

Delivering Commercial Value Through Procurement

Organised by Intelligent Transport Systems UK (ITS UK) in collaboration with the Crown Commercial Service (CCS) | 3 September 2024

Overview

ITS UK is collaborating with CCS to deliver a series of roundtables, to enable CCS to gain a deeper understanding of sub-sectors within the transport technology market. The session on 3 September sought to explore the industry's definition of value, and how procurement processes can be tailored to different perceptions of value. Below is a summary of the discussion.

Defining Value

- Value in public procurement has changed from one primarily determined by economic factors, notably cost, to one that considers the wider value a product or service can provide. Implementation of the Procurement Act 2023, which will govern public sector procurement and comes into force in February 2025, will further shift the focus for assessing bids for public sector contracts from Most Economically Advantageous Tender (MEAT) to Most Advantageous Tender (MAT). This approach is not a specific regulatory change, but it is likely to have implications in practice.
- Attendees were asked to provide their definitions of value. The following was stated:
 - Value can be defined as choice;
 - Value can be defined as delivery at the right time, quality and with a degree of innovation and sustainability;
 - Value is quality and total cost of ownership. This is particularly difficult to do in the public sector, given capital expenditure, and operational expenditure are separate budgets, and full appraisals on the total cost of goods or services are not carried out - this point was reiterated by several attendees;
 - For Local Authorities (LA), a valuable procurement service would be having pre-approved companies that can deliver a desired service already listed under what are now expanding frameworks that include more industries, evolving technology and emerging SMEs. This facilitates ease of access at the time of procurement when time is of the essence;
 - From a Local Authority perspective, different LA's see value differently, what they seek to get out of a transport technology procurement varies e.g. decarbonisation, job creation etc.
- Procurement and project teams may have very different perceptions of value, but internal cohesion is necessary for procuring organisations.
- It is currently difficult to create value around data because the sharing of data between transport providers is not encouraged. This makes it difficult for third parties to create further value around this data. Data should have the opportunity to have more than one life, and therefore generate more value.

Social Value

- The sector is in some ways still new in its approach to social value. Engaging the market beforehand would be positive, because it would allow buyers to find out whether suppliers can include value added aspects without having it held against them if they can't do it

- entirely, or in the exact way the specification calls for. Having open discussions on what is possible in terms of social value could be a more constructive approach.
- Several attendees outlined a desire to do more under social value and to be more ambitious and collaborative, but they also noted that the transactional nature of most procurements don't create the necessary environment to be ambitious or to reward success - so what is offered is often the bare minimum that can confidently be delivered.
- Many attendees feel that social value was often seen as 'for show' or 'as a ticked box', but that needed to change.
- For suppliers, value can be allowing clients (buyers) more time to develop what they really want. As it stands, hasty procurement turns social value into a 'token' gesture, that doesn't consider the best ways to deliver genuine value to communities.
- It is often difficult to quantify social value.
- Enforcement of value added and social value facets of goods and services was seen as challenging. Penalties on failing to deliver social value represent higher risk for SME's than for larger companies,
- The counterpoint was raised, that no matter how much social value considerations are added into projects and contracts, the end result is dependent on effective collaboration and the economics working, and that this is still a primary concern.

Capturing Value

- Considerations were raised as to whether we should capture value by building it into individual contracts, or if it should be done more holistically, perhaps by considering a supply chain perspective. Under this consideration, aiming to for example: generate value in procurement through decarbonisation, a supply chain perspective, as opposed to an individual project perspective, would consider the life cycle of a project and its inputs over the carbon footprint of the individual project.
- The question was also raised on how and if value is monitored, and what are the penalties for not fulfilling value in tender promises. Some attendees stated that if companies are liable to penalties, then there should be benefits too when things go well.
- Perhaps in the relationships between suppliers and buyers, there should be caveats to allowing suppliers to attempt activities that add value, without strict penalties in case that it does not work. This would allow suppliers to try more innovative approaches, and avoid a confrontational approach to a service.
- Knowing beforehand what is genuinely achievable is important, take on the innovations, but to not expect unrealistic outcomes. Innovation should be encouraged, but with an idea of what possible.

Whole life costs

- There was a consensus amongst attendees that whole life cost is a key component of how value is understood i.e. who is benefitting and for how long. Current budgets in Government departments splitting capital expenditure and operational expenditure, may favour products that end up being more expensive in the long run.
- Measuring the value of a procurement projects should not just be measured by its operational expenditure, capital expenditure, or physical expenditure as a whole, but also by the data that exists in a particular investment.
- If a buyer has the go ahead to use higher operational expenditure budget, capital can be spent on innovation.

Diversifying suppliers

- An attendee raised the question of whether buyers factor the cost of running a round of procurement and changing suppliers or change a particular system. It was suggested, that if buyers could take a 'modular' approach to technology, with systems upgraded every few years, this might lessen the risk of being 'captured' by one supplier. It might be worth considering how we evolve contracts to bring other companies in and have multiple suppliers at different stages of a technology service.
- The cost of changing these products and suppliers also depends on the hardware deployed, the software and training involved.
- With the development of technology, there's opportunities to integrate different traffic management systems, but current tenders only allow for BAU maintenance and renewal. Tenders that considered factors such as integrating technology may save funds in the long run.

Approach to risk

- Attendees shared final thoughts, including the view that by educating clients on what is possible and getting in early so the supplier can comprehensively brief the buyer, the procurement process will be smoother and more effective.
- Local Authorities and public sector bodies are not incentivised to take risk or to reward delivery of value that goes beyond the minimum required. However, it would be a worthwhile exercise to educate local budget holders and policy makers around how to manage risk. There are examples around the world of doing procurement differently that have been proven to work, that perhaps should be highlighted as alternatives
- It was agreed that the private sector had a role to play to demonstrate the added value that they can bring to public procurement and to work collaboratively with the public sector to increase the value provided to taxpayers.