

Procurement: Accessibility and Social Value

Report of the Education and Business Scrutiny Commission – May 2020

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Executive summary

The Commission investigated 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. **The Commission also looked at the Council's early activity to implement social value provisions of its Fairer Futures Procurement Framework.**

The Commission completed the bulk of its investigations before the onset of the Covid-19 pandemic. **The profound impact of Covid-19 on Southwark's residents and businesses means the Commission's findings are more important than ever.** It is critical that Southwark Council takes a radical approach to strengthening our local economy post-Covid 19, and the contents of this report outline some important first steps in that direction.

Background

Central government estimates that nationally 5.4% of SMEs are BAME-led. Latest estimates are that 14% of the population of England and Wales are BAME, 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. **Worryingly, the Commission could not identify reliable national statistics for the number of businesses led by people with a disability.**

Southwark is a highly diverse borough (46% of Southwark's population is BAME) with many micro- and small businesses. **Nearly 87% of Southwark's 16,000 businesses are micro-business with less than ten staff.** Unfortunately we do not have reliable data on the demographic breakdown of Southwark's business leadership. **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.**

Across the country, there is huge variation in how much local authorities procure either locally or via community organisations. 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, with an average of only 19% for London authorities.

Southwark Council is a major procurer. **The Council has an annual turnover of £1.2 billion and spends approximately £650 million per annum.** Beyond the Council's own procurement, Southwark has a vibrant economy with significant volumes of major companies operating in the borough.

What we did

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.

What we found

The Commission's findings fell into four areas:

The data landscape

The Council captures very limited information on the demographic profiles of who it procures goods and services from. Although it is possible to collect such information for tenders that fall under relevant EU thresholds, it is not done.

The 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. The Council presently does have rules for when a local tender should be secured if possible (for tendering opportunities valued between £25,000-£100,000). 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 currently goes to local providers as a consequence of this guidance.

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.

Given the lack of data currently collected on the Council's procurement activity or businesses on Southwark, the Commission relies on the best information available (e.g. from local businesses) and looks to lessons from beyond the Council, to inform our findings and recommendations.

Accessibility to small businesses

We heard first hand from **local businesses** and their representatives, that they **find procurement opportunities hard to access, and actively want support**. We heard that:

- **SMEs find that bidding is a skill that needs to be learned**, and many do not have the expertise, networks or support to develop it.
- **BAME-led businesses in particular bemoan a lack of case studies** of successful SME procurement journeys.
- **SMEs feel that the Council is rarely prepared to take even managed risks** to support local businesses.
- **SMEs can successfully secure procurement opportunities** from developers and other external parties **when they are provided with comprehensive support and information**.

The Commission identified some pockets of good procurement practice in the Council that show promise for other departments. Children and Adult Services ("CAS") in the Council have taken a number of steps that help to ensure that relevant SMEs and community organisations have a viable prospect of successfully bidding. Many of CAS's initiatives could be tailored to different procurement contexts, including:

- Holding quarterly provider forum meetings.
- Supporting networking between prospective bidders.
- Ensuring there are a relevant pool of procurement opportunities with value sizes that do not prohibit SMEs from bidding.

The Commission identified a series of issues with the Council's current procurement approach that make it less accessible to local businesses:

- 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
- SMEs currently do not have many training opportunities where the bidding process and opportunities pipeline is communicated to potential bidders.

Without activity like this taking place, it is hard to understand how Council departments can reliably know how to distribute relevant value opportunities to local businesses.

Existing social value practice

The Commission looked at the Council's new fairer future procurement framework. **The Fairer Futures Procurement Framework is a bold step with real potential of procurement to help build community wealth, deliver social value and many other benefits.** Whilst the framework is still in pilot, with early contracting processes showing mixed results, the Council is implementing a social value portal to assist its ongoing efforts and has committed additional resources which the Commission believes could be helpful if used well to upskill procurement teams.

