



Cabinet Office

Public Procurement: Growing British industry, jobs and skills

Consultation on further reforms to
public procurement

June 2025



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Consultation on further reforms to
public procurement

Presented to Parliament
by the Secretary of State for Cabinet Office
by Command of His Majesty

June 2025



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Ministerial Foreword

In these times of global economic uncertainty, public procurement has a crucial role to play in bolstering domestic competitiveness, making the economy stronger and more resilient, and providing a solid foundation of security for British businesses. As a cornerstone of the Government's Industrial Strategy, our plan for public procurement is designed to drive growth, and leverage the UK's unique strengths and untapped potential.

At the heart of our public service reform is the transformation of public procurement. With the UK's annual £385 billion spend on goods, works, and services, procurement is not merely a function; it is a powerful lever for national renewal. We want people around the UK to feel this government spend through investment in their skills and opportunities to access high quality jobs close to home.

Our Plan for Change, aligned with our national missions, demands this shift to ensure we can:

- Kickstart economic growth
- Make Britain a clean energy superpower
- Take back our streets
- Break down barriers to opportunity
- Build a National Health Service fit for the future

The proposals outlined in this consultation build on the changes introduced in the Procurement Act 2023 and will support implementation of our new National Procurement Policy Statement. This legal framework simplifies the bidding process for small suppliers bidding for public sector contracts and equips us with the tools to maximise value for money. These reforms aim to go further to strengthen the UK's economic resilience and support British businesses. By strategically leveraging our annual public procurement spend, we can protect our supply chains, open up new opportunities for local small businesses and social enterprises, create good local jobs, and deliver greater value for taxpayers.

Through these reforms, public procurement will truly be in the service of the people — empowering British businesses, supporting social enterprise, safeguarding our national interests, and tackling today's challenges while building a prosperous and fair future for all.

I invite you – contracting authorities, businesses, civil society and citizens – to contribute your expertise and insight to this consultation as we shape the future of public procurement, and ensure it plays a vital role in delivering long-term prosperity for our nation.

Georgia Gould MP OBE
Parliamentary Secretary for the Cabinet Office

Introduction

Public procurement is a key lever in achieving the Government's missions. By sourcing goods and services that provide value for money, we can drive sustainable growth and empower local communities. Taxpayer money must champion British businesses and create good local jobs while protecting our national resilience and economic security. We expect leaders in contracting authorities to carefully consider how they approach the exercise of their procurement functions to best support the delivery of the Government's missions. This goes further than just thinking about how procurements are structured and contracts are delivered; to include how services are designed, whose voices are being heard as part of the commissioning process, how a community's needs are met, and how markets are created and managed to foster a competitive and dynamic local economy.

The Procurement Act 2023 (the 'Act') reformed the rules that govern the £385billion spent through public procurement every year. In line with the manifesto, the Government intends to use the Act to create a simpler and more transparent regime for public sector procurement that delivers better value for money, drives economic growth, and safeguards national interests.

The Act came into force on 24 February 2025 with a new National Procurement Policy Statement (NPPS) setting out the Government's strategic priorities for public procurement. The Act revoked the previous regulations, (i.e. the Public Contracts Regulations 2015, the Concession Contracts Regulations 2016, the Utilities Contracts Regulations 2016 and the Defence and Security Public Contracts Regulations 2011). However, some procurements will continue to take place under these 'previous rules'.

Actions implemented in central government

To support implementation of the NPPS, the Government has already introduced a number of new measures:

- All central government departments and their arms length bodies (ALBs) will set three-year targets for direct spend with SMEs from 1 April 2025 (with targets for VCSEs to follow in 2026) and publish progress annually.
- Requiring departments to exclude suppliers from bidding for major contracts (+£5m) if they cannot demonstrate they pay their invoices in an average of 45 days.
- Publishing an update to the model for taking account of social value in central government procurement, streamlining the standard criteria and aligning with the five missions.
- Establishing a new online register of commercial agreements that will give contracting authorities better visibility of existing frameworks and the fees they charge, improving decision-making and ensuring value is maximised.

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The Government is also considering giving Ministers powers to designate specific services, works or goods as critical to our economic security [(e.g. to protect national supply chain resilience)] and allowing them to direct contracting authorities to take this into account when considering whether the national security exemption in the Procurement Act 2023 applies to a particular procurement.

