



# Procuring Growth

## Balanced Scorecard

October 2016

**Introduction**

1. Government can play an important role in supporting economic growth by helping to level the playing field through the way it buys public goods, works and services. It can maximise the economic benefit of what it spends through public procurement, directly through the outcomes of major investments or by playing a catalytic role in the development of supply market capabilities and competitiveness through the way it designs its procurement and requirements.
2. As a significant client, Government can help to shape the market, foster investment in skills and innovation and open up public procurement to Small and Medium sized Enterprises (SMEs) and Voluntary, Community and Social Enterprise organisations (VCSEs), all of which contribute to economic growth through stimulating innovation and increased productivity.
3. It can do this by ensuring that value for money is fully considered and reflected in the procurement process by considering relevant broader policy matters, such as social and environmental factors, that take full account of the value offered by suppliers. A balanced scorecard approach will guide contracting authorities on how they can do this.

**Balanced Scorecard Approach**

4. A balanced scorecard (BSC) approach is a way of developing a procurement (e.g. the requirements and evaluation criteria) so that more straightforward matters such as cost, are balanced against more complex issues such as social and wider economic considerations. This type of approach will help to achieve Government's key objectives, like sustainable economic growth.
5. Examples of what a balanced scorecard approach might produce include:
  - Timely, transparent and inclusive pre-procurement market engagement with suppliers to allow them to gear up to compete, and to ensure the procurement specification is optimised to take account of market capabilities and the potential value suppliers can deliver
  - Taking account of economic, social or environmental considerations in procurement design, technical specifications, award criteria and contract performance conditions linked to the subject matter of the contract
  - Driving good supply chain practice by influencing the behaviour of prime contractors, for example by requiring evidence of supply chain management approaches, requiring suppliers to openly advertise sub-contracting opportunities
6. A scorecard approach has already been used successfully across government for key projects including by the Olympic Delivery Authority, the HS2 programme. These major projects have demonstrated how procurement strategies can be designed to maximise economic input. I
7. For all construction, infrastructure and capital investment procurements with a value of over £10m, Central Government Departments, their Executive Agencies and Non-Departmental Public Bodies, must adopt the balanced scorecard approach.
8. The Model Balanced Scorecard at Annex A is a general template setting out key strategic policy themes and underlying Critical Success Factors (CSFs). Integration of these broader themes

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into these projects will help to maximise the positive impact of public procurement. Contracting authorities must consider on a case-by-case basis, whether these themes are relevant to their procurement. This should be explored when identifying the requirements for these projects.

9. For all works, infrastructure and capital investment procurements with a total value exceeding £10 million, the team responsible for developing and delivering the procurement should:

- consider each of the Strategic Themes and CSFs of the Model Balanced Scorecard in relation to the objectives of the project, determining whether there are associated requirements that are linked to the subject matter of the contract and are proportionate and therefore should be incorporated into the procurement
- identify whether for the exercise there are other project- or sector-specific themes and CSFs with associated requirements
- produce a procurement-specific BSC that captures and communicates the objectives for the procurement and how these relate to the requirements. The BSC should be published with the procurement documentation and form a clear summary of how the procurement will deliver the project vision.

10. Additional guidance on when and how in the procurement process Strategic Themes and CSFs can be addressed is set out at Annex B.

11. Annex C sets out an example of a spreadsheet tool that may assist at the pre-procurement phase in considering the potential for addressing the Strategic Themes and CSFs for a specific project. This may also be useful for procurements outside the mandated scope of the policy. Departments remain responsible for deciding how best to undertake pre-procurement work and in exercising their own discretion in designing the procurement process for the competition on a case-by-case basis.

12. The balanced scorecard and its associated material should be used as a prompt to trigger broader and more creative thinking when designing major procurements. As it is general guidance, it doesn't address all of the specific issues that may affect particular sectors, so other relevant themes may also be considered and incorporated as part of the balanced scorecard approach. Whilst a balanced scorecard approach must be used for certain types of procurements, it can also be used for other types of procurements where relevant and when doing so is consistent with value for money. For example Defra have used a scorecard approach in the delivery of their food plan.

13. It is important to remember that nothing within the guidance or Annex C should be interpreted in a way that overrides or conflicts with departments' obligations to comply with the PCR 2015, in particular departments' obligations to determine whether potential requirements would be linked to the subject matter of the contract and proportionate to apply.

### **Investment Appraisal**

14. All significant projects and programmes should be subject to comprehensive but proportionate assessment to ensure that public money is spent on activities providing greatest benefits to society and in the most effective way. The [Treasury Green Book](#) sets out the techniques and issues to be considered. It recognises the range of considerations that an investment appraisal

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may address including economic, financial, social and environmental factors, illustrating how assessments against each of these headings should be combined.

