

Education and Local Economy Scrutiny Commission

Wednesday 19 July 2023

7.00 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Supplementary Agenda No.1

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6.	Community Wealth Building in Southwark	1 - 54
	To receive a report from Southwark's Local Economy team on council's role in Community Wealth Building (CWB) from Nick Wolff, Principal Strategy Officer, Chief Executive's and Danny Edwards, Head of Economy, evaluating Southwark's strength and weaknesses regarding Community Wealth Building - according to the five pillars:	
	<ul style="list-style-type: none">• Plural ownership of the economy• Making financial power work for local places• Fair employment and just labour markets• Progressive procurement of goods and services• Socially productive use of land and property	

Contact

Amit Alva on email: amit.alva@southwark.gov.uk

Date: 14 July 2023

Item No. 6	Classification: Open	Date: 19 July 2023	Decision Maker: Education and Local Economy Scrutiny Commission
Report title:		An initial review of Community Wealth Building in Southwark	
Ward(s) or groups affected:		All	
From:		Danny Edwards, Head of Economy	

RECOMMENDATION

1. That the Education and Local Economy Scrutiny Commission note the contents of this report.

BACKGROUND INFORMATION

2. Community Wealth Building is a place-based approach to economic development that puts local communities at its heart; an approach which seeks to ensure that those communities are beneficiaries of wealth generated in the local area, including where possible extending their influence over, ownership and control of local assets.
3. It requires that local institutions use their spending power and assets for these purposes and that those institutions reconfigure their actions, practices and behaviours to that end.
4. The Centre for Local Economic Strategies (CLES), an economic think tank and charity, has identified five key principles, or “pillars” of Community Wealth Building, as follows:
 - Plural ownership of the economy
 - Making financial power work for local places
 - Fair employment and just labour markets
 - Progressive procurement of goods
 - Socially productive use of land and property
5. If it is to be implemented successfully, Community Wealth Building requires a whole council and borough-wide approach, with local authorities working strategically with key anchor partners, including hospitals, colleges and universities, housing associations and cultural institutions.

6. Several local authorities have applied Community Wealth Building to varying degrees as a principle across council strategies and work programmes, and to guide engagement with local strategic partners.
7. The city of Preston provides one of the earliest and most well-known examples of Community Wealth Building as an organising principle for place-based economic development. “The Preston Model” is often referenced as a leading example of Community Wealth Building in the UK, due to the successes seen there through its implementation.
8. Other local authorities have since developed their own Community Wealth Building models to fit the needs and priorities of their local area. While place-based approaches differ in details, CLES have published analysis of the work in Preston, setting out the factors they see as necessary to facilitate implementation of the model elsewhere.
 - Places must understand the types of outcomes they want to achieve
 - There must be “buy-in” to Community Wealth Building principles among both Chief Officers and political leadership
 - Places must understand the existing scale of activity – including procurement spend, the impact of suppliers and business, and the scale and potential of initiatives
 - Places need clear governance structures for both strategy and delivery

KEY ISSUES FOR CONSIDERATION

Community Wealth Building in Southwark

9. The emerging Southwark 2030 vision and plan will set out priorities for Southwark as a place, and set clear ambitions to align strategies across the council and influence our key partners towards achieving better outcomes for our borough.
10. The principles of Community Wealth Building are well aligned with this vision, reflecting the council’s developing approach to Community Wealth Building in recent years. While no single over-arching Community Wealth Building policy framework has been adopted, many council policies and programmes nonetheless have been developed to support its aims and principles, as defined by CLES.
11. This report sets out three such examples where Community Wealth Building principles are being applied across Southwark’s approach to local economic development. The first illustrates the integration of the principles into the development of a new Economic Strategy for 2023-2030; the second and third provide examples of practical implementation of ‘progressive procurement’ and fair employment and just labour markets’ principles across our work with local partners through the Southwark Anchor Network.

Southwark Economic Strategy 2023-30

12. Southwark's emerging Economic Strategy will set out our approach to building a fairer, greener and more resilient local economy in support of the Southwark 2030 vision and ambitions for the borough.
13. The strategy has been developed with the aim of continuing to encourage local growth in sectors that generate good jobs and wider value for our community, and redoubling our efforts to support local people and businesses to benefit from our growing economy. It also acknowledges that we cannot rely on growth alone to close the gaps in prosperity within the borough. In line with the principles of Community Wealth Building, at the centre of the strategy sits the ambition to shape a more inclusive local economy, working with business and other stakeholders to meet the challenges of the climate emergency, and building economic fairness and resilience across the whole economy.
14. The Economic Strategy vision for 2030 is of a fairer, greener and more resilient Southwark economy that benefits everyone.
15. This will mean -
 - **A high growth, low emission economy** - attracting investment and growth across the borough, with a focus on strategic growth opportunities in low-carbon and life sciences sectors, and reinforcing our existing strengths. Securing investment in town centres that supports our existing businesses and strengthens neighbourhood economies. Significant reductions in climate change emissions and improved air quality, promoting healthier lives.
 - **An economy with opportunity for all** - Residents and businesses alike benefiting from a more inclusive economy that works for everyone and where communities hold a bigger stake. Narrowing inequalities so that the great diversity of our borough is reflected across all parts of the economy. Providing the best start in life, as well as removing unequal barriers to success for people of all ages. Encouraging large employers and anchors to invest in our communities, talent and businesses. Our neighbourhoods being places that promote health and wellbeing, where people can find connection, security and support.
 - **An economy of good work** - higher incomes, better job security and more opportunities to progress in work. More opportunities to secure good jobs paying at least London Living Wage with leading employers and fewer barriers for the most disadvantaged. Better pay and employment standards and reduced gender, ethnicity and disability pay gaps. A first-class local skills offer supporting people of all ages to progress in their careers of choice.
16. The vision will be achieved through eight delivery themes:
 - Investment and growth
 - A greener economy

- Thriving high streets
- Inclusive neighbourhoods
- Extending local ownership
- Southwark's Youth Deal
- Good work for all
- Skills for now and the future

17. Community Wealth Building principles have guided the development of the strategy and are integral to its vision and delivery. The table below illustrates how the five pillars of Community Wealth Building are reflected in examples of commitments drawn from these delivery themes within the draft Economic Strategy.

Community Wealth Building Pillars	Commitments in draft Southwark Economic Strategy 2023-30
Plural ownership of the economy	<ul style="list-style-type: none"> • Grow the role of co-operatives, community and social enterprises in the economy.
Fair employment and just labour markets	<ul style="list-style-type: none"> • Raise standards, pay and conditions, promote healthier workplaces and address discrimination in the workplace in partnership with employers and trade unions.
Socially productive use of land and property	<ul style="list-style-type: none"> • Build on the Southwark Land Commission to explore new models for management, ownership and use of land and property to open up economic opportunities for local people.
Making financial power work for local places	<ul style="list-style-type: none"> • Develop a targeted approach to securing social value for residents through our investment and procurement.
Progressive procurement of goods	<ul style="list-style-type: none"> • Increase our spend in the local economy and work with anchor institutions and other large organisations to do the same.

Southwark Anchor Network

18. The Southwark Anchor Network was established by the Leader of the Council in 2021 as part of a wider Community Wealth Building agenda. The network is a strategic leadership group of key organisations in Southwark.
19. The network was set up to harness the power of our local anchor institutions to work together to deliver impactful activity, which benefits

Southwark residents by delivering against the network's strategic priorities of reducing inequality, building an inclusive economy that works for everyone, and creating a greener future for Southwark.

20. Members of the network include Guys and St Thomas's Hospital, South London and Maudsley Hospital, Partnership Southwark, University of the Arts London, King's College London, London South Bank University, Peabody Housing Association, Community Southwark, The Tate, Vodafone UK and The Charter Schools Educational Trust.
21. The Southwark Anchor Network has focused on delivering practical solutions to address these priorities via two task and finish groups, on procurement and recruitment.

Procurement

22. Working with CLES, the Procurement task and finish group produced an analysis of contract spend across the Southwark Anchor Network. The analysis found that collectively the network spent 10% of their annual contracting budgets with Southwark-based businesses, significantly less with local SMEs, which are more likely to be locally-owned.
23. The final CLES report (Appendix 1) made a series of recommendations, both for the anchor network collectively and for individual anchors to consider. The report was presented to the procurement specialists on procurement task and finish group who responded positively to the recommendations.
24. To consider how to take forward the report's recommendations, the group has since met with the Birmingham anchor network to discuss best practice. The group has since discussed looking at sub-£25k procurements (following Birmingham's approach) and at ways of extending support for small businesses seeking contracting opportunities with anchors.

Recruitment

25. The Recruitment task and finish group was set up to address specific barriers faced by anchor partners in opening up their opportunities to be more accessible to local residents, and to see how the council could help with the practicalities of local recruitment through Southwark Works.
26. The main takeaways have been that while large anchor organisations provide a great deal of opportunity to Southwark residents, there are challenges in both practically and perception with regards to applying to them. Large local organisations such as the hospitals and universities are not automatically seen by residents as a potential place of employment, even though there is a strong desire from the organisations to recruit

locally and significant scope to progress internally. There is also a difficulty in the application process for more entry-level roles including areas such as catering and security, which often follow a similar complexity to academic or clinical roles, and there has been widespread acknowledgement among the anchors that this needs to change.

27. With the support of the council, anchor partners are taking a series of practical steps to begin to address these issues.
- King's College London have worked with Southwark Works to host two specialised recruitment days. Southwark Works selected candidates who would seem to be a good fit for the roles that Kings were offering, and allowed King's to directly address and present to candidates over a half day. There have been 13 job offers made to residents from the two days.
 - The council co-hosted an employer-led jobs fair on 29th June at London College of Communication, to present the opportunities available from six large local employers. The event was at capacity with 100 residents attending. Positive feedback was received from both jobseekers and those exhibiting. The event is currently being evaluated for outcomes
 - London South Bank University and University of the Arts London, having heard the positive feedback from these events event are planning focused recruitment day similar to the King's event in early 2024, also at Southwark Works.
 - In partnership with Guy's and St Thomas' NHS Trust, the council is funding a pilot Pathways into Healthcare project with Southwark Works, providing additional application support for residents applying for entry-level healthcare roles.

Next Steps

28. The Economic Strategy 2023-30 is scheduled to be adopted by Cabinet in October 2023, alongside the Southwark 2030 vision and plan. Following adoption, a delivery plan will set out whole-council measures and partnership programmes to deliver Community Wealth Building outcomes in line with the 2030 vision for Southwark's economy.
29. Following the CLES report for the Procurement task and finish group, the council will consider its recommendations and where opportunities exist for local authority procurement to better secure social value and support Southwark's local economy. The council will also continue to seek opportunities to engage anchor partners at senior levels with the report's recommendations and explore the potential for collective action in response.
30. The Recruitment task and finish group has highlighted the clear benefits of a focused programme of engagement with Southwark's largest local employers to increase employment opportunities for residents. In response, the council intends to commission a dedicated employer

engagement service, attached to our Southwark Works employment support service. This new resource is due to be in place by the end of 2023.

APPENDICES

No.	Title
Appendix 1	Deepening community wealth building in Southwark - CLES

AUDIT TRAIL

Lead Officer	Danny Edward, Head of Economy	
Report Author	Nick Wolff, Principal Strategy Officer	
Version	Final	
Dated	12 July 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team / Scrutiny Team		14 July 2023

Deepening community wealth building in Southwark

Final report



Centre for Local Economic Strategies (CLES)

Established in 1986, CLES is the national organisation for local economies - developing progressive economics for people, planet and place. We work by thinking and doing, to achieve social justice and effective public services.

www.cles.org.uk



CLES is a values-based organisation. These values are embedded in all our work.

