

Procurement: Accessibility and Social Value

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Executive summary

[To follow]

Summary of Recommendations

Data

1. **The Council should fundamentally improve the data it collects on Council procurement activity and local businesses. As part of this effort, the Council should collect equalities data and local spending data for all eligible procurement activity.**

Accessibility

2. **Strengthen local tendering requirements and increase them to EU thresholds.**
3. **Develop a portal with key procurement information and to raise awareness of relevant opportunities.**
4. **Develop a list of local providers that can readily be added to and is accessed as a standard part of relevant procurement processes to raise awareness of relevant opportunities.**
5. **Offer training for relevant businesses, and facilitate a targeted provider forums to aid SME bidding.**

Social value

6. **The Council should be even more ambitious in embedding tailored social value requirements and take a “maximising social value” approach across departments. This approach should include requiring a specific exemption for eligible tenders to waive the 15% social value requirement and the Council developing model social value clauses covering anticipated future contracts in all Council departments**

Procurement practice

7. **The Council should pursue an explicit commitment to building community wealth across the borough through greater local procurement, in conjunction with other locally-embedded organisations, including local spending targets**
8. **The Council should share best procurement practice across departments and strengthen the central procurement function to raise the quality of practice across the authority.**
9. **The Council should use s106 agreements and other external influencing channels to make more external procurement opportunities happening in Southwark accessible to local SMEs.**

Part 1: Introduction and background

Our Commission focused on understanding how accessible procurement opportunities in Southwark are to local businesses and community organisations. We placed particular emphasis in our work on understanding how accessible procurement opportunities are to businesses that are led (at Director level) by people with protected characteristics that are typically underrepresented in business leadership. We looked in most depth at understanding barriers to BAME-led businesses, but we also looked at some of the barriers impacting female-led businesses and businesses led by people with a disability.

The Commission also looked at the Council's early activity to implement its Fairer Futures Procurement Framework ("FFPF"). Whilst the FFPF was only introduced in 2019 (as an update to its 2016 strategy) and is currently being piloted on a selection of projects, the Commission was of the view that even this early stage activity would benefit from some external scrutiny.

The national context

BAME and female-led businesses are under-represented in the UK economy

The central government estimates that nationally 5.4% of SMEs are BAME-led.¹ The accommodation and food services sector has the highest percentage of BAME-led SMEs, and the agriculture and utilities, manufacturing, and construction sectors has the lowest percentage of BAME-led SMEs. Latest estimates are that 14% of the population of England and Wales are BAME,² making BAME-led businesses significantly underrepresented relative to their share of the population.

Nationally, only 1 in 3 UK entrepreneurs is female: a gender gap equivalent to c.1.1 million missing businesses. Female-led businesses are only 44% of the size of male-led businesses on average (in terms of their contribution to the economy), and male-led SMEs are five times more likely to scale up to £1million turnover than female-led SMEs.³

The Commission were unable to identify reliable statistics for businesses led by people with a disability.

Local authorities are major procurers and much procurement happens within inner-London boroughs

Across the country, there is huge variation in how much local authorities procure either locally or via community organisations.

A 2012 survey conducted by the Federation of Small Businesses and the Centre for Local Economic Strategies ("CLES") found that, on average, authorities in England and Wales spent 31% of their total procurement spend within their local authority boundary, with 47% of this spend going to local SMEs. However, proportions varied significantly by region, from 19% in

¹ Leadership of small and medium enterprises. <https://www.ethnicity-facts-figures.service.gov.uk/workforce-and-business/business-and-self-employment/leadership-of-small-and-medium-enterprises/latest>

² Population of England and Wales (2011 Census). <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/population-of-england-and-wales/latest#main-facts-and-figures>

³ The Alison Rose Review of Female Entrepreneurship, p6. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/784324/RoseReview_Digital_FINAL.PDF

London authorities (which are geographically smaller than local authorities outside of London) to 42% in Welsh authorities.⁴

The local context

Southwark is a highly diverse borough with many micro- and small businesses

Southwark is an incredibly diverse borough. 46% of Southwark's population are BAME. Approximately 13% have a disability. Southwark's population has grown significantly in recent years (by a fifth since 2001), and 4 in 10 people in Southwark live in communities that are considered to be the most economically deprived nationally.⁵

Of Southwark's over 16,000 businesses, nearly 87% are micro-businesses, and over 10% are small.⁶ As we explore in our findings, there is limited information about the demographic breakdown of Southwark's business.