15. Options appraisal is at the core of the project appraisal process. This involves identification of the objectives for an investment, and the creation and review of potential options in terms of costs, benefits and risks. Adoption of a Balanced Scorecard approach does not alter this. The emphasis that a particular project places on Balanced Scorecard strategic policy themes and associated CSFs should reflect the investment objectives captured in the business case, and the benefits targeted for the preferred option. This should be captured in proportionate and transparent evaluation weightings that reflect the relative importance of the outcomes targeted for those themes/CSFs within the context of the overall project goals.

### **EU Public Procurement Law and Treaty Principles**

16. On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation.

17. Major procurements are subject to EU public procurement law, the Public Contracts Directive 2014, which is transposed in the UK by the Public Contracts Regulations 2015. The EU Directive codifies EU Treaty Principles, requiring contracting authorities to treat economic operators equally and without discrimination and to act in a transparent and proportionate manner.

18. The EU Directive and the PCRS 2015 make clear that the award of contracts should be on the basis of the most economically advantageous tender (MEAT). The price or cost assessment part of the evaluation of bids must be on a whole life cost basis, and, as set out in the PCRs 2015, the entire cost-effectiveness of the project should be examined, not just the initial price. Cost-effectiveness can include the assessment of the cost of transport, insurance, assembly and disposal as well as costs over the life-cycle of a product, service or works, including: costs of use, such as consumption of energy and other resources, and maintenance costs; and costs associated with environmental impacts, including the cost of emissions.

19. The PCRs 2015 provide greater clarity on how broader considerations might be addressed within the procurement process, explicitly recognising the potential for incorporation of social and environmental factors. These factors can be incorporated at the different stages of a procurement process, provided what is being included is linked to the subject matter of the contract and proportionate, and provided it is transparent and non-discriminatory. Regulations 42 and 67 of the PCR 2015 provide clarification on how factors can be addressed at the specification and award evaluation stages, while Regulation 70 addresses the same point with reference to contract performance conditions. This should give public procurers greater confidence in factoring key public policy considerations into procurements where these clearly relate to project objectives.

20. In addition to this, the Public Services (Social Value) Act 2012 requires public procurers at the pre-procurement stage to consider procurements covered by the Act might improve the social, economic, and environmental well-being of the relevant area.

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## ANNEX A

### THE BALANCED SCORECARD

#### Overview

1. The overarching bar of the Model Balanced Scorecard (BSC) emphasises that the goal of procurement remains the achievement of Value for Money – the optimum combination of cost and quality over the life of the investment. The Strategic Themes and associated Critical Success Factors (CSFs) encourage procurers to consider in the round what this means for their project.
2. Public procurements take place in an environment shaped by market, policy and legal, factors that must all be considered in the construction and conduct of the exercise. This is emphasised by the “Contextual Definers” bar.
3. The core of the Model BSC is a set of key Strategic Themes representing policy areas that potentially bear on the objectives and specific requirements for major procurements. They include the familiar Cost and Solution Quality elements but go wider to encompass broader areas of impact that should where appropriate be reflected in procurement requirements and evaluation of supplier proposals. Not all themes will be applicable to all major projects and there may be particular sector-specific themes that should be added for particular exercises.
4. Each Strategic Theme is comprised of CSFs bearing on that theme. Again, not all CSFs will be applicable for every project and additions may be required by specific sectoral considerations. At a more detailed level, for individual projects each CSF may have detailed project technical, operational and commercial requirements associated with it. These will be integrated into the project’s evaluation approach. The Balanced Score Card for a specific project may communicate the relative evaluation weightings associated with individual Strategic Themes and CSFs. The balance will be for individual project teams to set, informed by the project investment appraisal and in compliance with the Public Contracts Regulations 2015, ensuring the weightings attributed to the different CSFs are proportionate and transparent.
5. Requirements can be incorporated at different stages of a procurement process. Selection criteria will focus on the economic and financial standing and technical and professional ability of the supplier. Award criteria are applied in order to evaluate the particular tender that has been submitted. Contract performance conditions set out requirements for how a successful supplier must perform the contract. Each CSF provides high level considerations or questions that you will need to decide about whether and if so, how best, to adapt to your procurement. You also need to decide about which stage to ask about them as appropriate, whether at selection, award or contract performance stage. This will need to be determined on a procurement by procurement basis, taking into account what is permissible under the PCR at each stage, and you may wish to seek legal advice about how best to incorporate a requirement you have in mind.

## STRATEGIC THEMES AND CRITICAL SUCCESS FACTORS

### STRATEGIC THEME 1 - SOLUTION QUALITY

#### CSF1. Output/Outcome Quality

**Context:**

At the core of major procurements will be the delivery of a required output or outcome – a product, service or piece of construction work. For large programmes there may be a number of such contract outputs that collectively deliver the programme goals. Each will have associated requirements that together constitute the “quality” element of the familiar “most economically advantageous offer” tender evaluation approach – technical requirements, performance needs, reliability/durability requirement, aesthetic/design impact considerations, post-delivery service and so on.