Fair	Treating people with fairness and equality
Bold	Devising progressive solutions through pioneering work
Collaborative	Working with others to achieve the best result
Independent	Always acting with integrity
Acting in solidarity	Supporting, nurturing and empowering ourselves and others

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1. Introduction

This report for Southwark Council and the Southwark Anchor network represents a key insight into the spending patterns of anchor institutions in the borough. This report seeks to equip the anchor network with the knowledge required to design collaborative and targeted procurement interventions that will work to build the resilience of the local economy in Southwark.

CLES was approached by Southwark Council (Southwark) to help them strengthen the impact of their existing practice around community wealth building. In particular, Southwark were looking to strengthen the relationships between anchor institutions in the Borough. There is an existing anchor network in the Borough (Southwark Anchor Network) which is focusing its energy on progressive procurement, fair work practices and carbon reduction through a number of task and finish groups.

Southwark are keen to go further to support the local economy, particularly given the challenging economic context. The Southwark Anchor Network provides an opportunity to work together with other institutions in the Borough who are closely tied or anchored to the area because of their size, assets, mission and/or history.¹ Southwark are keen to understand shared priorities and areas of opportunity with anchor partners in the borough, with a view to working together on these areas and amplifying the impact of a shared community wealth building approach.

Procurement and spend is a key lever through which anchor institutions can enable wealth to flow more effectively within an area in order to deliver economic and social benefits for a place. Subsequently, Southwark commissioned CLES in the first instance to carry out a spend analysis on Council data to understand the economic influence of the Council's own spend. The results of this analysis were written up in the first stage of this report. This second and final report focuses on the procurement spend of the full Anchor Network. This report seeks to support and extend the work of Southwark Council and the broader Southwark Anchor Network to develop their collective community wealth building approach through a better understanding of anchor network spend.

About the anchor network

Southwark Anchor Network was formed towards the end of 2021 with support from the Council to get it off the ground. The Network was formed to convene anchor institutions from across the Borough to maximise their collective economic

¹ More information on anchors and anchor networks can be found on the CLES website <https://cles.org.uk/publications/growing-anchor-networks-in-place-a-how-to-guide/>

influence, particularly in terms of spend and employment to make a positive change in the local economy. The membership of the Anchor Network comprises:

- Southwark Council
- Guys and St Thomas's Hospital
- South London and Maudsley Hospital
- Partnership Southwark
- NHS Southwark Clinical Commissioning Group
- University of the Arts London
- King's College London
- London South Bank University
- Peabody Housing Association
- Community Southwark
- The Tate
- Vodafone UK
- The Charter Schools Educational Trust

To date the network has formed two working groups to progress community wealth building activity in their employment and procurement practice. This piece of work was designed to supercharge the activity and impact of the procurement task and finish group.

What is an Anchor Institution?

Community wealth building has a particular focus on the activities of anchor institutions – large organisations which have a significant stake in a place. Typically, this means local councils, hospitals, universities, colleges and housing associations, and potentially, the private sector too. Community wealth building also requires the input of the VCSE sector, whose local intelligence and influence can in many instances provide the conduit for change.

Anchor institutions are tied to a particular place by their mission, histories, physical assets, and local relationships. They can exert a sizable influence on their locality by using their commissioning and procurement processes, their workforce and employment capacity, and their real assets such as facilities and land to impact upon local economic, social, and environmental priorities.

2. Methodology

This section of the report explores the purpose of this piece of work and the methodology we employed to analyse the networks spend and draw out areas of opportunity for the network.

Purpose of the work

This piece of work seeks to provide Southwark Council and the broader anchor network with a better understanding of the Network's collective spend profile and an outline of significant areas of opportunity for investigation by the procurement task and finish group. This is with a view to embedding progressive economic practice across the Borough, strengthening the relationships between the various anchors on the partnership and using their combined spending power to deliver better economic and social outcomes for residents.

Methodology

Our approach to this work is based around developing an evidence base which will support network members to better understand their spending patterns and identify opportunities to create positive local impact through combined and targeted network procurement interventions.

This piece of work has been delivered in three distinct stages. The findings from Stage 1 can be found in the interim report. This report details the findings from Stage 2 & 3;

- **Stage 1** - we carried out a spend analysis on Southwark Council's top 300 suppliers followed by a supplier survey. *(The findings from this part of the work are detailed in the interim report)*
 - **Spend analysis** - These figures have been calculated by analysing data for Southwark Council's spend with its top 300 suppliers (by value of contract spend). The analysis explored the profile of the spend data by geography, business sector and size of supplier (e.g. spend with small to medium sized enterprises).
 - **Supplier survey** - A survey was issued to the top 300 suppliers to explore what happens to procurement spend once it reaches the supply chain. The responses were explored for the extent to which suppliers re-spend back into the Southwark economy through wages and the suppliers supply chain. We also explored the diversity of the ownership of the top 300 suppliers.
- **Stage 2** - we delivered spend analysis training for the broader Southwark Anchor Network. These sessions detailed what data to gather, how to prepare

the data for analysis and provided an analysis template which could be used by each anchor for a basic spend analysis.

- **Stage 3** - drawing together the findings from the council analysis and each of the analyses carried out by the anchors before carrying out a network-wide analysis on the data we receive, investigating spend by geography, by business type and by sector. We have also carried out a market and a gap analysis in key sectors to identify areas of 'leakage' of spend to target as a collective.

Data sources

For stages 2 and 3 the main datasets compiled for the analysis are the anchor network spend data and Southwark market data. The anchor network spend data was provided by each anchor and then compiled into one dataset by CLES. This is explored in more detail in Section 3. The Southwark market data was compiled by CLES from the following organisation level datasets:

- Company register (Companies House)
- Charity register (England and Wales Charity Commission)
- Mutual societies register (Financial Conduct Authority)
- Fame (Bureau van Dijk)²

The market data was then cleaned and integrated into one dataset, before filtering for those organisations based in Southwark. Due to data availability, this market data has a number of limitations that are worth noting. Firstly, it only contains no unincorporated businesses, therefore does not include businesses which are sole traders or partnerships³. Similarly, it does not capture all local branches of companies which are not a separate legal entity (e.g. just a trading address). Finally, a small number of the organisations, those which are registered societies or charities but not also registered with Companies House are missing sector classifications and turnover estimates and are therefore not included in the sectoral analysis.

The Southwark market data is used in conjunction with labour market data⁴ to undertake the market and gap analysis.

² Fame is a paid subscription UK company database which CLES have access to.
<https://www.bvdinfo.com/en-gb/our-products/data/national/fame>

³ Fame does contain some data on unincorporated businesses, but this was excluded as it is not complete, and supplemented with self-employment data in section 4.

⁴ <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx?town=southwark>

3. The spend data

This section of the report details the learning from the workshop sessions carried out for the network and from the process of trying to collate specific pieces of required data from 13 different anchors.

CLES hosted two spend analysis workshop sessions for the Southwark Anchor Network. The first took place on the 23rd June and the second on the 20th July. Anchors had the option to attend either session depending on availability. Each workshop provided an overview of community wealth building, a detailed run through how to undertake spend analysis using CLES' spend analysis methodology and tool and an opportunity for anchors to ask any questions or raise any concerns.

Anchor organisations were then provided with the necessary information to enable them to undertake a spend analysis on their own data using the CLES methodology and tool to then share with CLES.

About the spend analysis data received

Which anchors submitted data?

The analysis in the next section of the report is based exclusively on the data that was sent back to CLES by the 12th September (allowing between 8 and 12 weeks for anchors to produce their spend analysis). CLES received data from 8 of the 13 anchors in the Southwark Anchor Network (including Southwark Council).

Of the five anchors that did not submit data, two did not attend any of the sessions where this work was discussed or the workshop sessions. A further two ruled themselves out of the analysis from the start citing critical capacity issues within their organisations. The remaining organisation was very keen to take part but despite significant effort was unable to source the capacity internally to do the manual work required to their data for it to be included in the network analysis.

With that in mind, CLES received data from 8 out of the 9 organisations it was expecting to submit their data. The anchors that submitted their data by the 12th September and are therefore represented in the network-wide analysis are listed below;

- Southwark Council (completed by CLES)
- South London and Maudsley NHS Foundation Trust
- Peabody
- Guy's and St Thomas' NHS Foundation Trust
- London South Bank University
- The Tate

- NHS Southwark Clinical Commissioning Group
- University of the Arts London

Throughout the rest of this report the collective spend data of the 8 anchors listed above will be referred to as 'network spend'.

Quality of the data

The CLES methodology for spend analysis calls for the following data fields as a minimum to allow us to interrogate the data by size and type of business, by geography and by sector;

- Name of business
- Value of contract
- Postcode of business
- Standard Industrial Classification (SIC) code
- SME status
- Legal form

The completeness and format of the data submitted by anchors varied significantly. Given that this is the first time that the Anchor Network has attempted to standardise and compile this data across the network, issues with completeness of the data were to be expected.

To ensure we are providing the fullest analysis possible, CLES has been working hard behind the scenes to fill in some of the gaps (where it is possible) using matching on unique identifiers provided by anchors (company registration or VAT numbers) and manual search processes where no unique identifier was provided. This was done through Endole⁵, Companies House and FAME. However, in some cases, CLES has had to make a judgement as to whether the data was robust enough to be used to draw conclusions against the key thematic areas of analysis. In some instances, the lack of available data has had implications for how we have been able to present the data in the combined analysis.

In addition to filling gaps, CLES have used the FAME database to supplement the supplier data with additional fields including shareholder information and estimates of turnover and the number of employees.⁶ The additional data allowed suppliers to be categorised as generative.

CLES has strived to present as much of the data we received as possible, working out ways to make the most of every bit of data we had. To put some perspective on the completeness of the data we received, Table 1 below summarises what was received and the degree to which it included usable data for each of the key data

⁵ <https://suite.endole.co.uk/insight/>

⁶ The FAME database collects a range of financial data for each company. For those companies which it does not have information on turnover or the number of employees it calculates an estimate value. These estimates are based on the financial data that it does have and sector averages.

fields required for the analysis. Table 1 presents the data after the CLES gap filling process, and therefore displays what was ultimately available for the analysis.

Table 1: Data completeness by anchor

Anchor	Total number of suppliers	Number of suppliers with usable postcodes	Number of suppliers with additional data (size, sector, legal form)
GSTT NHS Foundation Trust	300	260	269
LSBU	300	273	256
Peabody	192	167	174
SLAM	298	286	295
South East London CCG	250	246	180
Southwark Council	300	297	285
Tate	290	261	225
University of Arts London	299	256	271
Total	2229	2043	1952

Key issues with the data received

- There were gaps in some fields and entire fields missing in the data from every anchor
- Some suppliers had no unique identifier making it impossible for us to robustly back-fill the gaps in the data
- Some submissions had no postcode or supplier names attached leaving us with no possible way to identify the supplier
- There was some duplication of suppliers in the top 300 lists therefore reducing the number of suppliers to less than 300
- Some anchors provided significantly less than their top 300 suppliers, meaning the analysis is not consistent across all anchors
- Inconsistent recording of postcodes for trading address versus office address across the anchors making it difficult to conclusively state geographical spend numbers
- Some anchors listed non-discretionary spend⁷ in their top 300. This analysis is intended for influenceable spend only

Learning for the network from the data collation stage

Many anchors in the network reported that they have their own approach to spend analysis within their own organisation. However, for this collaborative in-depth analysis to work, each anchor had to complete their spend analysis using the same CLES spend analysis template. This piece of work really tested the depth of the data they each gather for businesses they are contracting with.

