

More bang for the public buck:

apse

A guide to using procurement to achieve community benefits



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The Association for Public Service Excellence (APSE) is a not-for-profit local government body working with over 300 councils throughout the UK promoting excellence in public services. APSE is the foremost specialist in local authority frontline services, hosting a network for frontline service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.



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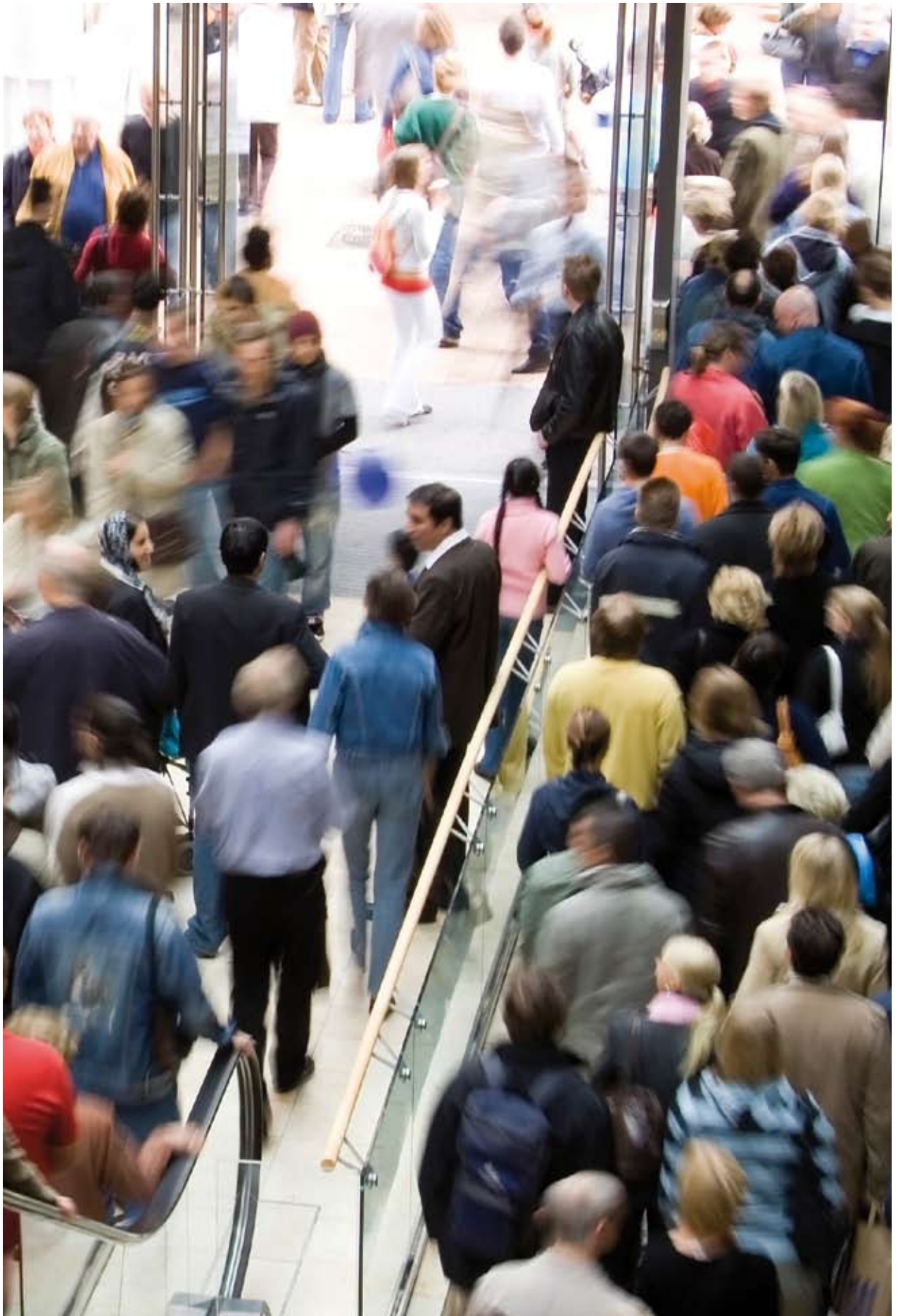
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Disclaimer

This publication is designed to provide information in regard to procurement best practice in relation to community benefits. It is provided with the understanding that APSE and CLES are not engaged in rendering any professional service, legal advice nor procurement advice. Whilst every effort has been made to ensure that the information contained in the publication is consistent with the statutory, public law and procurement responsibilities of local authorities, you should always take your own legal advice in relation to procurement matters and the most effective way of utilising community benefits within procurement.

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Foreword

Global economic and environmental instability and the policy responses to this are focusing minds on what can be done to make communities more resilient locally. As public sector resources are squeezed, there is a need to achieve ever-greater value for every public pound. There is also growing recognition that achieving maximum value for taxpayers' money is not just about the highest financial value. Politicians and professionals are realising the need to achieve the 'triple bottom line' of the greatest economic, social and environmental benefit for every pound.

Using community benefits in procurement can be one of the most effective ways of ensuring the £175 billion spent on public sector procurement in the U.K. can have wider social, environmental and economic benefits than the object of the procurement itself. It is about adding value and unlocking potential. It is about supporting local economies, promoting employment, skills and training, developing communities and minimising environmental damage. It is about social well-being, economic resilience and stewardship of place. It is a virtuous dynamic process in which local government can play a leading role. Indeed the Office for Government Commerce has published a Policy Through Procurement Action Plan (January 2010) aimed at 'harnessing public procurement to deliver key policy agendas concerned with fair and sustainable economic growth and recovery', which the Government announced in the 2009 Pre-Budget Report (PBR). Achieving benefit through procurement has become a driver of economic recovery and forms a key element of the recent White Paper on employment*

Sustainable procurement does not have to cost more than standard delivery of contracts. It is far more meaningful to consider value in terms of whole life costs and better social, economic and environmental outcomes. APSE's previous work with CLES on the local economic footprint of public services shows that £1 of public spending can generate £1.64 in the local economy through employment and supply chains. If councils achieved community benefits through their procurements, that figure could rise to £2.

While some of the obstacles in the way of delivering a triple bottom line are undoubtedly practical, others are associated with culture and mindset. When we embarked on this research we were conscious of the legal constraints imposed by the EU procurement regime as translated into U.K. law. But we were also conscious that this is often used as an excuse for a risk-averse approach to delivering community benefits through procurement. In a previous publication entitled Maximising Local Potential, APSE and Eversheds showed how local authorities could achieve community benefits through the procurement process and examined the best means of delivering such benefits within the boundaries of the existing legal framework. This time we were keen to look at practical examples of how councils have been achieving those wider community benefits.

We have identified some excellent examples of how councils have achieved benefits such as promoting local supply chains, developing employment and training opportunities and achieving environmental sustainability. This really is about creating a 'can do' culture. Achieving community benefits through sustainable procurement requires commitment at all levels; at the corporate leadership level, among procurement and legal experts and among those responsible for delivering services. This is not just about procurement. It is about innovative, holistic and strategic approaches to broad-ranging local government policy.

In this guide, you will find examples from councils already breaking ground in achieving community benefits. You also will find useful checklists and lessons learned to assist with formulation of your own strategic approach and implementation. We hope you find this publication useful in helping to use community benefits to deliver better bang for the diminishing public buck.

Paul O'Brien, Chief Executive, APSE **Neil McInroy**, Chief Executive, CLES

* Department for Work and Pensions, Employment White Paper, *Building Britain's Recovery*, DWP, December 2009

Executive summary

Our research into achieving community benefits through public procurement has yielded new insights into questions and barriers local authorities face, possible ways to address them, and critical success factors that underlie good practice. These findings offer a base from which local authorities can begin to re-think their own procurement processes and develop creative 'can do' attitudes, holistic approaches and innovative practice to get more from this important corporate function. In this guide, we show how sustainable procurement should be intrinsic not only to local authorities' procurement strategies, but also to delivering more for less and forging resilient local economies and sustainable communities.

Unanswered policy questions

This guide begins by setting out the policy and legal context in which councils are operating. As we show in section one, this context throws up some inherent tensions and raises a number of questions that we attempt to address throughout this guide.

Our findings show questions centre around: EU Procurement directives; cost efficiency and sustainability; value for money; and measurement of non-cashable benefits. We show that a holistic local approach, 'can do' attitude and innovative practices can enable laws and policies to be balanced with achieving better outcomes locally. We show that cost efficiency can be reconciled with community benefits. We also show that delivering social, environmental and economic value locally can offer more value long-term than pure cost. While it is difficult to measure non-cashable benefits, we present numerous real life examples of local authorities across the UK being rewarded as a result of sustainable procurement practices.

Barriers to achieving community benefits

Government guidance documents and relevant literature suggests EU Procurement Directives and UK Value for Money policy are the biggest barriers to achieving community benefits from public procurement, as section two of this report demonstrates. From our survey of local authorities, we found these to be considerable barriers, as identified by 35% of respondents. But our research found that the biggest problems were actually identified as being difficulties for local suppliers to successfully bid for and deliver contracts (identified by 47.5% of respondents) and local authority culture and perception (45% identified this). Also, local authority training, awareness and budgetary and efficiency pressures were significant problems identified by 35% and 32.5% of respondents respectively.

Our findings show the biggest barriers to achieving community benefit from procurement are actually those that can be overcome. While European law and UK policy need to be broadly adhered to, matters such as difficulties with suppliers can be addressed more easily, via measures such as; local capacity building, contract unbundling or staff training. This is not to say it is easy to overcome deeply ingrained problems around culture and perception. But at least many primary problems can be solved by local authorities themselves, rather than being at the mercy of national and supra-national forces.

How local authorities can beat barriers

An extensive and diverse range of measures for achieving community benefits through procurement were identified by practitioners we surveyed and in the review of government guidance and other literature. As shown in section three of this report, these measures can be implemented throughout each stage of the procurement process, from pre-tendering to contract management. In addition, working with local suppliers to increase their uptake of contracts, thereby retaining money and supporting employment locally, was a prevailing theme.

The most popular measures local authorities can take were reported to be: engage-

ment with suppliers (reportedly practiced in the local authorities of 63.6% of respondents); tailoring tender evaluation criteria to favour the inclusion of community benefits (60%); advertising locally through a procurement portal (45.6%); use of community benefit clauses (45%); and adapting procurement rules in ways to support local suppliers (40%).

This research highlights how it is possible to incorporate considerations of community benefits into every step of the procurement process itself as well as through separate action to improve the capacity, ability and awareness of local suppliers and thereby strengthen the local economy, skills and employment. This is being done in a number of local authorities, but many of these measures are far from mainstream practice despite considerable benefits they can yield. This research challenges the misconception that using public procurement for community benefits is dependent on higher legislative and policy powers, and sets out a positive case for local authority action to secure community benefits more widely.

Critical success factors in delivering community benefits

Our in-depth case studies of exemplary local authorities yielded an insight into the critical factors that lie behind successful outcomes from procurement, as shown in section four of this report. Many of these were related to building a strong supplier-client relationship through robust engagement and active support in the uptake of public contracts, and also internal conditions that predicate a successful approach, including strong leadership and senior/political support, overcoming risk aversion and, topically, being responsive to recession. Re-thinking the procurement process was another important success factor, including realising that this process, particularly bidding and evaluation, should be tailored in relevance to individual contracts.

From our exploration of case studies, principal areas that have emerged as critical conditions for local authorities to achieve community benefits from public procurement are:

- building strong relationships with local suppliers and undertaking robust engagement;
- having a positive and enabling local authority culture and support from senior management and political leaders;
- incorporating community benefits imaginatively throughout the procurement process;
- overcoming risk aversion without violating procurement laws or policy.

Recommendations for local authorities

From both our primary and secondary research, we can make a number of recommendations about how local authorities might achieve community benefits from their procurement of goods and services. Ultimately, adopting sustainable procurement practices will help authorities retain money within the local economy by increasing the proportion that goes into local businesses and, through supporting local jobs, directly into communities too.

Learn from the findings of this research

The research and commentary of this report offer a valuable addition to the body of literature and guidance by examining on-the-ground practice in local authorities across the UK and drawing together the range of potential measures through an holistic approach to re-thinking procurement. We urge local authorities to examine our guidance on what a local authority can do to achieve community benefits from procurement and to consider the underlying factors that enabled success within our case study authorities. The principle themes that have emerged are that councils need to challenge a risk-averse culture, innovate and take a holistic approach.

Challenge a risk-averse culture

We have shown throughout this publication that primary barriers to delivering community benefits through sustainable procurement are cultural. Challenging a risk-averse culture to increase internal awareness of the potential benefits from procurement and dispel myths – such as EU procurement law prevents actively promoting community benefits, or that Value for Money cannot be achieved if community benefits have to be delivered in addition to the main contract. There needs to be a more permissive approach at all levels in a local authority among both those in senior political and corporate those in service delivery roles. A risk-averse culture can partly be dismantled through better training and also through strong corporate whips from senior management and incorporation of procurement into major local authority policy, including local economic development strategies, Sustainable Community Strategies and crucially, Local Area Agreements.

In order to develop a more permissive culture, local authorities might want to consider:

- what are the main barriers to achieving community benefits from procurement within your local authority/service area?
- which of the measures highlighted in this report could be applied to your local authority/service area?
- how might locally specific conditions affect implementation and outcomes?;
- how is your authority/service area encouraging innovation, if at all, in terms of using community benefit clauses, tailoring and improving the procurement process, and working with local suppliers to increase their uptake of public contracts?
- is there top-down support for sustainable procurement practices and innovation, and if not, how might this be encouraged?
- how do staff and organisational cultures and perceptions support or inhibit sustainable procurement?

Innovate

Local authorities need to think innovatively about how they can yield community benefits from their procurement activities. One of the key predicates of a successful approach is challenging the cultural inhibitors within organisations – trialling new approaches and activities should be a key part of this. While it is beneficial to draw on best practice approaches from other local authorities, hopefully aided by this guide, it is also important to remember that innovation involves development of entirely new ideas, piloting these locally, and monitoring outcomes to gauge effectiveness under specific local conditions.