There is plenty of guidance already in existence on the importance of a rigorous, comprehensive approach to requirements analysis from initial formulation of an investment possibility through to the procurement process. A sound approach to identifying and articulating requirements remains fundamental to maximising value for money by making best use of supplier capability.

**Application:**

Government’s mandatory [LEAN standard operating procedures](#) emphasise the importance of rigorous, inclusive stakeholder engagement in the construction of requirements. This should be set against solid research on market capabilities.

At an early stage you should test your requirements with the supplier community in an inclusive and transparent fashion. This should not only provide essential information on the market’s ability to satisfy your requirements as currently formulated but also prompt further thinking on how you have constructed your requirements and whether you have provided sufficient scope for new approaches to delivering the results you seek.

It remains best practice to, as far as possible, express requirements in output-based terms to avoid unnecessarily constraining suppliers’ approach to satisfying your needs. This is a key enabler in allowing suppliers to apply innovative thinking to formulating a VFM solution that may not only satisfy your needs but benefit a) future public sector customers with comparable needs, b) the supplier in building capability that can be deployed to grow their business.

You should ensure that your evaluation approach allows you to accurately reflect the value a supplier’s proposal offers in relation to the different facets of your requirement.

#### CSF2. Production/Delivery/Construction Process

**Context:**

While the ultimate output of the procurement will be the focus of most of the “traditional” quality requirement set there may be instances in which you want/need to consider aspects of the manner in which the contractor produces the output or delivers the services. This may relate to potential environmental or climate change impacts, for example, or to adoption of recognised best practice such as the mandatory adoption of 3D Building Information Modelling (BIM) for government construction projects, or Agile software development methods for ICT projects. You may require suppliers to demonstrate the implementation of a rigorous Quality Management System to ensure controlled, consistent performance.

Regulation 42 of the Public Contracts Regulations 2015 makes it clear that specifications may encompass required characteristics referring to :

- a) the specific process or method of production or provision of the requested works, supplies or services; or
- b) a specific process for another stage of the life cycle

Even where such factors do not form part of the characteristics' material substance provided that they are linked to the subject matter of the contract and proportionate to its value and objectives.

In Regulation 67 award criteria shall be considered to be linked to the subject matter of the contract where they relate to the works, services or suppliers to be provided in any respect and at any stage of their life cycle, including factors involved in the specific process of production, provision or trading or a specific process for another stage of their life cycle even where those factors do not form part of the material substance of such works, services or suppliers.

**Application:**

While many requirements will be project-specific there may be some considerations which are relevant across particular sectors of spend – for example the obligatory adoption of BIM for government construction projects. In any event, requirements will need to be set firmly within the context of project goals and founded in a sound grasp of market capabilities.

Again it is important to avoid being overly prescriptive in pursuit of the desired objectives. Suppliers must have the scope to demonstrate the value of potential new/innovative methods that achieve your objectives in a cost-effective manner.

### CSF3. On-time Delivery

**Context:**

On-time delivery is a familiar facet of procurement requirements and evaluation. Extended project timescales increase costs, delay the achievement of benefits and cause reputational damage.

**Application:**

Major projects and programmes should be clearly signposted to the market in government's published investment pipeline so that suppliers can ready themselves to respond. Government's standard Lean Procurement Procedures assume that significant procurements could be signalled to the market by publication of a Prior Information Notice in the OJEU.

Pre-procurement market engagement has always been good practice and is now explicitly permitted under Regulation 40 of the PCR. It should examine the realism of customer aspirations against the market's capacity to deliver. During the procurement you may require evidence of suppliers' ability to deliver such as details of:

- Their project plans
- Their project management capabilities
- Their approach to risk management
- Their analysis of the key dependencies that will impact on their ability to deliver to plan
- Skills and availability of workforce

## STRATEGIC THEME 2 - COSTS

### CSF1. Lifetime Costs

#### Context:

Cost considerations will always be a major component of procurement decisions. Affordability across the investment lifecycle is an unavoidable necessity whilst ensuring essential requirements are satisfied. The evaluation balance between cost considerations and other factors must be set on a project-specific basis informed by the associated project appraisal.

#### Application:

The price or cost assessment part of the evaluation of bids must be on a whole life cost basis, and, as set out in the PCR, the entire cost-effectiveness of the project should be examined, not just the initial price.

Regulation 68 of the 2015 Regulations points to the potential in certain circumstances for a life-cycle costing tender evaluation approach incorporating not only costs borne by the procuring authority but also environmental externalities linked to the products/services/ works during their lifecycle provided their monetary value can be determined and verified.