For some of the anchors it appeared that this data was gathered as a necessary record keeping exercise as opposed to gathering it for future analytical purposes. Some anchors were bound by existing rigid internal systems that specify fields of data that must be collected about the contract and suppliers with no flexibility to record extra useful information about the contracted organisation.

If this type of collective analysis is something the network would like to do on an annual basis then there are some changes that may need to be made to record keeping internally at each anchor organisation to smooth out the process for next time. The learning here is split into recommendations on how data will be used, what data is recorded and how data is recorded;

How data will be used

- 1) Agree that this data will be used for analysis, not just filed away** – This will open up a conversation about what needs to be recorded to deliver against an organisational priority. There are some basic fields used in this analysis that could be added to each anchors internal systems but it is also worth considering what your organisation wants to know about each of it's

⁷ Discretionary spend is spend that can be influenced such as stationary suppliers, consultants or private homecare, as opposed to non-discretionary spending on things like schools, pensions and certain NHS contracts that are part of national frameworks.

suppliers. Eg. Is the supplier women-led/owned? What is the ethnicity of the owners? Do they currently offer apprenticeships? And so on.

What data is recorded

- 2) **Record company registration numbers** – This is the ultimate unique identifier for a business, allowing anchors to retrospectively look up what other information they need on Endole for the collective analysis. Collection of registration numbers (and postcodes) guarantees a robust analysis of all suppliers in the top 300. This also makes it far easier to collate data across different systems within one organisation.
- 3) **Record the trading AND office postcode (where applicable)** – This will allow the data analysts to present either trading or office postcodes consistently across the analysis.
- 4) **Record SIC codes and SME status** – This will save time manually scouring through Endole to back-fill this information when the time comes to run the analysis again.
- 5) **Distinguish between discretionary and non-discretionary spend data** – Be clear about the difference between discretionary and non-discretionary spend. There's no use including spend in this analysis that cannot be influenced.

How data is recorded

- 1) **Record supplier names accurately** – If company registration numbers can't be recorded, ensure the supplier name has been recorded accurately, this makes it far more likely that you'll get a direct hit on Endole for the fuller details required to carry out the analysis.
- 2) **Ensure devolved procurement departments are all recording the same data on one piece of software** – This will make it easier to collate data in organisations where there is no central procurement department.
- 3) **Keep records up to date where different systems are in use** – With a view to using the data for spend analysis purposes.

4. Southwark market analysis

This section of the report provides an overview of the existing market in Southwark from the data sources outlined in section 2. It presents the existing business base by industrial sectors and by type of business. This sets the context of the local economy prior to the exploration of the anchor network spend analysis.

Generative organisations

Throughout this report we refer to generative organisations, these organisations have two important features;

- 1) They have business ownership models with a structure and/or purpose that centres on ensuring local social and economic value is maximised. This is in contrast with those ownership models which are structured to deliver shareholder value as a priority.
- 2) They distribute the wealth that they create in a number of ways, including by ensuring high rates of local employment and spending in local supply chains, investing in local assets and sharing the surpluses they generate with workers, consumers or beneficiaries.

These features allow generative organisations to create a local economic “multiplier” effect – meaning that the money they spend creates more wealth locally, through jobs, income and demand for local goods and services⁸.

To thrive, local economies need lots of these generative organisations, including worker-owned businesses, community organisations, charities, social enterprises, locally rooted SME’s and municipal enterprises. These organisations allow the wealth they create to circulate around their local economies. Those with shared ownership structures such as worker-owned co-operatives, mutuals and community businesses, have the added advantage of broadening the ownership of wealth even further, by passing surpluses directly on to workers, consumers or citizens⁹.

For the purposes of measurement and based on the data available, in this report generative organisations are categorised as described in the table below.

⁸ <https://www.nefconsulting.com/wp-content/uploads/2015/09/Case-Study-LM3.pdf> and <https://journals.sagepub.com/eprint/kPwuvxfnWK8heSu3fCXa/full>

⁹ For further discussion of generative organisations and recommendations for how to support their growth see <https://cles.org.uk/wp-content/uploads/2020/07/Own-the-future-revised-mutuals-copy.pdf>

Table 2: Types of generative organisations

Type	Description
Social economy organisations	Organisations whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance ¹⁰ . Specifically, here this means mutual societies, registered charities, and incorporated organisations which do not have shareholders ¹¹
Municipal or government owned enterprises	Trading organisations where a national or local government is a shareholder.
Locally owned SMEs	Any remaining micro, small and medium incorporated businesses (250 employees or less) that list only a person or persons as the registered owner of the company, as opposed to another company or holding company being listed as the owner. ¹²
Self-employed workers	People who are self-employed and therefore work as sole traders, partnerships or other unincorporated enterprises. In this analysis these are separated from locally owned SMEs (incorporated businesses only) due to data availability.

The businesses that operate in our economies which are not covered by these generative categories are considered to be extractive organisations. These organisations are essentially large, profit-driven firms, whose ownership structures facilitate and necessitate the extraction of wealth from local economies to a small number of distant shareholders.

¹⁰ [Social Economy - OECD](#)

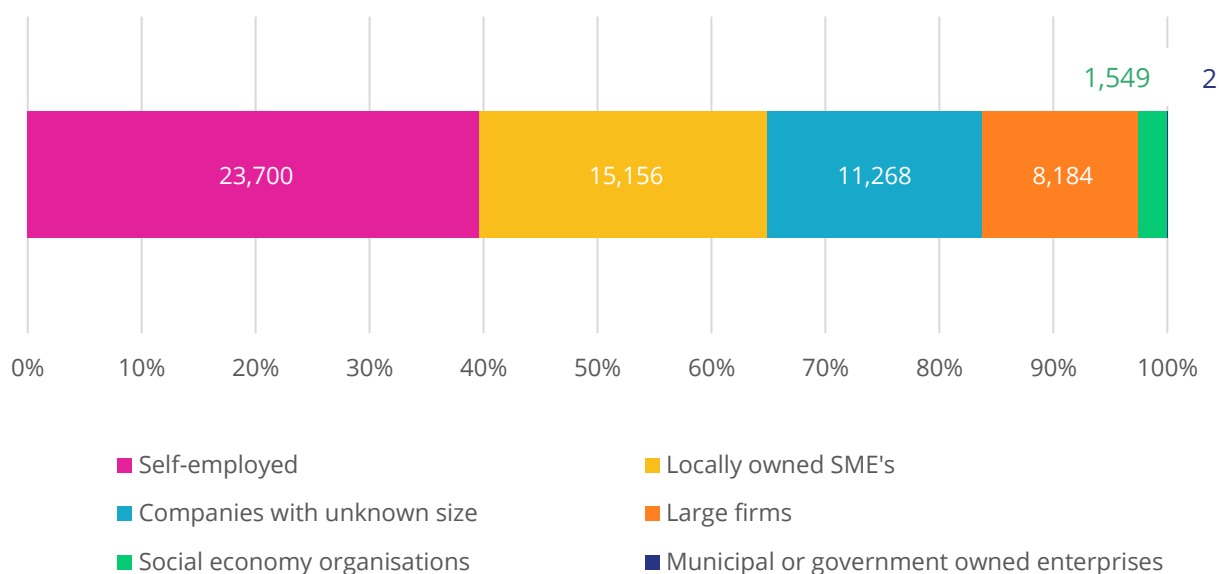
¹¹ i.e. charitable incorporated organisations, community interest companies, or private, limited, by guarantee, no share capital (with use of limited exemption).

¹²We do not look at their location as residential addresses of shareholders are not published publicly, therefore the fact that the organisation is not a subsidiary of another company is used as a proxy for being owned locally. However this helps us to prevent branches of multinational organisations appearing as a small business because they are registered separately to their parent company.

Market analysis

Figure 1 shows the breakdown of businesses in Southwark by the types of generative organisations described above, alongside large firms. The data analysed is detailed in the market data sources listed in section 2 of this report. This data has been supplemented with self-employed workers data from the ONS Annual Population Survey (APS)^{13&14}.

Figure 1: Types of businesses in Southwark



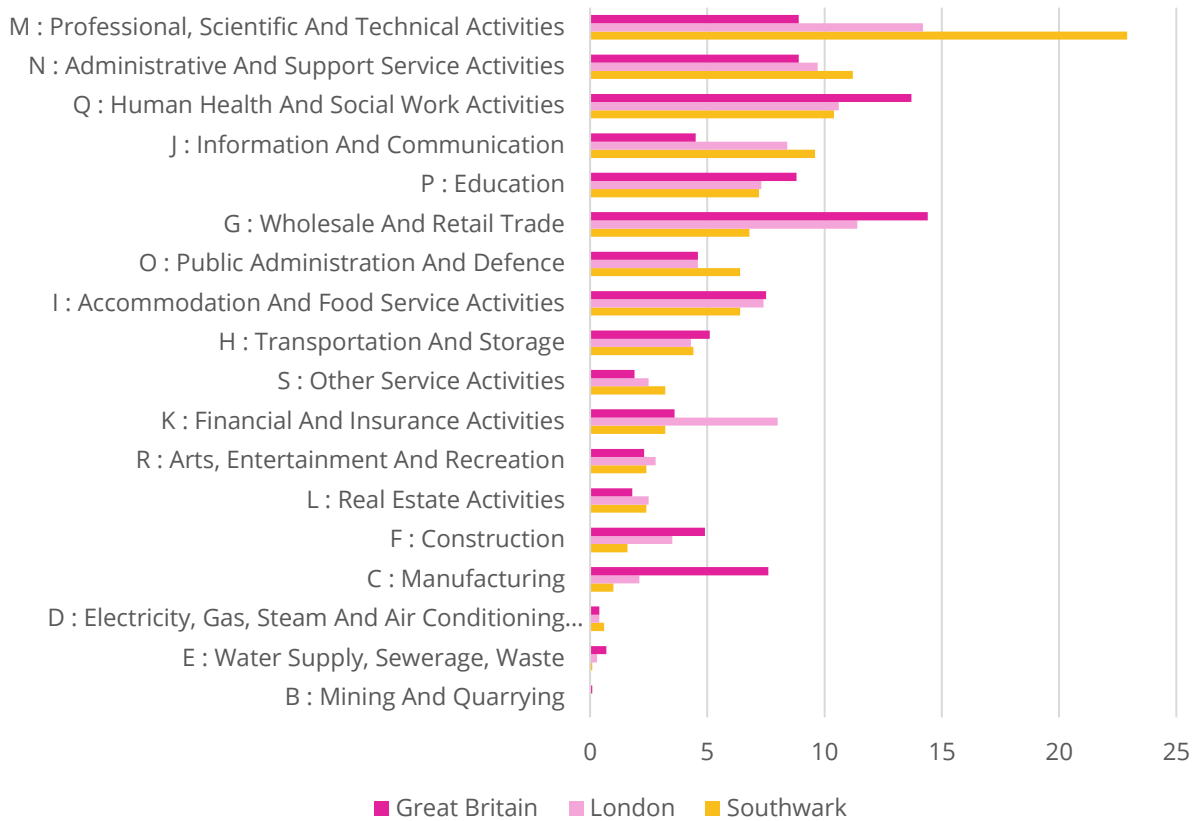
The breakdown in figure 1 reveals a huge business base of self-employed people, which accounts for almost 40% of businesses in Southwark. In addition, it shows there are almost 8,200 large firms, accounting for 13.7% of enterprises in Southwark. This is far higher than the national average where SME's make up 99.9% of businesses in the UK¹⁵, though perhaps not surprising given Southwark's central London location. In contrast to Southwark's oversized proportion of large firms there is a really very small social economy business base, with just over 1,500 social economy organisations across Southwark. These are the enterprises which spread wealth most broadly and most democratically but currently only account for 2.6% of the Southwark business base.

