**Public Procurement: Growing British industry, jobs and skills - consultation on further reforms to public procurement.**

**IWFM Response**

IWFM’s Procurement Special Interest Group, made of Workplace and Facilities Management (WFM) professionals from across the industry, has provided the following responses to the above government consultation, to ensure WFM insight and expertise is central in the ongoing conversation around Procurement.

**1, 2 Supporting small businesses and social enterprises**

*IWFM response;*

Requiring large contracting authorities with spend over £100m p.a. to publish their own 3-year target for direct spend with SMEs and VCSEs and report against it annually, as well as extending spend reporting requirements.

Many service tenders within WFM will exclude the ability for SMEs to bid and compete. This is not a deliberate attempt by contracting authorities to prohibit SMEs but the nature of the size, scope and scale of the tender.

The pressure on public sector budgets often means that contracting authorities are looking for the most economically advantageous tender (MEAT) service solution (noting that PA23 intends to move the dial towards most advantageous tender (MAT) although in practise this is little different to the PCR2015 MEAT test) and when you look at the most economically advantageous WFM delivery model, on paper at least, authorities are drawn, normally, to one of these 4 models:

1. Total FM, TFM, (all WFM services provided by a single supplier or subcontracted via a single lead FM)
2. Integrated FM, IFM, ( a nuance of TFM)
3. Service Line Provider ( e.g. one company for Cleaning, one for Maintenance etc...)
4. Bundled service provision – similar to TFM but at a reduced scale e.g. all Hard FM services with one supplier and all Soft FM services with another supplier.

The scale of any of those models across a public authority estate is significant, a SME, by nature does not normally have the capacity/ resource to deliver those service lines across a c.200+ building estate, with the exception of niche services such as Lift repairs and maintenance. What SME has the capacity to deliver cleaning services to an entire Local Authority or NHS Trust? To achieve this the authority will have to Lot their tender, a recommendation under PA23, which introduces additional overheads and management requirements to the contracting authority or manage a more complex and resource intensive multiple SME/ VCSE supply chain. (Essentially foregoing all the benefits of economy of scale).

The challenge is evident in central government's own go to Framework, Crown Commercial Services (CCS), the WFM Framework providers will be dominated by the large FM companies e.g. Mitie, OCS, CBRE, ISS, Vinci, Sodexo, Equans etc....

*An example from experience:*

*An authority directly contracted all FM service lines and contracted Pest Control with a local SME. The authority moved its model to TFM for efficiency reasons (resource and economic) but prescribed in its tender requirements that a percentage of the TFM suppliers sub-contractors most be local SMEs. The Pest Control SME was retained by the TFM supplier and the Pest Control SME was able to expand their business because of the opportunity afforded to them by the TFM supplier, essentially they picked up multiple contracts with the TFM provider as they offered a scalability which a local authority cannot along with wider business support etc...*

Although the sentiment is well intended additional reporting burdens on authorities detracts resources from actually delivering value for money. Consideration should also be given to how SMEs/ VCSEs can be incorporated into the supply chains of Tier 1 suppliers; this can often lead to far more opportunity than the contracting authority can offer.

There are also practical challenges with engaging SMEs/ VCSEs. For example, the level of insurance required is also a limiting factor (particularly when contracting for historical buildings, high security sites etc..), the proposal of agreeing insurance levels and indemnities post contract award is too risk complacent for authorities. If the levels cannot be achieved by the SME/ VCSE where does that leave the contracting authority? Either they carry a huge financial and reputational risk or they have to go back out to tender again which is costly and resource intensive over a matter that could have been resolved in the old PCR2015 SQ process.

Contract size and scope is also linked to the matter of contract management for contracting authorities. Contract consolidation, which can lead to the exclusion of contracts being awarded to SMEs, is a factor. Fewer contracts to manage provides the authority with efficiency in respect of governance, supplier performance monitoring, reporting, vendor management, accounts payable etc...This needs to be considered throughout the whole procurement process and contract management lifecycle, not just the front end procurement process.

A large amount of WFM revolves around risk management, whether that is statutory compliance for buildings, H&S, reputational, finance etc... The desire to broaden the SME supply base cannot alter that balance and place more risk on contracting authorities during the tender process.

In summary, greater value can be achieved by working in a collaborative tripartite manner between large WFM suppliers, contracting authorities.

