



Minister for the Cabinet Office and  
Paymaster General

Our ref: MCONMP/0028

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30<sup>th</sup> August 2016

Thank you for your letter of 18 July to the Secretary of State for Communities and Local Government regarding ethical procurement and pension investments. I am replying as the Minister responsible for public procurement policy.

The guidance we issued on 17 February (<http://ow.ly/10iPr3>) makes clear to public authorities their international obligations when letting public contracts. It states that boycotts in public procurement are inappropriate, outside where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

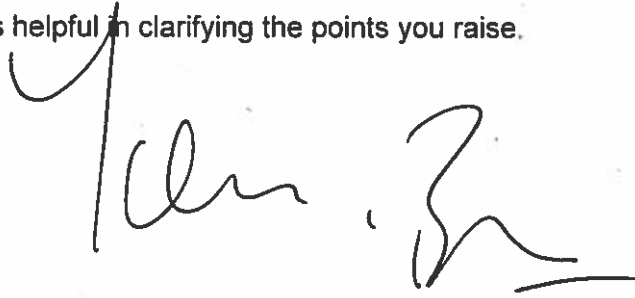
This was new guidance on existing policy that has been in place for many years under successive governments. The UK Government has a longstanding policy of value for money in public procurement. EU and UK procurement legislation requires public authorities to treat suppliers fairly and equally, and provides remedies where such rules are breached. International market-access agreements such as the WTO Government Procurement Agreement extend those obligations to various other countries, including Singapore. Imposing local level boycotts can damage integration and community cohesion within the United Kingdom, hinder Britain's export trade, and harm foreign relations to the detriment of Britain's economic and international security. They can also be unlawful and lead to severe penalties against the contracting authority and the Government. The guidance reminds public authorities of these important matters.

Public authorities can and do take account of the risks of doing business with particular suppliers during procurement exercises, and may reject a supplier's application where certain exclusion grounds are met. But these decisions have to be made case by case in compliance with the public procurement rules, and must not be discriminatory, as a blanket ban (i.e. a boycott) would be.

The proposed regulations for Local Government pension funds would strengthen local decision making and would no longer require authorities to have regard to central prescription on the way in which their assets are invested, provided that they act reasonably within the framework. Where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate to intervene, but only after full consultation and where this is justified. This power is not intended to fetter the existing right of authorities to make

investment decisions, but they must act lawfully and in the best long-term interests of the fund and therefore of scheme members and taxpayers.

I trust this information is helpful in clarifying the points you raise.

A handwritten signature in black ink, appearing to read 'Ben Gummer', with a stylized flourish at the end.

**The Rt Hon Ben Gummer MP**