

The Association of North East Councils Limited (ANEC) trading as the North East Procurement Organisation (NEPO) is a centralised procurement authority as defined in the Procurement Act 2023 (PA23), based in Gateshead, Tyne and Wear. NEPO is a not-for-profit funded and governed by the 12 North East local authorities (the NEPO Member Authorities) and operates as a shared procurement service to undertake strategic collaborative procurement.

Our NEPO Member Authorities are:

- Darlington Borough Council
- Durham County Council
- Gateshead Council
- Hartlepool Borough Council
- Middlesbrough Council
- Newcastle City Council
- North Tyneside Council
- Northumberland County Council
- Redcar & Cleveland Borough Council
- South Tyneside Council
- Stockton-on-Tees Borough Council • Sunderland City Council

Since its inception in 1976, NEPO has worked with North East local authorities and other UK public sector organisations nationally to develop procurement solutions in high-spend areas such as construction, energy and professional services.

At every step of our procurement journey, we collaborate with a wide range of stakeholders to ensure their needs are understood and met. Our portfolio of 70+ solutions is available for use by public sector bodies across the UK via a free-of-charge associate membership scheme.

NEPO delivers collaborative procurement on behalf of all twelve North East local authorities and manages major strategic Frameworks, including Civil Engineering & Infrastructure on a national scale, working with associated members across the public sector. Our experience in establishing, governing and operating these Frameworks provides a mature evidence base directly relevant to the CMA's assessment of procurement capability, competition, and market performance.

NEPO recognises the CMA's diagnosis of systemic short-termism, fragmented procurement practice, and weak incentives for innovation. We understand that the underlying drivers funding uncertainty, capability constraints, inconsistent commercial practice, and regulatory complexity may create a self-reinforcing cycle that diminishes public value.

NEPO has already been shifting Frameworks towards long-term value, innovation, and early engagement. The CMA findings reinforce that this direction of travel is correct and must accelerate.

The interim report creates space for:

- stable multi-year funding;
- stronger commercial standards and capability expectations;
- consistent early contractor involvement;
- Frameworks that reward productivity, innovation, and adoption of modern methods.

**1. Do you consider that we should be more concerned with barriers to firms expanding rather than barriers to firms entering the civil engineering market in the first place? Are there other forms of barrier not mentioned in our analysis so far which are significant**

The barriers are more significant for smaller organisations in maintaining a sustainable level of success. The industry needs smaller civil engineering firms to provide more tailored local delivery; not all want to expand or need to. In the North East, we have local SME's who deliver excellent works to Contracting Authorities directly as Tier 2/3, but their fixed costs i.e. plant, equipment, premises, alongside recruiting and retaining high-quality staff is a constant balance.

**2. To what extent do you agree supply chain fragmentation contributes to poor outcomes? Besides pipeline uncertainty, what other factors drive civil engineering firms' preference to use contractors rather than building their in-house capacity?**

In the North East region, some organisations self-deliver and others subcontract. We have Tier 2 contractors who operate as main contractors on multi-million-pound schemes who have built and retained in-house capacity very successfully. Many others on our Civil Engineering & Infrastructure Framework sub-contract and utilise the local supply chain which we are lucky to have in the North east. All organisations would benefit from a long-term pipeline and early engagement to secure their supply chain and in-house provision, which is something NEPO are encouraging Contracting Authorities to engage with.

**3. Are there specific procurement, policy or regulatory barriers that reduce innovation and/or scaling opportunities in the civil engineering market? What would make the most difference to firms' incentives to innovate, and public authorities' incentive and ability to encourage innovation?**

Contracting Authorities want to innovate but inherently, their budget does not enable meaningful innovation to be successfully delivered. There is a nervousness to innovate as if it backfires and causes additional costs, time and resources, alongside reputational damage; this may be seen as a waste of taxpayers' money. The Live Labs project is a great example of innovation and demonstrates how it can work; initiatives such as this should be encouraged across the board. NEPO as a Framework provider encourages innovation and innovative practices can be scored within call-off processes, but to fully embrace it Contracting Authorities need to have the budget and

the risk appetite to deviate from established practices. Shared learning and knowledge are vital to the success of innovation. At NEPO, we try to ensure all of our Frameworks are designed with innovation in mind, within the realms of what the art of the possible is. With current procurement regulations and extensive market engagement, we look to push and promote this point with the market under our Frameworks.

**4. For what type of projects is there greatest scope for the accuracy of upfront scoping and planning to be improved, to aid delivery on time and on budget? What would help to make upfront scoping and planning more accurate?**

Contracting authorities struggle to plan due to budget uncertainty and are affected by periods of political uncertainty in the run up to, and for a period after, the election cycle. Projects are often dependent on funding, authorities need to take risks in planning projects to a certain stage to have that project 'funder ready' if an opportunity materialises to apply for funding, this can often mean outlay of consultancy fees at risk. So, more clarity on funding streams and their requirements well in advance would help ease this situation. NEPO would agree with the CMA that we need longer term multiyear funding certainty to allow both authorities and the market to engage in meaningful long-term planning.