Ideas that local authorities might want to consider in more detail could include:

- **Performance targets** – introducing targets around the number of local suppliers who are invited to tender, shortlisted for interview and/or selected (selection cannot be simply to reach targets of course, but could encourage placement of resources into say, local supplier capacity building);
- **Local audits** – conducting an audit of local suppliers to map where their expenditure goes, in terms of sub-contracting, purchase of materials, employees, overhead costs, etc., and deducing suppliers' economic footprints

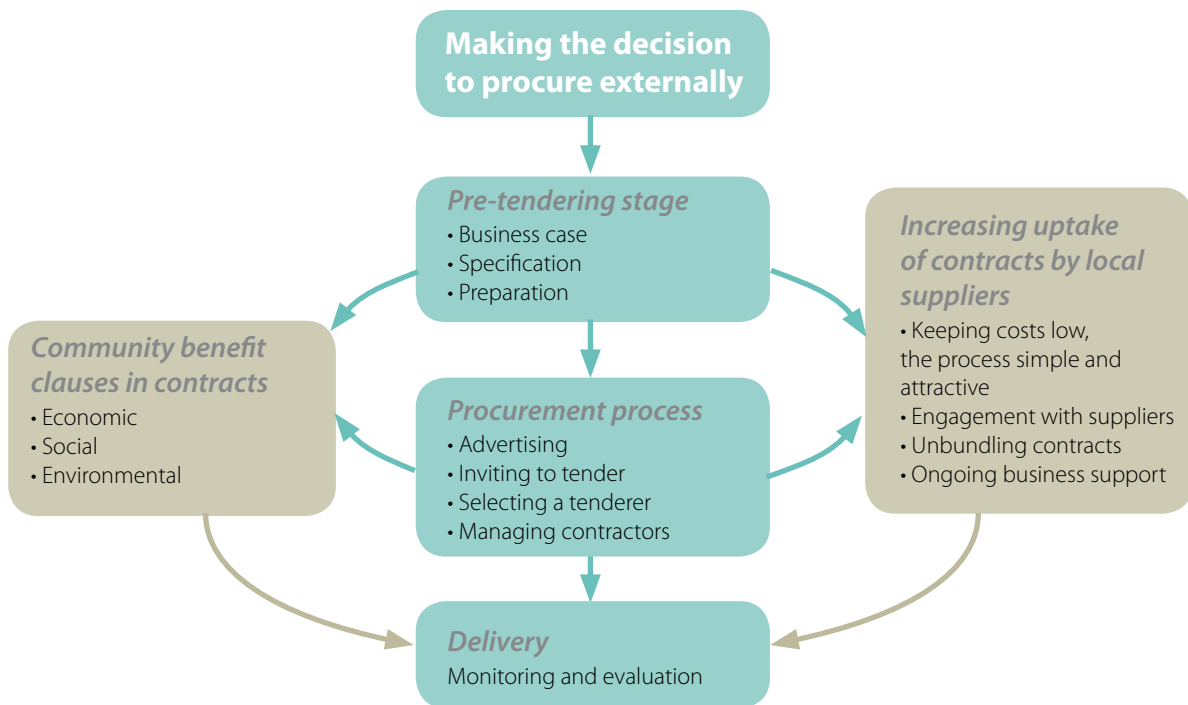
to find out how much of their money is retained in the local economy, how much is leaked to outside companies and how many jobs are supported locally. From this, local suppliers can be made aware of their own ability to support local community benefits without increasing the cost to themselves. Also, local authorities can work with suppliers to retain more money locally, and economic footprints could even be considered in evaluation criteria for awarding contracts;

- **Procurement skills and training** – making accredited procurement qualifications mandatory for officers working in local authority procurement departments, much in the way that people working in planning need to have planning qualifications. This would either be through specification of these qualifications in the essential criteria of recruitment or sending all new and existing staff on a relevant course. This would remove one of the common barriers to achieving community benefits through increasing officer awareness of what is possible within the realms of the law and national policy, and spreading knowledge of good practice;

Take a holistic approach

Between the different sources, primary and secondary, used for this research, we have identified numerous ways to achieve community benefits from procurement, within different stages of the process and within different areas of local authority activity. The model below illustrates our conceptualisation of a holistic approach to sustainable procurement.

Fig 1: Taking a holistic approach to sustainable procurement



Firstly, the decision needs to be taken about whether to procure externally. This will nearly always be necessary for procuring goods, but it may be more beneficial and cost effective to deliver services in-house and that may also be the best means of securing wider community benefits.

Once the decision is made, the process will necessarily run through a pre-tendering stage and the procurement itself. Consideration of community benefits need to be made in each part of this; in making the business case for the procurement, in specifying what the contract must deliver, in preparing to undertake the process, and in advertising and inviting to tender, awarding the contract and managing it thereafter.

However, feeding into both the pre-tendering stage and procurement process, practitioners must consider firstly, the use of community benefit clauses if these are appropriate, how they might secure positive economic, social and environmental outcomes, and if they are legally sound. Secondly, procurement practitioners and the local authority as a whole must consider the local business and third sector community from which goods or services might be supplied. Building up a relationship with potential suppliers through engagement, business support and capacity building activity, as well as ensuring that the process of tendering is simple and inexpensive, and that contracts can be unbundled, are all vital for increasing the uptake of public contracts by local suppliers.

Finally, it will be important to monitor how successful clauses and the procurement process have been at delivering community benefits through the use of appropriate tools and indices, and to monitor the rate of uptake by local suppliers and their 'economic footprint' (e.g. as an employer or sub-contractor). Like any good evaluation, this should then feed back into a review of the local authorities' approach and inform any alterations made to further increase benefits in the future. APSE is currently undertaking further research with Southampton University to develop a procurement toolkit specifically focused upon environmental considerations in procurement. This is potentially a key measure in the process and an ingredient of sustainable procurement.

Our research shows that a creative, innovative and holistic, multi-pronged approach is needed to make public procurement sustainable locally. This cannot happen through procurement officers working in isolation; all local authority departments need to get on board and incorporate procurement and related community benefits into their service plans and outcome targets. There will be a particularly strong role for policy departments and senior officers in bringing about this culture shift, and for economic development practitioners in working with the local business community and workforce to increase the benefits of public procurement. This will not only be vital for responding to the recession through maximising local retention in a time of diminished resources and job losses, but also in the long term for achieving sustainability to support resilient local economies and communities.

Introduction

The importance of public procurement in a new economic era

This research is particularly timely given the UK is just emerging from a sustained period of economic recession with long term consequences for public finances. As the impact of the recession continues to bite, local authorities will be faced with a number of social, economic, environmental and 'place focused' challenges that will shape the future economic destiny of their locality. These challenges will include: rising levels of unemployment; rising levels of business insolvencies; threats to the sustainability of the third sector; and decreases in property values. These micro-economic and localised challenges will be coupled with wider macro-economic challenges for local areas and authorities around: public spending cuts; an increased drive for efficiency; and a renewed emphasis upon and drive for economic growth.

The way in which local authorities respond to these challenges will be essential in determining how resilient they are to global economic change. There is a key empirical link between public spending and the local economy, with public spending through procurement crucial to local economic resilience. One of the ways in which local authorities can respond to global economic change is through effective procurement policy and processes locally. A structured, rigid and legally risk averse approach potentially restrains authority's resilience during global economic change. An innovative and progressive approach, on the other hand, can potentially secure the sustainability of local businesses and communities.

The aims of our research

The research has the following four principal aims:

- to understand European legislation and national policy driving procurement in the UK;
- to identify and explore barriers to achieving community benefits through procurement;
- to detail examples of how local authorities in the UK have achieved community benefits through procurement and hone in on the processes and critical success factors that enabled them to demonstrate this good practice;
- to provide guidance and tools as to how local authorities in the UK can more effectively consider and achieve community benefits in the procurement process in the future.

Our approach and methods

The dual issues of a procurement culture that is focused upon European law and VfM versus examples of best practice in achieving community benefits led APSE and CLES to embark on this research project. We sought to provide a guidance that concentrates on the processes local authorities need to use, at both strategic and delivery levels, to embed consideration of community benefits into their procurement strategy, process and tendering. This work builds upon previous research undertaken by APSE in association with Eversheds¹ which discussed the legalities of achieving community benefits through procurement.

APSE and CLES have utilised a range of primary and secondary research methods. An extensive review of legislative and policy literature has set the foundations for understanding what can be achieved in relation to community benefits and procurement and has enabled some examples of good practice to be detailed.

We have also undertaken primary research in the form of an online survey utilising Survey Monkey and interviews with five case study authorities that have successfully achieved community benefits through procurement. The survey was qualitative in its approach and sought to identify in-depth responses from local authority practitioners in relation to:

- the common barriers procurement officers and frontline service deliverers face in achieving community benefits through procurement;
- the methods and processes they have utilised to overcome these barriers;
- specific examples of community benefits achieved through procurement in their locality.

The case study interviews with senior officers sought to delve deeper into the processes local authorities are adopting in their procurement policy, tendering and delivery to achieve economic, social and environmental benefits.

This specific research study forms part of a wider programme undertaken in partnership between APSE, CLES and the Institute of Local Government Studies (INLOGOV) in which we have examined: the role of public employment², bringing public services back in-house³; neighbourhood governance and service delivery⁴; and the local economic footprint of public services⁵. Through each of these pieces of work, we have actively championed the role that local government and the wider public sector plays in shaping local places economically, socially and environmentally. This research seeks to further demonstrate the value of local government in local economic resilience through its strategic commissioning role.

This publication sets out the results of our research. It aims to provide both a starting point for corporate leaders and service managers who wish to expand their knowledge of sustainable procurement and a detailed practical guidance for procurement professionals wishing to deliver community benefits in their day-to-day role. It is broken down into four sections:

Section One: The policy context lays the foundations for our exploration of sustainable procurement by examining the legislative and policy context to achieving community benefits through procurement.

Section Two: Barriers achieving community benefits details common barriers to achieving community benefits through procurement, which have been identified following a literature review and through a survey among local government officers.

Section Three: Beating the barriers to achieving community benefits shows how local authorities have overcome the barriers to achieving community benefits.

Section Four: Success factors in achieving community benefits provides guidance as to the processes local authorities have used to deliver community benefits, incorporating the key lessons learnt from in-depth case studies and includes a summarised checklist.

The process of procuring public sector goods and services is both complex and resource intensive. In the United Kingdom, some £42 billion of public money⁷ passes through local authority procurement departments each year and into the ether of the wider supply chain, including: large multinational global corporations; national UK wide companies; local, small and medium sized enterprises (SMEs); and the third sector, encompassing community and voluntary sector (CVS) organisations and social enterprises.

The decision making process surrounding the procurement of these public goods and

What do we mean by sustainable procurement?

‘Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of needs through to the end of a

services contract or the end of the useful life of an asset.’
(National Procurement Strategy for Local Government, 2003)⁶

services is complex for three core reasons:

- local authorities are required by European law to open up the procurement of works, goods and services that exceed the given value thresholds to competition, both nationally and across Europe, and undertake a series of stages of tendering before a works, service or good can actually be procured;
- UK policy over the last ten years in particular has meant that local authorities have had to increasingly consider the Value for Money (VfM), Best Value, and efficiency savings agendas in their procurement decisions;
- there is an increasing emphasis being placed in policy upon ensuring that the decision making process around procurement has an active consideration of wider community benefits such as those contributing to social, economic and environmental policy objectives.

The combination of needing to adhere to the first two factors of European law and VfM has arguably resulted in a distinct legally risk adverse culture amongst procurement officers and wider service deliverers when it comes to considering the community benefits achievable through procurement. Indeed, there are a number of common misconceptions that suggest that the use of local suppliers, employment clauses and other community benefits, such as environmental good practice, are completely restricted by European law. Whilst there are barriers to achieving community benefits through the procurement process, they are far from insurmountable. Indeed, there are a significant number of examples of where local authorities have secured community benefits through each of the stages of the procurement process.

It is no longer enough for public procurement merely to satisfy the requirements of value for money defined in terms of a narrow definition of cost and quality of output. Procurement decisions have an impact beyond the purchase or acquisition of goods and services whether in terms of food miles, the use of more sustainable sources, or the skills of the local workforce. Local authorities need to focus their efforts on delivering sustainability and enhancing well being. The use of community benefits can contribute to achieving this 'triple bottom line' and ensure a social return on investment that is clearly auditable and has local economic benefits.

What do we mean by community benefits?

The National Procurement Strategy (2003) outlines some of the key messages around the term 'community benefits'. It states that councils need to encourage a range of suppliers to help stimulate a varied and competitive market place. This includes understanding the suppliers' perspective and marketing the council to suppliers. It also states that under the Local Government Act 2000, councils are required to prepare a community plan and have powers to promote the economic, social and environmental well-being of their communities. Provided that there is compliance with EU public procurement regulations and Best Value policy, councils can work with suppliers to realise 'community benefits' of this kind through their procurement activities.

Community benefits can be economic, social or environmental in their nature and can be both procurement process focused, through supply chains; and service delivery focused, through community benefit clauses.

Economically focused community benefits include:

- utilising 'local' SMEs, voluntary sector and social enterprise organisations as suppliers;
- providing for 'local' employment and training opportunities;
- specifying and sourcing 'local', seasonal food.

Socially focused community benefits include:

- stipulating provision of new social amenities within a development project (e.g. building of a local school or community centre);
- stipulating green space is included within a development project.

Environmentally focused community benefits include:

- stipulating the use of renewable energy;
- specifying materials and recycling in construction projects

Section one: The policy context

Procurement does not take place in isolation but should be driven by wider local government objectives. In this section we set out principal drivers behind sustainable procurement policy and establish the legal context in which public procurement is taking place. We also identify some important policy themes that should be reflected in the approach adopted by local authorities to public procurement.