Our emphasis on small, local businesses is with good justification. Local businesses reflect the diversity of Southwark and are rooted in its communities, their success is our collective success. Local businesses are more likely to bring value added to the communities in which they exist – whether through increased local spending, more local employment, or their business practices more generally - helping to ensure that the benefits of local spending deliver maximum benefits to the local community. This is especially true of community organisations.

Southwark Council is a major procurer and there is significant external procurement in the borough

Southwark Council is a major procurer. The Council has an annual turnover of £1.2 billion and spends approximately £650 million per annum. This is in addition to a capital spending programme worth £1 billion over the next decade.

Beyond the Council's own procurement, Southwark has a vibrant economy with significant volumes of major companies operating in the borough. Whether large corporate consulting firms, law firms, or the range of major developers building across the borough – with major development sites in Elephant and Castle, Canada Water and the Old Kent Road, to name a few – there are billions of pounds of external procurement taking place across Southwark in the coming years.

Definitions

Defining SMEs and local businesses

We look broadly at local micro-businesses and SMEs and community organisations, including charities, social enterprises and other locally-rooted entities. A micro-business employs less than ten people. An SME employs less than 250 people and has a turnover of less than £39 million. SMEs can be broken into small businesses with 10-49 employees and medium-sized businesses with 50-249 employees.

When we talk about local businesses, we are talking principally about local micro and small enterprises, including community organisations and voluntary and community sector (“VCS”) organisations. Whilst the Commission does not exclude medium-sized enterprises from our work,

⁴ Local Procurement: Making the most of small business, one year on. <https://cles.org.uk/wp-content/uploads/2016/10/FSB-procurement-2013.pdf>

⁵ JSNA Factsheet 2018-19 Demography, Protected Characteristics JSNA 2017. <https://www.southwark.gov.uk/health-and-wellbeing/public-health/health-and-wellbeing-in-southwark-jsna/population-groups-and-communities>

⁶ <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx>

their size and relative scarcity in Southwark (only 3.1% of Southwark’s businesses are medium-sized) means they are less of a focus.

Defining business leadership

Our approach to identifying business leadership aligns with that used in other research into business leadership by central government and beyond.⁷ We take leadership to mean more than 50% of the partners or directors in day-to-day control of the organisation have the relevant characteristic, or where the sole proprietor has the relevant characteristic.

In 2019, the Council introduced the Fairer Futures Procurement Framework. The FFPF built on the Council’s existing Fairer Futures Procurement Framework, adding a substantial range of new expectations for businesses seeking to access procurement opportunities from the Council, and including an expectation that 15% of the value of contract awards for services worth over £100,000 would be determined by the social value of the bid. The updated FFPF also introduced new procedures to support the monitoring and reporting of social value delivery.

Part 2: What we did

Methods

The Commission has used a range of methods to gather evidence for our report. We interviewed various council officers, spoke to local business improvement districts (“BIDs”) and Southwark’s Chamber of Commerce. We also heard from schemes to help local businesses to access commercial procurement opportunities, and from other local authorities that have taken ambitious steps to make their procurement activity more accessible to local businesses.

The Commission’s work also builds on previous scrutiny and audit activity. In particular, we have drawn on the Overview and Scrutiny Committee’s 2015 review of the Council’s procurement practices,⁸ and the Audit, Governance and Standards Committee’s ongoing analysis of implementation of the Fairer Futures Procurement Framework.⁹

Stakeholders

[To include list of Commission interviewees and minuted contributors as an appendix]

⁷ See e.g. Incorporating Diversity Report looking at BAME and female-led businesses in the West of England. <https://s3-eu-west-1.amazonaws.com/so-welep-uploads2/files/Funding/Gapsquare%20WE%20LEP%20-%20Research%20into%20BAME%20and%20Women%20led%20businesses%20in%20the%20WE.pdf>.