**5. To what extent do you agree early contractor involvement could be used more effectively, and how can this be facilitated?**

Some Contracting Authorities may be nervous about ECI as they feel that it puts them in a weaker position, a wider education piece is needed to communicate the benefits of ECI. NEPO as a national PBO conducts extensive early market engagement when it comes to running a procurement of our Frameworks, this is critical for NEPO to understand the need, wants and obligations set out by the market and buying profile. ECI or “PME” pre market engagement is key to designing and developing the right solutions for the requirements the authorities have, this allows risk mitigation, upfront, alongside capacity and resource planning for all in the supply chain. ECI/PME has been a critical part of the PA23 regulations, and all authorities should be looking to engage the market early.

**6. To what extent do you agree that the design and use of procurement Frameworks could be improved?**

NEPOs Frameworks are designed in conjunction with the contracting authorities that own and will use the future contracts, and in consultation with the private sector partners looking to deliver into the public sector. The design and build of these Frameworks are paramount to their success in delivering the key outcomes contracting authorities need. NEPO coordinates communication between the local authorities in the North East for civil projects, we issue pipeline opportunities and feedback to authorities on recent projects so they can decide whether to delay or bring forward opportunities based on neighbouring authorities' activities. As the twelve local authorities in the North East effectively own NEPO, they consider the NEPO Frameworks in the first instance as it is cost-neutral for them to use; they are involved in the establishment of the Framework from the outset and so are invested in the process, design and development investing a lot of time and resources into Framework creation in collaboration with NEPO. NEPO does its utmost to ensure that it meets their needs and requirements in the short term, but also how our multi-year Frameworks can

continue to deliver for their changing requirements in the long term. In terms of the operation of Frameworks, NEPO permits both direct awards and further competitions to ensure Contracting Authorities have all options available to them, in our current iteration of the civils Framework awarded in March 2025, we have seen 19 awards, of which 6 were direct awards. The remaining were further competitions demonstrating how good use of Frameworks can drive added value, and benefits to contracting authorities. The formulation of a pipeline of projects is something that NEPO is working with our local authorities to provide, however this can be difficult given the lack of certainty on budgets and funding.

## **7. How could open competition be made less resource intensive as a method of procurement?**

Open competition for civil schemes is still undertaken by some Contracting Authorities within the North East, where our Framework may not deliver for a specific reason. Open competition is resource-intensive for both Contracting Authorities and contractors hence the use of Frameworks such as NEPO's. The procurement process is always going to be resource-intensive and can take many months, as Contracting Authorities need to ensure they follow all of the required regulations, ensure risks are identified, mitigated and ensure compliance is adhered to when looking to appoint a contractor. In utilising a Framework established by a publicly owned Public Buying Organisation such as NEPO a great deal of the work has been done at Framework level, from PME, terms and conditions, negotiated rates and pricing etc. The Contracting Authority still has the ability to undertake a further competition process to demonstrate further value for money for their specific project and its requirements in a rapid timescale whilst meeting all necessary obligations & regulations.

## **8. Where is there greatest scope to improve the evaluation of non-price aspects of bids, such as quality? How can this be better supported and enabled?**

NEPO always looks to base its scoring and evaluation methods relative to the market and contract it is procuring. In the recent renewal of the NEPO Civil Engineering & Infrastructure Framework, the quality element questions were scored at a higher percentage than price; the importance of having capable and high-quality contractors on the Framework is valued much higher than prices paid. We evaluated social value, carbon, financial resilience, partnerships, supply chain, team, risk management and work programme which equated to 70% with price at 30%. We do not find that this is an issue; the time invested initially helps the Framework in the long run. From a contracting authority perspective if you only focus on low cost, you will get low-cost solutions, which may be one of the key barriers to the market to bid for and develop and real added value and innovation.

## **9. What factors are most likely to cause significant risks to be misallocated between the procuring body and supply chain, and within the supply chain? How could this be addressed?**

Uncertainty, lack of awareness or knowledge, but the main issue is often a lack of experience in dealing with the NEC form of contract by Contracting Authorities. They are losing experienced resources and those that are left are increasingly stretched, in terms of teams, resources, budget, and internal skillsets. NEPO is actively working with Contracting Authorities to help with training on NEC and other forms of contract,

working to agree regional clauses to help both authorities and contractors. Again, education and knowledge sharing would be of benefit for all.

## **10. What are the areas of regulation which are preventing opportunities for innovation and effective competition?**

Within the civil engineering arena, it could take years to prove that an innovative technique or product is effective. Contracting Authorities often do not have the time, funding, resources or risk appetite to be able to embrace innovation as much as they would wish. Procurement regulations can be very heavy to manage, and require significant time investment, teams, skills, capability and legal rigour. NEPO sees the use of Frameworks to reduce the burden on procurement teams, as the main heavy lifting has already been completed by a PBO on behalf of the public sector.

