



Department for
Business, Energy
& Industrial Strategy

UK STEEL

Powered by **MAK**_{uk}

Steel Procurement Taskforce

Final Report

February 2022



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: smsupport@beis.gov.uk

Contents

Ministerial Foreword	4
Introduction	6
Recommendations	7
Process and Methodology	9
Findings	10
Conclusion	12

Ministerial Foreword

The UK steel sector plays an important role in our economy, providing high quality steel products and helping to underpin our country's infrastructure. In addition, it supports over 80,000 jobs across the UK, including some 35,000 well-paid jobs in steel production and a further 44,000 jobs across many key parts of the UK economy.

In recent years global economic conditions have not been favourable to the sector which, combined with long-term over capacity within the global steel market, has resulted in challenging trading conditions. In addition, the more recent economic disruption caused by coronavirus, and the challenges intertwined with our recovery, have affected businesses throughout the UK.

The Government wants to see a domestic steel sector which is open, thriving, and competitive. We want to see a sector which can continue to win business both domestically and internationally over the long-term, based on the quality of its products and its ability to innovate. We want to see a viable steel industry emerge from the challenges of recent years – which can build upon on its proud history, its hugely talented workforce, and the clear opportunities that exist within the UK and more broadly in the future.

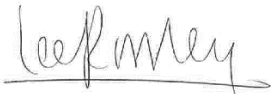
One of those opportunities is ensuring that, where government procures steel, full consideration is given to the quality of the products we are buying, and any additional benefits that we are looking to generate for our country. The UK spent £357 billion on public procurement in the last financial year and this huge amount of government spending is being leveraged to play its part in the UK's economic recovery. Since leaving the EU the Government has initiated a review of our public procurement rules with the aim of speeding up and simplifying our processes, placing value for money at their heart, and unleashing opportunities for innovation.

As a result, it is a timely moment to review how current public procurement rules, the changes which are in the process of being put in place, and the situation as regards to UK steel, is working. Public sector steel contracts are worth the equivalent of 10% of the output of UK producers and the vast majority are already won by UK companies. However, the sector has reported challenges with accessing opportunities to supply some major public projects. The Steel Procurement Taskforce was formed in March 2021 with representatives from across industry, supported by government, to explore these reported difficulties and how the sector can best position themselves, as appropriate, for success.



This Taskforce has been about ensuring competition and open access to opportunities. The UK is a champion of free trade within the World Trade Organisation and has worked to support the creation of global markets based on openness, transparency, and competition for steel products. The recommendations of the Taskforce aim to support the industry to compete in this market, through using new technologies, promoting greater transparency, and ensuring high social and environmental standards.

I welcome the work that has been done on this Taskforce and would like to thank all members who have taken time to provide their thoughts and their inputs. The recommendations are timely and useful to influence how, as a government, we wish to continue to support a thriving and viable steel sector in the coming years ahead. I look forward to continuing to work with industry to ensure that the UK steel industry builds upon its illustrious history and looks forward to the future with confidence.

A handwritten signature in blue ink that reads "Lee Rowley". The signature is written in a cursive style and is underlined with a single horizontal line.

Lee Rowley MP

Parliamentary Under Secretary of State (Minister for Industry)

Introduction

The steel sector plays an important role in our economy, supporting over 80,000 jobs across the UK and forming the core of some of our local communities and economies. The Government's ambition is for a competitive steel sector, and to support British businesses to compete successfully for orders, both in the UK and abroad. The public sector is an important buyer of steel, procuring it to build critical infrastructure such as our railways, roads, and buildings, including schools and hospitals.

Since leaving the EU, the Government has initiated a programme of public procurement reform to speed up and simplify our procurement processes, place value for money at their heart and unleash opportunities for small business, charities, and social enterprises to innovate in public service delivery. Achieving value for money for the public through free and open competition and by accounting for the additional wider economic, social, and environmental benefits of what we buy are at the heart of public procurement. The UK is now an independent member of the World Trade Organisation's (WTO) Agreement on Government Procurement (GPA) and is committed to its principles of fairness, impartiality, transparency, and non-discrimination.