⁸ The review outlined an ambitious programme for the Council’s procurement activity that was partially realised in the Council’s 2016 Fairer Futures Procurement Framework, and was more fully realised in the current, 2019 Fairer Futures Procurement Framework

⁹ See e.g. AGS meeting of 18 July 2018, Item 6 on the agenda.

<http://modern.gov.southwark.gov.uk/documents/g6048/Public%20reports%20pack%20Wednesday%2018-Jul-2018%2019.00%20Audit%20Governance%20and%20Standards%20Committee.pdf?T=10>

Part 3: What we found

The data landscape

Southwark Council capture very limited demographic data on business leadership at present

The Commission began its investigations by looking at what data the Council has on who it procures to deliver goods and services (and works).

The Council has very limited information on the demographic profiles of who it procures goods and services from. As highlighted by Duncan Whitfield, Southwark's Strategic Director for Finance and Governance and Doreen Forrester-Brown, Southwark's Director of Law and Democracy, this has not been an area Southwark has historically collected information on even though it is possible below OJEU limits.

The Council do not capture much data on how local procurement across the Council is operating

Southwark Council delegates procurement authority to individual departments, with the Procurement Advice Team offering centralised advice and guidance. This arrangement means that it is difficult, and often impossible, to get centralised data on various aspects of procurement performance. For example, Southwark's existing rules on how to pursue bids for different contract values (see Table 1 below) say that for tendering opportunities between £25,000-£100,000, one local tender should be secured where possible. However, officers cannot provide a figure for adherence to this guidance, whether exceptions are generally applied sparingly and correctly, or the volume of spend that has currently gone to local providers as a consequence of this guidance:

Table 1: Southwark Procurement Thresholds

Value	Route	Notes
Below £25,000	Best value	
£25,000-£100,000	3 quotes	At least 1 to be local where possible
£100,000-EU thresholds	5 tenders	Public advert and Contracts Finder (except construction related and invited from the approved list)
Over EU thresholds	EU tender process	

The Council does not have a rich understanding of local SMEs

Similarly, the Council does not maintain lists of local SMEs, so corporately the Council does not have a view of the range of SMEs interested in responding to procurement opportunities, or the barriers that they face in doing so.

This lack of information makes it difficult for the Commission to make recommendations based on Council data, but throughout the remainder of this report we rely on the best available information, and lessons from beyond the Council, to inform our findings and recommendations.

Accessibility to small businesses

Local businesses find procurement opportunities hard to access and actively want support

The Commission heard from several BIDs and business support organisations about local businesses experience of procurement opportunities. Several themes emerged from their

feedback:

- SMEs find that bidding is a skill that needs to be learned, and many SMEs in Southwark have not got the expertise, networks or support to develop it. (Michael Hill, Better Bankside; Russell Russell Dryden, Blue Bermondsey).
- BAME-led businesses in particular bemoan a lack of case studies of successful SME procurement journeys, and are particularly eager to receive training to help them access procurement opportunities (Shade Abdul, Southwark Chamber of Commerce).
- SMEs feel that Southwark Council is rarely prepared to take even managed risks, and bring businesses on a journey with them (Michael Hill, Better Bankside).
- SMEs can be far more successful in securing procurement opportunities from developers and other external parties when they are provided with comprehensive support and information (Nic Durston, Southbank BID; Petrona Wickham, South London Procurement Network).

Michael Hill from Better Bankside BID provided evidence that in Southwark, only 20% of people are employed locally, as opposed to 60% in Newham. He argued that Southwark Council could do more, through its own procurement and how it engages with businesses in the area, to increase the number of people who are employed locally. Whilst the Commission could not verify these figures, they do suggest that Southwark has plenty of scope to further develop a strong local economy that works even better for its resident population and businesses.

