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Thank you for your letter of 11 February regarding public services and the Procurement Green Paper. I am responding as Minister responsible for procurement in the Cabinet Office.

The UK spends some £290 billion on public procurement every year, and the end of the transition period provides the ideal opportunity to harness the power of public procurement to make a difference to the UK's economic recovery. The scope of this consultation is reforming the UK's schemes of regulations that apply when contracting authorities need to tender goods and services, principally the Public Contracts Regulations 2015, but there are many other policy and practical measures we have taken and continue to take to improve procurement and commercial practice in the UK public sector.

How will the Government prioritise social value in future commissioning guidance?

From 1 January 2021, all central government departments, executive agencies and non-departmental bodies are required to include social value in tenders over the Public Contracts Regulations thresholds in line with Procurement Policy Note 06/20 which was published last year. To ensure consistency for markets and focus on delivery, we launched a new tool called the Social Value Model that sets out clear social value priorities. The approach encourages discussion across government and relevant markets of these social value priorities, promoting better understanding and targeted results.

The Green Paper proposals in fact further enable social value, in line with Danny Kruger's recent report on levelling up communities, broadening the criteria which can be taken into account when awarding contracts by, for example, removing the link to the subject matter of the contract in certain circumstances.

Will the Government reconsider the Green Paper's approach to public services, which erases the distinction between commissioning public services and commissioning goods in the private sector?

The existing regulations, and indeed the laws that will replace them, regulate the actions of contracting authorities when they go to market. This is necessary to ensure a range of policy imperatives, such as ensuring competition, protecting public funds, avoiding corruption,

delivering value for money, and complying with our commitments in international trade agreements on public procurement. The new proposals do not change these essential building blocks of the public procurement system, rather they aim to provide more simplicity, flexibility and practicability than is presently the case. For example, the proposals include a new flexible competitive procedure that gives buyers maximum freedom to negotiate and innovate to get the best from the private, charity and social enterprise sectors, and special measures permitting limited tendering and negotiation in certain prescribed circumstances, such as where competition is absent. These matters are discussed in Chapter 3 of the green paper and we will be carefully considering responses from the closing date of 10 March.

How will procurement guidance reflect the importance of involving users in the design of public services?

The Green Paper proposes a new competitive flexible procedure, with minimal detailed rules to provide maximum flexibility to design the procurement to meet the needs of users while ensuring compliance with the essential principles of procurement and our international obligations. This procedure would be conceptually similar to the existing 'Light Touch Regime' which can currently only be used to procure certain social, health and other services, but would vastly extend that flexibility to most other types of contract, in line with extensive feedback from public sector buyers. Our existing guidance on the Light Touch Regime sets out how the requirements of the end-user should be taken into account when awarding such contracts, and please be assured that our clear intention is to preserve and extend this flexibility, not reduce it.

How will the Government use the procurement framework to strengthen links between local authorities and charities in commissioning public services?

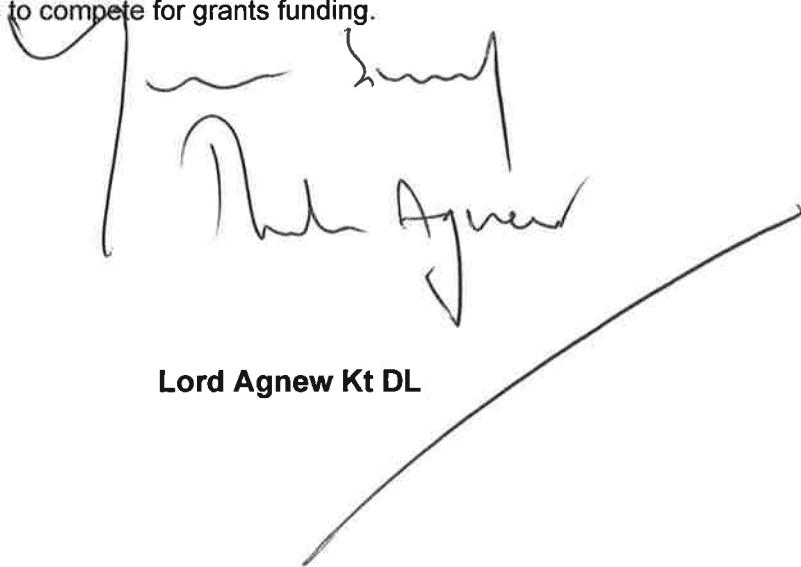
We recognise the value the voluntary, charity and social enterprise (VCSE) sector can bring to public services and we are committed to ensuring that they have access to public procurement opportunities. The proposals in the Green Paper do not focus on the links between local government and charities but are about regulatory reform to address procedural barriers which should encourage collaboration and benefit a range of organisations. Inclusion of social value in the tendering process can encourage greater participation of VCSEs and evaluate the additional contributions made to communities.

What plans does the Government have to make greater use of grant funding for providers of public services?

Grants in a usual year would be around 13% of the government spend, i.e. £113 billion. This covers many different areas and includes funding for schools, charities, and some public services. The government already makes substantial use of grants and it is essential that it does so by design rather than default. With COVID-19, there were an additional 243 schemes with access to an additional £152bn, grants have never been more important than they are today.

Grants should not be an alternative to commercial contracts, nor are they a gift. All spend is subject to the Managing Public Money principles, and all spend through grants must provide value to the public. When Grants work well they provide great service for the public by organisations who put public service and better social outcomes at the heart of what they do. The Grants Management Function is working at the center and within Departments to maximise the value of grants- and when they are used. Grants have traditionally been given less resources and those administering them less training compared to the commercial side. To resolve this, the government has introduced the Grants Management Function which supports the efficiency and effectiveness of grant administration across Central Government. This includes setting and measuring the first functional standard, publishing grants data and, more recently, the first landscape report available [here](#):

Grant agreements and commercial contracts each have their own advantages. It is, however, clear that while Grants can provide flexibility for both sides it is critical to get the outcomes and value for money clear from the start and part of the grants agreement. This helps the recipients to better manage and provide performance measures that ensure better outcomes. It is the role of the Government Grant Management Function (GGMF) to ensure that grant agreements can be as robust and diligent for the taxpayer as commercial contracts, and the procurement green paper is looking to help build in flexibility reducing the differences between a commercial procurement and a grants procurement. The GGMF is working with No 10 and other government departments to develop a digital system for use by organisations which will allow for more competition for grants opening up the market to smaller providers and new and innovative organisations to compete for grants funding.

A handwritten signature in dark ink, appearing to read 'Lord Agnew', is written over a large, diagonal, light-colored stroke that spans across the lower half of the page. The signature is written in a cursive, fluid style.

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