From the Commission's investigations, we see from other local authorities that there is **tremendous scope for the Council to partner with other locally-embedded organisations to work together and strengthen the local economy**, ensuring less wealth is extracted from the community, and more wealth is recirculated to the benefit of local citizens. The Commission examined a range of promising practices, most of which are not widely practiced in the Council and/or have not been extended to key local partners at present, including:

- Pursuing progressive procurement, **actively looking to strengthen local supply chains** and social ownership models, to support local community businesses.
- **Actively supporting plural ownership of the economy**, so that more economic power is returned to local people.
- **Making the Council's financial power work for the area**, whether through the deployment of pension funds or beyond.
- Supporting fair employment and good labour practices (an area where the Council is particularly strong already).
- **Finding socially productive uses of land and property**, supporting greater community uses and ensuring that financial gains can be harnessed by local citizens.

Available evidence strongly supports that **these community wealth-building approaches could help deliver a range of productivity, social and environmental benefits to Southwark.**

The Commission took further evidence from beyond our borders on possible improvements to local procurement practice. Amongst the many useful insights, we identified that:

- Other local authorities have significantly increased their volume of local spend by **adapting local quote requirements** for different tender thresholds.
- The Council can **use planning processes to encourage developers and other corporates active in Southwark to develop their local and social supply chains**
- **Platforms exist to make procurement opportunities more accessible** to local and social enterprises
- **Authorities can use existing flexibility within procurement rules** to benefit their local economy.

Authorities like South Tyneside and Preston have increased their local procurement by 100-200% by instituting the sorts of measures identified in this report, and innovative uses of s106 agreements have facilitated over £100m of procurement opportunities for SMEs.

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 bidding 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 bidding opportunities.**
5. **Offer training for relevant businesses, and facilitate 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 supported by an enhanced central procurement function role. This approach should include: (i) requiring an explicit exemption for eligible tenders to waive the 15% social value requirement, (ii) the Council developing model social value clauses covering anticipated future contracts in all Council departments, and (iii) the Council developing simple ways of recognising the types of social contributions made by local micro, small and community businesses**

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 Council.**
- 9. The Council should use s106 agreements, and work with developers and other large partners to make more of the external procurement opportunities that exist in Southwark accessible to local SMEs. The Commission recommends the SLPN model, where the Council uses s106 agreements to get developers to fund local SME procurement support and increase purchasing from local SMEs in their supply chains.**

The Commission’s full recommendations are contained in Part 3 of this report, and a checklist to track acceptance of and performance against the Commission’s recommendations is contained in Appendix 1.

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 social value provisions of 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 Commission completed the bulk of its investigations before the onset of the Covid-19 pandemic. The pandemic has already had profound effects on Southwark's population and its businesses. Many businesses will fail and most of those that survive will not be able to operate as they did previously. The impact of Covid-19 means that the Commission's findings are more important than ever. In this report the Commission identifies practical steps the Council can take to make procurement more accessible to local businesses and community organisations, whilst delivering more, not less, value. The Council can also act as a standard setter for larger businesses operating in the borough, so that they improve their procurement practices as well. It is critical that we take a radical approach to strengthening our local economy post Covid-19, and in this report we outline some important first steps in that direction.

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 £1 million 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 but local procurement levels are mixed

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

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

local SMEs. However, proportions varied significantly by region, from 19% in 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% of Southwark's population 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 amongst 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 micro and 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, their size and relative scarcity in Southwark (only 3.1% of Southwark's businesses are medium-sized) means they are less of a focus.

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>

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.

The Fairer Futures Procurement Framework

In 2019, the Council introduced the Fairer Futures Procurement Framework. The FFPP built on the Council's 2016 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 FFPP 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

A list of interviewees and contributors is included in Appendix 2.

Part 3: What we found

The data landscape

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

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

The Council captures 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

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

an area Southwark has historically collected information on even though it is possible for tenders below relevant EU thresholds.

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 currently goes 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 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 procurement practice in the Council 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.