The proposals in this consultation aim to build on these measures to ensure that public procurement plays its full role in delivering the Government's industrial strategy and fostering a resilient economy that supports British businesses and creates good jobs in communities across the country. These reforms will enhance the UK's economic resilience and strengthen supply chains in line with the Government's industrial strategy. They will open up more opportunities for small and medium-sized enterprises (SMEs) and voluntary, community, and social enterprises (VCSEs), which are vital for driving the UK economy. This approach will enable public procurement to advance the national interest while respecting the UK's international trade commitments.

Proposals for consultation

Supporting small businesses and social enterprises

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

Supporting national capability

- 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.

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.
- 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.
- 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.

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- 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.

Based on the feedback on these proposals and when parliamentary time allows, the Government intends to introduce legislation to amend the Act. As part of this process the government will also look to introduce minor technical amendments to the Act under this legislation.

Application

The Government anticipates that the reforms proposed in this consultation would only apply in respect of contracting authorities undertaking wholly or mainly reserved functions. We will continue to engage with the Welsh Government, Northern Ireland Executive and Scottish Government about the application of these proposed reforms.

How to respond to this consultation

The consultation opens on 26.06.2025 and runs until 05.09.2025.

We invite you to respond to the questions in this consultation by 05.09.2025. Please respond by completing the survey at the following link: <https://www.smartsurvey.co.uk/s/2OEDOL/>. If you have any queries in relation to completing the survey please email procurement.reform@cabinetoffice.gov.uk.

This consultation seeks feedback on whether the suggested proposals meet the intended policy ambitions as set out within the consultation. The majority of questions will ask respondents to state to what extent they agree or disagree with the question posed under each section. Respondents should reply using the following scale; strongly disagree, disagree; neither agree nor disagree; agree; strongly agree. Where respondents disagree or strongly disagree with the question, they have the opportunity to explain why they believe this to be the case.

For information on how the Cabinet Office will use and manage your data, please see the Cabinet Office's corporate Privacy Notice for public consultations [here](#).

Supporting small businesses and social enterprises

The Government proposes:

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

Small businesses are the lifeblood of our communities and play an essential role in delivering growth – 99.8% of businesses in the UK are small businesses and they employ over 60% of the British workforce. With public procurement accounting for around a third of total public sector spending, increasing spend with small and medium-sized enterprises (SMEs) and voluntary, community, and social enterprises (VCSEs) is a key lever for economic growth.

The Act provides greater flexibility to contracting authorities to design efficient, commercial competitions. It introduces a number of reforms which make it easier for SMEs and VCSEs to access public sector supply-chains and remove unnecessary burdens and costs, including:

- a duty on the face of the Act for contracting authorities to consider whether they can remove barriers to SME participation;
- greater visibility of upcoming public sector opportunities and early market engagement to explain requirements to better help SMEs and VCSEs prepare to bid;
- allowing contracting authorities to reserve lower value contracts for SMEs, VCSEs or UK suppliers so only they can bid for the opportunity;
- banning common barriers contracting authorities can use when setting criteria for procurements (e.g. requiring insurance to be in place before contract award);
- banning 'Pre Qualification Questionnaires' in lower value procurements so that SMEs and VCSEs cannot be knocked out of the process at the first stage;
- requiring 30 day payment terms to apply throughout the public sector supply chain;
- requiring contracting authorities to publish their payment performance data in one place to allow comparisons across the public and private sector.

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The Government wants to go further in support of the Plan for Change and reform procurement rules to give SMEs and VCSEs greater access to public contracts. By strengthening the participation of SMEs and VCSEs, we can boost national resilience, enhance our supply chains, and create good local jobs that benefit communities across the country.

Targets for increasing procurement spend with SME and VCSEs

The Government proposes:

- Amending the Act to mandate large contracting authorities with procurement spend over £100m p.a. (which would include large contracting authorities such as councils, NHS Trusts, etc.) to publish their own 3-year target for direct spend with SMEs and VCSEs and report against it annually.

Authorities would be able to determine their own target in line with their categories of spend, however, in line with the National Procurement Policy Statement, the Government's expectation is that authorities should set stretching targets to increase spend with SMEs and VCSEs year on year. To support transparency and comparison across the public sector, data would be required to be published in one place (for example on the Central Digital Platform). The Cabinet Office would provide guidance on setting spend targets and reporting progress to support consistency. We are proposing that this measure would only apply to large contracting authorities with spend over £100m p.a. to align with the existing requirement to publish procurement pipelines and appropriately target those authorities with the greatest spend. There would be no financial penalty for not achieving the target.