## STRATEGIC THEME 3 – SUPPLY CHAIN

### CSF1. Supply Chain Accessibility

#### Context:

Major public projects often bring huge opportunities for a wide range of suppliers to develop and grow their business. The procurement approach must not create barriers to small businesses, third sector bodies or social enterprises. SMEs can offer a number of benefits to the public sector, compared with other providers. For example, offering more flexibility, innovative approaches and better value for money due to lower overhead costs. SMEs, particularly VCSEs, can also often offer value in terms of local investment and improved social outcomes

Even where they may not necessarily be interested in prime contractor opportunities SMEs will often be interested in becoming supply chain participants. Business opportunities may arise in a whole range of sectors as Tier 1 contractors will often need support services and activities to deliver major projects, and may require specific expertise in specialist areas.

It is estimated that of government's £12Bn annual spend with SMEs 60% is indirect. Sub-contracting work may allow smaller suppliers to create/safeguard employment, provide them with a reliable source of revenue and an invaluable opportunity to broaden their experience and capability to underpin future growth. Work on a major project may form the substance of case studies/ references that may be invaluable in winning future work.

#### Application:

You should ensure you develop a sound grasp of the likely supply chain requirements for your project. Even where a prime contractor is likely to be dependent on established, longer-term relationships with a small number of key sub-contractors there will usually still be some elements of the supply chain that can be opened up to broader participation. This may involve requiring the prime contractor to advertise at least some categories of sub-contracting opportunities through open channels as the Olympic Delivery Authority did and Crossrail are doing.



You may ask suppliers to provide you with a supply chain plan setting out how they will factor key policy drivers such as competition, innovation, and skills into the construction of their supply chain. DECC made this a requirement of suppliers applying for Contracts for Difference in respect of large-scale renewable energy projects. It may be appropriate to ask for a supply chain map that gives visibility of the prime's supply chain down to an appropriate level.

You may want to evaluate potential prime contractors' approaches to assessing potential supply chain partners to ensure these do not raise unnecessary barriers to small businesses, and may want to impose appropriate contract performance conditions in relation to the commercial terms between prime and lower-tier contractors. Regulation 113 of the PCR illustrates how this might work in practice. Regulation 113 requires contracting authorities to include 30 day payment terms in public contracts they award and to also require the contractor to include equivalent payment terms for subcontractors in any subcontract the contractor awards.

As an example of how requirements in this area may be constructed, the DEFRA Food Plan BSC incorporates recommended requirements asking suppliers how they will ensure fair and open competition for supply chain opportunities, and how bids from SMEs will be facilitated.

Potential metrics for measuring delivery impact post-contract might include:

- Number and value and percentage of spend of prime and sub-contracting opportunities won by SMEs, social enterprises and/or third sector organisations
- Number of sub-contracting opportunities advertised
- Value of sub-contracting opportunities advertised
- Numbers of suppliers bidding for sub-contracting opportunities
- UK content of government supply chains

## CSF2. Supply Chain Management

### **Context:**

The way a contractor manages its sourcing of products and services can have a profound impact on the outcome of a project. Many studies suggest that working in a positive, collaborative fashion with supply chain partners is beneficial not just to the companies involved but also to the end customer. Co-operative, open relationships between supply chain partners founded in trust and transparency can result in reduced costs and waste, greater customer responsiveness and more effective planning and risk management – a better outcome for the customer and enhanced competitiveness for suppliers.

Active supply chain management by the prime contractor will also help to drive transmission of the contracting authority's key procurement-related policy objectives down the supply chain, and to reduce supply chain risk. Successful delivery of outcomes targeted for BSC strategic themes and CSFs will almost invariably require adherence to the underlying drivers throughout the supply chain.

Prime contractor supply chain management practices must not raise barriers to government efforts to benefit from increased competition and innovation resulting from active SME engagement with the public sector market.

**Application:**

As ever, formulation of requirements in this area must be founded in a clear understanding of the relevant market and how it operates. Clarification of requirements via pre-procurement market engagement will be useful.

Requirements will often focus on suppliers' approach to supply chain relationship management:

- How does the prospective prime contractor manage relationships with suppliers – is there a dedicated relationship manager for example?
- How does the prime prioritise its supply chain management activity?
- What approach does it take to build collaborative relationships- has it implemented an approach based on recognised standard such as BS/ISO 11000 for example?
- What is their approach to co-ordinated planning with key supply chain partners?
- How are problems with supply chain partners resolved?
- What are the key facets of the prime's commercial terms for supply chain partners?
- How will the prime manage supply chain risks and ensure supply chain robustness, for example in the face of extreme climate events/natural disasters, in order to ensure that delivery to the end customer will not be adversely impacted and contractual obligations will be met?