Within this context the Steel Procurement Taskforce was formed in March 2021 to explore the current challenges the steel sector reported they were facing in accessing opportunities to supply major public projects and to develop feasible and proportionate options to address these, as deemed appropriate. The Taskforce was co-chaired by BEIS (Lord Grimstone) and UK Steel (Gareth Stace) with members drawn from the UK steel industry and across government, along with representatives from major government agencies, infrastructure projects, key Tier 1 suppliers, and steel fabricators.

The Taskforce sought to consider what is currently working well with our procurement processes and how they relate to steel, what further things could be done by government to optimise them and what else could be done by the sector to help it position itself for success. The Taskforce has now concluded and finalised its findings and recommendations. The following recommendations achieve the Taskforce's aims, without giving any unfair advantage to UK suppliers or creating barriers for others.

Recommendations

Recommendation 1 – To facilitate market engagement, design, and procurement in relation to steel products by public and private sector organisations, the UK steel industry should develop a digital products library, collaborating with Her Majesty’s Government (HMG) as necessary. The library should contain accurate digital representations of products that meet the BIM Framework¹ standard for data quality, security, and interoperability. It should provide a ‘live’ digital record of the steel products produced and available from UK steel producers. This data could include, for example, technical specifications or products, the standards they are produced to, and environmental product declarations. The digital products library will support activities across the project lifecycle and ensure that procurers are aware of the producers and fabricators who can provide the relevant products.

Further detailed scoping work will be required, and the development of the library should be an asset to the steel sector as the construction sector and other sectors digitise and the design process becomes increasingly automated. Over time the digital products library could be reflected in future revisions to the steel Procurement Policy Note (PPN) text if the development work leads to implementation.

Recommendation 2 – HMG should restate the importance of early engagement with the steel supply chain, drawing on best practice set out in the Construction Playbook. This need not simply be in traditional “meet the buyer event” form. Contracting Authorities should demonstrate their commitment to understanding the capability and capacity of the market, particularly where significant amounts of steel are likely to be required to serve the programme or project. This will help improve the quality and utility of engagement.

Recommendation 3 – HMG should set a requirement for all new qualifying contracts, where steel may be purchased directly or via any sub-contract, for the origin of this steel to be recorded and reported. This should yield much better-quality data. This will be beneficial to HMG (e.g. from the perspective of understanding supply chains) and to industry (e.g. from the perspective of measuring their own performance). This requirement would be set out as part of an updated PPN, and qualifying contracts would be defined as per the scope of that PPN. Further scoping should be undertaken on proportionality. The Taskforce suggests that a limit (either by value, weight, or a combination) is devised and applied: recording and reporting would only be required for purchases which exceed the limit that is set. Work will also be required to establish criteria by which the origin of steel will be assessed.

Recommendation 4 – The Cabinet Office should update PPN 11/16. This should be the means of implementing recommendations 2, 3, and 5 and we should also consider whether this is an appropriate vehicle for the other recommendations, if required, once these have been further explored. Since PPN 11/16 was issued in 2016, the project appraisal and public procurement landscape has changed significantly. An updated PPN

provides an opportunity to set out how the new framework for procurement policy applies to steel procurement, from pre-procurement and project design to procurement execution.

Recommendation 5 – HMG should highlight the relevant methodology and tools that Contracting Authorities should be using in relation to programmes and projects involving the purchase of significant amounts of steel (likely to include Her Majesty’s Treasury’s Green Book, the Project Outcome Profile Tool, the Construction Playbook, the Value Toolkit, and the Social Value Model). The publication of an updated PPN, as referred to above, provides an excellent vehicle for showcasing this material.