There are pockets of good practice in Southwark that show promise for other departments

As part of our Commission's work, we sought to understand examples of good practice within the Council. Of particular interest to the Commission was the work of Children and Adult's Services ("CAS"). CAS has an unusual spend of approximately £60.8 million according to the Council's contracts register, with approximately £49 million of that sum going to 22 separate contract awards for larger contracts such as adult home care, learning disability support services and mental health support services. Because CAS has such a significant annual spend, it has a Commissioning division which is well placed to align its activities with the Council's Fairer Future's Procurement Strategy as well as the Council's Economic Wellbeing Strategy. CAS has taken a number of steps to ensure that relevant SMEs and community organisations have equal opportunity to procurements, including:

- Holding quarterly provider forum meetings for existing and potential providers of services. The meetings are used to provide information about Council policies as well as engagement and procurement opportunities.
- Supporting networking between prospective bidders including supporting lead provider arrangements where smaller organisations "group together" to deliver higher value contracts.
- Ensuring there are a relevant pool of procurement opportunities with value sizes that do not prohibit SMEs from bidding.

Based on CAS's current work to attract more SMEs, they are exploring:

- Providing additional training for SMEs and VCS organisations.
- Ensuring that SMEs and VCS organisations are able to show how they deliver additional social value for relevant contracts.
- Developing a website where SMEs can get all the key information they need to understand procurement opportunities including an opportunities pipeline, directing providers to relevant forums, and any support available.

CAS has had to invest a significant amount of time into these efforts, and its market engagement support activity has at times been resource intensive. **█**Awaiting update report from CAS on how procurement has progressed. **█**

There is limited systematic activity at present to make procurement opportunities accessible to local and social enterprises

Officers engaged very constructively with the Commission's questions regarding the Council's commissioning practices more generally. Doreen Forrester-Brown presented on a number of areas where the Council could potentially do more to make procurement opportunities accessible:

- The Council does not capture many organisational details as part of the standard procurement process, although this is possible below EU thresholds.
- SMEs cannot at present register with information on their organisation and its services, which probably makes discovering local organisations to meet the local tender requirement for opportunities between £25,000-100,000 more difficult.
- SMEs currently do not have many training opportunities where the bidding process and opportunities pipeline was communicated to potential bidders.

More generally, as reflected in a recent Audit, Governance and Standards Committee report, the Council has good internal control procedures, however compliance with these is mixed.¹⁰ For example, departments do not always upload contracts to the contracts register, an issue that has been noted by scrutiny reports from 2015, if not earlier.¹¹ Of particular interest to this Commission, even under a decentralised procurement model, there could be mechanisms for ensuring data is collected on adherence to local tender requirements, and the volumes of procurement activity happen at lower thresholds.

Existing social value practice

The Council's new fairer future procurement framework is a bold step with exceptional potential

The Council's new FFPF is a genuinely ambitious attempt to ensure that the Council delivers maximum social value through its procurement activity. In 2015, Overview and Scrutiny Committee set out a range of ways in which the Council could develop such a strategy, and its final implementation took on many of their recommendations, and indeed went further in some areas.

The Council is currently in the process of rolling out its FFPF, and pilots are taking place in highways, parking services, air quality monitoring and community hubs (for older people and people with disabilities). Early progress on these contracting processes has been mixed, and suggests a need for clear "model" social value clauses across different departments.

The Commission received a presentation on the social value approach under FFPF. The Council is using a "Social Value Portal" which allows the Council to select a range of possible areas for social value contribution which align with the Council's priorities. The intention is that this new arrangement will allow the Council to go even further in securing additional social value for Southwark via the Council's procurement activity.

¹⁰ As reflected in AGS meeting of 18 July 2018, Item 6 on the agenda.

<http://moderngov.southwark.gov.uk/documents/g6048/Public%20reports%20pack%20Wednesday%2018-Jul-2018%2019.00%20Audit%20Governance%20and%20Standards%20Committee.pdf?T=10>

¹¹ See Overview and Scrutiny Committee's Procurement and Commissioning Report, January 2015.

<http://moderngov.southwark.gov.uk/documents/s51134/Draft%20Scrutiny%20Report.pdf>

Since officers reported to the Commission, additional budget has been allocated to update guidance, provide training and support to teams within the Council in how to conduct procurement activities in accordance with the new FFPF, to provide additional guidance to prospective contractors and to appoint an additional team member to the Procurement Advice Team to help further develop the Council's FFPF monitoring approach. The Commission strongly welcomes these plans.