Two recent commissioning processes run by CAS (for a Disabilities' Support Hub and an Older Persons' Support Hub) had mixed success with only one awarded, reflecting some of the challenges that can exist in attracting sufficient local bids for large complex programmes, and the challenges of realising additional social value. █More information will be requested on smaller commissioning opportunities█

There is limited systematic activity within the Council 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 is 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 that happens at lower thresholds.

Existing social value practice

The Council's new Fairer Future Procurement Framework is a bold step with exceptional potential that needs concerted effort to be realised

The Council's new FFPP 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 FFPP, 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 FFPP. 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.

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 FFPP, 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 FFPP monitoring approach. The Commission strongly welcomes these plans, given the concerted investment and effort required to change procurement practices.

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.

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>

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/>

- Progressive procurement of goods and services: Progressive procurement can develop dense local supply chains made up of 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 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 in ways that can help develop greater citizen participation and 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 procurement 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.

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. Firstly, 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 other large commissioners. Secondly, while there was an appetite from large organisations to use social enterprises, large organisations need information on relevant providers and assurance on viability, and this was difficult to access. 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.

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.

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>

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 potential of its ambitious FFPP.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 EU limits, as well as when registering on Council portals.

The Commission recommends consult on and introduce criteria 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 at values of below £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 all opportunities below the relevant EU threshold.

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

The Commission struggled 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 targeted provider forums to aid SME bidding.

SMEs are clear that they need help to access Council opportunities, and that they would benefit from targeted 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 supported by an enhanced central procurement function. This approach should include: (i) requiring an explicit exemption for eligible tenders to waive the 15% social value requirement, (ii) the Council developing model social value clauses covering anticipated future contracts in all Council departments, and (iii) the Council developing simple ways of recognising the types of social contributions made by local micro, small and community businesses

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. However, broader commitments to change actual practice are also needed (see also recommendation 8).

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 current £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.

Given the lack of information about the Council's current levels of local spending, the Commission cannot reliably establish what a realistic target would be. Given the progress made in other local authorities the Council should be aiming to increase local spending in the region of 50-100% over the next five years.

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 Council.

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. Taken together with other challenges identified in this report that are exacerbated by the lack of central procurement capacity and oversight, there is a strong case 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 6).

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 work with developers and other large partners to make more of the external procurement opportunities that exist in Southwark accessible to local SMEs. The Commission recommends the SLPN model, where the Council uses s106 agreements to get developers to fund local SME procurement support and increase purchasing from local SMEs in their supply chains.

Officers reported that previous work to support developers to assist local SMEs in becoming fit to compete and to coordinate local advertising of contract opportunities did not show significant impact for local businesses and these arrangements were ended on value for money grounds. Accordingly large developers are now only asked to make 'reasonable endeavours' 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. There are no penalties imposed for failure to realise this, because supply chains are considered largely out of the developer's control.

However, the SLPN model has demonstrated significant success in commissioning SMEs. SLPN reported £288.6m in contract wins, £103.6m of which is has gone to SMEs, of which £72.1m are to Southwark SMEs. The example of SLPN shows that, with the right support, opportunities and brokerage, SMEs can deliver and gain a significant proportion of local market share. We would therefore urge the Council to investigate this approach and raise our expectations.

The Council should be supporting the current SLPN model as a matter of course and looking for other opportunities to work with developers to set up similar models. These would enable more ambitious local commissioning targets to be set and realised.

The Commission could not establish current levels of spend, but if they are as low as expected the Council should target an increase of 100% or more over the next five years.

The Council should also identify whether it can encourage large businesses active in Southwark to use a platform like Supply Change to further increase their local procurement. This would be contingent on the Council also adopting an agreed platform with other anchor partner organisations in order to increase local commissioning and benefit the local economy. Capacity building organisations such as Community Southwark, the BIDs, SLPN, and Southwark's Chamber of Commerce would need to be engaged to make this a successful partnership.

To review this following the item scheduled with Cllr Situ and Local Economy officers at the 20 May meeting).

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 within Southwark.