¹³ <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx?town=southwark>

¹⁴ While this data point refers to self-employed individuals, as opposed to enterprises (like the market data sources), as most self-employed people are sole traders, the high start-up and closure rates of sole traders, and the errors in the APS, this is a good approximation of the number of self-employed enterprises. Companies with unknown size are yet to submit accounts, either due to being recently formed or for other, unknown reasons.

¹⁵ <https://www.fsb.org.uk/uk-small-business-statistics.html>

Figure 2: Employee jobs by sector (%)



Employment by sector data from the ONS Business Register and Employment Survey¹⁶ is presented in Figure 2. This does not include self-employed individuals. The number of employees in a sector gives a better understanding of the size and capacity within the sector compared to the number of enterprises.

Figure 2 shows a very large proportion of the workforce in Southwark (22.9%) work in the professional, scientific and technical activities sector, this is a far higher proportion than in London (14.2%) and across Great Britain (8.9%). Other larger than average sectors include Information and Communication, Administrative and Support Service Activities, Public Administration and Defence, Other Service Activities and Real Estate Activities.

On the flip side, the proportion of people employed in Southwark in the construction (1.6%), manufacturing (1.0%) and wholesale and retail trade (6.8%) sectors is significantly smaller than the proportions employed at London and Great Britain levels. Other smaller than average sectors include Human Health and Social Work Activities, Education, Accommodation and Food Service Activities, Transport and Storage, and Financial and Insurance Activities.

¹⁶ <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx?town=southwark>

Despite being a smaller sector in Southwark proportionately compared to the national average, Human Health and Social Work is still the third largest sector by total employment in Southwark, accounting for 26,000 jobs. Alongside Education, Accommodation and Food, and a number of other more specific sectors, Human Health and Social Work is part of the *foundational economy*¹⁷. Also referred to as the 'everyday economy', this describes the parts of the economy which are essential for the functioning of society. Therefore as well as being strategically important, particularly in times of crises, the foundational economy provides a bedrock of employment and business opportunities in all local economies.

Figure 3: Southwark businesses by sector

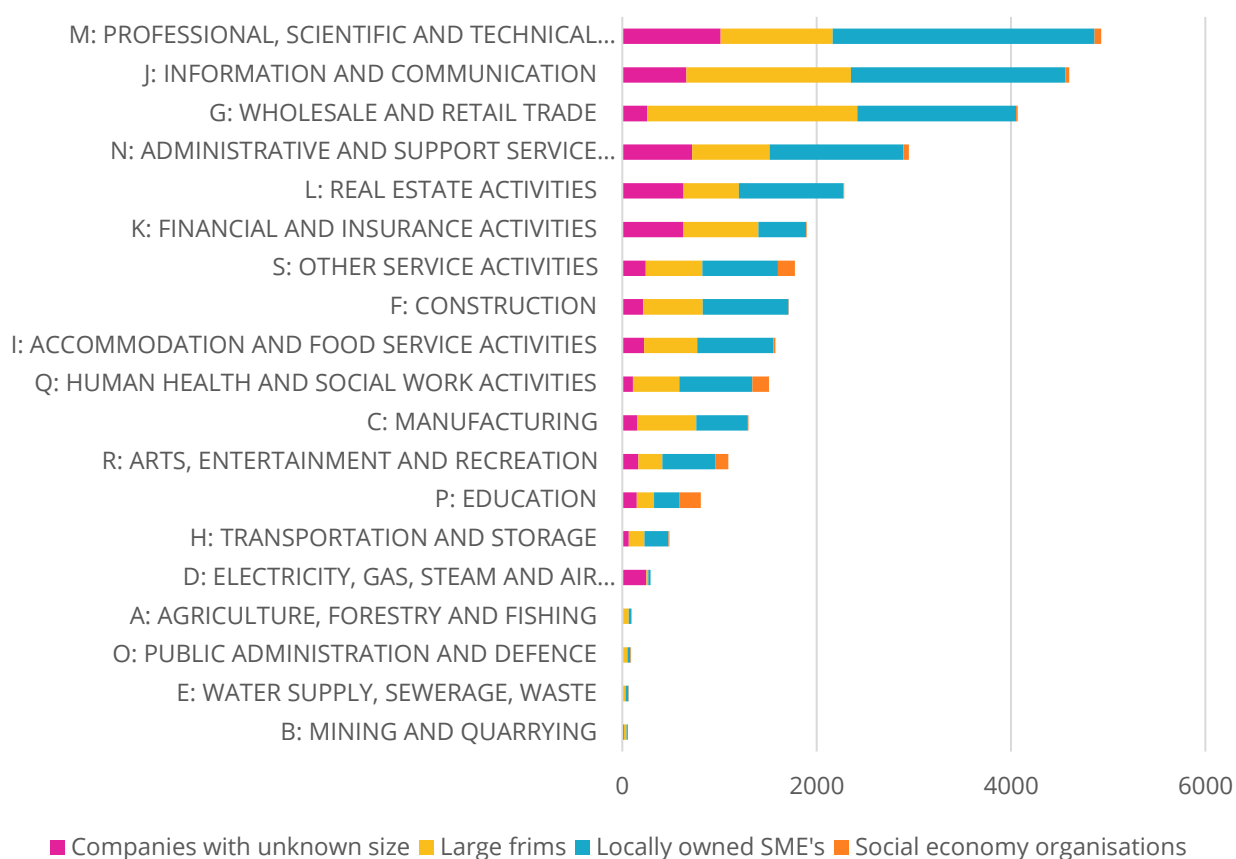


Figure 3 presents the collated market data by sector. It does not include self-employed people or unincorporated social economy organisations¹⁸. Figure 3 shows that most social economy organisations in Southwark are in Education, Human Health and Social Work Activities, and Other Activities sectors. Figure 3 also shows us that over half of the Wholesale and Retail Trade sector in Southwark is made up of large (extractive) firms.

¹⁷ <https://foundationaleconomy.com/>

¹⁸ Only incorporated organisations have SIC sector codes, which accounts for roughly half of these organisations.

In Figure 2 both Human Health and Social Work Activities and Education rank relatively highly as sectors with high employment. However in Figure 3 they rank much lower, as sectors with a (relatively) small number of businesses. This indicates on average businesses in these sectors have a large number of employees. On the other hand in Figure 2 both Manufacturing and Construction rank low as sectors with low employment. However in Figure 3 based on number of businesses they rank higher. This indicates on average business in these sectors have a small number of employees.

5. Network spend analysis

This section of the report presents the collated spend analysis for the anchor network and highlights areas of opportunity to work together to have a significant impact in target sectors.

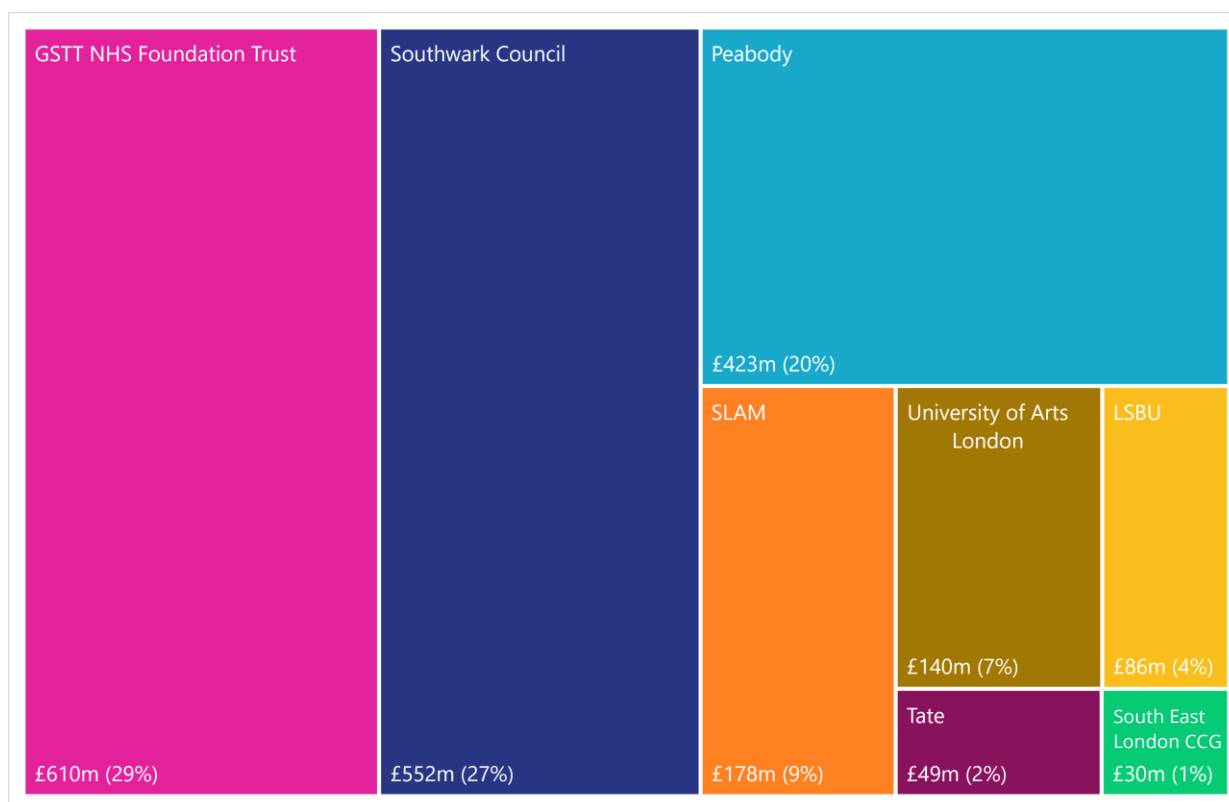
Scope and scale of the analysis

This spend analysis was carried out by CLES using procurement data from each of the 8 anchors that submitted their data for the financial year 2020/21. CLES asked anchors to provide their top 300 suppliers by value within their discretionary spending. CLES focuses on spend with the top 300 suppliers because it generally accounts for the vast majority of total spend but allows an anchor to perform manual checks on their data before analysis. As discussed earlier, the data submitted varied significantly in terms of quality and completeness.

The total value of contracts we looked at equated to £2.07 billion. To put that in context, the total UK Shared Prosperity Fund¹⁹ is worth approximately £2.6bn. The median contract value was £162,357 and the largest spend with a single supplier was £125m. Figure 1 below shows a breakdown of the £2.07bn spend by anchor. The data has been interrogated by geography, by size and type of business, and by sector. The rest of this section looks at the findings from these analyses in turn.

¹⁹ The UK Shared Prosperity Fund is a Government-allocated fund which is intended to reduce inequalities between communities, as part of the Government's wider "levelling up" agenda.

Figure 4: Spend by anchor



Geography of spend

Of the £2.07bn spend considered in this analysis, Figure 5 below shows us that more than half of this spend could be described as 'leaking' outside of Greater London²⁰. What this means is that the goods and services purchased by the anchor organisations are being delivered by providers that are based outside of Greater London. This leakage figure rises to 80% if we consider all spend outside the Southwark local authority boundary to be leakage. For context this equates to £1.65bn leaving the Southwark economy in the 2020/21 financial year.

