

National Procurement Policy Statement stakeholder survey November 2024

Background

The Aldersgate Group is an alliance of major businesses, academic institutions, professional institutes and civil society organisations driving action for a sustainable and competitive economy. Our members have operations across the UK economy and include companies such as Associated British Ports, CEMEX, Johnson Matthey, National Grid, Suez, Scottish Power, and Siemens. They believe that ambitious and stable low carbon and environmental policies make clear economic sense for the UK.

We develop independent policy solutions based on research and the expertise and diversity of our members. Through our broad membership, we advocate change that delivers benefits to an every-growing spectrum of the economy. The response to this consultation draws on previous Aldersgate Group responses and input from members.

Questions

1. **Maximising value for money:** How can mission-driven procurement help us achieve greater value for money for the taxpayer in the delivery of public services?

Public procurement is a powerful but under-utilised lever at the government's disposal. 'Value for money' assessments must incorporate full assessments of societal costs and benefits over the whole life of a project (including the lifetime use of capital infrastructure), to truly maximise returns to the taxpayer. While it can be challenging to assess benefits, procurement decisions should not be driven purely by upfront cost. The Green Book provides guidance to move beyond narrow financial cost-benefit analysis, with a full section on non-market valuation and unmonetisable value. This section of guidance should be fully utilised in every decision. 'Maximising value for money' should cease to be a driver for short-term decisions and lack of strategic investment; missions can create momentum to incorporate wider benefits into value for money assessments, accelerating implementation of better practice and culture change in procurement teams.

Public procurement should play a key role in driving demand and support the scale up of sectors which will support growth and clean energy, as part of the modern industrial strategy. Business growth will also create positive returns to the public purse.

2. **Delivering social value:** How can we use public procurement to achieve greater social value to support delivery of the missions?

Public procurement must contribute to delivering social value, including better outcomes for people, climate and nature. By definition, most public procurement has overall social value aims (e.g. education, healthcare, social care, infrastructure, environmental protection), so it is a logical extension that each procurement activity should consider its opportunity to deliver wider social value, beyond the immediate purpose of the exercise.

Green public procurement would provide a strong market signal to industry, driving adoption of standards and demand for low-carbon products, the circular economy and protection of the environment.

The purchasing power of the public purse is significant. In 2019/20, a total of £295.5 billion was spent by over 10,000 public sector bodies in private sector procurement of various goods and services, accounting for 32% of public sector spending. Across many products, services and sectors it can be sufficient to drive widespread adoption of good practice and standards for climate and nature. Similarly, demand from public procurement can support the scale up of supply chains for products and services, which would reduce costs and contribute to increasing the competitiveness of low-carbon, circular economy and nature-positive products and services, generating impact beyond the government's public procurement portfolio.

An example of green public procurement is the High Speed 2 (HS2) Net Zero Carbon Plan which set the target to cut emissions from concrete and steel by 50% (tCO₂e/t) by 2030, compared with 2021 levels. As a result of this plan, HS2 Ltd procured a new low carbon concrete product from Cemex, called Vertua, which provides a reduction of 42% in CO₂ compared to standard concrete. This contract helped stimulate demand for low carbon products and contribute to market certainty. Cemex have since announced the goal for low-carbon concrete and cement products to represent more than half of their cement and concrete sales by 2025.

- 3. Fostering innovation:** How can we help policy-makers/commissioners identify challenges that can be put to the market to support mission outcomes through innovation, and improve commercial capability to deliver mission-driven procurement?

Public procurement can provide that essential first contract enabling the commercialisation of an innovative product or service. Outcomes-based approaches can be helpful to drive innovation, enabling businesses to propose solutions rather than being prescriptive in what should be delivered. Outcomes-based procurement is not appropriate in all situations and policymakers/commissions should carefully consider the extent to which sectors and supply chains will be able to deliver innovative solutions to a challenge. This includes complexity of the challenge, technology readiness, innovation capability and skills in the sector.

Collaboration and expertise from sector teams across government departments, the Catapult Centres, Innovate UK, and other networks such as trade associations and academic experts will be valuable to draw on. Lessons should be learnt from the Small Business Research Initiative (SBRi) and large public sector bodies such as the NHS.