

Better Procurement

A Response to the Government's Consultation
on the Development of an Industrial Strategy

Executive Summary

This document has been prepared in response to the Government's Green Paper, **Building our Industrial Strategy**, by Scape Group, one of the leading public sector procurement organisations in the UK.

Scape Group is a public sector organisation dedicated to the creation of efficiency and social value via the built environment. We offer a suite of OJEU compliant frameworks, procurement services and innovative design solutions that are available to any public body in the United Kingdom.

Owned by six local authorities, our frameworks have been strategically developed to support the entire lifecycle of the built environment, offering construction, consultancy, facilities management and civil engineering services.

£13BN
our combined buying power

Our frameworks are led by organisations including Wates, Lendlease, Balfour Beatty, Willmott Dixon, Kier, Carillion, Robertson, and Perfect Circle, a joint venture between Gleeds, AECOM and Pick Everard. These organisations are supported by an extensive local supply chain network.

Operating with a combined buying power of £13 billion, our frameworks have delivered over 2,400 successful projects, realising market leading performance in terms of time, cost, quality and social value generation.

Operating for over 10 years, we have developed a reputation for the successful execution of public sector procurement. Further, over this period we have actively performance managed the successful delivery of over 2,000 projects across the UK. As such, we fully appreciate the value of high quality procurement for the public sector, SMEs, taxpayers and the economy.

99%
of projects delivered on budget

Industrial Strategy and Public Procurement

We share the Government's aspirations to develop a comprehensive Industrial Strategy for the United Kingdom, which maximises the economic opportunities for every area and region of the country. We also believe that through innovative and strategic public sector procurement, central and local government can generate better project outcomes, better value for the taxpayer and a greater economic impact from public expenditure.

Our approach to procurement delivers successful outcomes for the public purse and the economy. Our completed projects to date can evidence that **50% of local spend is made within 20 miles of each site, equating to £1.6 billion spent with local suppliers.**

At the same time, Scape has saved the public sector around **£120,000 for every £1m spent, with 95% of projects delivered on time and 99% delivered on budget.**

Our analysis of public sector tenders and contracts in the past 12 months reveals that **£72 billion of contracts over £10m** were awarded in the year 2016/17. If our recommendation of just **20% Social Value** was implemented on these contracts, that would mean over **£14 billion for local communities.**

In this report, we have set out our response to the individual proposals within the Improving Procurement section of the Green Paper, and have suggested further ways in which the Government could encourage greater innovation, efficiency and economic outcomes through better procurement. ■

“Each year the government spends over £268 billion on procurement. As a nation, we must seek not only to minimise waste, but to maximise the economic opportunity in every pound spent.”

Mark Robinson
Scape Group Chief Executive



Sustainability in the Supply Chain

In Q3 2016 Scape Group undertook one of the most comprehensive surveys of the supply chain for public sector construction and built environment projects ever undertaken.

Our Sustainability in the Supply Chain Report surveyed over 100 public sector organisations and Tier 1, 2 and 3 suppliers offering built environment services.

The report revealed that SMEs feel ill-informed about public sector opportunities, have poor visibility of project pipelines, and believe the public sector must do more to engage with their supply chain marketplace:

- 51% of SMEs said they did not feel well informed about future public sector contracts.
- 70% of suppliers said forward visibility of pipelines and contracts was a significant problem for their business.
- 77% of SMEs believe the public sector needs to do more to engage with its supply chain.
- 36% learn about opportunities to bid for work through OJEU, while 88% of SMEs receive work through direct invitations to tender or quote from organisations.
- 72% of public sector organisations use frameworks to procure goods and services.



51%

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36%

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77%

of SMEs believe the public sector needs to do more to engage with its supply chain

72%

of public sector organisations use frameworks to procure goods and services

Through the Industrial Strategy, Government can begin to address some of the common inefficiencies of public sector procurement and can utilise the full weight of government purchasing power to strengthen supply chains and communities. ■

Sustainability in the Supply Chain Survey 2016

Our Recommendations

1 A Government-led Best Practice Guide for Public Sector Procurement

This should set out in clear and simple language what public sector organisations need to consider when structuring their procurements and what SMEs need to know to compete effectively for bids. Information is currently too disparate, expertise is too expensive, and organisations lack examples of procurement best practice.

2 Further Streamlining and Standardisation of Procurement Processes and Tendering Requirements

Public sector procurement should be simple and straightforward, with minimal repetition between procurements. Government should work with public sector organisations and procurement specialists to create national standards that optimise opportunities for SMEs.

3 The Creation of a 'By Appointment to HM Government' Equivalent to the Royal Warrant

This title would be awarded to government suppliers, acting as a mark of quality for companies to aspire to and helping to encourage more SMEs to bid for public contracts directly or as a member of a supply chain.