Due to lack of unique identifiers such as company registration numbers and/or lack of any or up to date postcode data (some postcodes provided are no longer in use), we were unable to geographically place 9% (almost £200m) of the networks spend.

²⁰ 'Greater London' here refers to spend within the LA boundaries of the 33 London boroughs.

Figure 5: Geography of spend

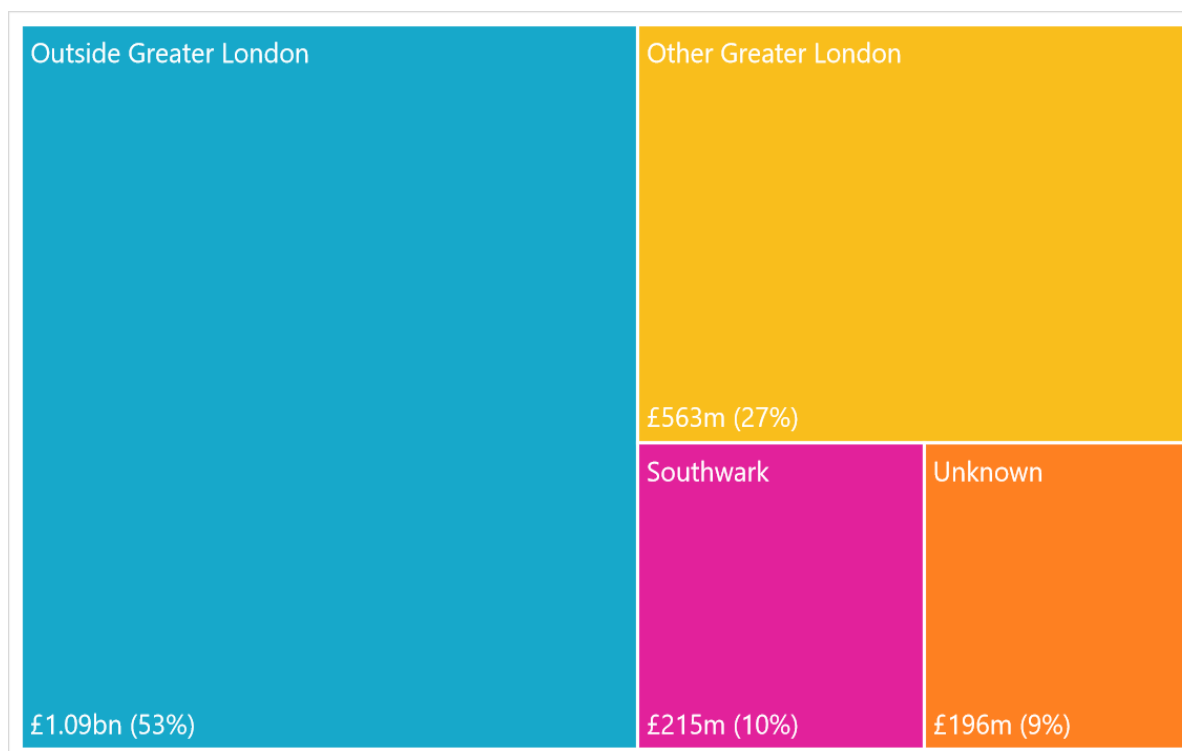


Table 3 on the next page provides a breakdown of the individual anchor spend outlined above by geography. The purpose of exploring the spend data in this way is to illustrate to each anchor the geography of their own spend so they can see the potential impact they each can have by working to repatriate some of their leaking spend to within the Southwark boundary.

It is worth noting that inconsistencies in the way postcode data is recorded (trading address vs office address) will have impacted the spread of numbers in Table 3. This is down to the integrity of the data provided to us for this analysis and is something that anchors should agree an approach on before to shore up the reliability of the data before attempting any similar analysis in the future.

Table 3: Spend by anchor and geography

Anchor	Southwark		Other Greater London		Outside Greater London		Unknown		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%
GSTT NHS Foundation Trust	£83m	14%	£135m	22%	£294m	48%	£98m	16%	£610m	29%
Southwark Council	£63m	11%	£197m	36%	£255m	46%	£37m	7%	£552m	27%
Peabody	£23m	5%	£94m	22%	£274m	65%	£32m	8%	£423m	20%
SLAM	£3m	2%	£28m	16%	£146m	82%	£2m	1%	£178m	9%
University of Arts London	£36m	25%	£56m	40%	£41m	30%	£6m	4%	£140m	7%
LSBU	£4m	4%	£22m	26%	£45m	53%	£15m	17%	£86m	4%
Tate	£2m	3%	£13m	26%	£28m	57%	£7m	14%	£49m	2%
South East London CCG	£3m	9%	£17m	56%	£11m	35%	£0m	0%	£30m	1%
Total	£215m	10%	£563m	27%	£1.10bn	53%	£196m	9%	£2.07bn	100%

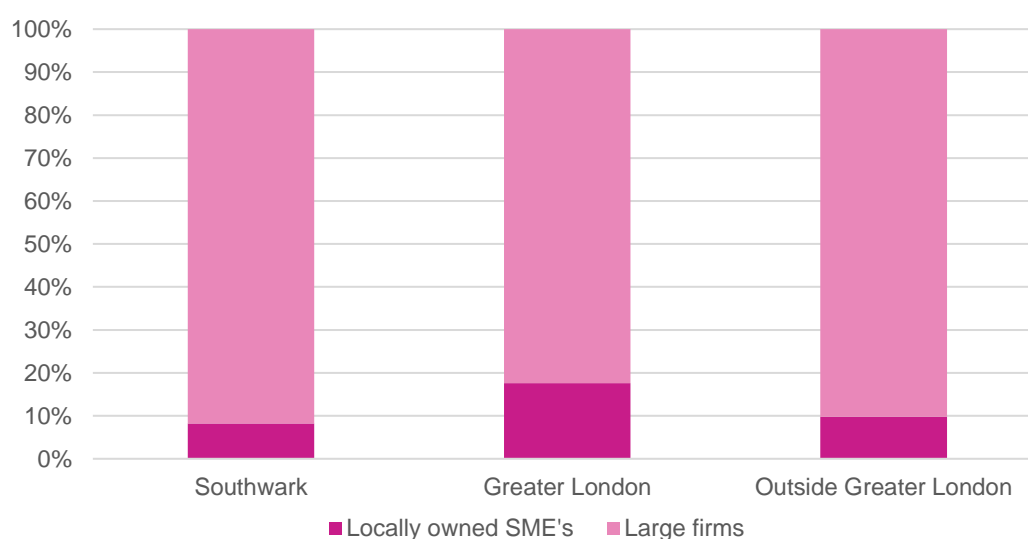
Who spend is with

This section of the analysis focuses on the size and types of businesses the network is currently contracting with. 13% of total spend (£264m) was excluded from this part of the analysis (and the sectoral analysis) because the supplier's sector was unidentifiable or because the postcode data provided was outdated or missing.

Figure 6 shows that less than 10% of anchor spend within Southwark is with locally owned SME's. This equates to just £16m spent with these organisations in 2020/21. This isn't due to a lack of locally owned SME's. In fact, table 3 shows that there are over 15,000 locally owned SME's in the Southwark boundary, though less than 0.002% of them feature in the top 300 spend lists of network anchors.

Finding ways to get more money into locally owned SME's is a key mechanism through which the network can contribute towards building a more inclusive and resilient local economy. Later in the analysis we run through a number of key sectors for the network to focus their efforts on collectively to repatriate some of their leaking spend.

Figure 6: Spend by size of supplier



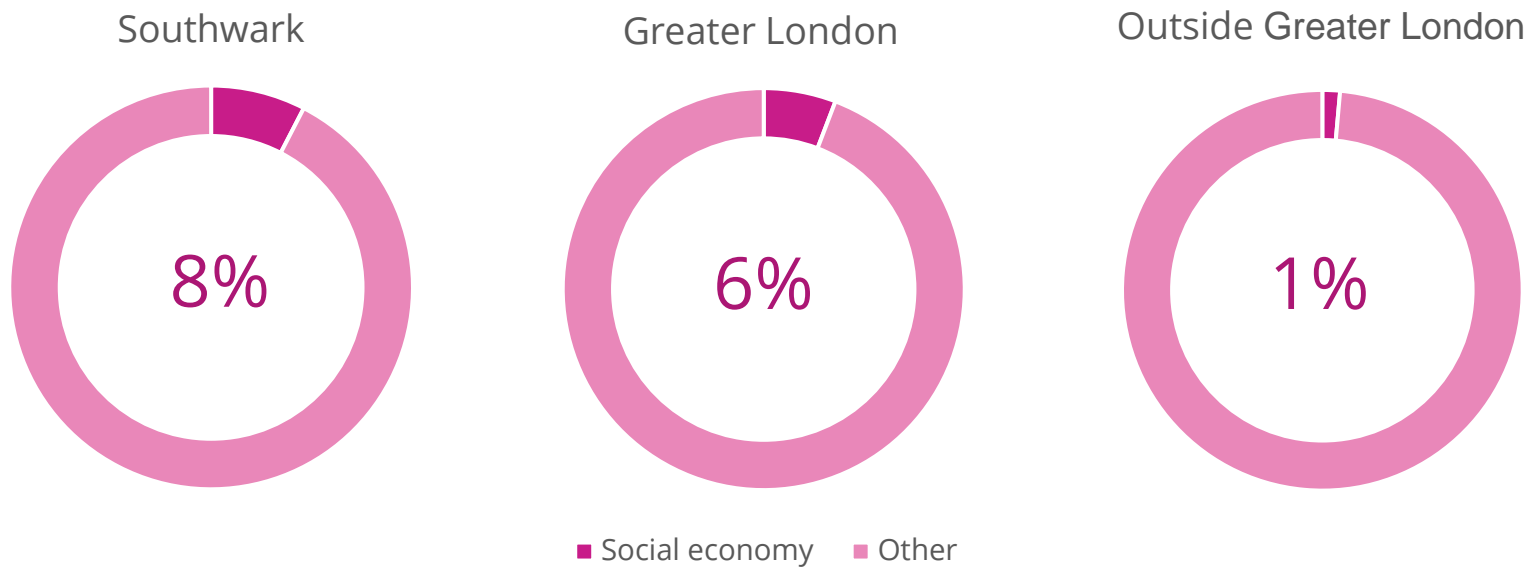
Spend with social economy organisations

In addition to considering spend with locally owned SME's we have also looked into anchor spend with social economy organisations. Figure 7 shows that of the £215m spent in Southwark by the anchor network, 8% (£17.2m) of this is spent with social

economy organisations. This is in contrast to just 1% (£11m) of the total spend outside of Greater London being spent with social economy organisations.

It follows that localised spend is more likely to be with social economy organisations than spend outside of Greater London. A greater focus on securing contracts with social economy organisations inside the Southwark boundary would, as with Locally owned SMEs, help to increase the local multiplier effects of anchor spend through economic and community benefits. This is because social economy organisations are also more likely to be generative, through local job creation and investment in local neighbourhoods.

Figure 7: Spend with social economy organisations



Spend with generative organisations

Table 3 below outlines the scale of the opportunity for the network to do more business with local generative organisations. Figure 4 shows that 42% (more than 16,000 individual businesses) of all Southwark based businesses are part of the generative economy. Here, local generative organisations are defined as locally owned SME's, social economy organisations, or municipal or government owned enterprises (this does not include public sector organisations).²¹ These organisations will deliver social value for the network.