Potential metrics for measuring delivery impact post-contract might include:

- Number of contract defaults attributable to supply chain failures
- Number of supply chain disputes
- % sub-contracts invoices paid late

### **CSF3. Supplier Organisational Learning and Continuous Improvement**

**Context:**

Competitive pressures in the global marketplace are relentless. Successful organisations respond by continually improving, capturing learning, and productively applying new skills and experience to serve customers better.

To successfully deliver a major public project the customer will often require suppliers that can not only offer a focus on world-class core capabilities but also a systematic commitment to continually improve and maximise the value they can deliver to the customer in a responsive manner. A willingness to participate fully in a robust Supplier Relationship Management may be important, and effective contract management engagement will be essential to all major procurements.

A major project/programme may provide an environment in which the contracting authority can specifically seek to foster a cross-project culture of innovation and improvement as [Crossrail](#) has done. The Crossrail case provides an example of how dedicated structures and processes which integrate customer, Tier 1 suppliers and supply chain participants can be designed to facilitate formulation, development and dissemination of innovations.

Experience gained by participation in a large scale public investment can be of huge benefit to suppliers at all levels of the supply chain, enabling them to raise their game not just to deliver

enhanced value to the immediate, and other, public sector customers but also providing improved capability to compete globally. The final report on the implementation of the 2012 Olympic Construction programme pointed to these beneficial impacts experienced by many suppliers engaged in the programme.

**Application:**

Taking the specific market and project context into account, you should consider your requirements for supplier continuous improvement and applied organisational learning and the stage of the procurement process at which it is appropriate to include them.

Potential requirements might include:

- Asking suppliers to describe their overall approach to organisational learning and knowledge management
- Requiring bidders to describe how they design their processes such that valuable experience is systematically captured
- Requiring participation in cross-project structures and processes intended to foster innovation and continuous improvement.
- Asking suppliers to detail how experience is translated into improved, processes, products and service to the customer
- Asking suppliers how they systematically assimilate new industry thinking and approaches
- Requiring suppliers to engage fully with a specified SRM and/or contract management regime.

Potential metrics for measuring delivery impact post-contract might include:

- Number of supplier-internal and supply chain lessons-learnt events
- Number of revisions to documented work procedures, methods etc
- Number of protected IPR developments

## STRATEGIC THEME 4. EMPLOYMENT & SKILLS

### CSF1. Employment

**Context:**

A number of employment-related considerations may come into play when considering the potential impact of a major public project.

A productive economy must make the most of its labour force and help mobilise people into jobs. Government is committed to ensuring all groups in society are given the support they need to find and keep a job.

Some groups experience particular disadvantages in the labour market and may require specific attention to help them become economically active –the long-term unemployed, individuals without formal educational qualifications or individuals with certain disabilities, for example. It's also important to ensure that parents and carers are better able to combine work and caring responsibilities so they are able to work in jobs that make the best use of their talents.

Delivery of public services by external supplies can have a critical impact on end users. In many instances, staff that are well led, well trained and motivated as part of a diverse workforce are likely to deliver a higher standard of service. Suppliers who demonstrate that they comply with relevant employment, equality and HR standards are likely to have a more engaged, productive

workforce that will deliver better outcomes.

Contracting authorities should be mindful of their Public Sector Equality Duty obligations and of the potential to factor this into the procurement process where equality considerations bear on the subject matter of the contract. Welsh public bodies also have specific duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011.

**Application:**

Employment-related requirements associated with major projects may involve targeted recruitment and training (TRT), including retention and training for an existing workforce. Many infrastructure projects and programmes provide a context in which TRT requirements are a legitimate element of the project objectives as set out in the investment appraisal.

Decisions on groups to be targeted must be informed by a clear understanding of the relevant issues in the area in which a contract will be performed. Where suppliers recruit staff to perform the contract, you may legitimately require them to also advertise TRT opportunities via a specific channel provided registration is not restricted. This would be in addition to any other method of advertising used by the supplier.

Training of a supplier's existing workforce may legitimately be the subject of project requirements where it will benefit the delivery of the contract in question. This can be a useful approach in that it has the potential to improve the skills available to the contractor to the benefit not just of the Customer in relation to that specific contract but also to the contractor's broader competitiveness.

Where the quality of what is being delivered depends on a well-managed, well-motivated workforce it may be appropriate to evaluate suppliers' commitment to good employment practices linked to the subject matter of the contract in question such as fair and equal pay, promotion of equality and diversity and constructive workforce engagement.

With regard to the Public Sector Equality duty, where services are to be delivered on the contracting authority's premises, the contracting authority may require supplier staff delivering the service to do so in accordance with the contracting authority's Equality Policy.