4 Providing a Clear Definition of Social Value

Greater clarity on social value KPIs and effective measurement parameters would provide a better structure for public sector organisations to work within and offer clearer bidding requirements for SMEs and the private sector.

A 20% minimum Social Value commitment on all contracts over £10m could mean £14.4 billion for local communities. ■

Consultation Question 23¹

Are there further steps that the Government could take to support innovation through public procurement?

¹ Building our Industrial Strategy Green Paper, 2017, p77



Quality and Innovation

Innovation should be built into public sector contracts, and frameworks are the best delivery model for quality and innovation.

Scape already mandates in its framework agreements that partners must deliver the innovations promised in their tender documents. They must show evidence that they have done so and this becomes a measurable metric in our ongoing performance management protocols. This approach could be more widely introduced across the public sector to encourage innovation.

Scape's framework model – four year single supplier frameworks – provides the commercial attractiveness for firms to commit to innovation and facilitate the organisational change required to deliver efficiencies. Alternative methods such as 'mini-competitions' for projects are shorter term, are less commercially viable and cannot attract the same long-term commitments to innovation.

The principle behind all procurement frameworks should be to save the public sector money and deliver efficiently for the taxpayer. However, there is currently no restriction on public sector organisations using private for-profit frameworks, and there is an absence of a national quality guarantee. Frameworks should be considered a public service, and by ensuring national standards government can improve outcomes and efficiency. Guidance on the establishment and availability of frameworks, their performance

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and achievement in a national register would enable better informed choices from contracting authorities across the United Kingdom.

Creation of a 'By Appointment to HM Government' equivalent to the Royal Warrant. By awarding this title to public sector suppliers, Government would encourage more SMEs to bid for government contracts and reward those organisations who win government contracts. This should act as a 'badge of honour' for suppliers and something for SMEs to aspire to as a mark of quality for their products or services. In the long-term this would help to drive up quality and improve competition.

Scape has successfully adopted this approach, through the development of the Scape Procure brand identity. This is used as a mechanism to ensure high standards of delivery, as it is widely recognised by the public sector as a mark of quality. ■

SMEs

Level the playing field for SMEs.

Procurement bureaucracy is a burden for SMEs and prevents them competing effectively with larger companies who have the resources to employ in-house bidding teams. Ultimately this reduces choice and innovation in public procurement.

The Government must help to progress the standardisation of specifications across the public sector. Scape is already working with other stakeholders in the industry, including the BSI, and local government to standardise Pre-Qualification Questionnaires (PQQs) to make them easier for SMEs to complete and submit. A national strategy for standardisation and streamlining of the procurement process would build on this work.

Health and Safety Policy, for example, is an essential part of all procurements, but many SMEs and smaller contractors may only have a limited company policy. This is especially the case when submitting a public sector bid for the first time. In contrast, larger companies may have internal Health and Safety teams and often submit detailed policy documents of 10,000 words or more. This can result in SMEs receiving lower scores when being assessed by procurement teams.



Standardisation and streamlining of these typical procurement documents is one way to reduce the burden on SMEs. However access to advice and support is also essential. Contracting Authorities and procurement teams may be able to advise on individual procurements, but central government could provide clearer best practice guidance so that firms can be ready when tender opportunities arise.

Help SMEs to form Consortia when bidding for public sector contracts. By joining together as a consortium, it is easier for SMEs to prepare competitive bids for work. They can share resources during the bidding process and can offer a broader set of skills and expertise to contracting authorities. This both

improves SMEs' competitiveness and promotes innovation.

However, SMEs require the time and knowledge to form a successful consortium of two or more companies. The government could provide clear best practice guidelines for SMEs who want to form consortia, so that they are better informed about the things they need to consider and prepare for ahead of a bid.

Fair payment. The government is right to prioritise fair payment times for suppliers. Late or longer term public sector payment commitments can be a significant strain on SMEs' cashflow. 30 day payments should be an enforceable minimum for all public sector contracts. ■

Social Value

A clear definition of Social Value. The Public Services (Social Value) Act 2012 was a positive step forward in ensuring organisations consider the wider social value of their procurement activities, but further development is required.

‘Social Value’ is a term that is subject to interpretation and, given the breadth and depth of opinion on the issue, has become difficult for contracting authorities to consistently measure.

For example, in a single procurement, bidders for a public sector construction project can provide multiple metrics for how many apprenticeships they will deliver. Bidders can present their commitment in full-time apprenticeships to be created, apprenticeship weeks to be provided or apprenticeship hours on site. Bidders can also offer to provide higher level opportunities for over-18s or entry level positions for 16 year olds. They can also propose site visits and training days for school pupils or university students instead of, or in addition to, apprenticeships. These are all positive commitments, but without clear definitions and standards, this places a significant burden on contracting authorities assessing them.