Local generative organisations tend to have more democratic or plural forms of ownership than extractive business models and are generally rooted to and invested in a place, driven more by purpose than profit. These ownership models enable public spending to be retained within the local economy rather than being extracted by distant shareholders meaning there is more money in the local economy for local jobs, often for people in labour market disadvantaged groups.²² These organisations also generally have lower carbon emissions and have a locally based supply chain.²³ Diverting anchor spend through these organisations would super charge the local generative economy, naturally amplifying their existing social value contributions and circulating wealth more broadly.

Despite this, and the sheer number of them available, very few are currently in the anchors' top 300 supplier lists. Later in the report we break this figure down by looking at the sectors with the highest levels of spend leakage across the network and detailing the volume of local suppliers available in the local market that could potentially fulfil these contracts.

²¹ Note that small unincorporated businesses like sole traders would also be classed as generative, but are not included here due to data availability as discussed in Section 2.

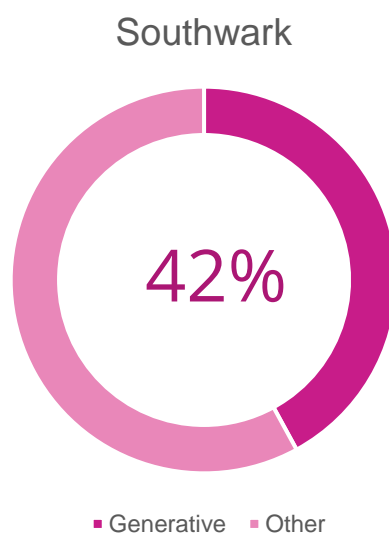
²² [Small Business, Big Heart: Bringing communities together | FSB, The Federation of Small Businesses](#)

²³ [Why are SMEs Important to Local Communities - BCRS Business Loans](#)

Table 4: Southwark generative organisations in anchor top 300 supply chain

	Locally owned SME's	Social economy organisations	Municipal or government owned enterprises	Total
Southwark business base²⁴	15,156	1,549	2	16,707
GSTT NHS Foundation Trust	3	1	0	4
LSBU	1	3	0	4
Peabody	0	0	0	0
SLAM	1	4	0	5
South East London CCG	5	6	0	11
Southwark Council	10	16	0	26
Tate	4	1	0	5
University of Arts London	5	0	0	5

Figure 7: Southwark generative economy²⁵



²⁴ From the market data

²⁵ This does not include self-employed people. "Other" includes large firms and companies with unknown size.

Identifying target sectors

In this section of the report we start to look into the sectoral spend of the network. Figure 5 below shows the sectors²⁶ where spending on suppliers based outside of Southwark is highest. The top three highest leakage sectors are;

- Construction (£381m)
- Professional, scientific and technical activities (£229m)
- Administrative and support service activities (£195m)

In addition, human health and social care is a strategically important sector for Southwark Council and the health anchors in the network, particularly given the SC1 Life Sciences District²⁷. Therefore understanding this spend and how it can be harnessed to support the growth of local generative businesses in the area is of interest.

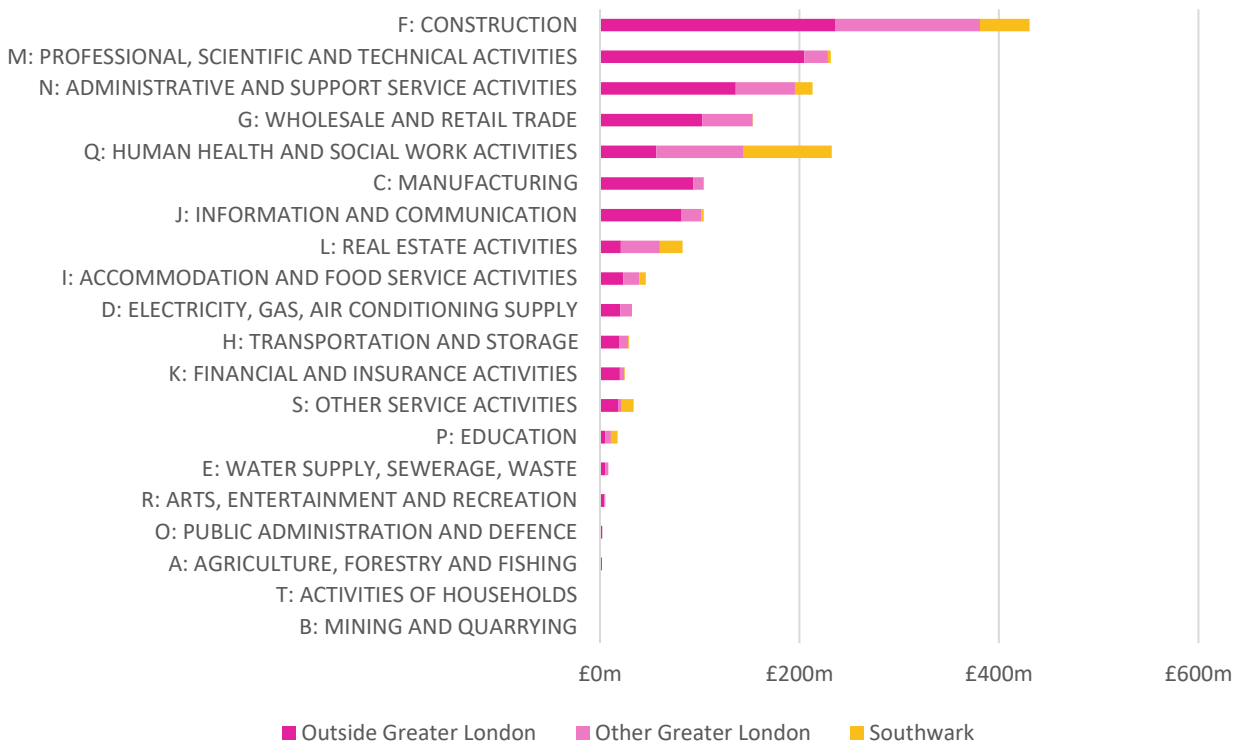
Figure 8 shows leakage in Health and Social Work Activities is £145m. However, local spend in this sector doesn't necessarily equate to more generative spend, particularly spend with care homes as many 'local' providers are actually owned by national or international companies. Therefore some 'local' spend could also be considered leakage spend in this sector.

In total, the leakage of spend from these four sectors alone is £950m. This represents 47% of the total anchor spend considered in this analysis. In the rest of this section we will take each of these sectors in turn and delve a little deeper into the types of activities that are taking place with a view to creating an initial set of big ticket sectors/contracts for the task and finish group to focus on.

²⁶ SIC code data can be split into high, medium and low level sectors (eg. High level = Construction, Medium = Construction of buildings, Low = Development of building projects)

²⁷ <https://www.sc1.london/>

Figure 8: High level sectors with the highest spend outside Southwark²⁸



The target sectors

For each of the four target sectors we have delved a little deeper into the types of contracts that are being awarded to organisations outside of the Southwark boundary and highlight the number of available local alternatives that ought to be investigated by the anchor network.

For each of the target sectors we have gathered the medium level SIC codes associated with the current non-local suppliers. Next to each of these SIC codes we detail the total amount of leaked spend and the total number of non-local suppliers in receipt of that leaked spend. We then draw out a few specific examples of the types of spend with this sector and detail the number of potential local, generative alternatives at a range of turnovers using information from the FAME database.

²⁸ This graph does not include spend with organisations which are not registered with companies house, and therefore do not have SIC sector codes. This missing spend is £190m, or 9% of total spend.

Construction

Spend in the Construction sector accounts for £381m leaking from the Southwark economy.²⁹ This is by far the biggest sector for leakage of spend from Southwark Anchor procurement activities. There is some justification for this in the size of the Southwark based workforce in the construction industry. Workers in the construction sector account for just 1.5% of the total workforce in Southwark, this is lower than the Great Britain average of 4.8%³⁰. There is currently huge pressure on land in Southwark due to an ever increasing need to provide more homes in the borough. In some cases this has indirectly driven construction firms out of the borough through increased land values and associated increased costs of doing business in the borough.

Current non-local suppliers



Med-level Sector	Spend	No. of suppliers		
		All	Over £1m turnover	Over £10m turnover
41 Construction of buildings	£190m	66	58	37
42 Civil engineering	£30m	10	8	4
43 Specialised construction activities	£162m	89	72	36

Example spend



- £1.2m to a shopfitting and joinery firm
- £1.8m to a general property maintenance firm
- £2.7m to a landscaping company

Med-level Sector	All		Over £1m turnover		Over £10m turnover	
	Generative	Other	Generative	Other	Generative	Other
41 Construction of buildings	364	444	43	49	1	14
42 Civil engineering	78	54	5	16	0	11
43 Specialised construction activities	444	330	32	20	0	8



Potential Southwark based suppliers

²⁹ "Specialised construction activities" includes specific trades such as electricians, plumbers and scaffolders.

³⁰ <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx?town=southwark>

With that said, there are still over 1,700 construction-based businesses (almost 50% of which are generative businesses³¹) operating in the borough that could potentially become part of the anchor network's supply chain. Most of these businesses are turning over less than £1m but there are some notable exceptions.

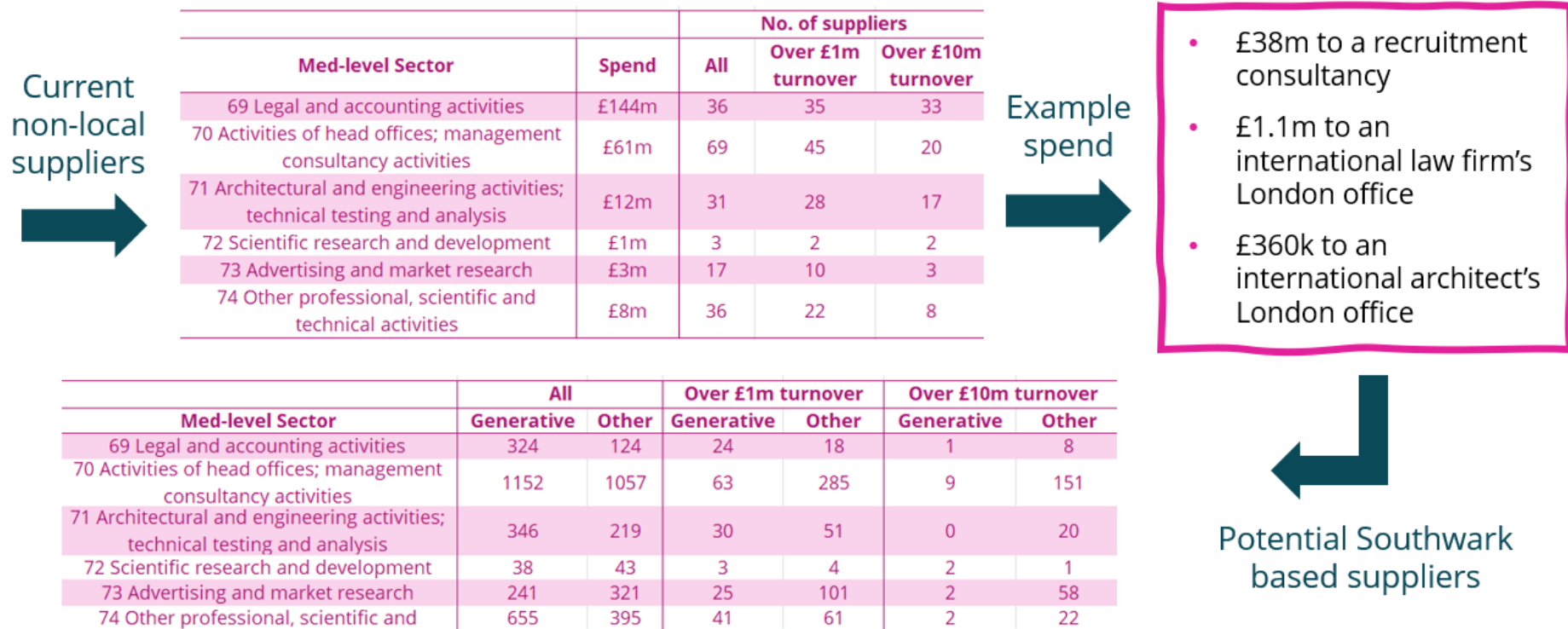
The construction sector often operates through high value contracts to large contractors, with work subcontracted to smaller local businesses. Therefore, while the headline spend data shows significant leakage, there is likely some local economic benefit through employment and supply chains. This poses a number of questions. Firstly, how much subcontracting is occurring? What do the employment and social value practices look like? How could local businesses fulfil contracts directly, removing the extraction of surpluses by large contractors and maximising the local economic benefit of construction projects.