Potential metrics for measuring delivery impact post-contract might include:

- Number of UK jobs created or sustained by new government contracts
- Number of individuals from relevant target groups employed
- Workforce time spent on job-related training
- Workforce composition statistics

## CSF2. Workforce Skills

**Context:**

Apprenticeships are a key part of some of the most successful skills systems in the world. Government has committed to increasing the quality and quantity of apprenticeships to 3 million starts in this parliament.

[Procurement Policy Note 14/15](#) indicated that public procurement of contracts with a full life

value of £10 million and above and duration of 12 months and above should be used to support skills development and delivery of the apprenticeship commitment. Whilst procurement decisions should always be made on a quality/cost/risk basis, this can include taking into account broader qualitative long-term benefits on the supply side (in this case, appropriate investment in skills outcomes, developed in particular through formal apprenticeship schemes) as long as they are consistent with the Government's overarching priority of value for money.

In some instances the customer's objectives for their project may encompass provision of workforce or broader training/work experience opportunities for appropriate groups. Where a clear link can be made to the subject matter of the contract, these objectives may be addressed via the procurement process.

**Application:**

PPN 14/15 set out the following required actions for all potential contracts with a value exceeding £10M and a duration greater than one year:

- The procuring organisation must determine whether apprenticeships and skills development are sufficiently linked to the subject matter of the contract to be included as tendering and contractual requirements. They should bear in mind that in principle, apprenticeships/skills should be capable of being linked to the subject matter of contracts covered by PPN 14/15 in the majority of cases. Where procurers consider that skills/apprenticeships are not sufficiently relevant to be able to be linked, for example as a result of pre-procurement dialogue with industry, they should keep a written record of this.
- In all new procurements where apprenticeships and skills development have been determined to be sufficiently linked to the subject matter of the contract, procuring organisations should include in the relevant procurement documentation, a requirement for the supplier to provide evidence of their commitment to developing and investing in skills in performance of the contract in question, and in particular their commitment to the creation of apprenticeships, under the contract. This should be achieved through asking the supplier specific questions:
  - a) at selection stage, seeking evidence of developing and maintaining skills relevant to the contract in question
  - b) at award stage, seeking the supplier's proposals for skills development and apprenticeships in performance of the contract.
- Procuring organisations should ensure that any apprenticeship and/or skills commitments contained in the bid, for example, the number of new apprenticeships the bidder commits to creating in performance of the contract, are subsequently included in contracts.
- Procurers should consider whether to build apprenticeship and/or skills commitments into any related incentivisation mechanisms, and monitor the outcomes as part of their normal contract management procedures.

Potential metrics for measuring delivery impact post-contract might include:

- Number of apprenticeships created by new government contracts (this excludes any existing apprentices that are transferred to the contract from elsewhere within the business)
- Number of work experience placements
- Number of job-ready workshops run

## STRATEGIC THEME 5. ENVIRONMENTAL SUSTAINABILITY

### CSF1. Energy Efficiency/Climate Change Impact

#### Context:

Government is committed to tackling the climate change impact of greenhouse gas emissions, leading by example by, amongst other things, adopting the [Greening Government Commitment](#) to reduce greenhouse gas emissions from the government estate, and associated with business travel. The GGC procurement commitment obliged departments to incorporate [Government Buying Standards \(GBS\)](#) into contracts, with energy efficiency a major element in constructions of GBS. It also obliged them to improve data on supply chain impacts initially focussing on Carbon, with a view to working with suppliers to secure improvements.

Article 6 of the EU Energy Efficiency Directive requires central government departments in EU member states [to purchase highly energy efficient products](#), services and buildings, as set out in Annex III of the directive. This is a qualified duty and customers do not have to buy the default product, service or building where this is not cost effective or does not allow effective competition.

Energy efficiency and intelligent energy management make sound business sense for customers and suppliers, and are essential to progress to a low carbon economy. They reduce supplier energy costs with benefits to customers, and for supplier competitiveness. There are over 90,000 UK jobs dependent on the energy efficiency sector with the potential for expansion as international demand grows. The public sector has a role to play in encouraging innovation and improved performance.

#### Application:

The Regulations clarify the parameters that serve to shape the integration of energy efficiency and climate change impact requirements into procurements.

Regulation 42 indicates that among the characteristics of required works, services and supplies that may be incorporated into a technical specification are “levels of environmental and climate performance”. Required characteristics can also refer to the specific process or method of provision provided that these are proportionate and related to the subject of the contract.

Regulation 43 states that where contracting authorities want to purchase works, goods or services with specific environmental characteristics, such as energy efficiency, they may in the specification, award criteria or contract performance conditions require a specific label as means of proof.