UK policy commitment

There is a commitment in UK policy towards social, economic and environmental improvement and benefits, whether these are achieved through frontline service delivery, special initiatives or the procurement of goods and services. Indeed, local authorities do not need to adhere to EU Procurement Directives where they deliver services in-house, thus providing the flexibility to achieve community benefits through direct delivery to local communities. However, where a procurement exercise is determined to be the most appropriate route to securing works, goods or services, then local authorities will need to consider how to maximise the potential community benefits for their communities through a formal procurement process.

The general commitment to social, economic and environmental well-being came to fruition in England and Wales in the Local Government Act (2000)⁸ in the legislative requirement for local authorities and partners to develop Local Strategic Partnerships and produce Community Strategies, and also through the 'Powers to Promote Well-Being'⁹. This landmark power sought to increase the capability of local authorities to act on behalf of their areas by allowing them to do anything they consider likely to promote the economic, social and environmental well-being of their area, unless it is explicitly prohibited elsewhere in legislation. This effectively included the contracting of services with the proviso that the proposed activity is not viewed discriminatory or directly prohibited by European legislation. Similar requirements are evident in Scotland through Part 3 of the Local Government in Scotland Act (2003)¹⁰ which legislated for the Power to Advance Well-Being.

The 2009 HM Treasury Operational Efficiency Programme report from 2009¹¹ detailed that the public sector spent over £175 billion on procuring goods and services in 2007/08, with the Roots Review (2009)¹² stating that £42 billion of this was spent by local government. In Scotland, the McClelland Review (2006)¹³ indicated that the Scottish Executive spends some £8 billion upon procurement per annum, with local government spending at £2.3 billion. This is a significant amount of public money and the National Procurement Strategy (2003) sought to provide a framework to ensure that this money was being spent wisely and that Best Value in both cost and added value terms was being achieved. A significant aspect of the value element of the National Procurement Strategy was through achieving community benefits. This was largely rooted in seeking to enable small organisations to compete more effectively for local contracting opportunities. It was particularly highlighted in a delivery objective of the strategy that would require local authorities to 'demonstrate how they will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers'.

The focus upon Value for Money, comprising whole life costs, quality and to a degree community benefits outlined in the 2003 National Procurement Strategy, conflicted to some extent with the publication of the Gershon Review¹⁴ in 2004 and its focus upon efficiency in public service delivery. The Gershon Review outlined a number of process reviews as to how the Government, public bodies and local authorities could spend money more efficiently in the delivery of services and deliver subsequent cost savings. This simply had the effect of focussing the procurement process even more on cost than it was previously and therefore the consideration of effectiveness of service delivery and community benefits could be seen to be at the expense of the efficiency drive.

This efficiency and transformation drive in public services has come to characterise a number of policy and review documents released by the Government in the years following Gershon. Indeed, the evaluation of the National Procurement Strategy and the most recent final report into the National Procurement Strategy¹⁵ signals this emphasis upon efficiency, as does the development of Regional Improvement and Efficiency Partnerships¹⁶. Scottish local authority procurement policy decisions are driven by the Scottish Procurement Directorate's Policy Manual¹⁷ which places similar emphasis upon efficiencies. This emphasis upon cost savings and efficiency thus provides a further significant barrier to deriving community benefits through procurement as procurement officers are likely to view cost as the primary consideration in tendering decisions. It is important to remember that, whilst there are UK policy objectives with regard to procurement, the EC Treaty and associated Procurement Directives are the primary legislators for the process of procurement.

The drive towards sustainable procurement

Over the last six years, central government in the United Kingdom has sought to drive forward the concept of sustainable procurement. Through the National Procurement Strategy¹⁸ and the associated strategic policy and research activities of the Office of Government Commerce¹⁹, the Government has sought to ensure that local procurement policy, decision making and tendering, is entwined in providing goods and services that: achieve true Value for Money; are efficient in cost terms; offer service quality; and demonstrate evidence of community benefit in the form of positive economic, social and environmental outcomes. Government thinking has particularly sought to ensure that public expenditure achieves wider policy and societal outcomes. The twinning of economic, social and environmental benefits in procurement has been effectively coined in the term 'community benefits', which is the phrase we will utilise throughout this research report.

The seeking of community benefits through procurement have been traditionally seen as related to economic and social issues and have sought to enable legally binding community benefits:

- through supporting 'local' sourcing of supplies and services;
- through seeking to employ 'local' companies or organisations to deliver contracts;
- through seeking to support the 'local' small business or community and voluntary sector;
- through seeking to support the 'locally' unemployed into employment through clauses stipulated as part of contract awards;
- through stipulating a certain number of apprentices must be trained through delivery of the contract.

The use of the term 'local', as discussed later in the section on EU procurement law, is strictly prohibited in clauses or caveats at any stage of the procurement process. However, in recent years, with the increasing focus upon climate change and the environment developed through government publications such as the Stern Review²⁰, emphasis has been placed upon environmental benefit considerations in the procurement process, such as the use of green packaging by suppliers.

Whilst there is a UK policy commitment toward building community benefits into the various stages of the procurement process, backed up by enabling tools such as the power to promote well-being and equality duties, EU procurement law prevents the process from being a simple one. Indeed, the EC Treaty and associated EU Procurement Directives effectively override UK policy when it comes to procurement, providing a number of barriers to achieving community benefits and potentially overriding the UK policy commitment.

Summary of EU procurement law

The APSE and Eversheds publication²¹ provides a useful description of the exact obligations of European procurement law:

- the Treaty of Rome imposes obligations on Member States to promote free movement of goods, services, businesses and capital to create a 'single' market;
- it outlaws any behaviour which is discriminatory in effect. Discrimination may come about by openly favouring national suppliers over foreign suppliers;
- the above Treaty obligations apply to all values of contracts and to all stages of the procurement process;
- there are additional obligations for higher level contracts above defined thresholds, particularly:
 - the need to advertise Europe-wide through OJEU;
 - the banning of technical specifications liable to discriminate against non-UK bidders;
 - the application of permitted selection criteria to shortlist those invited to tender;
 - the application of prior disclosed and objective award criteria to award the contract.

EU procurement law

The European Community (EC) Treaty of 1957 (also known as the Treaty of Rome)²² first introduced the principle of a 'single market' and a unified Europe when it came to the movement of goods, services, workforces and finance. The Treaty effectively sought to ensure a Europe wide commitment to enabling the movement of such commodities freely between countries and a commitment to supporting the economic development of all member countries through trade between countries. Under this principle of a 'single market', the EC Treaty effectively outlawed anti-competitiveness in the process of procurement that favoured national or local suppliers. Instead, the process of acquiring goods and services had to be freely marketed, advertised and opened up to organisations to tender for contracts from across Europe.

The EC Treaty of 1957 and its associated Procurement Directives²³ remain integral to the contemporary decision making process of procurement and associated public service delivery, and has been further supplemented by the World Trade Organisation GATT's (General Agreement on Tariffs and Trade) Agreement on Government Procurement²⁴. The principles of the Treaty, particularly free movement of trade, apply to all values of contracts which are delivered through procurement and all stages of the process, whether it be: identifying service need; tender specification; tender evaluation and selection of contractor; or contract management. The general principles of the 'single market' and the outlawing of discrimination on the basis of favouring national and local suppliers, is further supplemented in regulations around higher value contracts which place a range of further obligations upon procuring bodies to enable free movement.

The thresholds for higher value contracts change every two years and as from 1 January 2010 are at the following levels²⁵. Higher value contract obligations apply to:

Public Contracts Regulations 2006	Supplies	Services	Works
Entities listed in Schedule 1	£101,323 (€125,000)	£101,323 (€125,000)	£3,927,260 (€4,845,000)
Other public sector contracting authorities	£156,442 (€193,000)	£156,442 (€193,000)	£3,927,260 (€4,845,000)

Utilities Contracts Regulations 2006	Supplies	Services	Works
All sectors	£313,694 (€387,000)	£313,694 (€387,000)	£3,927,260 (€4,845,000)

The key obligation placed upon organisations procuring supplies and services above these thresholds is that the contract has to be advertised Europe-wide through the Official Journal of the European Union (OJEU) to enable organisations across all countries equal opportunity to bid to deliver the supply or services. Some contracts that are

below the thresholds will also be advertised through OJEU in the interest of securing competition and Value for Money.

There are further issues to consider around these thresholds with regard to the categorisation of particular types of public services as Part A and Part B services which has implications for how contracts have to be advertised, tendered and awarded. Services designated as Part A are subject to full EU procurement advertising and competition procedures as outlined above, whilst those designated as Part B are required to comply with only a subset of specific provisions particularly around non-discriminatory specifications. A significant proportion of local authority spending and contracting falls within Part B, particularly with regard to Health and Social Care.

Inherent tensions and unanswered questions

Through assessing EU Procurement Directives and the UK policy commitments to community benefits, it is evident that there are a number of inherent tensions and unanswered questions. Whilst key policy rhetoric, certainly within UK Government, suggests community benefits can be achieved through procurement, in reality there remain a number of process and delivery barriers, together with a number of unanswered questions. These barriers benefits will be examined in the following section, but it is important to set out these key tensions and questions:

- how can EU Procurement Directives and the wider welfare of localities be effectively balanced?;
- can efficiency and cost saving be twinned and reconciled with sustainability?;
- does sustainability through procurement have to cost more than standard delivery of contracts?;
- does Value for Money policy have cost as the primary criteria?;
- are non-cashable community benefits of value and how do we measure these?
- We attempt to address some of these tensions throughout this guide and provide answers to key questions in the conclusion.



Section two: Barriers to achieving community benefits

While achieving community benefits offers significant advantages, there are also barriers to be overcome. In this section we present the results of a literature review and quantitative on-line survey, which examined common barriers to achieving community benefits. The survey of local authority practitioners and a wider examination of literature identified that there are a range of barriers to achieving community benefits through procurement. This section of the research seeks to describe and analyse these barriers in further detail in five parts: European legislative barriers; national policy barriers; local public sector cultural barriers; local supply chain barriers; measuring community benefit barriers. The legal elements of these barriers are further discussed in the ASPE and Eversheds publication.²⁶

Main barriers to achieving community benefits

- European legislative barriers;
- national policy barriers;
- local public sector cultural barriers;
- local supply chain barriers;
- measuring community benefit barriers.

'There is a lack of local suppliers.' Deputy Chief Executive – survey respondent

'The voluntary sector has a poor state of readiness.' Corporate Contract and Procurement Manager – survey respondent

'There needs to be a cultural change. Persuading budget holders is a key barrier.' Procurement Analyst – survey respondent

'EU regulations. We are not allowed to specifically target local suppliers and we are very risk adverse.' Head of Strategic Procurement – survey respondent

Survey responses

The survey relating to community benefits was sent out by email to approximately 400 procurement officers and heads of frontline service areas across England, Wales, Scotland and Northern Ireland. A total of 86% of respondents to the survey worked directly in procurement roles, either as directors and heads of procurement, procurement managers or procurement officers and analysts. Other respondents were assistant chief executives, economic development managers, policy officers or accountants. Respondents were asked in an open question to identify directly what they felt were the key common barriers to achieving community benefits through procurement.

Many of the barriers identified were far more localised issues than those arising from European legislation and UK policy. The two commonest barriers to achieving community benefits through procurement identified in the survey were difficulties with suppliers (mentioned by 47.5% of respondents) and local authority culture and perception (mentioned by 45% of respondents). There are indeed a host of local authority cultural barriers to achieving community benefit through procurement including: legal risk aversion; risk aversion in engaging locally; and local political cultures. The EC Treaty and Procurement Directives and UK procurement policy were mentioned as a core barrier by 35% of the respondents.

It would appear therefore that achievement of community benefits through the procurement process, certainly through the eyes of procurement officers and service deliverers, is not just restricted by the EC Treaty and Procurement Directives, but is rather a result of a range of additional local cultural, supply chain and other factors. Other common, more localised barriers included:

- lack of training and understanding of procurement (mentioned by 35% of respondents);
- budget pressures and efficiency (mentioned by 32.5% of respondents);
- logistics of including benefits in tendering and delivery (mentioned by 20% of respondents);
- local power, politics and communications (mentioned by 15% of respondents).

What are the main barriers to achieving community benefits?

Respondents to the survey were additionally asked through a closed question to rank the voracity of some of the factors identified above and a range of others in acting as barriers to achieving community benefits through procurement. The survey findings suggest that whilst the EC Treaty and associated Procurement Directives were viewed by a lesser proportion of people as being a core barrier to achieving community benefits, the voracity at which it acted as a barrier was significant in ranking terms. The highest ranked barriers by procurement officers and service deliverers to achieving community benefit through procurement are:

- the EC Treaty and Procurement Directives;
- the inability of local suppliers to bid for and deliver contracts;
- the large scale and size of public contracts;
- a lack of knowledge of the potential of procurement for achieving community benefits;
- difficulties in measuring procurement related benefits.

'Balancing sustainability with ensuring Value for Money (i.e. competing policy agendas).' Head of Strategic Procurement – survey respondent

The results of the survey suggest a range of both legislative and process barriers to achieving community benefits through procurement. Whilst some legislative barriers such as the need to advertise above threshold contracts through OJEU cannot be directly overcome, other, more process focused barriers are far from insurmountable. As will be discussed later, factors such as: difficulties with suppliers; the size and scale of contracts; and lack of knowledge can be overcome through local authority cultural change and smarter local procurement strategy and decision making.

It is also important to identify some of the other common barriers to achieving community benefits through procurement, including:

- the awareness of local suppliers of available opportunities;
- perceptions of costs;
- UK VfM policy.

This suggests that the often quoted issue of 'cost' in achieving community benefit through procurement is not necessarily the case.