The priority now is for the network to investigate where there are opportunities to collaborate, to jointly procure or to streamline procurement processes. CLES has outlined a series of starter for 10 questions for anchors to begin their investigations on page 34 of this report.

³¹ In this section "Other" includes large firms and companies with unknown size.

Professional, scientific and technical activities

Professional, scientific and technical activities constitute the second highest sector for leakage of spend with £229m currently being spent with this sector outside of the Southwark boundary. This is despite almost a quarter (22.5%) of the workforce in Southwark being employed in this sector. The Southwark based workforce in this sector is proportionately almost triple that of the Great Britain average size (8.7%)³². This suggests that there is a sizable opportunity in this sector to repatriate spend to Southwark based businesses.



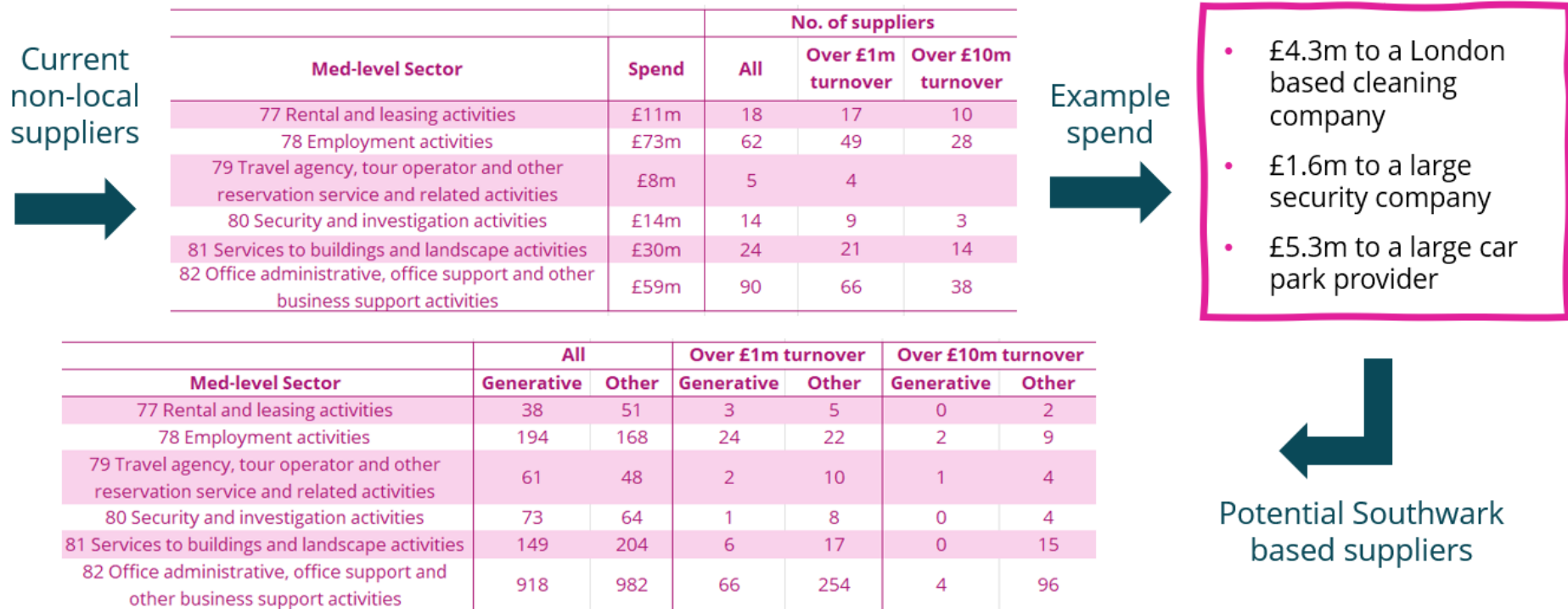
One contract that stood out in this sector was £38m that was paid to a recruitment consultancy based outside of the borough. There are over 1,000 generative businesses that exist in the borough in the same sector (SIC code 70), 9 of which have a turnover of over £10m. The priority now is for the

³² <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx?town=southwark>

network to investigate where there are opportunities to collaborate, to jointly procure or to streamline procurement processes with a view to repatriating spend. CLES has outlined a series of starter for 10 questions for anchors to begin their investigations on page 34 of this report.

Administrative and support service activities

Just short of £200m is spent in this sector outside of the Southwark economy. The proportion of the Southwark workforce working in this sector is 11.2%, slightly larger than the Great Britain average of 8.8%³³. There is a particular opportunity in this sector to focus on repatriating spend with businesses operating under SIC code 82. On average, contracts awarded to these businesses are around £650k meaning that there are 66 generative and local alternatives available in Southwark that have a turnover of over £1m. This suggests that they could potentially take up these contracts without anchors needing to break them into smaller lots. This is more of a job of getting to know the local market and putting anchor tenders on their radar.



A contract of interest here is £4.3m to a London based cleaning company. Cleaning businesses form part of our Foundational economy. Briefly, the Foundational economy is made up of organisations providing goods and services consumed by everybody. The ubiquitous nature of the foundational

³³ <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx?town=southwark>

economy means that there will be locally owned generative organisations available in Southwark that could fulfil these contracts. A further contract of interest here is £5.3m to a large car park provider. CLES is not privy to the details of this contract but would strongly challenge the need for non-essential parking provision in a very well-connected London borough in the midst of a global climate crisis.

Human health and social work activities

Almost £150m is spent on human health and social work activities outside of the borough. Large proportions of leakage from this sector are relatively common due to the nature of ownership of businesses operating in this space and a tendency to award contracts to large organisations that can deliver at scale. The social care sector is dominated by large, often international corporations and we also see a lot of care homes being owned by private investment firms. This model is categorised by high fees for patients and the public sector, high staff turnover and low wages for employees. This is of particular importance because the majority of employees working in this sector are women, typically from Black, Asian and minority ethnic groups³⁴. It is also worth noting that national recruitment challenges across the NHS also account for a significant proportion of leaked spend from this sector due to NHS outsourcing of services³⁵.

Current non-local suppliers



Med-level Sector	Spend	No. of suppliers		
		All	Over £1m turnover	Over £10m turnover
86 Human health activities	£78m	122	96	59
87 Residential care activities	£43m	117	83	31
88 Social work activities without accommodation	£24m	34	21	13

Example spend



- £30m to a US owned private healthcare provider
- £7.6m to a large Nottingham based homecare provider
- £4.5m to a US owned mental health services provider



Potential Southwark based suppliers

Med-level Sector	All		Over £1m turnover		Over £10m turnover	
	Generative	Other	Generative	Other	Generative	Other
86 Human health activities	671	404	22	16	6	7
87 Residential care activities	86	99	8	14	3	0
88 Social work activities without accommodation	166	84	40	6	6	3

³⁴ <https://cictar.org/wp-content/uploads/2022/08/Lifting-the-lid-on-offshore-care-home-landlords-v4-28Jul22.pdf> and <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-state-of-the-adult-social-care-sector-and-workforce-2022.pdf>

³⁵ <https://nhsfunding.info/symptoms/10-effects-of-underfunding/staff-shortages-2/>

The SC1 initiative is a strategic approach to connect and develop local expertise and grow the local life sciences sector³⁶. As partners on the initiative Southwark Council and Guy's and St Thomas' NHS Foundation Trust show a recognition that not only are strong healthcare services vital for the wellbeing of the local community, but the sector can provide good local employment opportunities.

Employment data shows that 10.4% of employees in Southwark work in human health and social work activities, this is lower than the Great Britain average of 13.7% but closer to the London average of 10.6%³⁷. The market analysis shows that many potential local generative suppliers exist, particularly in human health activities (SIC 86) and social work activities without accommodation (SIC 88). There are 837 local businesses in this bracket, 62 of which have over £1m turnover and 12 of which have over £10m turnover. If local generative businesses are supported to deliver some of the contracts currently leaking outside the Southwark boundary such as the ones outlined above, they will deliver not only on direct health outcomes but will maximise local economic multipliers and improve the local social determinants of health.

³⁶ <https://www.sc1.london/>

³⁷ <https://www.nomisweb.co.uk/reports/lmp/la/1946157256/report.aspx?town=southwark>

Foundational economy and lower value contracts

The target sectors outlined above are the high value high leakage sectors for the Southwark Anchor Network. Whilst these sectors rightly sit at the top of the priority list for action, businesses operating in the foundational economy and those at the other end of the spend scale (taking on sub £25k contracts) should not be forgotten about. Foundational economy businesses are ubiquitous across the local economy because they are always in demand, it is the part of our economy that creates and distributes goods and services that we rely on for everyday life. The tables below list just some of the sectors (using low-level SIC codes) that could reasonably be classified as being part of the Foundational economy and highlight the sheer volume of local generative alternatives available in Southwark³⁸.

Low-level Sector (Over £5m)	Spend	No. of suppliers		
		All	Over £1m turnover	Over £10m turnover
69.1 Legal activities	£141m	66	26	25
43.2 Electrical, plumbing and other construction installation activities	£90m	10	32	20
78.2 Temporary employment agency activities	£63m	89	23	19
82.9 Business support service activities n.e.c.	£58m	86	62	38
43.9 Other specialised construction activities	£57m	32	26	12
47.7 Retail sale of other goods in specialised stores	£55m	18	17	12
56.2 Event catering and other food service activities	£23m	8	7	4
49.3 Other passenger land transport	£19m	12	10	4
81.2 Cleaning activities	£12m	9	8	5
81.1 Combined facilities support activities	£10m	7	6	5
55.9 Other accommodation	£9m	12	7	3
81.3 Landscape service activities	£8m	8	7	4
55.1 Hotels and similar accommodation	£7m	5	2	1
80.1 Private security activities	£7m	5	5	2
78.3 Other human resources provision	£6m	6	2	0
Total	£564m	373	240	154

Current non-local suppliers →

↓ Potential Southwark based suppliers

Med-level Sector	All		Over £1m turnover		Over £10m turnover	
	Generative	Other	Generative	Other	Generative	Other
43 Specialised construction activities	444	330	34	33	0	7
47 Retail trade, except of motor vehicles and motorcycles	1004	1205	83	69	4	10
49 Land transport and transport via pipelines	128	92	13	29	3	3
55 Accommodation	80	144	1	42	0	7
56 Food and beverage service activities	721	629	15	83	0	10
69 Legal and accounting activities	324	124	24	26	1	7
78 Employment activities	194	168	24	24	2	9
80 Security and investigation activities	73	64	1	11	0	4
81 Services to buildings and landscape activities	149	204	6	29	0	15
82 Office administrative, office support and other business support activities	918	982	66	255	4	96

³⁸ The more granular low-level sectors are used here to identify spend with the med-level sectors for potential suppliers. This is because many companies use multiple SIC codes across a number of low-level sectors.