The potential of procurement to build community wealth

There is a growing community wealth building movement where local authorities and other locally-embedded organisations work together to strengthen local economies

The 'Preston Model' is a procurement model pioneered by CLES in conjunction with Preston Council and other local anchor institutions¹², and more recently with EU city partners in the Procure Network. These ideas are being applied by a growing number of businesses, public and social sector organisations across the UK who are now driving a shift in economic development thinking.¹³

Community wealth is built through a number of different strategies. Through this approach local economies are reorganised, so that wealth is not extracted but broadly held and income is recirculated.

- Progressive procurement of goods and services: Progressive procurement can develop dense local supply chains, SMEs, employee owned businesses, social enterprises and cooperatives and other forms of community business. These types of businesses are more likely to support local employment and have a greater propensity to retain wealth and surplus locally.
- Plural ownership of the economy: Community wealth building seeks to develop a more diverse blend of ownership models: returning more economic power to local people and institutions. In this, community wealth building asserts that small enterprises, community organisations, cooperatives and forms of municipal ownership are more economically generative for the local economy, than large or public limited companies.
- Making financial power work for local places: Community wealth building seeks to increase flows of investment within local economies by harnessing the wealth that exists locally, as opposed to attracting national or international capital. For example, local authority pension funds can be encouraged to redirect investment from global markets to local schemes. Mutually owned banks are supported to grow and regional banks - charged with enabling local economic development - are established. All of these are ideally placed to channel investment to local communities while still delivering a steady financial return for investors.
- Fair employment and just labour markets: As large employers, the approach that anchor institutions take to employment can have a defining impact on the prospects and incomes of local people. Recruitment from lower incomes areas, commitment to paying the living wage, and building progression routes for workers are all examples of actions that anchor

¹² Anchor institutions are defined as local institutions or local enterprises, such as councils, universities and hospitals, which have deep roots in their local community. In Preston the six anchor institutions that commenced the initiative Preston City Council, Lancashire County Council, Lancashire Constabulary, University of Central Lancashire UCLAN, Preston's College, a further education institution and Community Gateway Association.

¹³ How we built community wealth in Preston: Achievements and lessons. CLES and Preston City Council. July 2019. <https://cles.org.uk/publications/how-we-built-community-wealth-in-preston-achievements-and-lessons/>

institutions can take to stimulate the local economy and bring social improvements to local communities.

- **Socially productive use of land and property:** Anchor institutions are often major local asset holders. These assets represent a base from which local wealth can be accrued. In community wealth building the function and ownership of these assets is deepened to ensure that any financial gain is harnessed by citizens. Furthermore, there is a desire to develop and extend community use of those assets. It should be remembered that much public sector land and facilities are a part of the commons, and should be used to develop greater citizen ownership.

Preston conducted an audit of its spend in 2013 and found that its anchor institutions spent £750m, however only 5% was spent in Preston, and 39% in Lancashire, meaning a £450m leakage out of the Lancashire economy. In 2017 CLES repeated an analysis of anchor institution spending and found spend in Preston economy had increased from £38m to £111m. Within the wider Lancashire economy (including Preston) £488.7m of spend had been retained, a rise of £200million from the baseline analysis.

Whilst the Commission has not been able to conduct a deep dive into the various benefits of the community wealth model outlined above, CLES and Preston City Council cite a range of benefits of its community wealth building approach, including:

- Productivity benefits: Making better use of local productive capacity.
- Social benefits: Bringing economic activity where it can produce the highest social return.
- Environmental benefits: Shortening supply chains.

There is significant scope for Southwark to use more of its levers to make Council and external procurement more accessible to local and social enterprises

The Commission took evidence from beyond our borders about what is possible for improving local procurement practice. We identified practice and research from elsewhere in the UK that has many useful insights for the Council:

- Other local authorities have significantly increased their volume of local spend by adapting their quote requirements for different thresholds (Peter Lawton, South Tyneside Council).
- The Council can use planning processes to encourage developers and other corporates active in Southwark to develop their local and social supply chains (Petrona Wickham, South London Procurement Network).
- Platforms have been developed to make procurement opportunities more accessible to local and social enterprises and to provide assurance to large organisations that want to buy from them (Supply Change).
- External research shows there is significant scope, whether within residual EU procurement rules or under any likely future procurement arrangements, to support strong local SME procurement opportunities (Matthew Jackson, Centre for Local Economic Strategies).