BES 6001 is an example of a responsible sourcing standard. Aspects of BES 6001 may be specified at the appropriate stage of the procurement process where relevant. BES 6001 addresses responsible sourcing of construction products and covers organisational management, supply chain management, and environmental and social issues. It therefore provides a holistic approach to managing a product from the point at which component materials are mined or harvested, through to manufacture and processing. Suppliers that have the full BES 6001 accreditation may therefore demonstrate they fulfil certain specifications, criteria or contract conditions required at different stages of the procurement process for example in relation to aspects of this Strategic Theme 5 as well as Strategic Themes 1, 3, 4, 6 and 7.

Regulation 68 provides for MEAT evaluation on the basis of life cycle costing incorporating costs a.) borne by the contracting authority including cost of use such as consumption of energy and other resources, and b.) imputed to environmental externalities linked to the services, supplies or

works provided the monetary costs can be determined and verified, and specifically including the cost of emissions of greenhouse gases and other climate change mitigations.

An example of this can be found in the DEFRA Food Plan BSC, which incorporates recommended ITT requirements a) requiring suppliers to implement an Energy Management Policy, and b) asking them how they will systematically improve their energy efficiency

Potential metrics for measuring delivery impact post-contract might include:

- Greenhouse Gas Emissions attributable to contract performance
- Intensity ratios for GHG emissions e.g. emissions per staff member
- % energy requirements met from sustainable sources
- Energy consumption attributable to contract performance

## CSF2. Resource Efficiency

### Context:

Improving resource efficiency is crucial to progress toward a “circular economy” and delivering sustainable growth. In a broad societal sense, resource efficiency can aid resource security and reduce resource risk. As a major consumer of products and services the public sector has a significant role to play. Resource efficiency is one factor contributing to development of Government Buying Standards.

Increasing the efficiency with which suppliers use resources such as raw materials and water can have significant positive financial impacts, increasing competitiveness and reducing costs to end customers. In 2011 DEFRA estimated that adoption of straightforward energy efficiency measures could yield annual savings of £23Bn to UK businesses.

Globally, it is likely that expansion of emerging economies will increase competition for key resources and help to drive a longer term shift towards new business models such as service provision rather than product sales, with a greater focus on refurbishment/repair and optimisation of product lifecycles. Customers will need to recognise the potential and factor it into their acquisition activities and budgeting.

### Application:

Pre-procurement market engagement with the supplier community, together with sector/category-specific research will help procuring organisations understand the specific issues affecting their project and thereby inform the development of requirements.

Good resource efficiency practices can be a manifestation of a rigorous, forward-looking management approach. They will typically be founded in the “waste hierarchy” and structured around continuous improvement to reduce costs and environmental impacts, potentially within a framework provided by an over-arching organisational Environmental Management System.

Potential requirements may include:

- Evidence of a systematic approach to improving resource efficiency, incorporating ongoing assessment of current resource consumption, identification of areas for improvement, objective setting, measurement and review
- Evidence of management commitment, responsibility and accountabilities

Research may point to the need for compliance with mandatory efficiency requirements to be incorporated into the procurement process in a proportionate manner and at the appropriate

stages. For example:

- Reducing material consumption and wastage
- Increasing re-use/recycled content
- Using products/resources with low embodied carbon and water, minimising use of scarce or source-sensitive materials
- Optimising durability
- Enabling energy and water efficiency during construction and in use

Potential metrics for measuring delivery impact post-contract might include:

- Resource consumption attributable to contract performance over time
- Input efficiency – amount of resource input per unit output
- Amount of waste generated per unit input resource
- % materials from sustainable sources

### CSF3. Waste & Recycling

#### Context:

Government wants to move towards a zero waste economy in which resources are fully valued financially and environmentally, with disposal of resources a last resort. Part of this is encouraging suppliers to build waste reduction into design, production/construction and operation, offering innovative, cost-effective products, services and business models. As an example, the [Government Buying Standards for furniture](#) set out a sourcing procedure that prioritises recycling and re-use.

Waste reduction can have significant financial benefits for suppliers and for customers. It makes sense for suppliers to thoroughly assimilate the waste hierarchy into their operations:

- Prevention – use less material from design to production, using products for longer, reuse
- Preparing for reuse – check/clean/repair/refurbish whole items or components
- Recycling - turn waste into new materials or products
- Other recovery – anaerobic digestion, incineration/gasification/pyrolysis to generate energy
- Disposal – landfill or incineration without energy generation

#### Application:

Requirements should be rooted in a sound understanding of sectoral issues relevant to the project – there are particular issues in relation to the metals industry, for example, as recycling is an integral part of metal production processes, - and must be closely linked to its objectives and the overall pursuit of VFM.

Regulations 42 and 67 of the 2015 Regulations set parameters for formulation of technical specifications and award criteria, with the potential for requirements at each stage of the product lifecycle provided these are proportionate and linked to the subject of the contract. The same considerations apply to contract performance conditions.