The reporting of these targets will be supported by the transparency requirements under section 70 of the Act. Contracting authorities are currently required to publish information about any payment of more than £30,000 made by the authority under a public contract, within 30 days of the end of each quarter. The legal requirement to publish payment information under section 70 of the Act did not come into force when the new regime went live on 24 February 2025, but is expected to be commenced in due course.

To support implementation of section 70 and the proposals on spend targets, the Government is exploring how to digitally match payments held in finance systems to information about public contracts that have been published on the Central Digital Platform (CDP). This would automate the tracking of spend data against targets for contracting authorities and reduce reporting burdens. It would streamline the data collection process, ensure real-time updates, and facilitate better reporting capabilities, ultimately fostering a more transparent and accountable spending environment.

To align SME spend target reporting and payment reporting under section 70, the Government proposes:

- Extending the requirements of section 70 of the Act to ensure that information on all payments made under public contracts is published, effectively removing the current £30,000 threshold, and extending coverage of section 70 to include payments covered by notifiable below-threshold contracts.

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A notifiable below-threshold contract is a regulated below threshold contract with (if it is being awarded by a central Government authority) a value of not less than £12,000 or (if it is being awarded by any other contracting authority) a value of not less than £30,000. A below-threshold contract is not notifiable if the contracting authority is a school, or if the contract is a concessions contract or a utilities contract.

Expanding the reporting requirements under section 70 of the Act to all payments made under public contracts would help to capture a more complete view of SME and VCSE spend and make it easier to report against spend targets. Going further and extending coverage of section 70 payments relating to notifiable below-threshold contracts would capture a wider set of SME and VCSE spend data.

QUESTION 1a: 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 and publish annual progress against these targets, would help increase spend with SMEs and VCSEs?

QUESTION 1b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

QUESTION 2a: 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?

QUESTION 2b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

Prompt Payment

Late payment of invoices is a significant problem for many businesses, including small businesses within public sector supply chains. Long payment terms and late payments can have a damaging knock-on effect on businesses' ability to manage their cash flow and plan for growth. In the worst cases it can threaten their survival. Late payment remains a significant issue in the UK, with £23.4 billion owed to SMEs with research showing that SMEs are on average owed £22,000 a year, and leads to 50,000 business closures per annum according to Federation of Small Businesses. Government departments are already required to pay their invoices within 30 days, and the majority pay over 80% of their invoices within five days, but the power of procurement can be used to improve standards across the board.

Current Government policy requires central government departments to ensure suppliers demonstrate that they pay their supply chain on time (the standard is 95% of invoices paid within 60 days, and within an average of 45 days overall) as a condition of bidding for major contracts (+£5m per annum). This has driven significant improvements in payment performance amongst Government's largest suppliers, with payment times improving by more than 20%. The Act now also implies 30-day payment terms into future contracts and subcontracts when they are part of the public sector supply chain.

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The Government proposes:

- Amending the Act to require contracting authorities to exclude suppliers from bidding for major contracts (+£5m per annum) if they cannot demonstrate they pay their invoices within an average of 60 days. If contracting authorities do not exclude suppliers they will be required to provide an explanation.

Extending the current policy beyond central government organisations would ensure that more suppliers across the public sector are committed to paying their supply chains on time. The measure would be implemented on a 'comply or explain' basis so that authorities would not be required to apply it where they can demonstrate it would reduce competition or jeopardise value for money.

Unlike the terms implied by the Act, the proposed measure would take account of every invoice a business has paid, regardless of whether it forms part of a public supply chain, broadening the benefits of prompt payment across the entire economy. To maximise impact, this measure will also apply irrespective of whether the supplier is using a supply chain for a given contract, going beyond the current policy requirement for central government.

Linking performance to the average time taken to pay invoices, will make it easier to change the threshold downwards in the future, and drive future performance improvement. Starting at 60 days, rather than the current 45 days used by Central Government, will allow for performance improvement without impacting delivery of essential services, and applying the measure at contracts over £5m per annum will target the measure towards larger suppliers with a supply chain. We would provide a power for Ministers to amend these thresholds in the future.