Local authorities can encourage significant amounts of local procurement, targeting businesses that reflect and benefit the local area

South Tyneside have undergone a major effort to maximise the local and social value of their procurement activity. Following their activity, South Tyneside have increased their local spend from 33% in 2009 to 58% in 2017/18. South Tyneside has also effectively embedded social value provisions across a wide range of procurement activity as well.

South Tyneside produced a strategy to support its local procurement ambitions. The strategy included making local spending a key performance indicator (see Table 2 for key thresholds and requirements), introduced electronic portals for SMEs to quote for and secure work, and increased council contact with local companies by holding regular “meet the buyer” events and development seminars, and a range of other market engagement activity to increase the competitiveness of local providers.

Table 2: South Tyneside Procurement Thresholds

Procurement value	Procurement procedure
Up to £5,000	Minimum of one written quotation from South Tyneside suppliers
Between £5,001 and £25,000	Minimum of one written quotation from South Tyneside suppliers and two written quotations from Tyne and Wear suppliers
Between £25,001 and EU thresholds	Minimum of two written quotation from South Tyneside suppliers and two written quotations from other suppliers or advertise opportunity on an internet portal and Contracts Finder

South Tyneside provided the Commission with a number of examples of how it has incorporated social value into its contracts as well.

- Highways: Introduced an aspirational target of 15% of the value of subcontracts going to local suppliers to maximise local benefit from major contracts.
- Integrated substance misuse service: Introduced social value clauses relating to additional training and volunteering requirements, including for peer mentors.
- Grounds maintenance and recycling: Tenderers were required to submit a method statement detailing what arrangements would be put in place to ensure that employment opportunities are used to tackle the council’s priority of tackling unemployment.
- Regeneration: Regeneration projects were not allowed to commence until a method statement was agreed with the council to hit employment and training targets, in a way that could be reviewed and monitored by the council.

Other authorities have had great success in increasing local spends, including local spends through external procurement activity

The Commission heard from South London Procurement Network (“SLPN”) about the work that has done, originally initiated in our neighbouring borough, Lambeth, to encourage developers to procure more from local providers. As a s106 requirement¹⁴ of the Southbank Place development contract, (which was awarded to the Canary Wharf Group and Qatari Diar), the developers were required to fund the creation of SLPN to support local and neighbouring suppliers to access procurement opportunities linked to the development and beyond. SLPN now covers 11 South London boroughs, including Southwark, where 22% of its member businesses are based. SLPN was set the target of helping secure £6 million in procurement opportunities for South London businesses. To date, it has helped secure nearly £288.6 million in contract wins, with £103.6 million going to SMEs (including micro-businesses), including £72.1 million to SMEs in Southwark. This has been achieved through a range of supply chain brokerage activity (bringing together suppliers and buyers), market engagement support, local listings, free workshops to local suppliers and free one-on-one consultation support.

¹⁴ Under Section 106 of the Town and Country Planning Act 1990, a development proposal can be made accessible in planning terms by the addition of further planning obligations. Section 106 obligations can create a wide range of requirements on a developer.

There are platforms that make procurement opportunities accessible to local and social enterprises and provide assurance to public sector and larger private sector organisations

Supply Change is a UK marketplace platform that matches public sector and larger private sector organisations to social enterprises.¹⁵ The platform emerged from a research project for Orbit Housing which focused on how social enterprises are accessing Orbit and other social housing supply chains. The research identified various financial and cultural barriers: social enterprises found it difficult to access contracts as they did not have good visibility of opportunities, because of the numerous bureaucratic processes in individual large social housing organisations and more. There was an appetite from large organisations to use social enterprises, but large organisations need information on relevant providers and assurance on viability. The Supply Change portal arose from this research and aims to provide visibility to social enterprises and assurance to large organisations. Orbit is a founding client of Supply Change, which is now testing the platform with a pool of local authorities including Camden Council and Hackney Council.

