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7 June 2019

Dear Sir or Madam,

Re: Social Value in Government Procurement - Consultation

Waterwise is pleased to respond to this Cabinet Office consultation on how government should take account of social value in the award of central government contracts.

Waterwise was founded in 2005 and is the leading authority on water efficiency in the UK and Europe (www.waterwise.org.uk). We are an independent, not for profit organisation, receiving funding from supporters across and beyond the water sector. We like to be at the front, leading and supporting innovative efforts to realise our mission; **that water will be used wisely, every day, everywhere**. Our response draws on input from a number of water wholesalers and retailers (Thames Water; Business Stream; Wave Utilities).

We fully support government efforts to incorporate delivery of social value as a mandatory requirement in public procurement with the intent of improving the wellbeing of individuals and communities, social capital and the environment.

Question 1: Do you agree with the proposed policy metrics in the model in the attached annex? Do you have examples of such metrics being successfully used in public procurement?

Whilst we strongly support the inclusion as a Theme of “Environmental Sustainability in support of the 25 Year Environment Plan” we are disappointed that the associated policy outcome is that “environmental impacts are reduced”. This is not in accord with its title (“A Green Future: Our 25 Year Plan to Improve the Environment”), intent or commitment to leave the environment in a better state than we found it. Public procurement provides a great opportunity to improve the environment not just reduce how we adversely impact it; to encourage sustainable resource use and promote the circular economy.

We want to see this policy outcome changed to “The environment is protected and enhanced” in line with the 25YEP. Building on this point the Possible Evaluation Questions for Bidders should request information on how the environment would be protected and enhanced as well as how any adverse impacts will be reduced. In terms of specific metrics we propose adding an additional bullet that refers to the - number and type of initiatives to improve and enhance the environment in relation to the contract. More specific questions could include i) does the organisation has a policy on water (energy and waste) management; b) what targets and objectives does the organisation have; c) how are they



performing against these targets and d) provide examples of proactive initiatives relevant to this contract.

We are pleased to see water consumption specifically listed as a metric in the environmental sustainability theme. We believe it is an excellent metric to promote social value and there is certainly scope for realising savings (see box below).

Scale of Potential Water Savings

Thames Water have found on their Smarter Business Visits that they can save businesses on average more than 2000 litres per day.

Business Stream have found that organisations can typically reduce their water consumption by 20% with many achieving 30%

Wave's contract in Scotland with Scottish Procurement includes the provision of Value Added Services. This approach has led to annualised water related savings of c£4million and 1.75million m3.

Measures to encourage greater water efficiency and more sustainable water use will benefit both the environment (through reductions in water abstracted from it and lower carbon emissions) and people, including vulnerable members of society (through reduced bills and greater resilience to drought and climate change). Water efficiency also benefits the economy as a whole, both by reducing individual organisations' water and energy bills but also by helping ensure the resilience of the water supply on which the economy depends. The National Infrastructure Commission recently estimated the cost to the economy of having to use emergency water supplies during dry weather periods would be around £40billion over the next 30 years.¹

Water consumption is included as a resource efficiency metric in the Crown Commercial Service Balanced Scorecard procurement guidance for contracts over £10m (October 2016). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/560247/Balanced_Scorecard_paper.pdf. It is also one of the Government's own Greener Government Commitments. <https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020/greening-government-commitments-2016-to-2020>

The WRAP report on Procurement Requirements for Water Efficiency is also very relevant and provides examples and templates of how water efficiency can be incorporated into procurement processes as well as benchmarks for performance. We would be very pleased to work with government to update this 2010 guidance. https://www.waterwise.org.uk/wp-content/uploads/2018/02/WRAP-2010_Procurement-Requirements-for-Water-Efficiency.pdf.

¹ <https://www.nic.org.uk/publications/preparing-for-a-drier-future-englands-water-infrastructure-needs/>



On the Supply Chain theme it is unclear how key suppliers in the supply chain would be chosen. For example, would that be on a) financial grounds or b) the scale of their social or environmental impact. Our preference would be to include the whole supply chain but if that is not realistic then to base the selection on b).

Question 2: Do you agree that the proposed minimum 10% weighting for evaluating social value in the bid is appropriate?

We support the use of a minimum % weighting but would like to see it increased to 15 or 20% to ensure that social impact is a real, substantive differentiator in bids for public contracts. We also want to see a response on the environmental sustainability theme being a mandatory requirement for bids for public money. We welcome plans to train all 4000 commercial buyers in government in how to design procurement to deliver social value effectively and efficiently and would be happy to work with government to update the WRAP 2010 guidance referenced above.

With regarding water services procurement within Government there are 3 lotting arrangements, <https://www.crowncommercial.gov.uk/agreements/RM3790> namely:

- Lot 1 – Price driven competitions
- Lot 2 – Value added services (to drive water efficiency)
- Lot 3 – Price and Value added services combined.

The CCS aggregated competitions are the price driven Lot 1 competitions. The CCS logic is to maximise savings by driving down retail costs using Lot 1 tenders and then any value add (needed to deliver water efficiency savings) would be the subject of a further lot 2 mini competition. However, it is questionable how many Lot 1 competitions are actually followed by Lot 2 based on our discussions with service providers. We would expect to see social value included across all three lots.

Where a public body is looking at additional value for example through water efficiency, CCS encourage the use of lot 3 competitions (price and value added services combined). In Lot 3 competitions the weighting of scoring varies. The contracting party may specify 60% value/service -vs- 40% price weighting, or even 70% price -vs- 30% Service. It is unclear whether social value at 10% would be considered on top of the above; instead of the above or part of it.

Question 3: Does the proposed approach risk creating any barriers to particular sizes or types of bidders, including SMEs or VCSEs? How might these risks be mitigated?

We welcome the flexibility for departments to add in additional areas of policy interest within this framework and to go beyond the minimum weighting threshold. However, as stated above we would want to see the environmental sustainability social value theme mandated in bids for all contracts.



Question 4: How can we ensure government's existing procurement policy mandates (for example on levelling the playing field for SMEs) take precedence in designing the procurement?

By being clear in your procurement guidance and in the training you proposed providing to commercial buyers.

We hope our response has been helpful and look forward to seeing the government's response in early September. Please get in touch if you have any queries.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nathan Richardson', is written in a cursive style.

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