

INTRODUCTION

AIRTO, the Association of Innovation, Research & Technology Organisations, represents the UK's extensive Innovation, Research and Technology (IRT) sector, which employs 57,000 highly skilled people, has a combined annual turnover of [£6.9Bn and contributes £34Bn to UK GDP](#). Organisations in this critical sector work with industry, government and academia to promote and support the introduction of innovation to the full range of industrial sectors, and to provide technical solutions to new challenges and crises. The IRT sector is a key partner for industry in delivering the support needed for innovation driven economic growth.

AIRTO, on behalf of its members, has prepared this written response to the Cabinet Office in relation to its consultation on [Public Procurement: Growing British industry, jobs and skills](#).

RESPONSES TO RELEVANT QUESTIONS

Questions on supporting small businesses and social enterprises

1. To what extent do you agree or disagree that mandating large contracting authorities with spend over £100m p.a to set 3-year targets for their procurement spend with SMEs and VCSEs?

Strongly agree.

Public procurement can be an important vehicle for innovation and the resulting economic and societal benefits. This equally applies to SMEs and VCSEs as larger organisations. AIRTO strongly advocates innovation as an assessment criteria for all public procurement contracts. This will encourage SME and VCSE involvement and increase overall benefit from public contracts. SMEs in particular offer significant opportunities for innovation in public contracts.

Setting and monitoring targets for procurement spend for SMEs and VCSEs will play an important role in increasing their participation in public contracts. These targets should include direct spend with SMEs and VCSEs, and also indirect spend via sub-contracting from tier 1 contractors.

Comments regarding the importance of innovation in public procurement have been incorporated to the answers to the questions in this document. However, there is limited opportunity for this and a separate letter on the subject of public procurement as a driver for innovation and the resulting economic and societal benefit has been sent to Georgia Gould MP, in her role as Parliamentary Secretary for the Cabinet Office.

2. To what extent do you agree or disagree that extending the requirements of section 70 of the Act to publish information on (i) all payments made under public contracts and (ii) payments under notifiable below threshold contracts, would help increase spend with SMEs and VCSEs?

Strongly agree.

Understanding the scope of public procurement, how it operates, and the opportunities it offers for SMEs and VCSEs is essential if they are to play a significant role in delivering public contracts. Therefore, access to the full range of information on such contracts is an important aspect of the background knowledge needed by such organisations.

However, there is also considerable discouragement for SMEs and VCSEs applying for public contracts by the amount of information they must provide at both the proposal and contract stage of a project. Providing details of current requirements and ensuring that the levels of required information are appropriate for the size and type of project, and are not excessively bureaucratic, are important for increasing the involvement of SMEs and VCSEs in public procurement.

Questions on prompt payment

- 3. To what extent do you agree or disagree that requiring contracting authorities to exclude suppliers from bidding on major contracts (+£5m per annum) if they cannot demonstrate prompt payment of invoices to their supply chains (with an average of 60 days) would help improve late payment by suppliers to the public sector?**

Strongly agree.

Although not directly related to public procurement, late payment is an existential issue for many companies and particularly SMEs. Ensuring companies at the head of a supply chain, including those delivering public projects, are paying their sub-contractors promptly will help address this. It will also encourage smaller companies to take part in such supply chains. The contract values of +£5m for this requirement is too high and should be reduced.

Demonstration of prompt payment during actual contracts should be monitored, as well as being an assessment criteria for applications.

Questions on people-focused services

4. To what extent do you agree or disagree that there should be flexibility for contracts for people focused services to be awarded without competition?

Agree.

Flexibility for contracts to be awarded without competition is vital for some aspects of public procurement.

There is a particular problem in public procurement for demonstration and implementation of new technologies, where companies have already co-invested with public funds in undertaking research and applied development for a new product or service. The prospect of open tenders at the next stage of innovation and implementation hugely discourage companies from co-investing in the earlier research and applied development. If they have to compete in an open tender, they can lose their technology and follow-on contract to other organisations. At this stage of innovation and development, careful consideration should be given to deciding whether a contract should be awarded without competition.

