

Briefing note

To: Education and Business Scrutiny Commission

From: Local Economy Team

Title: Local procurement via S106 obligations

Date: 10 March 2020

Overview

1. The council's standard section 106 provisions contains a reasonable endeavours obligation to work with the council's local economy team to achieve the procurement of at least 10% of construction contracts and goods and services from SMEs based in the borough. We achieve this by asking them to include a statement within their contracts to encourage liaising with the local economy team and to encourage tendering from SMEs by advertising locally etc. We also encourage payment of the London Living Wage to all those employed during construction and in the end use of the development.
2. The obligation is only for developers to use their 'reasonable endeavours' as this is an area where developers have limited control over the outcome. We impose a sterner obligation ("use all reasonable endeavours") where a developer has more control – for example with employment targets, which also carry a financial payment in lieu of under-achievement. Where something is totally within a developer's control, we simply require them to deliver.

Outcomes and monitoring

3. Developers do often attempt to look locally where they can for some smaller contacts (cleaning, catering etc.) but supply chains for most materials and building service contractors tend to be pre-determined. Certain materials may only be available from a small number of suppliers who supply both nationally and internationally.
4. For the reasons above, the requirement is relatively light-touch compared to employment and training obligations, and as such is monitored relatively lightly. The overall effect of the current obligation is to encourage developers that operate local procurement policies to actively seek to apply this approach in Southwark. Where successes are achieved these are reported and celebrated.
5. In the past, the council has taken a stronger line on monitoring local procurement and has gone further to support developers to meet the obligation by investing in business support to assist local SMEs in becoming fit to compete and to coordinate local advertising of contract opportunities. However, results did not show significant impact for local businesses and these arrangements were ended on value for money

grounds. The council's investment in monitoring time and resources were also not seen to generate significant additional value. Given the resource required to do so, and the limited impact when greater efforts have been made, the council does not currently seek to maintain a record of outcomes on each development site in the borough.