**3. Requiring contracting authorities to exclude suppliers from bidding on major contracts (+£5m) if they cannot demonstrate prompt payment of invoices to their supply chains.**

*IWFM response;*

Guidance needs to be published as to how this is measured/ monitored on a standardised national scale. The government prompt payment scheme needs greater awareness, many working in procurement/ contract management roles do not know of its existence, the government needs to work harder to tie the strands together. If the website gave a clear RAG ranking of a business and a direction of travel that would assist and encourage use [Search published payment practice reports - GOV.UK](https://check-payment-practices.service.gov.uk/report/93231/). The opportunity for challenge by excluded suppliers should also not be underestimated and the resultant work for an authority in responding to and defending that position whilst also ultimately delaying a procurement process and impacting service delivery. Affected suppliers need to be on a national debarment register, managed centrally, from which authorities can reference and be immune from challenge.

**4. Clarifying in primary legislation where it may be appropriate to award contracts for certain services delivered to vulnerable citizens without full competitive procedure, so that decisions can be driven by the needs of the individuals and vulnerable groups.**

*IWFM response;*

Any clarity for the interpretation and application of legislation is welcome.

**7. Supporting national capability**

*IWFM response;*

Requiring contracting authorities to make a standard assessment before procuring a major contract (+£5m) in order to test whether service delivery should be inhouse or outsourced.

This should already be standard practise for authorities and included in their documented decision making and governance process, all of which are already open to public scrutiny. HM Treasury guidance is already in existence e.g. Guide to Developing the Project Business Case [Guide to developing the Project Business Case](https://assets.publishing.service.gov.uk/media/66449468ae748c43d3793bb8/Project_Business_Case_2018.pdf) along with the Government's Sourcing Playbook [The Sourcing Playbook – June 2023](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1163766/Sourcing_Playbook_Final.pdf).

If a standard assessment is to be included then a standard template needs to be produced and adopted by all. It should remain as guidance not a requirement and authorities trusted to do the right thing. However, if a standard assessment is introduced then it needs to consider whole life costs of in-house services which are often overlooked e.g. consumables, fleet, training, certification, inflation, management overheads etc.. I also fear this can have a detrimental impact on the skills gap in WFM, particularly for trades e.g. Electrician, Gas Safety, HVAC etc.. Authorities will struggle to retain skilled and certified engineers as they cannot offer them the skill and career progression that a dedicated WFM business can.

**Supporting local jobs and skills:**

Requiring contracting authorities to set at least one award criteria in major procurements (+£5m) which relates to the quality of the supplier’s contribution to jobs, opportunities or skills. Contracting authorities would need to apply a minimum weighting of 10% of the scores available, to social value award criteria.

*IWFM response;*

Agreed but this is already common practise in WFM tenders, why limit it to +£5m contracts, the bar could be much lower, non-existent or a sliding scale e.g. 10% +£5m and 5% -£5m. If we are seeking to promote social value through all we do then why set a threshold. As a people and place based industry WFM has a degree of maturity in delivering social value and this can be maximised more without the need for thresholds.

**8. Requiring contracting authorities to set at least one social value KPI relating to jobs, opportunities or skills in major contracts (+£5m) and report on delivery performance against this KPI in the contract performance notice**.

*IWFM response;*

Agreed in principle as above but many struggle to measure Social Value. Yes, the TOMS framework can be used but there is a danger in this model as it makes monetary connections to something where the true impact is not always financially tangible. Greater guidance needs to be made available as to how Social Value can be measured and then turn that into a KPI, remembering that not every metric is a KPI.

If KPIs are not realistic, and they have to be published as part of the tender process, then suppliers will not bid. KPIs often have a negative connotation with suppliers and they can be seen as a means from which to be overly punitive and consequently do not drive the desired behaviours. A move to utilise continuous improvement measures (CIMs) and report on these could provide a more collaborative and partnership approach.

**10. 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.**

*IWFM response;*

Disagree as this moves away from the ability to localise the requirement which is where true social value and impact is derived. Guidance should be provided but ultimately the contracting authority is to shape the requirement inline with its own policies, objectives and goals.

Additionally, social value principles differ by industry, supply chain due diligence, and between organisations within the same industry or sector. A one size fits all approach of a streamlined list is likely to be counter productive in achieving true social value.

**11. Allowing contracting authorities to specify the area in which the social value is to be delivered by choosing between the location of a contracting authority’s area of responsibility, the location where the contract will be performed, or the location where the supplier is based.**

*IWFM response;*

Agreed, although the majority of WFM services are locally delivered within the authorities geographic footprint the evolution and growth of technology in WFM means that more software products are used and the businesses who supply these services can be remote form the client. Therefore, allowing scope for the social value to be added in the locality of the supplier is a pragmatic way to incorporate social value into such contracts.