Potential areas for consideration where relevant to a particular procurement may include:



- Supplier evidence of a systematic approach to managing and minimising waste arising from their operations in relation to the contract
- Evidence of the supplier implementing a cycle of objective setting, measurement, analysis, goal-setting and review
- Evidence of steps to be taken to maximise reuse/recycling of materials, and to minimise disposal

Potential metrics for measuring delivery impact post-contract might include:

- Tonnes waste generated
- Tonnes waste to landfill
- % waste recycled

## STRATEGIC THEME 6. HEALTH & SAFETY

### CSF1. Health & Safety

#### **Context:**

Health & Safety management on large-scale projects is bounded by a clear legal framework. Given this context, it's easy to overlook the association that Health & Safety management has with achievement of project objectives in a cost-effective manner.

Design and construction for built-in safety will be a major part of works projects in particular, but sound supplier capability within a specific sectoral context will always be essential. A sound, systematic approach to Health & Safety management is often an indicator of a rigorous, well-structured overall management approach. It's also likely to be an indicator of workforce investment and higher levels of staff engagement with consequent higher levels of workforce productivity.

#### **Application:**

As the client, the procurer will have a major influence on the way work is carried out, and must always be mindful of the need for a proportionate approach which, while always complying with legal requirements, does not unnecessarily burden suppliers with requirements that add little value.

All requirements will have to be framed by the specific project context but procurers will need a sound grasp of the skills, expertise and practical experience that their contractor(s) will require in order to recognise, reduce and manage Health & Safety risks during development/construction and operation.

In addition to contract performance requirements mandating compliance with relevant legislative requirements you may wish to assess:

- How safety will be incorporated into planning and design
- The corporate Health & Safety Culture against your requirements for the work
- The commitment of top management to health and safety compliance
- The degree to which the supplier actively adopts good/best practice
- How the prime contractor will ensure robust sub-contractor approaches and drive best practice down the supply chain

Health & Safety training was a major focus of capability improvement for major suppliers responding to the ODA post-programme survey.

Potential metrics for measuring delivery impact post-contract might include:

- Number of contract-related reportable injury incidents
- Number of contract-related near misses
- Workforce time spent on H&S training

## STRATEGIC THEME 7. OUTCOME BENEFITS

### CSF1. Community Benefits

#### Context:

For many large-scale public projects the business case may point to broader social, economic and environmental benefits that will arise from the process of delivering the target outcome in addition to those benefits resulting from the outcome itself

Suppliers delivering the project may have an opportunity to innovate and deliver on their corporate CSR objectives. The scope for this should always be examined through sound pre-procurement engagement with stakeholders potentially affected. This should help to highlight issues that could potentially be addressed, and which can be considered in a transparent, inclusive fashion with the supplier community as part of the pre-procurement market sounding process.

#### Application:

Where community benefits are part of your project you should clearly articulate in your procurement documents how pursuit of these is rooted in the project objectives and linked to the subject matter of the contract. The procurement documentation should point to the issues that are to be targeted and appropriately frame requirements a.) for supplier proposals, and/or b.) contract performance conditions placing appropriate obligations on the prime contractor.

Potential proposals might, for example, extend to :

- Support to local third sector bodies such as hosting events or staff participation in fundraising events
- Renovation of community facilities
- Donation of surplus materials to community groups
- Use of contractor facilities for community groups, education and training
- Engagement with the local education system to provide insights for students into the project, the industry and career possibilities

Potential metrics for measuring delivery impact post-contract might include:

- Number of charity/community events hosted
- Amount of surplus material donated
- Time resources made available to community groups
- Number of educational outreach events

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**CSF2. Legacy****Context:**

Large-scale public investment programmes are often delivered over an extended period of time and deliver an outcome intended to yield benefits into the long term. However the process of delivering the ultimate outcome can often also have the potential for beneficial legacies for the local community, economy and environment.

The 2012 Olympic delivery programme is a prime example of a huge public investment programme undertaken throughout with an eye on the legacy after the games. The legacy was one of the seven strategic themes of the ODA procurement balanced scorecard. A neglected, run-down area was completely renovated, with polluted land and waterways cleared, transport infrastructure hugely upgraded and facilities constructed for the target event which will confer benefits on the city long after the games.

**Application:**

The investment appraisal for a major project/programme will point to target beneficial impacts that can inform the construction of requirements for supplier contributions to a project legacy. You may require suppliers to demonstrate a long-term focus in their proposals, with achievement of legacy benefits factored into their designs and plans. Your procurement documentation should articulate how requirements relate to the objectives set for the project.

You may require past examples of relevant capability as part of the Selection evaluation. The tender requirements may demand specific proposals directed at issues specific to the relevant project while contract performance conditions may require the contractor to co-operate with you in capturing lessons learnt and establishing a learning legacy.