## **11. What are the areas of regulation which are preventing smaller suppliers from competing effectively (or from scaling up to be able to compete effectively)?**

Barriers to entry for SMEs and smaller organisations has always been an issue for public procurement, the new PA23 regulations allow to offer more opportunities and flexibility to SMEs and nimble supply chains. NEPO is experiencing positive results from smaller suppliers who are successfully competing against larger organisations for projects under £5m, alongside this, we are trying to ensure our Frameworks are open and appealing to the SME and small supply chain networks, as these suppliers often have the skills, unique methods and innovation in their organisations.

## **12. To what extent do you agree there is excessive risk aversion in public authority decision making? Where risk aversion is too high, what would help move it to more appropriate levels?**

Local authorities are using public funds; as such, it is often difficult to take risks due to enhanced scrutiny, a lack of resources, tight project timescales/pressure to deliver and a lack of funding. The pressure of taking a risk in using an innovative product or service and getting it wrong is real, as this could be seen as a waste of taxpayers' money. Local authorities and public councils are under unprecedented levels of transparency and scrutiny, which can drive a risk-averse behaviour and mindset.

## **13. How would you rank the relative importance of our proposed measures?**

The market is structurally misaligned around short-termism and risk aversion. Real improvement requires shifting incentives not merely optimising existing processes. The areas identified align with NEPOs goals to drive better more collaborative procurement across the public sector space with contracting authorities and private sector delivery partners:

- Lower infrastructure cost
- Improve delivery predictability
- Strengthen competition
- Encourage productivity-enhancing investment

## **14. Are there alternative important measures that we do not mention?**

The CMA is describing a system NEPO already recognises: structurally short-term, administratively heavy, commercially risk-averse, and failing to incentivise productivity.

The interim report validates many of the issues we have surfaced regionally particularly capability pressures, inconsistent procurement approaches, and barriers that limit SME growth and supply chain investment.

**15. What would be the feasibility and impact of extending multi-year capital funding to public authorities currently operating on year-ahead budgets only?**

This can only improve the situation as it would permit longer-term planning for the Contracting Authorities, which would in turn lead to pipeline opportunities for contractors. The funding would need to be ringfenced, so it remained secure to be used on civil engineering projects as detailed. A three-year funding programme would provide some longevity.

**16. What information not currently available in published infrastructure pipelines would be most helpful for firms? How would this information change business decisions on resource allocation and/or investment?**

The national pipelines currently published are high-level and often high value, which in reality would be useful only to Tier 1 only. NEPO would suggest suppliers need regional pipeline opportunities, however the local authorities are often not in a strong position as already detailed, they have no certainty on funding. More localised regional pipelines would help contractors know where to recruit and to train staff and where the work is secured. NEPO and others could then use this pipeline information to enable and help collaboration across regions and boundaries on multi-party programmes.

**17. How could the commercial and engineering capabilities within procuring authorities be better utilised? What could be done to better support procuring authorities to develop, recruit and retain these specialist skills, expertise and leadership capacity?**

More links to educational establishments across all levels and the ability to 'grow their own' via apprenticeships. The loss of experienced staff for a variety of reasons i.e. redundancies, restructures and an ageing workforce are all issues Contracting Authorities are facing, along with having to do more with less.

**18. To what extent do you agree that it would be beneficial for public authorities, such as groups of nearby local authorities, to: (i) jointly develop and share engineering expertise and commercial capabilities; (ii) to coordinate or jointly conduct procurement; and (iii) enact comprehensive, standardised sharing of cost and performance data? How could this best be achieved?**

NEPO coordinates the Framework for the North East, as detailed earlier in the feedback, all North East local authorities feed into the process, investing time and resources into the procurement lifecycle. Our regional network is strong and effective, we carry out joint training, events and NEPO are working on regional NEC terms to try to share knowledge.

**19. What is preventing widespread adoption of procurement best practice? How could these barriers to adoption be overcome?**

NEPO embraces best practice, we engage Contracting Authorities and contractors in the procurement processes to ensure the market is fully aware of the opportunities and tenders coming out, we focus heavily on co-development and design with the market as part of pre-market engagement to ensure all stakeholders can make meaningful contributions. We encourage all stakeholders to remain engaged throughout the Framework period, holding solution steering groups, and taking a hands-on active role in contract and supplier management.

## **Conclusion**

NEPO believes the CMA has correctly identified the symptoms but must go further in addressing the root causes.

We urge the CMA to recommend bold, system-level reforms: multi-year funding certainty, national commercial capability investment, standardised procurement and risk Frameworks, and simplified regulatory pathways that encourage innovation rather than penalise it. The collaborations and utilisation of regional and national Frameworks will be key to unlocking some of these initiatives.

NEPO stands ready to shape a market that rewards innovation, reduces delivery risk and improves outcomes for the public.