance clarifies the position on the use of third party accreditation services, stating that the use of a paid for third party registration cannot be a requirement of the selection process.

Strategic Procurement

- To encourage innovation in public procurement departments were asked to develop innovation procurement plans (IPPs), most of which have now been published. An online IPP community has been set up to encourage cross-fertilisation across departments. Work is underway to develop metrics to measure innovation.
- One way of encouraging supplier innovation is to use outcome based specifications. The guide *'Driving innovation through public procurement'* was published in July 2009 and promotes the use of outcome based specifications across the public sector.
- BIS launched a competition in November 2008 to bring forward proposals for Forward Commitment Procurement (FCP) projects on the theme of sustainability as a means of encouraging the use of outcome-based specifications across government. BIS is supporting a selected number of projects in order to develop a portfolio of materials and case studies which will be used to promote the use of the FCP process across the public sector.
- To make sub-contracting opportunities more visible prime contractors will be encouraged to publish sub-contracting opportunities, which may be particularly suited to SMEs, on the new government opportunities portal.
- Draft guidance is available on the OGC website for procurers and suppliers, that identifies existing best practice on opening up supply chains.
- In June 2009 Government announced that departments and their executive agencies and NDPBs should pay valid supplier invoices within 10 working days of receipt.

Measurement

- Departments have been asked to report on their 2009/10 spend with SMEs by summer 2010. Data has already been collected for five government departments and the baseline for central government will be published in summer 2010. Work is continuing to develop a more centralised approach to data collection across the public sector.

Next Steps

4. The Access for All programme will be measured by how effective it has been in making real changes on the ground to how the public sector interacts with SMEs. Going forward the emphasis will shift from implementing the Glover recommendations (outputs) to embedding SME friendly procurement activity on the ground (outcomes). A programme of regional training events has been launched for small businesses and a cross-section of public sector procurers. Working with the Local Government Association (LGA) and the RIEPs this training is focussed on institutionalising SME-friendly practices in public procurement, especially in the wider public sector and will be incorporated in the Government Procurement Service Certificate of Competence programme. Online training aimed at increasing SME understanding of the public procurement process and available through Learn Direct is being enhanced and will be re-launched in January 2010. The programme will work closely with the CBI, Federation of Small Businesses and other industry bodies to help ensure it addresses SMEs' key concerns.

Full list of Glover Recommendations

Improving SME participation in public procurement is best achieved by making the market work effectively to allow SMEs to compete effectively for contracts. This requires that opportunities should be transparent, the process as simple as possible, and that a strategic approach to procurement encourages innovation and gives SMEs a fair deal when they are sub-contractors. In detail:

Transparency

- By 2010, contract opportunities above £20,000 across the whole public sector should be advertised electronically with standard indicative contract value ranges, and accessible through a single, free, easy to search online portal.
- Government should issue all tender documentation electronically by 2010 and these should be kept as brief as possible. Businesses should be permitted to tender electronically for all public sector contracts by 2010; no paper only tenders should be required after this date, with an ambition for all tenders to be electronic by 2012.
- Details of contract awardees should be published online in a standard format within 48 days of contract signature, accessible via the single portal by 2010.
- Tendering opportunities thought especially suitable for SMEs or consortia of SMEs should be flagged by the procurer during the advertising process. Government should provide strategic and detailed guidance for procuring authorities on assessing suitable contracts for flagging, based on risk, value and market maturity.

Simplicity

- Qualification criteria that are not specific to a sector should be standardised and incorporated in all pre-qualification questionnaires so that businesses do not need to repeatedly submit the same core information in different formats.
- Procurers should give businesses the opportunity to provide details of all previous relevant experience when bidding for contracts, not just public sector experience. This should be taken into account when selecting successful tenders.
- Procurers should ensure that, where they rely on a particular accreditation scheme or standard as part of the process of prequalification or contract award, that they take a flexible approach. Businesses should be given the opportunity to provide evidence that they can meet the contract requirements by reference to other similar equivalent accreditations or standards they may already hold - especially where these have been recognised or required by other public sector procurers.

Strategic Procurement

- Departments should use their Innovation Procurement Plans to set out how procurement aligns with their overall commercial strategy, encourages innovation and gives advanced notice of long-term procurement plans.
- Government should encourage wider use of outcome-based specifications across the public sector, as a means of driving innovation.
- Government should expect and enable prime contractors to make their sub-contracting opportunities accessible through the single, online portal created in Recommendation 1.

- Through contract management, Government should ensure that SMEs and other firms acting as sub-contractors obtain promptness of payment terms, and of other conditions, that are no worse than those applicable to the prime contractor.

Measurement

- The Committee recommends that all central government departments should report annually on the value of their contract spend with SMEs, creating a reliable single source of quantitative data which can be used to inform future policy decisions and evaluate the recommendations in this repo

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