Historically, we have found that smaller generative businesses will not pitch for work with anchors because the barriers to entry are too high, particularly for businesses bidding for smaller (sub-£25k) contracts. For example, the insurance requirements are way beyond what is actually necessary for the size of the contract, the paperwork for the tender is typically too onerous for the size of the contract or they quite simply are unaware of the tenders coming to market.

The network needs to spend some time working with these organisations to understand the barriers they face pitching for work with the network. This is necessary for contracts worth £100mn all the way through to contracts worth less than £25k. The network should consider who the intermediary organisations are that could help them to have these discussions with the right parts of the market (the Business Growth Hub, the LEP, the local chamber of commerce etc.). This will require intensive work between the procurement leads, the intermediaries and the businesses themselves. Procurement departments need to be given the resource and the permission to carry out this type of exercise for contracts across the board.

The network then needs to work out ways to enable them to successfully tender for work with them. There is a tried and tested way to help local generative businesses to secure contracts that fit in the sub-£25k bracket with a few small amendments to anchor procurement policy. Birmingham City Council recently successfully changed their procurement policy so that any tenders below £25k are to go to a Birmingham based business. They only require 1 quote to be able to award the contract and if the procurement team want to award the contract to an organisation outside of Birmingham, they have to go to some lengths to justify why a Birmingham based business can't be found.

Shared anchor interest

Table 5 below shows the eight high level sectors with the highest leakage of spend as defined in figure 8. Next to each sector is a list of anchors in the network that currently have high value contracts in that sector. Target sectors are in **bold**.

Table 5: Opportunities for collaboration

Sector	In top 3 highest spend sectors of:
Manufacturing	GSTT NHS Foundation Trust
Construction	LSBU Tate SLAM Peabody Southwark Council University of Arts London
Wholesale and retail trade	GSTT NHS Foundation Trust
Information and communication	LSBU Tate
Real estate activities	Peabody
Professional, scientific and technical activities	Peabody South East London CCG Southwark Council University of Arts London
Administrative and support service activities	LSBU SLAM South East London CCG Tate University of Arts London
Human health and social work	GSTT NHS Foundation Trust SLAM South East London CCG Southwark Council

This table should be used by anchors, specifically the anchor representatives in the procurement task and finish group, to start a conversation with a fellow Southwark Anchor Network member about their contracts in each of the target sectors detailed in the previous section. CLES have drawn together a series of questions for anchors to explore before and during that first session below.

Areas for investigation for anchors with shared interest in target sector

- What exactly is it that anchor contracts cover in this sector?
- What value are the contracts in this sector?
- What do anchors contracts have in common in this sector?
- Are there any opportunities for anchors to procure jointly on something?
- Can anchors work together to better understand the local supplier options available to fulfil these contracts and collectively amend procurement policies?
- Can anchors work together to design an innovative vehicle to improve the quality of delivery or employment conditions in this sector?
- Can some of these contracts be brought back in-house?

6. Key findings & recommendations

Summary

The analysis in this report represents a significant commitment on the part of anchor organisations within the network to better understand and use their spend to support the economy of Southwark.

The results of the analysis demonstrates that there is a significant opportunity for anchor network organisations to have a positive impact on the Southwark economy both individually and collectively. Between the 8 anchors that submitted their top 300 spend data there is a collective influenceable spend of over £2bn. 10% of which is already with Southwark based businesses.

There are currently over 15,000 locally owned SME's in Southwark. But out of the £2.07bn total anchor spend, only £16m is spent with these businesses.

In addition, the analysis shows that 42% of all Southwark based businesses are generative organisations. Although these businesses make up a good chunk of the Southwark economy, only 0.002% feature in the spend data submitted for this analysis.

CLES considered the sectoral leakage of spend across the network and found that the top 3 sectors for leakage of spend were Construction (£381m), Professional, scientific and technical activities (£229m) and Administrative and support service activities (£195m). In total the leaked spend outside of Southwark on these sectors alone is £805mn.

Given that a significant proportion of anchor spend is outside the Borough, it suggests that there is a potential opportunity to repatriate spend to Southwark based businesses and social economy organisations in order to generate local community and economic benefits. This is particularly so in sectors such as the professional, scientific and technical activities sector where the proportion of Southwark's total workforce in this sector is almost triple the national average. In effect, the local market already exists and by doing more to target spending in a way which takes advantage of this market, Southwark anchors could help support local businesses, jobs and neighbourhoods

In addition to taking collective action to repatriate spend from these key high spend sectors there is also the opportunity to consider some relatively small changes to procurement policy in the sub-£25k bracket that would hugely benefit Southwark based businesses in the Foundational economy using the same model employed by Birmingham City Council.

Recommendations

Finding ways to get more money into local generative organisations is a key mechanism through which the network can contribute towards building a more inclusive and resilient local economy through its procurement activity both at the high spend and low spend end of network contracts. These recommendations are intended to supercharge Anchors individual and collective efforts to build that inclusivity and resilience into Southwark's economy;

Recommendations for individual anchors

- **Review your internal approach to spend analysis.** A key finding from this piece of work was that there isn't evidence that anchors across the network are recording their suppliers in a way which would enable them to run a spend analysis to understand the size or type of businesses they are trading with, or the geographical or sectoral breakdown of their spend. If the analysis detailed in this report is something anchors would like to repeat then there are some changes to current processes for recording supplier data that would make the process much easier next time around. Further detailed recommendations on this specific point can be found on pages 12 & 13 of this report.
- **Support procurement teams to develop the systems and processes required to understand and mobilise spend in a way which considers how organisation spend can be used to target social, community and economic value. This should include resourcing and staff training as appropriate.** Many of the anchors in the network struggled to find the capacity to draw together their top 300 spend data for this network wide spend analysis. This was partly due to a lack of available data as outlined above but also due to pressing internal capacity issues. This is not a new problem in procurement teams. But, if anchors wish to progress their community wealth building agenda through progressive procurement activity, resource for these teams needs to be prioritised.
- **Investigate the contracts your anchor has awarded outside Southwark with the target sectors outlined in this report.** Run through the 'Areas for investigation' on page 42 of this report for each of these contracts and take this analysis along with you to sectoral working groups (groups of anchors with an interest in each of the target sectors, table 5 details which anchors should be part of the sectoral working group).
- **Critically evaluate your own top 300 spend using the spend analysis toolkit CLES provided.** The workshops delivered by CLES were a step-by-step walkthrough of CLES' spend analysis tool. The intention behind these workshop sessions was to give anchors the information and the tools they needed to critically evaluate their own top 300 spend. But linked to the capacity issue and lack of available data issues outlined above, we know that many anchors were unable to complete the full analysis. Critically evaluating anchors own spend data will allow them to determine their own strategic priority sectors or issues to target alongside those of the network as highlighted in this report.

- **Use this report and your own internal analysis to convene a conversation with procurement practitioners and commissioners.** Use the analysis in this report to convene a conversation within organisations to consider the importance of understanding where your organisations spend goes geographically, sectorally and to which size and type of businesses. A healthy and resilient local economy and local workforce will benefit every anchor in the Southwark Anchor Network. Use this conversation to understand more about how your organisation secures social value through procurement and consider ways your anchor could do more through changes in procurement policy, like the Birmingham policy for sub-£25k contracts discussed in the report or enhancing your existing social value policy.
- **Review supplier engagement processes:** Given the scale of the opportunity to increase the multiplier effect of anchor spend, organisations should revisit their own processes for engaging directly with local suppliers (eg through events such as ‘meet the supplier’ to ensure that everything is being done to make local businesses aware of tendering opportunities and expectations of tendering organisations. Organisations should also revisit the size of contracts let to consider whether these can be disaggregated in a way which would incentivise take up from smaller, generative organisations.
- **Take action to repatriate spend.** This action may mean working with fellow anchors and intermediary organisations to better understand the local markets you are trying to target. It may mean re-writing your procurement policy in response to those conversations to lower the barriers for local organisations securing anchor contracts, it may mean disaggregating larger contracts, changing insurance requirements or making particular suppliers aware than certain opportunities are coming to the market.
- **Consider insourcing.** Anchors should also consider the potential to insource some of their previously outsourced contracts. Insourcing can deliver real benefits through better governance, better service integration, more sustainable operations, and ultimately higher quality service provision for end users. There has been a budget driven trend in recent years to outsource the provision of public services, often awarding contracts to those large companies based out of area who can provide goods and services at the lowest possible cost. However, in local government, this trend is now reversing, with councils across the country bringing services back in-house with a view to supporting stronger local supply chains and improved local employment conditions.

Recommendations for the network

- **Convene at the next anchor network meet to discuss the findings in this report.** CLES will present the findings of this report at the next quarterly meeting of the Southwark Anchor Network. At this meeting CLES will facilitate a conversation to best understand how anchors want to progress with their quest to use progressive procurement practice to build resilience into the local economy in light of the findings in this report. This will be an opportunity to

discuss particular issues (diversity in business, unemployment, deprivation etc) that the network wish to target through changes in their procurement practice.

- **Commit to forming sectoral working groups.** Commit to meeting with fellow anchors that share a significant leakage of spend in the target sectors. Groupings of anchors can be found in Table 5. This meeting should be used to discuss the 'Areas for investigation' on page 42 of this report and to develop an initial set of actions for each sectoral working group.
- **Understand your local target market.** Identify and recruit intermediary organisations to help the network better understand the barriers faced by Southwark-based generative organisations in the target sectors to successfully tendering for opportunities with anchors.
- **Collectively implement Birmingham's sub-£25k policy.** Host a full meeting of the procurement task and finish group to consider if the Birmingham model for sub-£25k contracts is something Southwark anchors could collectively implement. This would give smaller local organisations a much better chance of getting in to anchor supply chains.
- **Consider if this type of collective analysis is something the network would like to do on an annual basis.** If so, then there are some changes that may need to be made to record keeping internally at each anchor organisation to improve data quality and smooth out the process for next time. These recommendations can be found on page 12 & 13 of this report.

Recommendations for anchors procuring health and social care services

- **Work with local providers to develop an ethical homecare framework.** With a view to raising the bar on the quality of the services provided, increasing pay for workers employed by these organisations and increasing staff retention levels. There are some good examples of activity in this space taking place in Newham³⁹ and Wigan⁴⁰.

This report has demonstrated that there is scope for significant re-directing of network funds to generative Southwark based organisations in high spend and foundational economy sectors. It is important to remember however that this report presents a snapshot analysis of the opportunities to repatriate spend that is already leaking from the Southwark economy. There is a separate conversation to be had about how the network can seek to nurture the small businesses that will form the future economy of Southwark. Ready making the local market that the network seeks to trade with in the future.

For now, the opportunity for the network to have a seismic impact on the Southwark economy has been defined. The first few steps towards achieving that impact are laid out in this report and will hopefully be just the beginning of Southwark's journey towards greater network collaboration and greater economic resilience.

³⁹ [Newham: social licensing in homecare | CLES](#)

⁴⁰ [Ethical Homecare - Co-operative Councils Innovation Network](#)



Centre for Local Economic Strategies

CLES, 52 Oak Street, Swan Square
Manchester, United Kingdom, M4 5JA
info@cles.org.uk | www.cles.org.uk
@CLEStinkdo | #clestinkdo
0161 832 7871