European policy and legislative barriers

As detailed in the survey, the EC Treaty and associated Procurement Directives are viewed as a core legislative barrier to achieving community benefits through procurement. One of the simplest ways in which local authorities and other public sector agencies can achieve community benefit through procurement is by utilising local SMEs and third sector organisations in delivering services or by stipulating local employment clauses in contracts. The use of the term 'local' is, however, viewed as discriminatory and anti-competitive by the EC Treaty and associated Procurement Directives and remains a considerable barrier to achieving community benefit. There are two core elements of the EC Treaty and Procurement Directives which act as barriers to achieving community benefits through procurement:

- **anti-discrimination provisions** – the EC Treaty and associated Procurement Directives, in particular their single market principles, prevent the discrimination of firms on the basis of locality. This means that procurement bodies cannot openly favour local suppliers and instead need to open the process up to national and wider European providers. Indeed, European procurement law prevents the use of the term 'local' in any aspect of the procurement process, including seeking to derive community benefits;
- **advertising obligations** – European procurement law stipulates that all contracts above the thresholds identified earlier must be advertised Europe wide through the Official Journal of the European Union (OJEU), thus encouraging competition nationally and from Europe. This obligation has

always presented a significant barrier to local companies as they are not often aware of contracts and services which are being advertised in OJEU.

National policy and legislative barriers

The EC Treaty and Procurement Directive obligations highlighted above are supplemented by a series of policy barriers and wider local government legislative factors which provide further barriers to achieving community benefit through procurement. The most significant legislative barriers are elements of the Local Government Act 1988 which have not yet been fully repealed in subsequent Acts of Parliament:

- **the Local Government Act 1988 Part II** – Part II of the 1988 Local Government Act²⁷ can also be seen to be an ongoing barrier to achieving community benefits through procurement. The Act outlaws ‘consideration of non-commercial matters in tendering’, meaning that effectively cost is the most significant element of procurement decisions. The Act also prohibits any ‘consideration of the country or territory of origin or location of service providers’. The provisions of Part II were partially repealed in England by the Local Government Best Value (Exclusion of Non-commercial Considerations) Order 2001, SI 909 of 2001; in Wales by SI 678 of 2002; and in Scotland by s7 of the Local Government in Scotland Act 2003. However, most of the provisions of Part II remain and in the modern era of local government, these are burdensome and unnecessary.

There is also an additional national level policy factor which can act as a barrier to achieving community benefit in the form of the Value for Money (VfM) agenda:

- **UK Value for Money (VfM) policy** – UK procurement policy is driven by the concept of Value for Money, that is, the optimum combination of costs and quality to meet service users requirements. The difficulty of VfM that causes it to act as a potential barrier to community benefits is when it is narrowly defined. VfM needs to be far more focused upon the ‘whole life’ costs and quality of a supply or service rather than just initial costs in the tendering decision.

Local public sector barriers

The second commonest barrier to achieving community benefits through procurement identified in the survey of procurement officers and service deliverers, was local authority culture and perception. This suggests that local political, policy and process cultures act as a barrier beyond that of the non-discriminatory legislation of the EC Treaty and associated Procurement Directives. Specifically, there is an intrinsic cultural and perception barrier at the local level across procurement departments regarding exactly what can be achieved through the procurement process:

- **perceptions as a barrier** – there is a perception amongst many local procurement departments and indeed service delivery departments that EU procurement law acts as a significant barrier to achieving community benefits. In some cases, there is a perception that ‘local firms cannot supply us with products or services because of procurement law’. This is not necessarily the case in the actual process of tendering, as we will discuss later in this research;
- **perception of cost as a barrier** – another key perception barrier amongst procurement officers and service deliverers often identified in literature, is that inclusion of community benefits will drive up the cost of procuring goods and services to the local authority and therefore should not be done in the face of budgetary pressures and efficiency drives. This does not acknowledge whole life costs and the efficiency that comes from commissioning local companies, employing and training local people, being environmentally sustainable, and so forth;
- **lack of knowledge and training** – there is a lack of knowledge at the local level about how to use procurement to realise the possibilities for community benefits. If procurement bodies do not have the knowledge about how to achieve community benefits, this subsequently restricts the capability of suppliers to have knowledge of and achieve such benefits.

'Lack of knowledge and understanding on how to deliver such benefits.'
Corporate Procurement Officer – survey respondent

The survey also raised local, public sector led barriers to achieving community benefit through procurement, including: lack of training and awareness of staff; local political dynamics and internal communications; and failure to include smart procurement in local authority strategies.

Local supply chain barriers

The notion of delivering community benefits is often dependent upon having small businesses and a community and voluntary sector that are willing to be involved in the procurement process and have the skills, capacity and expertise to write tenders and ultimately deliver contracts. The survey of local authority practitioners revealed that two of the commonest and most voracious barriers to achieving community benefit through procurement were general difficulties with suppliers and, more pertinently, the inability of local suppliers to bid for and deliver contracts. A range of different barriers were identified, particularly around 'supplier difficulties', including: a lack of capacity or resources; insufficient experience or knowledge of opportunities; and disincentives in the procurement process such as large contracts and 'red tapism' (i.e. the strict adherence to official formalities):

- **inability of small firms to bid for and deliver contracts** – SMEs, social enterprises and wider community and voluntary sector organisations often do not have the capacity nor the expertise to compete with larger providers in the procurement process. They cannot offer the same economies of scale as other providers which push the cost of delivery upwards and the chance of securing a contract in Value for Money terms downwards. Additionally, SMEs and the third sector often do not have the capacity to fulfil procurement requirements or complete the tender process;
- **the size of contracts** – contracts above the European procurement law threshold are often for multi-million pound services. Again, related to the above point, SMEs, social enterprises and wider community and voluntary sector organisations cannot compete to tender for and deliver these contracts as a result of their sheer scale. This therefore restricts any community benefit through the potential use of these providers;
- **Lack of awareness of opportunities** – SMEs, social enterprises and voluntary and community sector organisations often cite a lack of awareness and poor promotion of contract opportunities as a core reason for not competing within the procurement process and subsequently winning contracts to deliver services. They are often not aware of where to look for tenders advertised locally and through OJEU.

There are factors relating to delivering community benefits through procurement for other providers beyond the SME, social enterprise and voluntary and community sector, including the private sector. This is most notably around the cost of delivering community benefits:

- **inclusion of community benefit drives up the cost of delivery** – there is a perception amongst larger private sector organisations that delivering community benefit through procurement adds additional cost to service delivery beyond what is required. If authorities build in a requirement for community benefit into the specification stage of the procurement process, it potentially deters some suppliers from bidding, thus decreasing the competitiveness of the tendering process, and reducing the possibility of achieving the Best Value for Money in the delivery of services.

'SMEs and third sector organisations perceive it to be complex and onerous to satisfy public procurement processes. Those organisations are sometimes reluctant to develop the knowledge and expertise to position themselves to compete for public sector business.'
Business Development Manager, Corporate Procurement – survey respondent

'Tender documentation and Pre Qualification Questionnaire (PQQ) documents are very lengthy for small firms. Client managers are not willing to look beyond the contract specification and at social, economic and sustainable environmental factors in the more wider sense.'
Procurement Manager – survey respondent

Measuring social outcome barriers

The tendering process, unless it specifically requests organisations to demonstrate potential social and environmental benefits, often fails to provide bidders with the opportunity to demonstrate such potential community benefits. This is often a key problem for social enterprises in accessing procurement opportunities as their priority is often around demonstrating good social benefit as opposed to demonstrating their

cost effectiveness. Social benefits can include employment, skills and training for local communities as a result of the procurement spending, together with provision of social amenities and the wider involvement and engagement of the local community in decision making. There is sometimes a specific barrier around the intangibility of social outcomes:

- **social outcomes are often intangible** – the intangible nature of many social outcomes makes it difficult to provide for these in community benefit clauses as the supplier or procurer may not be able to measure the high level social aims of clauses and hence cannot establish whether they have been met or to what extent they have been met. This might be a barrier, in that it may deter suppliers from bidding for fear of rebuke that they have not achieved sufficient levels of benefits. It may make the cost of monitoring the benefits yielded very high for both the suppliers and the contracting organisations, and yet still fail to yield a true picture of the often intangible benefits and how sustainable they have been in the long term.

Survey results and stages of procurement

At a basic level it would suggest that the main barrier to achieving community benefits through procurement is that of EU procurement law. The anti-discriminatory, pro-competitive and free market principles of the EC Treaty and associated Procurement Directives are perceived to be the primary barriers to economic, social and environmental outcomes through the various stages of the process.

However, a qualitatively focused survey of local authority practitioners and an analysis of wider literature suggest that this is far from being the only barrier to achieving community benefits through the procurement process. There are a string of other and potentially more pressing barriers to achieving community benefits through procurement, notably around: the ability of the local supply chain to deliver contracts; the procurement culture and process of local government; and the difficulty encountered in measuring social outcomes.

The survey of local authority practitioners and the wider review of policy literature additionally sought to derive examples of where community benefits had been achieved and the procurement process utilised to enable that benefit. Using the Office of Government Commerce (OGC)²⁸ model of procurement as a basis, the survey sought to gather in-depth information about the types of process activities that local authorities had undertaken at each stage to enable community benefits and thus overcome the identified barriers.

Stage 1: Identifying need

Stage 1 is identifying the need which is where procurement bodies consider the markets that might provide goods or services and engage with them. The OGC state that this is the stage at which, both directly and indirectly, there is the most scope for taking community benefits considerations into account.

Engaging local suppliers, particularly SMEs and the third sector, in the identifying need stage of procurement is a key community benefit. A number of local authorities have sought to specifically engage local suppliers in the procurement process by holding 'meet the buyer' events and designing procurement portals on their websites. This activity has been undertaken with the purpose of seeking to raise awareness of procurement opportunities amongst this sector and encourage them to bid. The most common processes utilised by surveyed local authorities to attract this sector were as follows:

- early engagement events (identified by 63.6% of respondents);
- developing and advertising through a local procurement portal (identified by 45.6% of respondents);
- working directly with and developing the skills of local suppliers (identified by 33.3% of respondents).

'Holding Meet the Buyer events.' Economic Development Officer – survey respondent

'Engaging with SMEs prior to advertisement.' Procurement Specialist – Sustainability
'Dividing work into smaller lots to assist SMEs.' Strategic Procurement Manager – survey respondent

'Use of community benefit clauses related to key corporate objectives and outcomes in service delivery.' Community Benefit Programme Manager – survey respondent

'Training and apprenticeships is a fairly standard award criterion. Recycling and whole life costs are included in many of our award criteria. Sustainable sourcing is also stipulated in supply contracts where appropriate.' Procurement Team Leader – survey respondent

'For construction 2 local companies are specified in a tender list of 8.' Strategic Procurement Manager – survey respondent

'We advertise all contract opportunities regardless of size on our website and advise local suppliers on how to use this.' Corporate Procurement Officer – survey respondent

'We commit to the Suppliers Charter which intends to form an agreement between public purchasers and the business community to promote and simplify business accessibility.' Procurement Manager – survey respondent

'Social evaluation criteria are used where it is deemed relevant to the contract (i.e. social care or environmental in the case of reduced emissions or fuel consumption for vehicles).' Head of Strategic Procurement – survey respondent

Stage 2: Tender specification

Stage 2 is tender specification whereby procurement bodies specify in tender documentation what they want a service or contract to deliver. Community benefit considerations can be included in specifications where they are directly relevant to the subject matter of the contract.

Local authorities responding to the survey stated that they were undertaking a number of activities in the tender specification stage of procurement designed to enable community benefits. The commonest process utilised during this stage was by attaching specific environmental, labour, training, goods and social clauses to the tender specification notices for identified contracts. All of the authorities surveyed identified utilising clauses of some description in tender specifications to enable community benefits, with 45% of these identifying that these clauses were in relation to the environment. Other process activities included:

- a range of activities, including engagement events, capacity building, favourable packaging of contracts, and Simplifying and standardising Pre-Qualification Questionnaires designed to increase uptake of contracts by local SMEs and third sector organisations (identified by 41.2% of respondents);
- adaptation of the procurement process, including the incorporation of community benefits into the evaluation criteria (identified by 27.6% of respondents).

Stage 3: Invitation to tender

Stage 3 is invitation to tender whereby suppliers are invited to tender for the selected contract or service. Regulations within tender documentation request suppliers to provide a range of evidence as to their technical capability in relation to the nature, quantity and purpose of the service or contract in question. If the contract requires specified social or wider community considerations, suppliers will be asked to demonstrate their technical expertise with regard to this specific aspect.

Local authorities were asked to identify any specific process activities they undertook at the invitation to tender stage of the procurement process to enable community benefits. A number of the process activities undertaken were with regard to the promotion and advertising of opportunities to local suppliers. Process activities were also undertaken to interpret procurement law to enable local suppliers to access contract opportunities. The most common processes utilised were as follows:

- adapting procurement rules to favour local suppliers, including stipulations for a minimum number of local bidders (identified by 40% of respondents);
- using local advertising in addition to OJEU to communicate opportunities to local suppliers (identified by 36% of respondents);
- encouraging the uptake of contracts by local suppliers through increasing accessibility to contracts, by simplifying the process and tailoring contracts (identified by 36% of respondents).

Stage 4: Tender award

Stage 4 is tender award where procurement bodies award the specified service or contract to a supplier. The decision of the award is made on the basis of the supplier that offers the most economically advantageous tender ('MEAT') under EU legislation and the Best Value for Money in UK policy terms, which is defined as 'the optimum combination of whole life costs and quality to meet the authority's requirements'. Value for Money considers a range of criteria laid out in the specification stage by the procurement body and often includes considerations such as: price; delivery or performance dates; running costs; cost effectiveness; quality and functional characteristics; and after sales service. Procurement bodies can utilise criteria, including social considerations, to determine the most economically advantageous tender where the social considerations provide an economic benefit for the contracting authority that is linked to the product or service which is the subject matter of the contract.

Local authorities were asked to identify any specific processes they had implemented

'We always offer feedback.' Strategic Procurement Manager – survey respondent

'Evaluation of community benefit clauses related to key corporate objectives and outcomes in service delivery.' Assistant Director of Procurement – survey respondent

'Monitoring improvements in outcomes relating to community benefit clauses as part of contract management arrangements.' Assistant Director of Procurement – survey respondent

'Through award criteria. We recently tendered for catering services which has a social benefit clause to offer training and employ young people with learning disabilities.' Service Manager, Procurement – survey respondent

'Proactive contract management workplans centred on reducing carbon emissions.' Head of Area Procurement Service – survey respondent

to overcome barriers to achieving community benefit in the tender award stage of procurement. By far the most common process used was tailoring evaluation criteria to assess the extent to which a bidder had made provision for community benefits as part of the wider delivery of the contract. 60% of respondents stated that they had used evaluation criteria, including delivery of community benefits, with the majority of these being in relation to environmental benefits. 12% of respondents stated that they had devised evaluation criteria that included consideration of favouring local, small and/or third sector organisations.