QUESTION 3a: 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 (within an average of 60 days) would help improve late payment by suppliers to the public sector?

QUESTION 3b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

People-focused services

People-focused public services, such as adult and children's care, are vital to our communities. These services are designed to address the needs of vulnerable users, ensuring that they receive high-quality support specific to their circumstances. When procurement focuses only on competition, the standards of these essential services can decline, negatively impacting the very individuals they are meant to serve.

The Act ensures that people-focused services benefit from significant flexibilities. This includes the user choice direct award justification which removes the potential conflict where there are legislative obligations for choice such as those in the Care Act 2014 and the Children and Families Act 2014 and the assumption of competition in the Procurement Act.

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Recent feedback has indicated that more flexibility is needed when awarding contracts to deliver certain services to vulnerable individuals, particularly when the market is limited and services are needed within a limited geographical area. For example, stakeholders have asserted that competition in the children's homes and adult social care homes sectors is not delivering better commercial or user outcomes. It is crucial that we prioritise the interests and experiences of users in the design and delivery of these services to ensure better outcomes for everyone involved and we are keen to understand how we can improve procurement of these vital services.

The Government proposes:

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

We are considering how we can best incorporate more flexibility into the procurement regime to ensure that these services can be procured in the best way. It could be to amend the scope of the Procurement Act or to amend provisions such as the user choice direct award justification or by making better use of frameworks and dynamic markets.

We want to help local authorities focus their resources on meeting user needs and building effective partnerships with local providers based on common values to create a supportive and enabling environment for users. We want to remove the unnecessary bureaucracy imposed on contracting authorities when the market conditions or sensitive nature of the requirement mean that a complex procurement process is not an efficient way to deliver the service.

These reforms aim to prioritise high-quality service delivery, allowing contracting authorities to make decisions that support market development, for example longer term contracts that increase market confidence (particularly for small businesses, charities and social enterprises) to invest in new properties. By reducing the focus on commercial procurement for these essential services, we can foster an environment where quality care and support take precedence, benefiting users of the services and where outcomes improve for users and communities alike.

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

QUESTION 4b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

QUESTION 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).

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QUESTION 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?

Supporting national capability

The Government proposes:

- **Giving Ministers powers to designate specific services, works or goods as critical to our national security and direct contracting authorities to take this into account when considering whether the national security exemption applies to a particular procurement to protect the UK's national interests.**
- **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.**

In today's climate of global economic uncertainty, governments must bolster domestic resilience and protect national security. By prioritising vital sectors such as steel and defence, we can strengthen our supply chains and ensure that the UK can thrive in a competitive world. These reforms will recognise and reward the high quality and exceptional standards of British suppliers, ensuring taxpayer money supports businesses that do the right thing.

National security – economic security

Safeguarding economic security and strengthening domestic supply chains are more critical than ever. Disruptions in international markets have exposed vulnerabilities that threaten our national interests and overall stability. By prioritising the resilience of our supply chains, we can safeguard our national interests, strengthen our economy, create jobs, and ensure the integrity of our procurement processes. The protection of infrastructure and activities critical for the functioning or stability of our economy is one factor that may be relevant to the safeguarding of UK national security. The Government is of the view that in certain circumstances it is appropriate to take into account such matters in the application of the national security exemption (in paragraph 25 of Schedule 2 to the Act).

To protect the UK's national interests, the Government is considering giving Ministers powers to designate specific services, works or goods as critical to our economic security and direct contracting authorities to take this into account when considering the application of the national security exemption.

This primary legislation power would allow a Minister of the Crown to establish clear rules via secondary legislation for how these critical services, works, or goods are identified.

Where a service or product is designated as critical, contracting authorities would need to review their purchasing plans to assess any potential risks involved in depending on international suppliers. If there are significant concerns for national security, they could then use the national security exemption available under the Procurement Act 2023 and in line with our international agreements, including the WTO Agreement on Government Procurement. This exemption offers dispensation from the usual competitive bidding process and enables

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contracting authorities to directly contract with trusted suppliers. This targeted approach would enable us to make informed procurement decisions that protect vital industries, strengthen supply chains and ensure a stable supply of essential goods.

The government is not inviting public consultation on this proposal.