Even under current EU and UK legislation, there are many ways to support local procurement without breaching procurement rules

The Commission received a submission from CLES, who shared a report titled “Creating a Good Local Economy Through Procurement”¹⁶ which was prepared by Matthew Jackson, CLES’s deputy CEO, as part of a research project commissioned by the European Union. CLES’s report highlighted the four main channels through which authorities can use procurement to strengthen the local economy:

- Commissioning of goods or services.
- The development of procurement strategy
Pre-procurement.
- The delivery of the good or service and monitoring.

Across these four areas, the report sets out a range of activity, some of which the Council is already doing, as has been highlighted elsewhere in this report, as well as additional ideas for improving the local economy benefits of procurement-related activity. Of particular interest to the Commission, the report outlines how authorities can look into:

- Packaging contracts to make them more accessible to local bidders.
- Streamlining procurement documentation.
- Working with local businesses to test markets.
- Capacity building of social economy organisations.
- Developing supplier networks.

The report outlines a number of other ways to create a good local economy through procurement which provide an attractive menu of options for the Council to draw on going forward.

What is clear from our findings is that these are not niche, borderline practices for maximising local and social value. Guidance from central government on the Public Services (Social Value) Act 2012 provides a number of example social value terms that are just as bold as those highlighted above, which should provide real encouragement to the Council to realise the

¹⁵ See <https://www.supplychange.co.uk/>

¹⁶ <https://www.preston.gov.uk/media/820/Creating-a-good-local-economy-through-procurement-procure-network-partners-and-URBACT/pdf/pages-de-procure-state-of-the-art.pdf?m=636934399560270000>

potential of its ambitious FFPF.¹⁷ Examples provided, which appear to go further than the Council's current approach to using social value legislation, include:

- Community consultation: We will require the supplier to engage with communities as it seeks to successfully deliver and continually improve the contract. We require a plan of community engagement activities.
- Accessible employment: When employment opportunities arise that are wholly associated with the delivery of this service, those opportunities should be advertised such that the following groups are encouraged to apply, e.g. people with disabilities, the local community, from the user community, NEETS, former offenders.
- Opening up supply chains: As part of our economic growth strategy, we aim to reduce barriers to participation for SMEs/VCSEs. This includes our supply chain. For the operation of this contract, we require the supplier to encourage a diverse supply base, outline an approach to supply chain management and provide management information about the expenditure made with SMEs/VCSEs.

Leaving the EU only heightens the importance of, and opportunity for, supporting local business

As the UK has now left the European Union, these proposals effectively represent a baseline for what authorities in the UK can do. Beyond the current 31/12/20 deadline for any deal with the European Union, the regulatory environment may have changed substantially, allowing even greater freedom for local authorities to explicitly target maximising local value and benefit as a core part of their procurement strategy. The Commission strongly encourages the Council to rise to this opportunity, recognising that done right, more local and social procurement serves to empower and benefit Southwark's diverse communities.

Part 4: Recommendations

Data recommendation

Recommendation 1: The Council should fundamentally improve the data it collects on Council procurement activity and local businesses. As part of this effort, the Council should collect equalities data and local spending data for all eligible procurement activity.

The Council should collect equalities data for procurement opportunities below the EU threshold.

To do this, the Council should develop a set of equalities questions for businesses based on ownership and/or directors, which must be completed as part of procurement processes below OJEU limits, as well as when registering on Council portals.

The Commission recommends consult on and introduce a definition for understanding whether under-represented groups are represented at senior leadership (BAME, women, disability and beyond) or leading organisations

As part of this improved data collection, the Council should collect and report going forward on:

- How much procurement activity below at values of less than £100,000 has taken place.
- How often the requirement to seek a local bid for tenders below £100,000 has been waived.
- What proportion of procurement spend has been going towards local SMEs (including community organisations).

¹⁷ The Public Services (Social Value) Act 2012: An introductory guide for commissioners and policymakers. <https://www.gov.uk/government/publications/social-value-act-introductory-guide>

Accessibility recommendations

Recommendation 2: Strengthen local tendering requirements and increase them to EU thresholds.

The Commission recommends that Local tendering requirements are strengthened by clearly requiring one local tender for any opportunity below £100,000 (including tenders below £25,000) save with an explicit exemption, and requiring at least one local tender for opportunities below the relevant EU threshold.

Recommendation 3: Develop a portal with key procurement information and to raise awareness of relevant opportunities.

