



**Submission to:**

Consultation for Green Paper: “Transforming Public Procurement” December 2020  
(The Cabinet Office)

**Response to the call for written evidence**

**Date:**

8 March 2021

**From:**

**AIRTO - Association of Innovation, Research and Technology Organisations**

Contact:

Dr Jane Gate

Executive Director

Email: [enquiries@airto.co.uk](mailto:enquiries@airto.co.uk)

## AIRTO's response:

### **AIRTO's response to Question 11:**

1. Public procurement has significant potential for increasing the level of innovation activity in the UK. This increased activity will be market/mission led, immediately exploitable, and have a direct, beneficial effect on UK productivity.
2. Using public procurement to drive innovation will support both the government's target of 2.4% of GDP invested in research and development by 2027, and the recent calls for greater public support for applied research, development, and demonstration.
3. The simplification of public procurement and specifically the changes discussed in paragraphs 83 to 90 of the Green Paper will remove obstacles to innovation in procurement, provide a more innovation friendly culture, and encourage innovative organisations to tender for public contracts with novel solutions.
4. Innovation should be a default criteria for the assessment of bids for government contracts, with its exclusion from the criteria for specific contracts having to be justified on an individual contract case-by-case basis.
5. Innovation can introduce risk into bids for government contracts, and the appraisal of risk and contingency and risk mitigation measures should be a part of the tender assessment process. However, it should be recognised that the elimination of risk is not possible for many projects involving innovation, and appropriate contract terms and monitoring should be used to account for this. It will be important to show that the potential gains from inclusion of innovation in such contracts will outweigh the additional costs of risk management. The flexibility discussed in paragraph 91 of the Green Paper, in the form of review and post-contract amendments arising from variations due to innovation, will help address these concerns.
6. As discussed in 4), there may be grounds for excluding innovation from government contracts (such as the supply of standard goods) but, even in this case, innovation may be appropriate in the logistics of delivery for example. Innovation can be relevant to goods, services and works being procured, both in the "product" and its mode of delivery.
7. The use of the Small Business Research Initiative (SBRI) has been successful in introducing innovation in particular sectors. Consideration should be given to widening the scope of SBRI and the organisations that can apply for SBRI funding. Specifically, it could be used for Innovation, Research and Technology (IRT) organisations to procure and coordinate large scale demonstrations of new technologies involving multiple industrial and academic collaborators for government. This could be particularly relevant for the drive for net zero carbon in the UK.
8. One specific scheme that AIRTO recommends to government would be to employ the IRT sector to manage grant funding to small, innovative businesses. This was successfully piloted by the then Transport Systems Catapult Centre (now Connected Places Catapult) on behalf of the Department for Transport. The scheme entitled SMEs to apply for Transport, Technology Research and Innovation (T-TRIG) Grants of up to £50k per project, and further benefited successful SMEs with the credibility of receiving government funding. This type of grant scheme could be run for a range of government departments.
9. A key consideration when introducing increased innovation into public procurement will be the need to protect the commercial knowledge and intellectual property of organisations contributing or proposing new approaches to the supply of goods, services or works. Three examples of situations where appropriate treatment will be needed to avoid problems for businesses that wish to engage with government follow, involving:

- a. Unsolicited innovative proposals to government which are subsequently put out to public tender. This can be addressed by adopting appropriate levels for the threshold where a public tender process is required, and by using generic descriptions in procurement which avoid releasing potential suppliers' proprietary information in documents.
  - b. The need to re-tender between phases of multi-stage projects. It must be ensured that the commercial knowledge and IP of suppliers engaged in the early stages of such activity is sufficiently protected going forward. This may mean accepting that some organisations have an advantage in the re-tendering because of their existing knowledge or reselecting such suppliers on a single-tender basis given their unique access to critical knowledge and IP.
  - c. The "innovation labs" and "multi-supplier collaboration solutions" discussed in paragraph 91 of the Green Paper, which will bring suppliers and relevant bodies together to develop innovative solutions. Clear ownership of ideas must be established at the start of the process if open discussions and collaborations are to be had. There may be a need for an "arbitrator" to identify ownership of ideas.
10. The use of "Innovation Partnerships" (paragraph 252 of the Green Paper), which allow an authority to purchase goods, services or works without further competition, can provide a solution to some of the issues in 9), and their use should be encouraged where appropriate.
11. Innovate UK is the national agency for the public funding of innovation, and has been responsible for the SBRI scheme to date. Expansion of the SBRI scheme should be a part of its continuing remit, and an expansion of its role in public procurement should be considered. This could range from providing advice on and assessment of innovation in public tenders, to coordinating the "innovation labs" discussed in 9c), and the linking of its funding of past, current and future grant-supported projects to public procurement needs.
12. Small companies, start-ups and entrepreneurial ventures are a source of leading-edge innovation. Their involvement in tendering for government contracts can be inhibited by financial adequacy and going concern requirements. The appropriateness of these requirements should be examined to ensure that such organisations are not unnecessarily excluded from tendering. The requirements could be "relaxed" if more detailed contract monitoring is employed in such instances.

AIRTO as the representative body for the UK's IRT sector organisations is willing to work with government to develop its thinking and actions on improving the level of innovation in public procurement.

### **About AIRTO**

AIRTO is the Association of Innovation, Research and Technology Organisations. Its membership comprises approximately sixty of the principal organisations operating in the UK's Innovation, Research and Technology (IRT) sector. The IRT sector has a combined turnover of £6.9Bn, employing over 57,000 scientific and technical staff (equivalent to the academic staffing of the Russell Group of universities) and, for comparison, it is significantly larger than the network of Fraunhofer Institutes in Germany both in size and its scope of activities. The sector contributes £34Bn to UK GDP. AIRTO's members work at the interface between academia and industry, for both private and public sector clients.

Members include independent Research and Technology Organisations, Catapult Centres, Public Sector Research Establishments, National Laboratories, some university Technology Transfer Offices and some privately held innovation companies.

Contact: Dr Jane Gate, Executive Director, AIRTO

Email: [enquiries@airto.co.uk](mailto:enquiries@airto.co.uk)