



HM Government

Procurement for growth

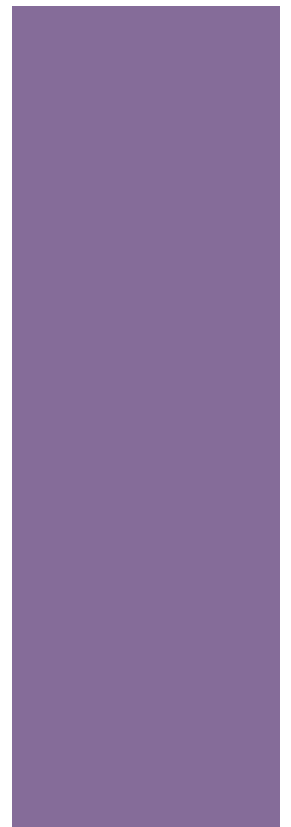
A recipe for success

What do we mean by buying for growth?

The Government has put in place a range of measures designed to promote economic growth when it procures. For example, we publish pipelines of future opportunities, we implement strategies for approaching the market in ICT, construction and commodity categories, we develop new procurement policies to support growth (e.g. the aspiration for 25% of central government spend to go to SMEs) and we represent the UK's interests in the EU, negotiating to improve procurement law. This leaflet provides a checklist of practical tips for procurers.

Pre Procurement Market Engagement

The early stages of the procurement lifecycle provide the greatest opportunity for influencing growth. Early engagement with the marketplace and publishing 'pipelines' of future requirements allows the marketplace to better prepare for future demand and levels the playing field for UK based suppliers. A genuine two-way conversation with a diverse range of suppliers gives maximum opportunity for success.