Local SMEs need to be able to understand how the Council is procuring and they need to know what opportunities are available. Providing these in a centralised location will make it far easier for local SMEs. This recommendation is for information about opportunities before they have been tendered, as is currently the case on the Council's Contracts Register.

Recommendation 4: Develop a list of local providers that can readily be added to and is accessed as a standard part of relevant procurement processes to raise awareness of relevant opportunities.

The Commission struggles to understand how officers can reliably identify local suppliers to meet the existing local tender requirement without a centralised list of relevant providers. This should be created and maintained centrally, to improve local procurement practice across the Council.

Recommendation 5: Offer training for relevant businesses, and facilitate a targeted provider forums to aid SME bidding.

SMEs are clear that they need help to access Council opportunities, and that they would benefit from training, seeing case studies of successful SMEs that have procured from the Council and more. The Council should be providing this type of support as standard, focused around areas where the Council has identified clear opportunities for more delivery by SMEs.

Social value recommendation

Recommendation 6: The Council should be even more ambitious in embedding tailored social value requirements and take a "maximising social value" approach across departments. This approach should include requiring a specific exemption for eligible tenders to waive the 15% social value requirement and the Council developing model social value clauses covering anticipated future contracts in all Council departments

The Commission has identified best practice from beyond Southwark that the Council should learn from, as well as specific social value clauses to consider for inclusion in relevant future tenders.

The Commission welcomes the budget commitment to fund support, training, monitoring and additional staff for departments beginning to use social value aspects of fairer future procurement framework, and recommends this supports deeper ongoing central support from the Council's procurement function.

The Commission recommends clearly limiting scenarios where the requirement for 15% of the contract award decision to be decided according to social value, and actively tracking how often this is done.

The Commission also recommends working with local SMEs and community organisations in particular to find simple ways to recognise the social value that they bring to Southwark. Once this is done, the Council should move towards recognising their social value below the £100,000 threshold.

Procurement practice recommendation

Recommendation 7: The Council should pursue an explicit commitment to building community wealth across the borough through greater local procurement, in conjunction with other locally-embedded organisations, including local spending targets

The example of CLES' work in Preston and beyond shows the great potential of coordinated efforts, led by a local authority as part of a broader partnership, to pursue an explicit commitment to creating greater community wealth through enhanced local spending, with an explicit aim to improve local productivity, deliver positive social outcomes and to lessen the environmental impact of procurement activity as well.

Recommendation 8: The Council should share best procurement practice across departments and strengthen the central procurement function to raise the quality of practice across the authority.

The Council should propagate best practice from within the Council to improve practice throughout the Council. The Commission was particularly impressed by the practices taking place in children and adult services, where they are piloting actively supporting greater accessibility of council procurement via open sessions.

Children and adult services has managed to lead the way in accessible procurement because it has a dedicated procurement function and enough relevant opportunities. This is a strong argument for the council to further boost its central procurement function to provide some of the same benefits and process improvements to other departments (see also recommendation 7).

Various recommendations require centralised support (e.g. creating centralised supplier lists and a supplier portal), and the Fairer Futures Procurement Framework needs to be solidly embedded throughout the Council, particularly new social value requirements. The Commission recommends that the central procurement function is provided with sufficient capacity to implement and/or drive forward recommendations in all of these areas.

Recommendation 9: The Council should use s106 agreements and other external influencing channels to make more external procurement opportunities happening in Southwark accessible to local SMEs.

The example of SLPN shows that SMEs can, with the right support, opportunities and brokerage, deliver work for private organisations, particularly developers, active throughout Southwark. The Council should be supporting this as a matter of course and setting ambitious targets for local spend for developers active in the borough.

To confirm recommendation once the Commission has received a report from the planning department and interviewed the lead Cabinet Member

Acknowledgments

The Chair would like to thank the Project Manager Julie Timbrell for providing invaluable support to the Commission in its investigations; all the officers who gave a frank account of current Council activity in this area and ways it could improve; and the many people and organisations who spoke to the Commission at great length about procurement practices beyond this borough. The Chair would also like to thank all of the Commission members for their committed pursuit of a better, more accessible and locally embedded approach to procurement for Southwark.