Stage 5: Contract delivery and clauses

Stage 5 is contract delivery whereby procurement bodies monitor the performance of the chosen supplier or contractor. If a procurement body has specified in specifications and award parts of the procurement process that special conditions such as social clauses will be monitored, procurement bodies can lay these down as conditions of contract on the proviso that they are compatible with European law and directly related to the performance of the contract in question. Procurement bodies have a wide range of possibilities as to the types of community benefit clauses they can utilise as part of the contract performance stage of procurement.

Local authorities were asked to provide examples of processes they were using to ensure that community benefits were being achieved in contract delivery. Where a local authority commits to community benefits in the tendering stage, there will be little gained if the achievement of this benefit is not monitored during contract delivery. Processes utilised to ensure achievement of community benefits were largely around implementation of clauses (identified by 35% of respondents) and improving internal management of the contract delivery process, including through monitoring and reviewing this process (identified by 35% of respondents).

The survey of local authority practitioners sought to identify the core barriers facing practitioners when it comes to deriving community benefits through procurement and subsequently, how they are generically overcoming those barriers. Building upon this, we now move on to provide guidance regarding how local authorities can deliver more effective and more sustainable procurement practices that take community benefits into consideration. Also, the following section outlines the key lessons learnt case studies across the UK.



Section three: **Beating the barriers and achieving community benefits**

This research report thus far has provided an overview and critique of EU legislation and UK Government policy with regard to procurement and an identification of the common legislative and decision making barriers to achieving community benefits through the procurement process.

There are a significant number of examples cited in literature from the Office of Government Commerce and others, of where local authorities across England, Scotland, Wales and Northern Ireland have used the procurement process to overcome these barriers and derive benefits in economic, social and environmental terms for their community. These types of examples of community benefits provide a useful evidence base to demonstrate that community benefits can and are being achieved through procurement. There is however, a need to build up the evidence base of how local authorities are achieving community benefits through procurement. It is this 'how' process which this report now moves on to consider.

Guidance for achieving community benefits during the stages of procurement

The following section couples the survey analysis with analysis of wider literature around the processes used to achieve community benefits, aiming to provide authorities with guidance about the types of considerations they should have with regard to community benefits and the procurement process. Where applicable, we have provided a short case study of where a local authority from across the UK has utilised the process and successfully achieved community benefits.

We have identified four areas where careful consideration and action needs taking to ensure maximum economic, social and environmental benefits are yielded from contracts, which are:

- the pre-tendering stage – rationale, specification and preparation;
- the procurement process – advertising, inviting, selecting and afterwards;
- the mechanisms of community benefit clauses;
- increasing the uptake of public contracts by local suppliers – supporting local businesses and third sector organisations to successfully bid for public contracts.

Stage one: The pre-tendering stage

The pre-tendering stage is crucial to achieving community benefits through procurement for two reasons. Firstly, this is where the decision to procure from the private or third sectors is made and has to be justified with a sound business case. Secondly, the pre-tendering stage is the most opportune stage of the process for local authorities to consider community benefits and secure these in the business case and specification of the contract. As the pre-tendering stage is far less regulated than later stages by European law and UK policy, there is potentially more scope for building community benefits into the rationale for procurement and delivery, as well as using this to inform how the procurement process proceeds from here and how local suppliers can be aided in tendering for these contracts.

There are a number of activities which authorities should consider undertaking at this stage to embed community benefit considerations into pre-tendering:

• make organisational and strategic provisions for community benefits

A commitment to using procurement to yield community benefits is needed from all local authority senior management staff, together with interest and enthusiasm for smart procurement throughout local public sector organisations and their partners,

contractors and local businesses. One way of doing this is to ensure that local authorities have in place a Corporate Procurement Strategy that reflects this commitment and sets out a way forward for getting the most local benefit from contracting. Further ways to ensure this include better training and capacity building for procurement and service delivery staff.

Local political cultures and elected members are also crucial to making organisational and strategic provisions for community benefits. Elected members should be strongly involved in developing the ethos of local procurement practice, in supporting the development of Corporate Procurement Strategies and in scrutinising their application and progress. This political involvement should not only be restricted to elected members with responsibility for procurement but offered to those responsible for key frontline service areas. It is important to remember that procurement is not just a technical process, but one which is related to a variety of policy agendas particularly and increasingly in relation to the economy and environment;

West Sussex County Council²⁹

West Sussex worked with the Chartered Institute of Purchase and Supply (CIPS) to develop an accredited corporate training programme for procurement professionals

within the County Council. This is recognised by CIPS as a foundation level course and counts towards further qualifications undertaken with them.

- *consider community benefits in the rationale and business case for procuring services*

Ensure that they are built into the rationale and business case for procuring services in the first place. The first consideration is whether the service or supply actually needs to be outsourced or whether it can actually be delivered in-house. Obviously in-house service provision means that local authorities can utilise the maximum flexibility to deliver the community benefits they want without recourse to a formal procurement exercise;

South Gloucestershire Council

South Gloucestershire Council has undertaken a procurement exercise designed to restructure how the authority engages with its supply chain and how it tenders for contracts. South Gloucestershire is ultimately seeking to develop a managed supply chain in which the in-house team features heavily. The procurement exercise under-

took soft market testing and designed new frameworks and lots. The soft market testing exercise enabled South Gloucestershire to design and consult upon a preferred model of procurement. The designing of frameworks enabled South Gloucestershire to effectively consider cost, quality and community benefits in tender criteria.

- *provide simplified yet robust tender specification*

To reduce the administrative burden on SMEs and the third sector, local authorities should use an easily understandable Pre-Qualification Questionnaire (PQQ) when running a competitive procurement process for below threshold OJEU requirements. This PQQ would ask straightforward questions to establish suppliers' suitability to tender and operates on a 'self-certification' premise where suppliers confirm that they can provide information to validate their responses at a later stage (i.e. tender) if requested;

- *undertake activities that enable you to understand the local supplier market*

Local authorities should look to engage with potential suppliers early on in the pre-tendering stage to gauge what services/supplies are out there and what the scope is for incorporating community benefits through the use of local suppliers. This will both stimulate innovative thinking based on a good understanding of the market, and also avoid local authorities making stipulations that cannot be met and do not attract interest. This could be undertaken through supply chain analysis or mapping current spending in the locality and with specific organisations. A further way of simplifying

the tender specification process and ensuring better relationships between contractor and potential supplier is through 'meet the buyer' events;

Staffordshire County Council

Staffordshire County Council has made a raft of changes to how they undertake the process of procurement. Given the size of the authority and expenditure upon procurement there were inevitably tense supplier-council relations. The authority introduced a range of 'smart' measures designed to restructure the process of procurement. 'Smart' measures included: development of a tender toolkit

for local suppliers; standardised PQOs; an online guidance tool; developing pre-tender workshops; and lengthening and unbundling contracts to support smaller suppliers. The results of the change in the procurement process have been promising: a total of 36% of procurement spend is now within the local area; 59% goes to SMEs; and 21% goes to companies started since 2004.

• *ensure efficiency of preparation*

Whilst it is important to consider local suppliers, SMEs and the third sector in pre-tendering and preparing the business case, this consideration should not come at the expense of the other income streams of these organisations. When selecting suppliers, it is important to ensure that they are financially sound and capable of delivering the contract. This may not necessarily mean the largest or most experienced suppliers are the best for the job. The local authority needs to carefully consider the optimum number of suppliers to invite to tender, balancing a good range of suppliers and competition with a fair chance of success and mitigating time-wasting.

Also, authorities need to take into account before the procurement process begins, the nature, size and risks of specific procurement contracts, as well as any risks associated with individual suppliers (e.g. health and safety records are a particular issue in construction, but may be of lesser concern in consultancy services). Local authorities should be asking themselves questions to ensure efficiency of preparation for tendering. For instance, does it matter:

- if the estimated value of the procurement is more than x% of turnover if the company is growing rapidly?;
- that it is a very young company if it has the right products and there is a limited need for ongoing support or services?;
- if it is a small company, if it has sufficient skilled staff to meet your requirements without becoming overstretched?;
- if the company's experience is all in the private rather than public sector?

Stage two: The procurement stage

Whilst community benefits can be written into procurement contracts, the process of procurement also needs consideration by local authorities. Ensuring that suppliers are aware of the available opportunities through advertising and invitation is important for enabling the best organisations for the job to be found. Also, the way that local authorities select contractors and manage them thereafter can play a positive role in delivering benefits to the local economy and communities.

There are a number of issues local authorities can consider in the procurement stage to enable community benefits to be achieved:

• *think smartly about where and how you advertise contract opportunities*

Effective advertising of sub-OJEU threshold contracts presents opportunity for community benefits through attracting the attention of local, SME and third sector organisations who may wish to subsequently bid. Opportunities should be advertised widely in the relevant trade and local press, and also national portals such as the national opportunities portal, found at <http://www.supply2.gov.uk/>. Organisations such as Business Link and Euro Info Centres (EICs) can also be used in publicising requirements and identifying local suppliers. Local authorities should also utilise their own websites and procurement portals to publicise contracts, again enabling local

firms with specific awareness of local opportunities to provide supplies and deliver services. Where contracts are above the OJEU threshold, the contracting authority should ensure advertisements in the OJEU are clear, concise, avoid jargon and give a full description of the goods or services being sought.

Sub-contracting is a key way in which smaller companies can access public sector procurement opportunities. Local authorities can be smart in enabling these types of community benefits through smart advertising. Publishing the names of companies acting as prime contractors in a procurement contract, and details of both awarded and upcoming contracts, can also aid potential sub-contractors by improving the visibility of sub-contracting opportunities and break down perceptions on who can bid. Where opportunities are advertised on local authority's websites, they should additionally be linked to further information and advice to encourage local suppliers to bid and help them to improve their chances through local capacity building and support. This does not mean disaggregating contracts to make them below OJEU threshold but simply making suppliers better aware of service delivery opportunities at the local level;

Yorkshire and Humber Supplier and Contract Management System (SCMS)³⁰

Led by Leeds City Council, 22 Yorkshire and Humber authorities are part of a vehicle for delivering the National Procurement Strategy vision – the Yorkshire and Humber Supplier and Contract Management System. This has been funded by the Yorkshire and Humber Regional Centre of Excellence (now the Regional Improvement and Efficiency Partnership), and includes exploration of regional e-procurement solutions to support regional collaboration and shared 'back office' working (e.g. a single supplier support desk and management lists).

Participants in the SCMS have embraced joint contracting arrangements, and this has also provided additional benefits, including increased levels of information gathering about suppliers and, flowing the other way, increased ease of dissemination about contracting opportunities from local authorities to suppliers. The approach of the Yorkshire and Humber SCMS is very much focused on development of a mixed economy of service provision that includes SMEs, social enterprises, community and voluntary organisations and faith based organisations.

• keep the invitation to tender simple

One of the complaints of small organisations when seeking to tender for local authority contracts is that tender and supplier lists are often closed and they do not know how to become a registered supplier. Local authorities should look to keep supplier lists both open and up-to-date to ensure that invited suppliers are still trading, and any appropriate new companies are at least aware of contracts in their field.

Local authorities should also be open about the rationale behind who to invite to tender, should this be questioned by anyone. As a limited number of invitations may be made, trading off adequate competition with officers' time and effort to read and evaluate tenders, and then interview prospective suppliers, it is particularly important to make sure the right companies are invited to tender and the acceptance rate is high.

Local authorities may wish to invite proposals for delivering community benefits from bidders as an optional extra to the main tender. This would give SMEs and community organisations an advantage as they have the intrinsic expertise to deliver community projects. However, these would have to be relevant to the contract and be incorporated into the VfM analysis when awarding the contract (rather than companies being awarded the contract solely on the merit of the benefit proposals and not the main goods or services being procured);

• ensure equality in the invitation to tender process

There is a statutory duty to have regard to contemporary equalities legislation such as the Race Relations Act (2001)³², the Disability Equality Act (2005)³³, and the Equalities Act (2006)³⁴. This UK equalities legislation is supplemented by two EU directives of: 'make discrimination on the grounds of religion or belief, disability, age or sexual orientation in employment or training unlawful'; and 'make racial discrimination in the areas of employment, training, education, access to social security and health care,

Small Business Service³¹

In tendering for a large contract to market and distribute a business information programme, the Government's SBS took the risk of selecting a supplier who had been in business for less than a year and had a limited track record, despite receiving a total of six tenders. This was because the

selected company offered superior quality and expertise even though they were new. Accepting this risk paid off as the outcomes of the contract exceeded expectations; use of the information programme rose to 30,000 views per year – smashing the target of 9,000.

social advantages and access to goods and services unlawful! Local authorities should ensure that all procurement decisions pay due regard to equalities legislation and also specific elements that enable community benefits to be achieved (e.g. contracts can legally be reserved and given to 'sheltered workshops'; enterprises where at least 50% of employees are disabled). This may improve the opportunities for social enterprises and charities to take up contracts, while providing valuable experience of work for people with physical and mental disabilities;

The West Midlands Forum³⁵

Six Councils in the West Midlands (Birmingham, Coventry, Redditch, Sandwell, Walsall and Wolverhampton) set up a forum to assess suppliers' adherence to the Race Relations Act 2001, using a common standard and assessment criteria. This saved time and resources as the standard criteria can

be incorporated into contracts and monitored by councils once awarded to ensure these conditions are being met. This is also more efficient because once suppliers have proven they meet the race equality standard they are then exempt from further checks for the next three years.

• *enable innovative procurement practices and bidding*

Local authorities should be innovative and creative in their procurement practices particularly when it comes to the consideration of costs. There should be a focus upon whole life value rather than initial price and could see socially and environmentally beneficial solutions having lower costs in the long run and therefore being favourable.