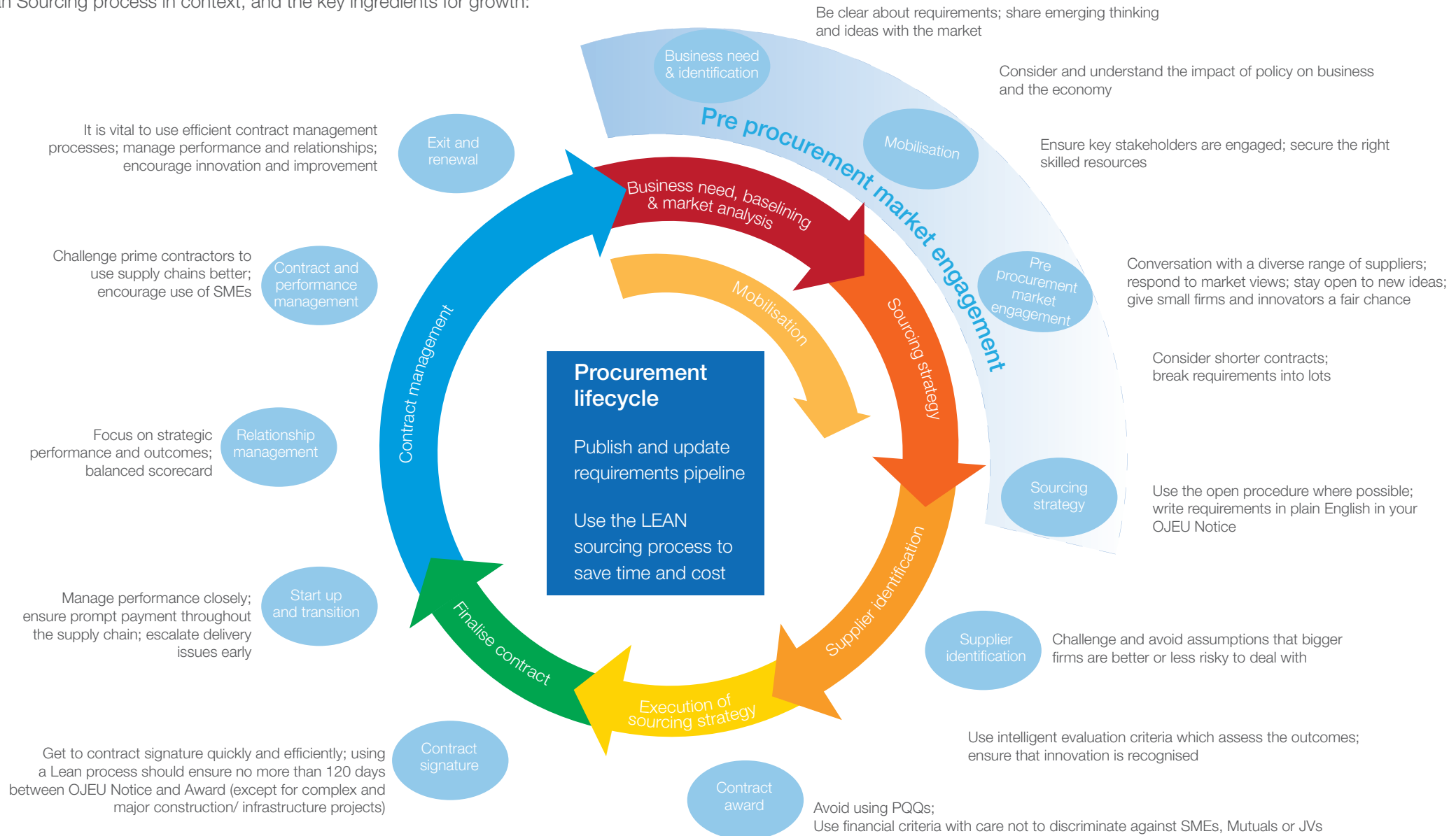


Lean Sourcing Process:

Using the Lean Sourcing process is vital to successful procurement for growth. The simple five stage process is designed to streamline activity, eliminate waste and therefore reduce time and cost. It also has both pre procurement market engagement and fair and equal opportunity for SMEs built into its Standard Operating Procedures.

Procurement Lifecycle for Growth

The diagram below shows the procurement process in overview with the Lean Sourcing process in context, and the key ingredients for growth:



Top Tips for Growth through Procurement:

1. **Be clear about what you want**, define success in outcome terms and consider the impact of policy requirements on business.
2. **Signal demand early** by publishing requirements pipelines on Contracts Finder and using a project specific PIN to alert the marketplace to opportunities.
3. **Talk to the market early**, well before formal procurement starts, and respond to industry's ideas and reactions; make sure you have a meaningful dialogue with a diverse range of suppliers.
4. **Be open to new ideas** and make sure that small firms get a fair hearing throughout the process.
5. **Use the Lean sourcing process** to reduce time and cost.

The Pitfalls – Key Mistakes to Avoid:

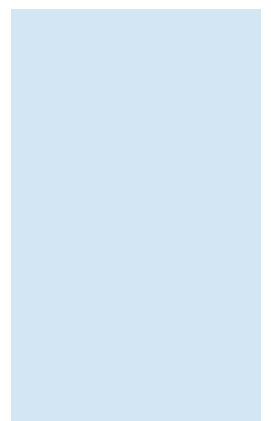
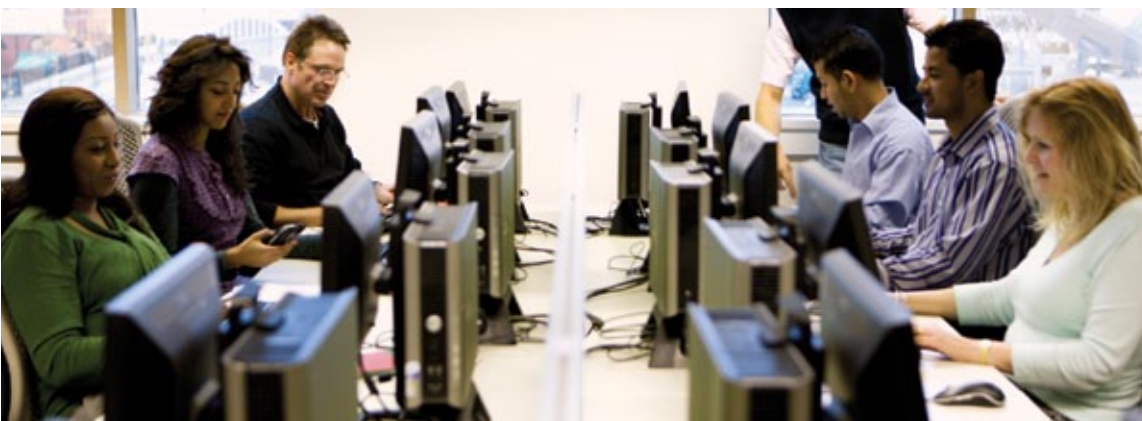
1. **Avoid using extensive selection criteria through a PQQ** as this tends to prevent small firms from having their bids seen and their ideas evaluated.
2. **Do not build in to your process an assumption that larger firms are better** to do business with. Take care to avoid giving marks in evaluation criteria for size of turnover, numbers of staff or size of contracts won etc. These discriminate unfairly against small business.
3. **Large scale requirements and long contract durations should be avoided** as these tend to favour only big multinational businesses and make it harder to take advantage of SME offerings. They also tend to carry high risk for both parties and have a poor track record of success.
4. **Do not rely solely on financial assessment criteria at the selection stage**; use financial evaluation of suppliers proportionately and only on a pass/fail basis, taking care not to discriminate against SMEs, Mutuals and JVs.
5. **Do not insist on onerous insurance requirements**; insurance requirements must be reasonable and proportionate and should be addressed through the contract rather than as a selection criterion.