Additionally, as discussed above, there needs to be flexibility in terms of 'light touch' and exemptions from the more onerous requirements for large contracts and large companies, if SMEs and VCSEs are to win and deliver an increased level of public contracts.

5. Are there other services delivered to vulnerable citizens (beyond adult and children's social care) that warrant procurement processes not permitted in the Procurement Act 2023? Please include i) the CPV code where possible and description of the services; ii) the nature of the problem faced; iii) the optimal policy solution(s).

N/A

6. Do you have any examples where people focused services have been procured well? Do you have any suggestions for changes to the processes available under the Procurement Act or guidance that could improve procurement of these services?

N/A

Questions on supporting national capability

7. To what extent do you agree or disagree that contracting authorities should be required to undertake a public interest test and publish It when making sourcing decisions?

Strongly agree.

There are a range of measures that should be considered for a public interest test. These should include innovation both in the methodology for delivering the work and for the end product or service. Innovation can help deliver projects more effectively and efficiently, and provide 'spin-off' benefits such as improving UK and individual companies technology, leading to improved competitiveness. Innovation can also result in 'net zero' and other societal benefits.

Risk/reward, whole-life cost assessments and other more sophisticated criteria will need to be included in sourcing and proposal documents to ensure sure public interest claims are met.

Questions on supporting good quality, local jobs and skills

- 8. To what extent do you agree or disagree that requiring authorities to set an award criteria which related to the quality of the suppliers contribution to jobs, opportunities or skills for all public contracts over £5m with a minimum evaluating weighting of 10%, will help deliver social values that supports economic growth?**

Strongly agree.

As discussed for Q7, innovation should be included as a criteria here as it supports enhanced jobs, opportunities and skills by increasing knowledge and competitiveness.

Using a wider assessment of benefits in award criteria can greatly enhance the economic and societal benefits achieved by a public contract. This may include aspects such as overall lifetime costs, increase in jobs, skill development and other societal benefits, rather than solely using traditional, narrow criteria such as immediate costs. However, the requirement for such award criteria must be appropriate for the size of a contract and the bidding organisations, to allow SMEs in particular to fully participate. The need for such award criteria should not make the bidding process more onerous, and the overall target for public procurement, even with such criteria, should be to make the process simpler.

- 9. To what extent do you agree or disagree that, where authorities have set social value award criteria relating to jobs or skills, mandating that they also set at least one KPI on social value delivery, and subsequently report performance against a social value KPI (published in the contract performance notice), will support transparency of progress against social value commitments?**

Strongly agree.

Innovation driving social value should be given a KPI and be a part of the contract performance notice where it has been a part of the decision making process. Increasing the role of public procurement as a driver for innovation and economic growth and societal benefit is a huge opportunity for the UK and this should be incorporated into both award criteria and project KPIs.

- 10. To what extent do you agree or disagree that requiring contracting authorities to use standard social value criteria and metrics selected from a streamlined list (to be co-designed with the public sector and suppliers) in their procurement of public contracts will help to deliver social value in a proportionate manner?**

Strongly agree.

Where innovation is an assessment criteria, as recommended above, contracting authorities will need guidance for incorporating innovation into procurement documentation and proposal assessment, and providing standard criteria and metrics for that guidance will be helpful. Several government organisations such as Innovate UK already have such methodologies, and AIRTO and its member companies can also provide guidance. There is also existing government documentation (Green Book etc.) that should be assessed for relevance to this need for guidance.

- 11. To what extent do you agree or disagree that contracting authorities should be permitted to define the geographic location of where social value will be delivered as described above? Do you have any suggestions for innovative ways of delivering social value including by creating more flexibility in the current requirements in the Act on relevance and proportionality?**

Disagree.

Innovation will affect the supply chain for projects and 'downstream' organisations, including those involved in both developing, demonstrating and implementing new technologies. These steps are all part of the innovation process, leading to a range of societal benefits. This social value can occur anywhere in the UK, depending on the type of project, and therefore it will not be beneficial to define the geographic location of all benefits. Contracting authorities should understand where potential social value will be delivered, but defining a permitted geographical location for many contracts will restrict the public benefit.

For further information, please contact:
enquiries@airto.co.uk