Recommendation 6 – The UK steel industry should explore the future development of a ‘Steel Standard’, collaborating with HMG as necessary. This could act as an umbrella for existing standards. It could also have the potential to certify a number of additional actions taken by producers. These could include, for example, action on sustainability, digital information availability at product level and completion of environmental product declarations. The standard could be managed and accredited by a recognised third-party accreditation body. Scoping work would need to fully encompass interactions with existing quality standards, their basis in domestic and international law, and the potential utility of a new standard as a consequence.

Recommendation 7 – The UK steel industry and HMG should assess the potential to use UK norms when publishing the specification of steel required in public projects, in cases where there are no pre-existing harmonised standards. Scoping work would need to fully encompass the current position in relation to the publication of norms, the basis of this in domestic and international law, the legal consequences of any change, and the potential utility of changing the approach as a consequence. This would need to include an analysis of other dependencies (e.g. for the export of UK steel) and the impact on supply chains.

Process and Methodology

In March 2021, the Taskforce Steering Group was created to determine the high-level strategic aims of the Taskforce and oversee its delivery. It consisted of representatives from the UK steel industry and from across government, along with representatives from major government agencies, infrastructure projects and key Tier 1 suppliers, and reported to the co-chairs of the Taskforce.

The Taskforce was delivered in three phases between March and December 2021. Phase 1 focused on problem definition and exploration of barriers. Phase 2 was options generation. Phase 3 involved options analysis and the development of recommendations.

Three themes were identified. The first theme concerned the importance of early engagement, over the longer-term, between steel procurers and producers. The second theme was focused on exploring how the wider benefits to the UK that can be achieved through steel purchases could be best captured. The third theme looked at the potential of developing a future steel standard or protocol, to enable easy identification of steel which meets high standards across a range of important metrics. Evidence was gathered under these broad themes, and analysis and discussion of the contributions of Taskforce members led to the findings set out below and recommendations made above.

This report is produced by the Taskforce and represents the collective view of those who served on it, rather than the independent views of the Government, or industry representatives.

Findings

Maintaining free and open competition, as well as achieving value for money for the public by accounting for additional wider economic, social, and environmental benefits, is at the heart of the Government's approach to public procurement. Procurement Policy Note 11/16: Procuring Steel in Major Projects (2016)ⁱⁱ (PPN 11/16) is a key document which provides a practical guide to how public sector contracting authorities can design major projects using steel in a way that aligns with this approachⁱⁱⁱ.

The importance of early engagement between procurers and suppliers in the procurement process and the benefits this brings to both parties was acknowledged by the Taskforce. To help facilitate both early engagement and design and procurement activities across the project lifecycle, industry Taskforce members proposed building a digital library of their products. The Taskforce agreed that this would help procurers and designers to better understand what UK steel products are available on the market and would put the sector at the front of the curve of using modern digital methods in construction, enabling them to profit from the benefits this brings.

It was agreed that the approach to early engagement set out in the Construction Playbook reflected current best practice. This approach goes beyond traditional meet the buyer events and sets out how Contracting Authorities should undertake activity to understand the capability and capacity of the market first, with engagement plans and procurement design reflective of that intelligence. It was agreed that the approach to early engagement in the Construction Playbook should be referenced in an updated version of PPN 11/16 with the onus on procurers to identify the proportionate way in which it should be used, rather than mandating it should be applied to all stages of the supply chain, which was considered impractical.

BEIS publishes annual self-declared information from government departments and their arm's-length bodies on how much steel they have procured for their public projects over the last financial year, which includes information on what proportion is UK produced. There was a clear consensus amongst the Taskforce on the benefits of collecting country of origin data for steel used in public projects – with government gaining a greater insight into its supply chains, and industry understanding the extent to which its products are being used in public projects in the UK. The Taskforce agreed that a requirement to collect this data should be included in an updated PPN to help improve the extent and quality of the data that is collected. Each government department or agency within scope is responsible for collating this data for its projects and sending it to BEIS, the department responsible for publishing it^{iv}.