Case study 1:

Energy for growth – reframing demand to foster growth

Government Procurement Service buys energy for around three quarters of the public sector and is UK's largest energy client. In 2012 GPS embarked on a new and innovative diversification strategy – Energy for Growth. Energy for Growth is designed to use this demand differently; not only to deliver significant savings on the price paid for energy, but to encourage growth outcomes.

The first procurement from this strategy was launched in January 2013 and will be a long term Power Purchase Agreement. PPA contracts will offer portions of existing energy demand over a much longer period than Government has traditionally bought at, to secure a significantly lower fixed price. Additionally, by marshalling the demand into a longer term deal, the contract will give certainty and confidence allowing the provider to invest in new generating capacity bringing jobs and investment to the local community.

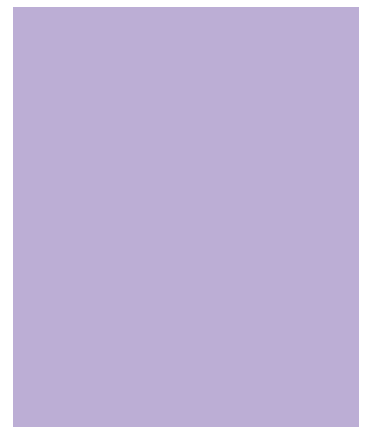


Case study 2:

G-Cloud – levelling the playing field for smaller providers

By putting their IT needs through government's own G-Cloud, public sector buyers can really give smaller providers the opportunity to grow. G-Cloud is a new kind of framework allowing public sector organisations to purchase a wide range of best-of-breed IT commodity services from the CloudStore online catalogue on a 'pay-as-you-go' basis, rather than having to develop and run their own systems and infrastructure. This new service provides a truly open, competitive, and innovative marketplace, with a much wider choice for buyers and a more level playing field for SMEs.

- Since securing a place on G-Cloud, SME software provider Kahootz changed its approach to dealing with Government and now sees around 80% of its public sector business coming through this route – coinciding with a period of significant growth for the company and a positive outlook where they are now looking to take on new staff and export to overseas markets.
- Skyscape – an SME providing hosting and other IT support services provider – were one of the first accredited suppliers on G-Cloud. They started as a small start-up with 6 people and now employ over 30 as a direct result of the business they get through G-Cloud.



Links and Further Advice:

For more information see the key links below:

Government has launched the '[Procurement Pledge](#)' setting out an agreed understanding with potential providers and their representative bodies that formalises this new approach and provides a mechanism from which Government can be held to account.

The **Lean Sourcing Process** should always be followed; the full process documentation, including Standard Operating Procedures, is published on the Cabinet Office Commercial, Procurement & Relationships website:

The Government Procurement Service runs regular **Lean training** courses.

Procurement Policy Notices give detailed guidance on the government's growth measures....

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