One of the commonest complaints of SMEs when it comes to procurement is that they do not have the capacity to deliver contracts nor do they meet the turnover threshold required to submit for a contract. Local authorities should be innovative and creative and thus be open to consortia bids from SMEs as this is one way in which small businesses can tackle large procurements, providing increased capacity and different specialisations and sources of expertise. Where appropriate, local authorities may also wish to ask their main suppliers to demonstrate their track record in achieving Value for Money through the effective use of their supply chain (including how SMEs can gain access to their sub-contracting opportunities) and meeting any community clauses in contracts they have taken up in the past;

OGC and NHS PASA³⁶

The framework agreement developed by OGC Buying Solutions and the NHS Purchasing and Supply Agency, to procure multi-functional devices, included calculation of whole life costs to inform their selection decisions. This analysis showed that cheaper models had higher whole

life costs and thus it was more economical to choose more expensive yet better quality models. The framework also included caveats to promote environmental sustainability, requiring suppliers to improve their environmental performance and act energy and paper efficiently.

• *be proactive in the management of the delivery of contracts and contractors*

This is particularly important where community benefits have been agreed around sub-contracting to SMEs and third sector organisations. Local authorities should ensure that prime suppliers pay their sub-contractors on time and that payments flow down the supply chain. This will help the cash flow of smaller companies and prevent

problems with paying employees. Local authorities may also wish to encourage prime suppliers to adopt supply chain management practices that integrate, incentivise and reward good performance throughout the supply chain.

Working with suppliers after the contract has come to an end, on a voluntary basis if necessary, may enable further control and monitoring of the social impact on the local community after a contract has been delivered. This will benefit authorities' understanding of the social impacts of community benefit clauses in procurement, and also the suppliers themselves will have increased capacity afterwards and expertise drawn from this experience.

Stage three: The mechanisms of community benefit clauses

It is important to pay close attention to the potential benefits not only from the way that procurement is done (i.e. the process), but also the content of the contracts themselves. Community benefit clauses, while being subject to stipulations in both EU law and UK policy, can make it possible to ensure benefits are achieved regardless of the process undertaken or whether or not local suppliers are commissioned. Community benefit clauses, while being largely absent from public sector contracts not least because of officers' perceptions and attitudes towards risk-taking, come in many forms and offer positive outcomes for the local economy, people and environment. There are however a number of community benefits that can be negotiated against specific contracts. These largely relate to social and economic clauses and environmental clauses.

Consider social and economic clauses

There is a range of socially and economically focused community benefit clauses which local authorities can utilise through procurement within the limits of European Procurement Directives and UK policy. These include the following:

- the most significant social and economic clauses would be to stipulate that a given number of jobs and training opportunities must be provided by the contractors when supplying goods or services. Authorities may wish to stipulate further the types (calibre) of jobs to be created, the minimum time they must be retained for, and the nature/length of training opportunities (e.g. full apprenticeships rather than the minimum training required to do the job). It is important to recognise however that clauses specifying that employment and training must go to 'local' people cannot be contained within contracts.

City and County of Swansea

The City and County of Swansea have sought to effectively link the process of procurement to economic development and regeneration, particularly the Swansea 2020 Economic Regeneration Strategy. The strategy has a key commitment to tackling low levels of income and employment and sees the use of training and employment clauses and

the development of SMEs through procurement as key mechanisms in achieving this. Swansea are using a range of environmental, employment, training and skills clauses to enable maximum local benefit from regeneration and local economic development investment.

Glasgow City Council

Glasgow is experiencing significant investment into physical regeneration to the sum of £4 billion. The City Council is keen to ensure that this investment is twinned with opportunities for local people in the labour market. They have therefore introduced a targeted approach to contracting

to ensure maximum local economic and social benefit. They are therefore: including community benefits in evaluation criteria; using clauses in relation to employment and training; and using key performance indicators to ensure community benefits are being delivered.

- It is also important to ensure that procurement decisions with regard to community benefit clauses are strongly linked to planning policy and particularly with regard to Section 106 Agreements, where labour clauses need to be built into new construction developments

LB Greenwich Council³⁷

The London Borough of Greenwich has successfully incorporated local employment and training benefits into the majority of their development schemes through good joined up working between the Council's economic development and planning teams. Provision is made within the local plan to encourage developments that provide jobs that are suitable for local skills and offer opportunity to the disadvantaged groups; that encourage the expansion of training; and that increase the extent to which developments bring benefits to local communities.

As such, Greenwich Council requires prospective developers to abide by these provisions and endorse the activities of Greenwich Local Labour and Business (GLLaB). GLLaB is a Council-run agency that provides training and business support to the local community, offering supply-side activity that makes it possible for developers to translate local development schemes into benefits for local people. Developers are required to give notice to GLLaB of arising employment and training opportunities, provide monthly monitoring information, and pay a training sum to the Council.

Southampton City Council³⁸

In the West Quay retail development scheme (1995) worth over £5 million, Southampton City Council stipulated in the contract that the developer has to pay them £350,000 for the provision of vocational training facilities, equivalent to £3.62 per m². The rationale behind this clause was to enable local people to take up the many retail jobs created by the development; target this uptake at an inner city regeneration area with very high unemployment and ethnic minority population; reduce commuting and traffic

pollution into the area; and overcome previous failures to get local people into new employment opportunities that open up as a result of local development.

The result of this training provision was that 70% of the jobs created were taken up by people who had previously been unemployed. 11% of the recruits were from ethnic minority backgrounds, who make up only 5% of the City's population and suffer disproportionately from social exclusion.

- where a local authority has social obligations, such as an adherence to equality and diversity laws, it can legitimately pass these onto the contractor as part of the procurement process. Contracting authorities need to be aware of this and be able to exploit it where necessary. Contracting authorities may also wish to stipulate that suppliers must engage with neighbourhoods to ensure their needs are met. Where a specific skill might be deemed necessary, such as language skills and proficiency at English, these can be stipulated in the contract if an argument can be made that the skills are vital to enable the contractor to best serve the community;

Nottingham City Council³⁹

Nottingham developed a code of practice for construction workers that promotes good practice and addresses workforce issues. This includes implementation by employers of an equal opportunities policy; advertisement of job vacancies to local people, with

a clear recruitment process; in-employment training, particularly of those on government-funded social exclusion programmes; and inclusion of local sub-contractors on main contractors' approved lists, together with a fair opportunity for them to tender.

Consider environmental clauses

There are a range of environmental community benefit clauses which local authorities can utilise through procurement within the limits of EU Procurement Directives and UK policy. These include the following:

- local authorities can use clauses in tendering and contracting related to being environmentally efficient and effective. These include stipulating that suppliers must use: green energy; recycled materials in construction projects; and local or ethical products. Environmentally focused community benefit clauses can also ban the use of environmentally damaging or unethical products and processes. Similarly, local authorities may wish to include the cost of carbon emissions when carrying out cost-benefit analyses. There are increasingly litigations in European law where community benefits around the environment are concerned;

Antrim Borough Council⁴⁰

Upon the launch of the Department for Social Development's Fuel Poverty Strategy in May 2004, 31% of homes in Antrim were living in fuel poverty. A multi-action group developed in the authority sought to clarify who was experiencing fuel poverty and to bring some clarity to the term. Antrim Council, working in partnership with health professionals, used a Home Energy Officer to support local residents to bid for government grants to make

their homes more fuel efficient. Antrim Council worked with community leaders to gain access to communities to have discussions around income and poverty. Antrim Council has been proactive in supporting local economic and environmental change in supporting resident bids for grants and challenging the decision making of the wider scheme and Fuel Poverty Strategy.

LB Lewisham Council⁴¹

Lewisham Council specified within the contract to supply 80,000 boxes for household recycling, for the materials used to be recycled themselves. This was positive for the

environment and also helped to develop the market for recycled plastic.

- Local authorities and government departments, as identified in the example below, can also consider the environment in their own purchasing decisions (e.g. they may wish to get IT and electronic equipment without standby buttons, or printers that require personal pin codes before printing out jobs, thus ensuring print-outs are collected). Where applicable, taking a risk-based approach can enable prioritisation of actions through arguing that risks to the environment are just as important as other risks such as reputation and security of supply.

Department for Transport⁴²

Collaborative procurement for the supply of recycled paper by the DfT has saved 11,500 tonnes of paper since 2000 that would have otherwise gone to landfill. Used for

printing their publications and campaign material, the shift to recycled paper also led to savings being made on paper of 16%, in addition to the environmental benefits.

LB Newham Council⁴³

Newham developed an entirely paperless, electronic relationship with one of their leading suppliers. This reduced the absolute number of orders placed while increasing their total value from £250,000 to £280,000 per annum,

and reduced the error rate of over 10% to less than 1%. The amount of paper used by the authority was one sheet per transaction, as opposed to eight previously, and total transaction costs were greatly minimised.

NHS Purchasing and Supply Agency (PASA)⁴⁴

A packaging reduction initiative in the computer software supply chain led to CDs no longer being shipped in cases but in paper and envelopes instead. This resulted in an 80%

reduction in packaging weight, saving the suppliers money on postage and packaging costs and reducing the amount of material ultimately sent to landfill sites.

Public contracts should include environmental and sustainability considerations. The scale of the number of environmentally focused community benefit clauses negotiated suggests that it is easier to include environmental clauses than social clauses as these are more easily measurable and have tangible outcomes. Therefore combining the two (environmental and social) may be a good idea, or using environmental clauses intelligently to achieve positive social outcomes too.

Stage four: Increasing the uptake of public contracts by local suppliers

Smart procurement is not just about the process of procurement itself or the clauses contained within the contracts used. Indirect – but equally as important – benefits can

be yielded from working with local business and third sector organisations to encourage them to bid for public contracts and improve their chances of success in securing these. This can be conceptualised as the 'other side' of procurement – not only making the goods or services beneficial to local people and the environment, but increasing the amount of public money spent 'locally'. This will strengthen the local economy and provide more employment, training and prosperity for local workers and employers. APSE and CLES have further developed the LM3 model to assess the economic footprint of public services. The model provides key indications of the strengths of local supply and employee chains.

Supporting the local commercial and social economy to take up contracts is particularly important considering the rarity of using specific employment and training related clauses in contracts, as identified in the survey and is vital for maximising community benefits from procurement. While it is against both the EC Treaty and Procurement Directives and UK policy to preference suppliers simply because they are local, there are many measures that local authorities can take to increase the ability, capacity and propensity of local suppliers to bid for public contracts. These measures are outlined below:

- *build SME and third sector capacity*

Local authorities should build on their existing business support programmes to provide advice, training and support to local suppliers to increase their ability to successfully bid for public contracts. This might include advice on completion of tenders, loans to enable capacity to be increased, or information dissemination about the nature of the opportunities available and breaking down perceptions about taking on certain types of contracts. This process of capacity building is particularly important for voluntary and community sector organisations and social enterprise. There has been a drive by central government in recent years to move the third sector away from being a recipient of grants and more towards being a deliverer of contracts. This switch must be met however with procurement support which to date has not always been the case;

LB Haringey Council⁴⁵

As part of Haringey's supplier adoption strategy, their 'Local Works' project aims to assist local SMEs to become fit to compete for public contracts by breaking down the barriers to tendering and demystifying the tendering process.

Similarly 'Trade Local' in Haringey offers information about procurement opportunities, together with training and mentoring opportunities to local SMEs.

- *develop relationships with potential suppliers*

Prior to beginning the procurement process there are a number of activities local authorities can undertake to engage with and develop relationships with local suppliers. Local authorities may wish to hold 'Meet the Buyer' events, where local suppliers, council officers and partners are able to come together to discuss forthcoming procurement opportunities. This will improve relationships between suppliers and authorities, enabling them to gauge supply and demand and potentially adjust contracts accordingly. These meetings are important for local authorities as well as they enable them to understand the size, capacity and expertise of suppliers in the local area, and therefore who is capable of bidding for different contracts. Open supplier meetings also provide a forum for potential prime contractors and sub-contractors to get together, as well as find out more about the project. This could be a good way to improve relationships and discuss the possibilities of different contracting arrangements and partnerships when delivering contracts;

- *ensure cost-effectiveness in the tendering process*

The tendering process should be a simple one and something that should not cost too much for potential suppliers. Participation costs that come from putting in a tender should always be kept to a minimum particularly to encourage small businesses with

Wakefield Council⁴⁶

Wakefield Council developed a comprehensive supplier engagement programme to engage with local SMEs and voluntary and community organisations. This included holding a series of events to engage businesses, identify barriers and increase participation in bidding for public contracts, and working with a range of agencies to deliver the programme (e.g. Business Link, the Federation of Small

Businesses and the Social Enterprise Support Centre). 'Meet the Buyer' events attracted hundreds of businesses (750 to the 2006 event), where suppliers could explore potential business opportunities with council staff and sign up to the regional Supplier and Contract Management System (Yorkshire and Humber).

limited capacity to bid for contracts, and to reduce their losses if they are unsuccessful. The procurement process should therefore be appropriate to the size and complexity of the contract.

Where contracts have a low value, a Pre-Qualification Questionnaire (PQQ) may be used prior to submission of tenders. This would prevent any unsuitable candidates from going to the effort of bidding, costing them time and capacity, and ending in disappointment and a possible unwillingness to bid in the future. Local authorities should consider that companies new to public sector contracts may need longer to respond to requests for information than more experienced organisations. Authorities should take this into account in planning and be prepared for more requests for clarification.

Where social, economic and environmental outcomes are being sought through the tendering process, the documentation should outline the types of outcomes being sought and the reasoning behind selecting those outcomes thus allowing freedom for different approaches to be put forward by different suppliers;

- *make sure all contracts are attractive to all bidders*

There are a number of activities local authorities can undertake to ensure that the process around procurement makes it attractive to all organisations wishing to bid for a contract. Local authorities should set a realistic timetable for the procurement process and delivery of the contract. They should ensure this is clearly communicated to suppliers and keep them informed of any changes. This allows them to assess their involvement and the cost of bidding.