Building commercial capability through sourcing decisions

Over the past few decades, outsourcing has been a primary method for delivering public services in the UK, with spending on outsourced services reaching around £146 billion in the 2022-2023 financial year—higher than the OECD average. This model involves contracting external suppliers for services previously provided by public sector teams, aiming to improve efficiency, reduce costs, and leverage private sector expertise.

However, while outsourcing has yielded benefits, it has also raised concerns regarding quality, accountability, and resilience. Issues have arisen about the extent of outsourcing, particularly for complex and critical services that are essential to government functioning and public accountability. These challenges highlight the need for more scrutiny and accountability in outsourcing decisions, prompting the government to advocate for a careful, case-by-case examination of whether to outsource or insource, emphasising cost-effectiveness, resilience service quality, and public value.

In response, insourcing – where public sector bodies regain direct control of service delivery – has become a viable alternative. Insourcing improves accountability, service quality, and employment standards. Many local authorities have successfully insourced services like cleaning and repairs, leading to better outcomes for workers and communities.

Going forward, we want public sector bodies to take a long term view when deciding how best to deliver public services and develop sourcing strategies that formalise this. Sourcing strategies will enable public sector bodies to set out their operational delivery model, identify potential opportunities for insourcing and inform decisions on individual contracts as they expire. This can look at the diversity of delivery when there is outsourcing, including voluntary sector organisations, mutuals, social enterprises and SMEs. Importantly, they will enable an organisation to outline its vision for the future and avoid taking a piecemeal approach. Public sector bodies will use their sourcing strategy to identify any gaps in their capability, capacity, skills or culture that they need to have in-house, in order to make insourcing a success and implement their strategy over the medium term. The management focus, skills and capabilities required to transition a service in-house will be different from those required for the business as usual running of the service.

Before any service is contracted out, public bodies would be required to carry out a quick and proportionate public interest test, to understand whether that work could not be more effectively done in-house. The test will evaluate value for money, impact on service quality and economic and social value goals holistically.

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In advance of existing contracts expiring, public sector bodies would be required to undertake a public interest test to decide whether the service could be delivered more effectively in-house. The public interest test will be a series of questions that the authority must answer to help inform its decision on the appropriate delivery model. This is likely to include (but not limited to):

- appropriate in-house capability;
- evidence of cost savings or service quality improvements;
- whether the service is core to the organisation's objectives;
- need for greater control or accountability over the service;
- whether the service is a government created market; and
- whether the existing contract/service is performing as expected.

We would require the outcomes of the public interest test to be published to provide transparency.

Where the public interest test suggests the service is a good candidate for insourcing, the contracting authority should then undertake a delivery model assessment in the usual way to decide the details of how best to deliver the service.

We recognise that not all outsourced service contracts will be covered by the definitions in the Act (e.g. wholly owned subsidiaries such as Local Authority Trading Companies) and invite views as part of this consultation on any additional contracts that should be in scope for the public interest test. We are also interested in views on the types of contracts that should be in scope to ensure an appropriate size (e.g. +£5m) and complexity of service is covered.

The Government proposes:

- Primary legislation to amend the Act to mandate contracting authorities to carry out a public interest test prior to making a sourcing decision on relevant contracts (e.g. proportional to the size and complexity of the service or those +£5m).
- Secondary legislation under the Act to require contracting authorities to publish the results of the public interest test in the tender notice.

QUESTION 7a: 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?

QUESTION 7b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

Supporting good quality, local jobs and skills

The Government proposes:

- **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.**
- **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.**
- **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.**
- **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.**

In the National Procurement Policy Statement, the Government set out that contracting authorities should deliver social and economic value that supports the Government's missions, particularly good quality jobs, opportunities and skills to boost productivity and economic growth. In addition, the NPPS encourages greater collaboration at the local level and between central and local government. Social value should not be about tactical 'tick-boxing'. It must be aligned to actual need. That means working collaboratively to identify those who are furthest from the labour market, such as those with long term health conditions, care leavers, ex-offenders and young people with additional needs, and opening up jobs and skills opportunities to them so they can engage in the labour market.

Award criteria, including social value award criteria, must relate to the subject-matter of the contract and be a proportionate means of assessing tenders. Currently, the Public Services (Social Value) Act 2012 requires certain contracting authorities to "consider how what is being procured might improve the economic, social and environmental well-being of the relevant area".