Peter Babudu

Chair, Education and Business Commission

Appendix 1: Recommendations Progress Checklist

Recommendation	Accepted?	Target completion date
<i>Recommendation 1: Data</i>		
Collect equalities data for procurement opportunities below the EU threshold		
Develop a set of equalities questions for businesses based on ownership and/or directors		
Consult on and introduce criteria for understanding whether under-represented groups are represented at senior leadership		
Collect and report on key procurement data going forward, including: <ul style="list-style-type: none"> - Volume of procurement activity at values below £100k - How often local tender requirement is waived - Proportion of procurement spend going towards local SMEs and community orgs 		
<i>Recommendation 2: Accessibility – local tendering requirements</i>		
Strengthen local tendering requirements by requiring for any opportunity below £100,000 (including opportunities below £25,000) save with an explicit exemption, and requiring at least one local tender for opportunities below the relevant EU threshold		
<i>Recommendation 3: Accessibility - Portal</i>		
Develop a portal with key procurement information and to raise awareness of relevant opportunities before they are concluded		
<i>Recommendation 4: Accessibility – List of providers</i>		
Develop a list of local providers that can be used to notify about relevant procurement opportunities		
<i>Recommendation 5: Accessibility – Training and provider forums</i>		
Identify across Council, opportunities that are suitable for SME delivery		
Develop training and case studies for SMEs based on their needs and the identified pipeline of relevant Council procurement opportunities		
Develop provider forums to aid ongoing local provider support and networking		
<i>Recommendation 6: Social value – Embedding requirements</i>		
Require a specific exemption for any tender that intends to waive the Council’s 15% social value requirement		
Develop model social value clauses for likely contracts across the Council to simplify adherence to the social value requirements		
Agree a simple approach, in conjunction with local SMEs and community organisations, to recognise their social value below the current £100,000 threshold		
<i>Recommendation 7: Procurement practice – Community wealth</i>		
Make an explicit commitment to building community wealth across the borough through greater local procurement		

Create a partnership of other major locally-embedded community organisations to support the initiative		
Set ambitious local spending targets for the Council's future procurement activity (e.g. 50-100% increase in local procurement by 2025)		
<i>Recommendation 8: Procurement practice – Sharing and strengthening procurement practice</i>		
Commit to sharing best procurement practice across departments		
Give central procurement an enhanced role in providing ongoing support and rigorous performance monitoring across departments to deliver needed process improvements and to maximise local procurement and social value in the Council's contracts		
<i>Recommendation 9: Procurement – s106 and private business spending targets</i>		
Adopt the SLPN model, using s106 agreements to get developers to fund local procurement support and more credibly commit to increasing their local procurement spend		
Consider encouraging the use of a platform like Supply Change amongst local larger businesses to encourage more local procurement within Southwark from developers and other large businesses in the borough		
Set an ambitious target for increasing local procurement by businesses in Southwark (e.g. 100% increase by 2025)		

Appendix 2: List of interviewees and contributors

Commission members

Councillor Peter Babudu (Chair)
Councillor William Hougbo (Vice-Chair)
Councillor Karl Eastham
Councillor Renata Hamvas
Councillor Eleanor Kerslake
Councillor Lorraine Lauder MBE
Councillor Eliza Mann
Lynette Murphy-O'Dwyer
Martin Brecknell

Other Council contributors

Julie Timbrell, Scrutiny Project Manager
Councillor Stephanie Cryan, Cabinet Member for Jobs, Business and Innovation
Councillor Johnson Situ, Cabinet Member for Growth, Development and Planning
Duncan Whitfield, Strategic Director of Finance and Governance
Doreen Forester Brown, Director of Law and Democracy.
Genette Laws, Director of Commissioning, Children and Adult Services

Other contributors

Shade Abdul, Southwark Chamber of Commerce
Les Johnson, Chair of Southwark Chamber of Commerce
Michael Hill, Better Bankside BID
Nic Durston, Southbank BID
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Peter Lawton, Procurement Lead, Business and Resources, South Tyneside Council