It should be clear from the outset what the supplier has to do in responding to the requirement, such as the types of information required in a PQQ. To increase their opportunity for success, potential suppliers should also be made aware of the evaluation criteria and the relative importance (weight) of these. This will enable them to focus on the most important aspects to the contracting authorities and also where community benefits are being sought, detailing their suitability.

As stated earlier, the advertising practices of local authorities, particularly with regard to sub-OJEU threshold contracts, is crucial to ensuring contract opportunities are attractive to local SMEs and third sector organisation to bid for. Contracts and procurement opportunities should be well-advertised to SMEs and third sector organisations as they may not have the capacity to spend a long time looking for contracts and have the knowledge about finding these;

The London Marketplace⁴⁷

Five London boroughs (Newham, Barnet, Lewisham, Redbridge and Tower Hamlets) and the GLA worked together to create the London Marketplace in 2002. Using technology provided by private sector partners, these authorities developed a traditional e-procurement system

and encouraged more innovative solutions to staffing, invoicing, purchasing and auctioning activities. This collaboration and development of new solutions led to savings of 40%-75% on the cost of items purchased, and 40%-80% on the time taken to process orders and make payments.

- *think about framework contracts and separate lots*

One of the core criticisms often cited by small local SMEs and third sector organisations of the procurement process is that they do not have the capacity to deliver against the size of the contracts required by the local authority. However, they may be

specialists in delivering part of the contract and therefore would be able to contribute greatly to achieving the overall outcomes. Local authorities should therefore consider developing framework contracts and subsequent smaller lots to enable smaller organisations to bid. This would increase the uptake of contracts by small and specialist private and third sector organisations, achieving the most amount of benefit to the local economy;

Northumberland County Council⁴⁸

When the contract for food supply worth £3 million came up for renewal in 2004, Northumberland Council took several measures to ensure community benefits were yielded from the procurement. Firstly, they actively generated market interest to broaden the supplier base to small and local

suppliers, and secondly, they split the contract into seven lots and allowed bidders to tender for any combination of these, over any geographical area. As a result, four of the seven lots were taken up by local SMEs, who were able to supply fresher, local produce.

Department for Work and Pensions⁴⁹

The DWP unbundled their stationery and computer consumables contract into four lots and tendered for these separately to encourage SMEs to bid. This was successful as

more SMEs took up contracts, and offered the DWP better Value for Money from specialist local suppliers.

• *ensure SMEs and third sector organisations are provided with feedback*

For small organisations an important element of the procurement process is in understanding why they have been unsuccessful in securing a contract. As it is a requirement under the EC Treaty and Procurement Directives to provide feedback, local authorities must pay attention to providing adequate feedback that will be helpful to suppliers in the future. This should always be given if requested, even for contracts below the EU threshold. Local authorities should bear in mind that SMEs unfamiliar with the public sector may not know they are entitled to feedback so it is a good idea to let them know it is available as part of the tendering process.

Feedback should be as helpful as possible, though without giving any details of competing bids, as this will help the suppliers in future bids and instill confidence that the selection process was fair and criteria was adhered to, thus increasing suppliers' likelihood to tender for future contracts. Poor quality or non-existent feedback can reinforce a misconception common amongst suppliers that the public sector selects its suppliers on the basis of lowest cost, and not necessarily Value for Money considerations;

• *ensure flexibility in payments*

Many smaller companies have to be careful when managing their cashflow. Contracting authorities therefore need to consider whether staged or interim payments are appropriate and be flexible in their negotiations to meet supplier needs. This flexibility over payment should form part of the tendering process to ensure that contracts are appealing to small organisations.

The public sector is obliged to pay suppliers within 30 days of receiving a valid invoice. This has however been reduced to 10 days by central government departments and many local authorities in light of the recession, thus enabling many small businesses to remain solvent in difficult times. Local authorities should consider whether advance payments could be used. There are some circumstances when these can be offered to voluntary and community organisations to make their cashflow viable under strain.

Sandwell Metropolitan Borough Council

Sandwell Metropolitan Borough Council has undertaken a range of procurement activities designed to enable local businesses and the local economy to take advantage of the regeneration investment being implemented in the authority. They have made a concerted effort to involve lo-

cal businesses in delivering projects such as a new college. Specific local supply chain development activities include: an online trading network; networking events for local suppliers; local labour clauses; and development of a Best Value calculator for making tendering decisions.

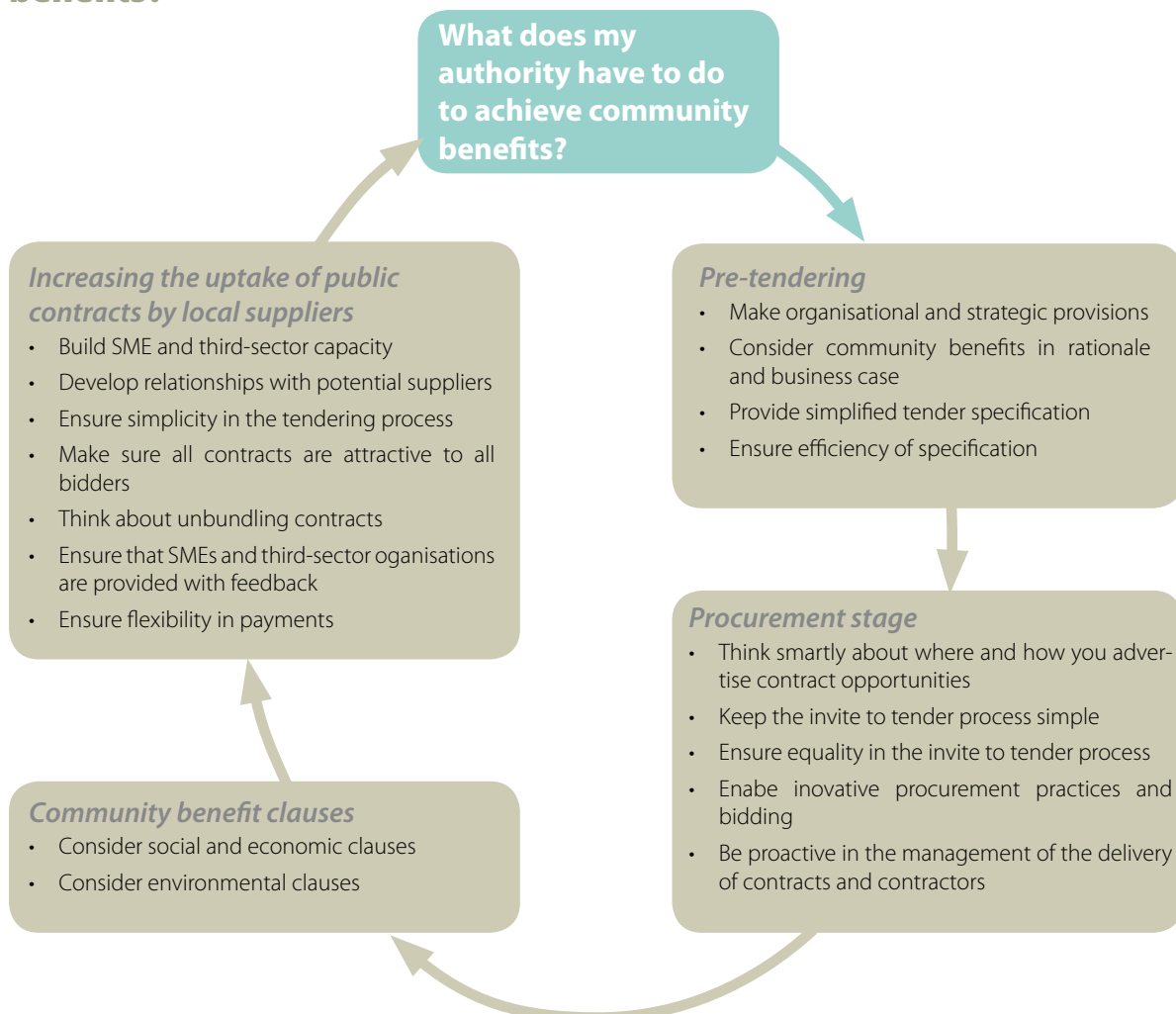
Section four: Success factors in achieving community benefits

Section two of this research paper outlined the considerable barriers that local authorities face when it comes to achieving community benefits through public procurement and section three discussed possible ways to address obstacles. Section three examined ways of addressing these obstacles. This section looks at ways of working pro-actively to achieve community benefits through sustainable procurement.

A pro-active approach

There are a range of opportunities at each of the stages of the procurement cycle, from pre-tendering right through to contract delivery, for local authorities to consider tailoring processes in order to facilitate community benefits. A significant element of enabling community benefits is through smarter working with the local supply chain. Better engagement with SMEs and third sector organisations, better advertising of sub-OJEU threshold contract opportunities, and the unbundling of contracts can all be viewed as quantifiable and qualifiable measures to yield benefits from the process of procurement in social, economic and environmental terms. Figure 2 provides a schematic summary of the guidance provided by this report, for local authorities to consider when seeking to achieve community benefits through procurement.

Fig 2: What does my authority have to do to achieve community benefits?



Analysis of best practice case studies

During the research for this guide, we examined best practice in detail in five case study authorities to determine common factors associated with success.

A summary of key actions in these authorities is as follows:

Staffordshire County Council

Background

Staffordshire County Council has a significant procurement budget, spending £380 million and placing 400,000 purchase orders per annum. However, a tense supplier-client relationship and the need to procure both more efficiently and effectively drove the council to re-think its procurement processes, contracts and relationships. The council realised the importance of making the tendering process commensurate with the award (i.e. a less rigorous process for lower value and lower risk contracts than for high value and/or high risk contracts).

Activities to achieve community benefits:

A tender toolkit has been put in place to ensure that tendering occurs in a proportionate way, thereby increasing efficiency for both suppliers and the Council, and preventing suppliers from being deterred by long, bureaucratic processes.

The insurance requirements the council stipulates from suppliers have been revised to ensure they are commensurate with each contract.

Proof of financial standing is only required for high risk contracts or where payment is being made in advance.

Tenderers are asked to 'opt in' to questions, so that all the information being submitted is relevant and reams of unnecessary information is avoided.

Pre-Qualification Questionnaires have been standardised so tenderers do not have to fill them in over and over again.

Standardised, simplified contracts and terms and conditions have been introduced, which saves costs on lawyers redrafting. °

On-line guidance on the authority website to assist suppliers in bidding for and winning contracts.

E-tendering has generated savings of over £700,000 over three years.

Lengthening contracts to guarantee the suppliers an income for a given amount of time, thereby ensuring they can recoup at least some of the initial costs.

Overcoming risk aversion was key as the authority was not put off by the barrier of the EC Treaty and Procurement Directives in their procurement restructure and was not afraid to actively use contracts to benefit local suppliers and residents. Carefully considering the length, timing and nature of tenders and using contract clauses has allowed the level of uptake by local suppliers to be increased and provide all-round better services.

Timing of contract delivery means proactively put caveats into some contracts to make it easier for local firms to win bids (e.g. in a contract to supply fresh fruit and vegetables for the council, the tender specified that they must be delivered within a particular delivery window in the morning).

Pre-tender workshops for local suppliers.

Sub-letting of contracts by large suppliers to local small suppliers has been encouraged.

Purchasing cards and payment by BACS have been introduced that can be used in lieu of cash and ensures that suppliers are paid within four days and a BACS system now sees 95% of suppliers being paid immediately in this way which aids their cashflow.

Outcomes

A total of 36% of spend is now within the local area; 59% of spend goes to SMEs; and 21% goes to companies started since 2000. This restructure of approach has also generated an estimated £10 million of savings since 2004.

City and County of Swansea

Background

The 'Beyond Bricks and Mortar' initiative is currently being developed by the City and County of Swansea following the implementation of the Swansea 2020 Economic Regeneration Strategy. Its aims are to address the issues of deprivation in Swansea linked to low income and low levels of employment, particularly through bringing economically inactive people back into the labour market and developing progression routes to enable these people to move on to higher skilled, higher paid jobs.

Specifically, the project is designed to add value to the delivery of physical regeneration projects in Swansea. It represents a holistic approach to regeneration by enabling Swansea's and the wider region's communities to benefit from ongoing physical regeneration, thus meeting the Council's primary aims of tackling deprivation through economic intervention

Activities to achieve community benefits:

Brokerage between training organisations and local suppliers meant that, in addition to its internal training and projects, Swansea work in collaboration with local training organisations to place local trainees into employment with companies that are delivering the Council's contracts.

Targeted recruitment and training clauses will ensure that contractors recruit, train and retain not just local people, but local people who have previously been economically inactive.

Encouraging contractors to use local SMEs with Swansea's dedicated Business Centre, which provides general support to local businesses working in collaboration with the council's procurement department to develop a database of relevant suppliers and actively matching contractors with local firms.

Developing a supplier Charter will enable suppliers who win contracts with the Council to sign up to the principles and aims of the 'Beyond Bricks and Mortar' initiative. This will formalise the information available and dialogue between small suppliers, large contractors and training organisations in the area.

Use of environmental clauses in addition to those relating to training and employment, will enable stipulations such as onsite recycling to reduce the landfill burden, enhancement of the local area and landscaping, and investment into energy efficient processes.

Variable use of other social benefits clauses where applicable, potentially around recruitment of local residents, apprenticeships for young residents, or development of a play area, space for a community run crèche, or similar is a council commitment.

Monitoring is used to ensure that community benefit clauses are being met satisfactorily

Sustainable risk assessment examines contract content in terms of risk and sustainability, including focusing on any clauses that have been included. All departments of the Council have to go through this process to ensure that clauses are being used sensibly, thus giving confidence to put them into contracts

Ensuring community benefit clause decisions are legally sound in Swansea means it is decided early in the life of a development project whether it will be suitable to incorporate community benefit clauses into the contract, and then these are subject to a Sustainability Risk Assessment to ensure that they are appropriate and legal.