Strengthening and streamlining social value

The success of many of the government's goals, such as creating good jobs, meeting the needs for skilled workers and reducing economic inactivity depends on how suppliers work with their staff, suppliers and communities. Therefore, the government should ensure that the suppliers it works with align with these goals by providing good jobs with decent pay, conditions and security, making it easier for people to return to work, and offering training when delivering its contracts. Making social value a mandatory requirement in contracts

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would reward suppliers who support these national aims. However, it's vital to find a balance that maximises benefits without placing unnecessary burdens on suppliers and increasing cost of delivery.

Many authorities have successfully used social value in procurement, and suppliers have responded positively. However, industry representative bodies still report too frequently that SMEs find social value requirements difficult to navigate and that performance is poorly managed. This needs to change. The Government wants to improve this by streamlining social value efforts, focusing on the most impactful contracts, increasing transparency on the delivery of commitments, and concentrating on those outcomes that are crucial for success. The Government wants to see more meaningful dialogue with suppliers and the proper management of social value delivery.

The Government proposes:

- 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 and skills. Contracting authorities would need to apply a minimum weighting of 10% of the scores available, to social value award criteria.
- Requiring contracting authorities to set at least one key performance indicator on social value delivery relating to jobs, opportunities or skills in major contracts (+£5m) and report on progress against this in the contract performance notice.
- 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.

These proposals would simplify the law by integrating social value requirements into the Procurement Act 2023. It will strengthen the rules by making social value award criteria mandatory but focus these requirements on the national priorities of jobs, opportunities and skills, in those places and for those people that need them the most. We acknowledge that sometimes it may not be reasonable for contracting authorities to set such social value award criteria and key performance indicators (KPIs); in this case, they would need to explain why in the tender notice. Further, this approach improves supplier accountability by connecting social value commitments to clear, measurable indicators and allows the public to track progress.

The Government intends to develop a new social value tool that provides a much simpler, streamlined set of award criteria and metrics (and where appropriate, economic values for these metrics). This new tool would be co-designed with local government, the wider public sector and suppliers. To make bidding and reporting easier, the government proposes requiring contracting authorities to select from these standard social value criteria and metrics in their procurement of public contracts (i.e. above threshold). By exception, contracting authorities would be able to apply additional criteria and metrics, to meet local priorities if these were not covered by the standard set.

Furthermore, section 23 of the Procurement Act 2023 requires that all award criteria must relate to the contract's subject matter. This rule prevents authorities the flexibility of targeting social value delivery to where it is most needed. To address this, we are proposing measures

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which will remove this restriction in specified circumstances, to allow contracting authorities to define social value award criteria based on specific locations, while taking into account fair and equal treatment of suppliers.

Where social value is delivered

The Government wants social value that is effective; based on local intelligence about what will boost productivity and economic growth regionally and build on local partnerships e.g. with local anchor institutions to deliver the skills needed. However, the current definition of 'relevant area' under the Public Services (Social Value) Act 2012 restricts social value outcomes to the location of the contracting authority. In central government contracts, this limitation inhibits suppliers' ability to build valuable and sustained local relationships and networks that are crucial for creating jobs and developing skills.

The Government proposes:

- 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.

Contracting authorities would still need to specify the social value outcomes that they seek. This new flexibility would help contracting authorities, especially central government departments, use their contracts to support local goals as set out e.g. in Economic Growth Plans. This change will allow suppliers to form partnerships and engage with communities beyond the contracting authority's immediate area. We expect this flexibility to be used mainly by authorities whose spending is not linked to a specific location. In line with the UK's international trade obligations, authorities would need to ensure that they ensure fair and equal treatment of suppliers, including treaty state suppliers.

QUESTION 8a: To what extent do you agree or disagree that requiring authorities to set an award criteria which relates to the quality of the supplier's contribution to jobs, opportunities and skills in the relevant area for all public contracts over £5m and a minimum evaluation weighting of 10%, will help to deliver social value that supports economic growth?

QUESTION 8b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

QUESTION 9a: 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?

QUESTION 9b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

QUESTION 10a: 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.

QUESTION 10b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

QUESTION 11a: To what extent do you agree or disagree that contracting authorities should be permitted to define the geographical 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?

QUESTION 11b: If you wish to explain why you do or do not agree that the proposed measure reflects or delivers the policy intent described above, please do so here.