Since the PPN was last updated a number of new project appraisal tools and guidance documents, including the Project Outcome Profile Tool^v, the Construction Playbook^{vi}, the Value Toolkit^{vii} and the Social Value Model^{viii} have been published. The Taskforce agreed that PPN 11/16 should be updated to summarise these methodologies and tools and to set out how they can be used sequentially for projects using steel. This would enable project designers and

procurers to understand which tools and resources might assist them at each stage of the commercial lifecycle.

On social value, the Government provided a detailed session on how the Social Value Model operates to the industry Taskforce members and the Taskforce discussed how the social value benefits of steel products could be recognised within this model. The model considers additional social benefits beyond the core deliverables of a contract, operates on a contract specific basis and the social value is evaluated at the point the prime contract is awarded. It was highlighted that the Social Value Model is not the only route contracting authorities have for setting out social value requirements, and other tools are available to assist them if they wish to do so.

The Taskforce considered the benefits of an overarching 'Steel Standard'. This could be used to badge products which meet appropriate standards across a range of issues of importance to government and other procurers, such as Health and Safety, environmental management, and responsible sourcing. This could help procurers easily identify the products which meet their requirements, particularly as increasing demands on sourcing, quality, and environmental impact are all likely to emerge over coming years. It could be used by the sector in marketing. The Taskforce agreed that the development of a new standard (or the adoption of an existing standard) would take time and would need careful consideration, including of the legal implications. The Taskforce therefore agreed that government and industry colleagues should consider this proposal further following the conclusion of the Taskforce.

In the vast majority of cases, the technical standards used to describe and specify steel products have been harmonised across the EU. Harmonisation removes barriers to trade, helping to open up markets for UK companies and improve competitiveness. Industry Taskforce members raised a couple of circumstances where harmonised standards for steel products do not exist, creating a potential barrier to effective competition. While there may be merit in requiring the use of UK standards in these circumstances, further analytical work will be required to examine the utility of such an approach and whether it is feasible and compatible with the Government's legal obligations. The Taskforce agreed that government and industry colleagues should consider this proposal further after the end of the Taskforce.

Conclusion

Given the changes to the procurement landscape in recent years, the Taskforce's work was a necessary and timely contribution to the policy-making process. The Taskforce identified a number of themes that it considers will address the key issues, as set out above.

Overall, the Taskforce agreed that updating the current Procurement Policy Note on steel procurement (PPN 11/16) was the optimal method of delivering some of the actions above. This could enable certain recommendations to be actioned relatively quickly, without being held up by those that require much more scoping and future policy development. The Taskforce recognised that any recommendations for government action may require further economic and legal analysis – with their implementation dependent on both of the above.

ⁱ The UK BIM Framework develops standards, guidance, and resources to support individuals and organisations in the UK to understand the fundamental principles of information management using building information modelling (BIM) to guide and support its adopters.

ⁱⁱ <https://www.gov.uk/government/publications/procurement-policy-note-1116-procuring-steel-in-major-projects-revised-guidance>

ⁱⁱⁱ The scope of the Taskforce's immediate work was limited to public procurement; Contracts for Difference (for example) were not included.

^{iv} As previously stated, Contracts for Difference are not within the scope of the Taskforce's work (nor do PPNs apply to them). The data requirements referenced here do not apply to Contracts for Difference.

^v <https://www.gov.uk/government/publications/green-book-supplementary-guidance-projectprogramme-outcome-profile>

^{vi} <https://www.gov.uk/government/publications/the-construction-playbook>

^{vii} <https://constructioninnovationhub.org.uk/value-toolkit/>

^{viii} <https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>

This publication is available from: www.gov.uk/government/publications/steel-procurement-taskforce-final-report If you need a version of this document in a more accessible format, please email enquiries@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.