Outcomes

The outcomes of many of these interventions are yet to be quantified as this project still in development. However, the 'Beyond Bricks and Mortar' initiative in its current form takes a proactive approach to yielding the most from procurement and contracting/sub-contracting opportunities for local businesses. Several pilot regeneration projects have already been conducted in Swansea into which the principles of the initiative have been incorporated (e.g. the 'Beyond Bricks and Mortar' initiative has been instrumental in ensuring social benefit clauses were used in the ongoing Quadrant Interchange project as part of the contractor's brief). The contractor is now obliged to take on trainees and offer work placements, and also to make opportunities available to some small local businesses to bid for sub-contracts. Following suit, the principles of the initiative are shortly to be integrated into the procurement process for Swansea Council's Corporate Building Services – the in-house building organisation – and its related supply chain. This will allow a further extension to its training and apprentice programme.

South Gloucestershire

Background

South Gloucestershire Council has recently (2009) undertaken a procurement exercise, designed to restructure: how the authority engages with its supply chain; the process of how it tenders for and awards contracts; and how it considers community benefits. The procurement exercise is being led by the Highways and Street Care service area but the outcomes of the exercise are expected to be implemented across all council procurement decision making processes.

Activities to achieve community benefits:

A market testing exercise enabled the council to re-consider its preferred model of procurement to include three core packages of single contracts and eighteen frameworks. Package 1 includes services around: surfacing; white lining; slurry sealing; and specialist services. Package 2 includes services around: traffic management; and sign manufacturing. Package 3 includes services around: surface dressing; binder supply and application.

Engagement of all suppliers was possible as suppliers were given the chance to critique the preferred model of procurement and adaptations were made accordingly.

Designing effective frameworks – South Gloucestershire Council has used the procurement exercise to redesign Pre-Qualification Questionnaires and tender documents. The new procurement model has enabled a far more effective consideration of quality of price in the procurement process, and through the splitting down of contracts into frameworks, a greater opportunity for local firms to deliver services.

Considering both cost and quality enables South Gloucestershire to demonstrate 'true' Value for Money in service delivery and puts off organisations tendering for contracts solely because they feel they can deliver it cheaply.

Considering sub-OJEU lots for contracts with an annual value below the OJEU advertising threshold is important for local suppliers and SMEs who are much more likely to access opportunities if they are advertised locally as opposed to the pan-national level.

Designing straightforward PQQs and tender documents encourages local organisations, SMEs and social enterprise to put in PQQs for the framework contracts.

Reflecting community benefit considerations in the tender criteria means tenders are assessed to reflect community benefit considerations around: serviceability; partnership; sustainability; and environment.

Linking procurement to core strategy enables objectives around supporting the local economy and the environmental agenda to be reflected.

Promoting long term relationships: In the design of the frameworks, South

Gloucestershire has thought about the long term when it comes to contract length. The three packages will be contracted for a term of 5-7 years and the frameworks for a maximum period of 4 years. This longevity of contract encourages positive relations between local authority and contractor and also contributes to the sustainability of suppliers, particularly where they are local organisations.

Having a clear strategy in place from the outset has enabled strategic buy-in has come from both lead officers and elected members. The procurement exercise is embedded in the objectives of wider local policy and strategy.

Using core in-house capacity to shape procurement has been a key to the council's approach. South Gloucestershire Council view procurement as an exercise that enables organisations to tender for activities that the authority does not have the direct skills to deliver in-house. This is reflected in the market testing and framework development activities which are very focused upon contracts that are specialist in their nature.

Outcomes

The approach adopted has led to a clear strategy and an effectively model, as shown in Figure 2 below, which engages with suppliers and links to core objectives in the council and has senior officer and elected member buy-in.

Sandwell Metropolitan Borough Council

Background

Sandwell has the highest unemployment rate in the West Midlands, with the economy being primarily focused around the manufacturing, construction and retail industries. In response, the borough is undertaking a huge programme of regeneration to change the face of the local economy, particularly focused around the renewal of West Bromwich. Regeneration projects in the area include: development of the largest Tesco in Europe; a new retail park; a new leisure park; a public arts centre; £77m for a new college; £88m for 14 new health centres; a new Police headquarters; new social housing; a residential care village; and improvements to the transport infrastructure. In the context of this massive investment, Sandwell has made a concerted effort to involve as many local businesses as possible in delivering these projects through a range of measures, therefore supporting the local economy and reducing the high levels of worklessness that exist amongst the 300,000 population.

Activities to achieve community benefits:

An online trading network encourages people to buy and supply locally. is an interactive business website with a 3,600-strong membership database and an average 18,000 hits a month to date. The website www.finditinsandwell.co.uk is used to: advertise council contracts; make them more accessible and transparent; de-mystify the tendering; highlight good news stories; learn what Sandwell business owners want from the council's support services; and organise 'Meet the Buyer' events.

Encouraging contractors to sub-contract locally means there are obligations placed on both contractors and regeneration partners to advertise on www.finditinsandwell.co.uk using the portal to source potential suppliers and, to date, 30 large firms have signed the Sandwell Procurement Pledge to source their goods and services locally.

Capacity building with local suppliers includes upskilling local businesses through workshops on tendering and completing PQOs; holding marketing masterclasses to enable local suppliers with their sales and marketing activity.

Getting local people into local jobs using 'Think Local' initiative is a database of unemployed people who live within the borough means that When contracts are awarded by the council, successful bidders are supplied with a list of appropriate candidates from the database for taking up the jobs created.

A 'Best Value' calculator is being developed to create 'Best Value' software to score prospective bidders against a set of questions based on the Procurement Board's critical success factors, which includes the retention of wealth, and appreciates fur-

ther demonstration of innovation; estimated mileage travelled by their employees and their supply chain's employees to service the contract; commitment to use local sub-contractors to reduce carbon miles of people and products needed to service the contract; and willingness to undertake local carbon off-setting projects.

Achieving a cross-council approach through implementation of new purchasing procedure rules and working with the Chartered Institute of Purchasing and Supply (CIPS) to raise awareness and skills amongst procurement staff for developing local supply chains.

Outcomes

Following £15,000 research and development costs funded by Sandwell Council, www.finditinsandwell.co.uk has more than 3,600 registered business users (over a third of the borough's business community) and has seen over £300 million of business opportunities posted on the site. The website is becoming ever more interactive and giving businesses more ways to showcase their products and services. Sandwell has now been nationally recognised, including by the Municipal Journal, as an example of good practice in achieving community benefits through procurement. Sandwell has had endorsement from the local business community and been approached by other councils to provide consultancy advice so that they may replicate these methods in their own localities.

Glasgow City Council

Background

Glasgow is experiencing substantial ongoing investment into physical regeneration within the area, with over £4 billion of investment going into a range of large scale schemes that are underway or planned, including towards hosting the Commonwealth Games 2014. The City Council is keen to use this investment into infrastructure and the Games to achieve community benefits, particularly local jobs that are sustained into the future. To do this, the it has introduced a targeted approach to achieving community benefits from the procurement process. This is based primarily on the use of community benefit clauses and ensuring that these clauses and their intended outcomes are enforced.

Activities to achieve community benefits:

Use of community benefit clauses particularly focusing on achieving targeted recruitment and training through public contracts has been proactively promoted. Tackling economic exclusion is seen by Glasgow as the key to addressing a number of serious social issues that affect the City, including poor health outcomes and high crime rates. Incorporated into the full range of Commonwealth Games and related projects, the proposed community benefit clauses would place caveats on suppliers to secure: the recruitment and training of individuals from the City Strategy Priority Groups and school leavers; measures to structure and publicise procurement opportunities to benefit local businesses, including the advertising of sub-contracts on a dedicated procurement portal <http://www.glasgow2014.com/businessportal>;

Inclusion of community benefits in evaluation criteria makes it clear during the advertising stage, in PQOs and throughout the tendering process, that consideration of community benefits will be part of the tender evaluation scoring system and award thereafter. Moving away from the traditional focus on Value for Money and price, a total of 10% of the overall evaluation criteria will relate to community benefits.

Key Performance Indicators for targeted recruitment and training such as a minimum of 10% of total labour required to deliver the project to be delivered by apprentices.

A Supplier development programme in addition to this use of community benefit clauses and evaluation criteria.

Outcomes

- The target outcomes of these measures towards achieving sustainable procurement, (currently being finalised), include: inclusion of community benefit criteria in all new contracts; increasing the number of city residents of working age who are active in the labour market; ensuring that the majority of opportunities are accessible to Glasgow's residents from areas of disadvantage; delivering additional modern apprenticeships;
- Increasing level of spend and re-spend in communities where major infrastructure works are located or impacted; and making contracts accessible to local SMEs and social enterprises by breaking large contracts down or encouraging consortiums.

Case study contacts

Many thanks to the authorities and officers who provided information for our case studies.

- For further information on the Staffordshire case study, please contact Ian Simpson, Head of Staffordshire Procurement and AD of Finance, ian.simpson@staffordshire.gov.uk or 01785 854640.
- For more information on the Swansea case study, please contact Sue Woodward, Strategy Development Officer, sue.Woodward@swansea.gov.uk or 01792 545055.
- For further information on the South Gloucestershire case study, please contact Owen Jenkins, Highways Maintenance Manager, owen.jenkins@southglos.gov.uk, 01454 863910.
- For further information on the Sandwell case study, please contact Steve Massey, Purchasing Co-Ordinator, stephen-massey@sandwell.gov.uk or 0121 569 2105.
- For further information on the Glasgow case study, please contact Mike McNally, Community Benefits Programme Manager on michael.mcnally@glasgow.gov.uk or 0141 287 6065.

A best practice checklist

A number of lessons emerge from the different approaches taken by our good practice case study authorities that can be considered critical conditions for successfully achieving community benefits through public procurement. The can be summarised as follows:

Robust engagement and building strong relationships with suppliers

This was the most common approach to achieving community benefits, reported in all five of our case study local authorities. This gives suppliers the confidence and capacity to bid and helps make contracts more accessible and deliverable by local suppliers. For example, pre-tendering workshops and networking were part of the approaches of Staffordshire and Sandwell, while South Gloucestershire undertook market testing to gauge contractor satisfaction. Swansea actively engaged with employers and training organisations. Glasgow and Staffordshire used technology to make it easier for suppliers to bid, while Sandwell developed an online trading network.

Strong leadership and political support from the outset

Nearly all of our case studies reported that strong leadership from officers and councillors was vital for re-thinking their approaches to procurement and implementing innovative measures. For example, Sandwell reported full Cabinet support of its approach and Glasgow had the backing of the Council. Staffordshire saw strong leadership through a Procurement Board chaired by the leader and including senior officers and South Gloucestershire gained strategic buy-in and vision from the outset by officers and members alike.

Overcoming risk aversion and cultural barriers

As procurement has traditionally been an area of minimal flexibility and adherence to rules and regulations, a risk-averse culture has become deep rooted in many councils. The authorities that have had the most success achieving community benefits are those that have re-thought their approach and endeavoured to implement innovative measures. For example, Swansea and Glasgow Councils embraced the use of community benefit clauses with the former focusing primarily on environmental clauses and the latter on employment and training clauses. Staffordshire undertook a number of innovative measures, including specifications around time delivery and use of training clauses.

Taking a flexible approach to the procurement process

– and tailoring the different stages to make it easier for suppliers to bid for and win contracts (e.g. Staffordshire has standardised their PQQ, contracts and terms and conditions into one document to reduce the resources needed in tendering and increase clarity, as has South Gloucestershire);

Considering community benefits in tender criteria

– as reflected in the adapted weightings systems of both Glasgow and South Gloucestershire's tender evaluations, and in Sandwell's use of a 'Best Value' calculator for scoring bidders;

Ensuring enforcement of community benefit clauses

– once contracts have been awarded (e.g. Glasgow have developed a suite of Key Performance Indicators (KPIs) to monitor performance post-award and Swansea have engaged with training organisations to make sure training clauses are being met);

Actively encouraging contractors to utilise local suppliers post-award

as their sub-contractors (e.g. Swansea has developed a database for contractors to use to find local firms for sub-contracting, and Sandwell have encouraged this through both their procurement website and supplier events);

Ensuring clauses included within contracts are legal

– such as in Swansea, where contracts are subject to a Sustainability Risk Assessment.

Upskilling staff

– to improve ability and think more creatively about sustainable procurement (e.g. both Staffordshire and Sandwell Councils have rolled out accredited training within their authorities).



Conclusion

At the start of this report, we raised a number of questions. We have attempted to explore these issues during the course of our guidance on using procurement to achieve community benefits and our conclusions can be summarised as follows:

How can EU Procurement Directives and the wider welfare of localities be effectively balanced?

We have shown through this work that EU Procurement Directives and the wider welfare of localities can be effectively balanced through undertaking a range of activities around community benefit clauses and the procurement process that do not violate either law or policy, and complement this with supply side activity to maximise the extent of local businesses' and workers' receipt of public expenditure.

Can efficiency and cost savings be twinned and reconciled with sustainability?

We have shown that efficiency and cost saving can be reconciled with sustainability, identifying where efficiencies can be achieved through use of small scale, local suppliers that use local workers, and that economies of scale might not actually offer the best whole life value.

Does sustainability through procurement have to cost more than standard delivery of contracts?

We have shown that sustainability through procurement does not have to cost more than standard delivery of contracts, because the social, economic and environmental benefits yielded are all returns on the investment made in the procurement (e.g. local employment and training clauses may require more resources to fund but will ultimately make local people more economically productive and stop many being reliant on state benefits). Also, environmental clauses may save the local authority from investing money later on to undo the damage of pollution, erosion, etc.

Does Value for Money policy have cost as the primary criteria?

We have shown that Value for Money policy does not necessarily have to have cost as the primary criteria; it is far more meaningful to consider value in terms of whole life costs and preventing social, economic and environmental failings that the public purse would have to pay for if they failed, rather than simply the initial outlay of money.

Are non-cashable community benefits of value and how do we measure these?

We have shown that, while the perception that community benefits drive up costs does endure, numerous examples exist where authorities are seeing the value of non-cashable community benefits and acting to encourage the inclusion of these in the outcomes of their procurement contracts. How these non-cashable benefits are measured remains a difficulty, but we encourage this to be increasingly included in local authority performance management systems and Local Area Agreements.

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