When all potential aspects of social value are considered, contracting authorities can be presented with an extensive array of metrics that can be difficult and time-consuming to analyse and compare. In addition, SMEs do not always have the in-house skills and knowledge to properly assess what social value KPIs they should be committing to in bids. This places them at a disadvantage against larger bidders. These are inefficiencies that can be addressed through better definitions and measurement guidelines.

If Social Value is to be prioritised, as it must be to deliver community benefits through procurement, Government should provide clearer guidance for contracting authorities, bidders and SMEs on the measurement of the concept. A simple, straight-forward Procurement Best Practice guide will help to streamline the process and ensure we are maximising the potential benefits of social value in bids.

Public sector procurement to take greater account of local community benefits.

Scape’s frameworks evidence the benefits of including local spend, local employment and local training requirements within KPIs. The Government could consider setting targets of 20% social value spend for all UK public sector projects over £10m.

Commitments to Social Value and local spend should be clearer and compulsory – building on the ‘balanced scorecard approach’ but ensuring minimum deliverables. More could also be done by Government to encourage public sector procurement KPIs that promote SMEs, Micro-businesses and inclusion of employees from BME backgrounds.

A simple, straight-forward Procurement Best Practice guide will help to streamline the process and ensure we are maximising the potential benefits of social value in bids



Social Value continued

Strengthen regional supply chains through a 'local first' approach to procurement.

The primary purpose of procurement is to deliver value for money and quality for the public sector. However, contracting authorities should also consider the local economic benefits that local and regional suppliers can provide. Scape's frameworks deliver high levels of local spend, and this is attractive to local authorities and public sector organisations who want to ensure local community benefits from their investment in their built environment.

More could be done nationally to encourage public sector organisations to think 'local first', to help ensure that local suppliers are aware of bid opportunities and are well positioned to compete for them.

Cost and quality should continue to be the primary determinants of contract awards, but public organisations should have a knowledge and understanding of their local supplier network in key areas, so that they can effectively connect with them during the market engagement stage of procurement. They should also understand how to set KPIs that strike the right balance between value for money and local economic activity. This requires a 'local first' culture change within organisations and procurement teams.

One way for local spend to be encouraged would be for each region, combined authority or local authority to set priorities in their area for local spend from their own procurement, mapping both their area's economic strengths and which local suppliers can deliver local growth and job opportunities. Local money should be reinvested in local economies in this way, provided it also delivers quality and good value for money overall.

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What would a 20% Social Value commitment mean for local communities?

Each year the Government spends £268 billion on procurement, equivalent to 14% of UK GDP. According to our analysis of public sector tenders, in 2016/2017 £72 billion was spent on projects and contracts over £10m and, of these, £16.8 billion on construction and built environment services.

If a 20% minimum commitment to Social Value was implemented on all contracts over £10m across all Government procurement spending, this could mean £14.4 billion of spending each year directed to local economies, and £3.4 billion from construction projects alone.

If this approach was implemented on HS2, we estimate that local supply chains and economies could benefit by up to £11.2 billion over the lifetime of the project. A 20% minimum Social Value commitment on the Government's Road Investment Strategy (RSI1) would also mean over £2.3 billion in Social Value and local spend in the areas where the projects are being implemented. ■

 Project	 Total value	 Potential 20% Social Value
Public sector contracts over £10m (2016/17)	£72 billion	£14.4 billion
Public sector construction contracts over £10m (2016/17)	£16.8 billion	£3.4 billion
HS2 (Phase 1 & 2)	£56 billion	£11.2 billion
Road Investment Strategy (RSI 1)	£11.4 billion	£2.3 billion



Question 24

What further steps can be taken to use public sector procurement to drive the industrial strategy in areas where the Government is the main client, such as healthcare or defence?

Do we have the right institutions and policies in place in these sectors to exploit Government's purchasing power to drive economic growth?

²Building our Industrial Strategy Green Paper, 2017, p77

Best Practice in Public Sector Procurement

More could be done by Government to help public sector organisations undertake market engagement initiatives.

Local market engagement is essential to bring more SMEs into the supply chain and encourage a broader range of bids. Public sector organisations should engage with the market in a meaningful way, through roadshows and one-to-one events, lasting anywhere between three and six months on major procurements.

Currently, however, organisations are reluctant to engage with the market or do not have the resources to do so. Although national policy is supportive of market engagement, in practice the process of market engagement is often considered too complicated, and public sector organisations do not have the time or resources to undertake it fully. Public sector organisations must be given the resources to complete this important activity, including thorough market research and market engagement ahead of commencing formal procurement processes.

The activities highlighted above, remain a cornerstone of our procurement processes, across our suite of national and regional frameworks.



Central Government should define best practice procurement, clearly and simply. The Crown Commercial Service should act not only as an efficient central procurement body, but as a best practice model for procuring authorities to emulate and model. A Procurement Best Practice guide for SMEs and procuring authorities would be a good way to drive better procurement outcomes across all areas of public spending. ■

Public sector organisations should engage with the market in a meaningful way, through roadshows and one-to-one events

Commentary



Public sector procurement should be simple and straight-forward, with minimal overlap. That is the way to get Britain's SMEs embracing public contracts and driving innovation. But we must also ensure we are maximising the social value of every Pound that public organisations spend on capital projects, so that local supply chains and local communities benefit from spending through training and job opportunities."

"Government must also do everything it can to ensure that British SMEs are best placed to compete for UK public sector contracts. That means streamlining procurement processes and bidding requirements, as well as providing straight-forward guidance and support to both SMEs and contracting authorities. It is in the interests of both sides to cut down on bureaucracy and there is real appetite for a more collaborative approach to solve some of the common frustrations around procurement."

"Government has a role to play in creating a successful framework for good public sector procurement, and this is something that must be addressed in the Industrial Strategy. If we can use the government's spending power more efficiently and effectively we can also unlock the potential of SMEs and supply chains in every region of the country."

"As we leave the EU, there is an opportunity to take the best practice approach of the EU Procurement Directives and create a new UK procurement model that delivers maximum value for the UK economy and local communities. But there are also many practical steps we can take right now to simplify procurement processes, support local supply chains and deliver real jobs and training. Better, smarter public sector procurement must be a top priority for policy makers."

"National and regional single-supplier frameworks remain a robust means to deliver projects and services cost-effectively, and to manage supply chains in a positive way that encourages local economic activity."



Mark Robinson,
Scape Group Chief Executive



Case Study

Kier – Working for Kent County Council through the Scape Minor Works framework

Kier is a leading national property, residential, construction and services group appointed to lead the Scape National Minor Works framework. The framework is designed to deliver single construction projects up to a value of £4m.

Kent County Council has used the Scape Minor Works framework to undertake projects up to a value of £21 million, and these include the extension and refurbishment of a number of schools. By using the framework, the Kent economy has benefitted from Scape's KPIs for local spend and local employment and training.

For every £1 spent in Kent through the Scape Minor Works framework, Kier has delivered £1.32 in social value. Projects have also delivered over £5.5m local spend with SMEs within 40 miles, providing a significant boost to local supply chains. This has created 15 full time new jobs, and five apprenticeship starts.

Kent County Council wanted to extend Meadowfields Special Educational Needs School to create an additional 60 places with minimal disruption to school activities. Through the Scape Minor Works framework, Kier were able to deliver 100% local spend within 40 miles and 93% local labour within 40 miles.



Project: Meadowfields Special Educational Needs School – Phases 1&2
Client: Kent County Council
Value: £2.2 million



Case Study

Balfour Beatty – Cheshire and Warrington LEP – Scape Civil Engineering and Infrastructure framework

Funded by Cheshire and Warrington LEP, the Birchwood Pinch Point Project was designed to improve connectivity in North East Warrington and support the Birchwood area’s Business Park. The project involved the upgrade of two existing roundabouts along the route that connects Warrington Town Centre to the M62, in order to increase road capacity and ease congestion for the 10,000 vehicles that enter Birchwood Park each day.

The project has prioritised local employment and investing spend back into the local community. Through the Scape Civil Engineering framework, Balfour Beatty were able to deliver 98% local employment within 40 miles, £1.5 million of local spend and 90% SME subcontractors.



Project: A574 Birchwood Way Pinch Point
Client: Cheshire and Warrington LEP
Value: £3.7 million



Better Procurement and the Industrial Strategy Next Steps

Scape is committed to finding new and innovative ways to deliver efficiency and value for money within the public sector, and to develop effective public sector procurement policies.

Our expert team will seek to work with central government and public sector organisations across the country to promote best practice and improve procurement outcomes, including through a high quality national Industrial Strategy.

We hope to engage with the Department of Business, Energy and Industrial Strategy (BEIS) on the development of the Industrial Strategy following this consultation.

About Scape Group

Scape Group is a public-sector organisation, dedicated to creating ongoing efficiency and social value via the built environment. Scape and its subsidiaries offer fully managed frameworks, property services, innovative design solutions, community investment opportunities and joint ventures.

By bringing together the strongest teams from the public and private sectors, Scape's rapidly deployed, highly measurable and collaborative approach delivers value for money and quality buildings whilst stimulating local economic growth and community enrichment. Scape operates with a buying capacity of £13bn and has helped to deliver over 2,400 public sector projects with more than 1,700 currently in progress.

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