

EQUALITY AND EQUITY THROUGH PROGRESSIVE PUBLIC-SECTOR SPENDING

NEIL MCINROY, CENTRE FOR
LOCAL ECONOMIC STRATEGIES (CLES)

CREATING OPPORTUNITY
WORLDWIDE

Connecting the UK to the world and the world to the UK, the British Council is the United Kingdom's international cultural-relations body. Our activities – whether in the arts, English, education or society – nurture greater trust and understanding between the UK and the rest of the world. Our work gives people – both in Britain and across the 100-plus countries we work in – opportunities to learn, share and connect worldwide. We are committed to equal opportunities and diversity.

THE EQUALITY EXCHANGE THINK PIECES

This is one of several essays written for **Equality Exchange**, a new forum for exchanging ideas, inspiration and skills relating to how public services can contribute to fairer, more inclusive and more equal societies. Equality Exchange was established by the British Council and takes place in the UK and four Nordic countries. Read more about the initiative and download this and other essays here: www.britishcouncil.org/denmark-projects-equality-exchange.htm

NEIL MCINROY

CENTRE FOR LOCAL ECONOMIC STRATEGIES

Neil is CEO of CLES (www.cles.org.uk), the UK's leading independent charitable research organisation, with a focus on local economies and development. Neil is regularly asked to speak and lecture within the UK, Europe and internationally. He has a regular column in *New Start Magazine*, and is a frequent blogger on the Local Government Chronicle pages. He is an Honorary Senior Fellow at the University of Manchester, and on the editorial board of the journal *Local Economy*. He was named one of the UK's leading economic drivers in 2011.



INTRODUCTION

Public-sector innovation in an era of public-sector austerity is often marked by efficiency savings. However, we must also consider the greater prize, where we innovate and make inroads into reducing or eliminating demand on public services in the first place, while advancing even greater levels of equality and equity.

Public services deliver things directly, like schools and parks. However, they also buy things like school desks and grass-cutting machinery. This buying of goods and services and how they are 'bent' and 'sweated' in ways that advance local equity and equality is of central concern here. Indeed, it could be argued that this is fundamental – where the consideration is on public-sector efficiencies and wider effectiveness – an effectiveness that gains greater equality and equity from increasingly scarce public resources.

A public service may well be innovative in terms of how it delivers a particular service, but a fundamental additional aim is how we create wider and deeper benefits to communities and local people through secondary social and commercial services' supply-chain activities. Above all, this public spend within the wider suppliers should be made virtuous, encouraging innovation in supplier delivery models and supporting local economies and deprived communities through jobs and advancing fairness.

The Centre for Local Economic Strategies (CLES) has been working over the past five years on how public goods and services are commissioned and bought. We believe the process of how the public sector spends its money on goods and services (procurement) is the key to economic and social change and innovations in public services. We believe that through a creative shift in the process of public procurement policy and practice at the local level, real social change can be enabled by helping small and local businesses to grow and therefore create jobs. In times of austerity, we believe procurement is a key means for innovation in public services.

In this think-piece, we therefore explore how public procurement can be used for innovation in public services and how it can initiate economic and social change and more importantly, equality and equity in service provision.

THE FRUSTRATIONS AROUND PROCUREMENT

The purpose of any purchasing of goods and services for the public sector through a procurement process must be simply to buy and commission things like desks, grass-cutting machines, catering or Information Communications Technology (ICT) support. However, this simple act of purchasing should also give consideration to who is providing it and how a service is provided. Through this, it is possible to advance equality and fairness further by buying these goods and services from suppliers who are also advancing these progressive innovative aims. However, all too often this potential for innovation is hampered by three key barriers.

Firstly, **the lack of understanding of the benefits of public-sector spend in local places.** For example, the UK government spends some £270 billion each year on procuring goods and services; to put this into perspective, this is a third of all governmental expenditure, with local government spending around £80 billion. However, the impact of this spend, and how it works through the supply chain, is often ignored. Questions of efficiencies take precedence, and all too often the cheapest price is the driving force, not the wider impact on increasing equality and equity. For us it is clear that we can't just think about innovation around equity and equality in the initial direct delivery of public services, we should also be thinking about the things which are bought, and how they act and impact on local people and communities and the extent to which innovation is stimulated via this spend.

Secondly, **the often perceived barriers around procurement.** We feel that there is a mindset or culture within local government that prevents innovation and reduces the potential benefit of procurement for economies and communities. While national and European Procurement Law is obviously the framework within which procurements take place, we feel that some authorities are overly mindful and hampered by it, thus stifling innovation. We must confute some of these myths and alter the culture of local authority procurement officers and how public services buy goods and services.

Thirdly, **the apparent lack of a link between procurement spend and local economic development.** Procurement spend could be used far more effectively and creatively to tackle economic and social issues if this purchasing of services and goods from local businesses could reduce unemployment, and therefore increase individual wellbeing. Subsequently, there could be a reduction in demand on welfare spending or social services. This in turn could reduce demand on public-service resources. Therefore, procurement could be used to develop the capacity of small businesses and the voluntary and community sectors, assist in local job creation, and be used to achieve wider local authority objectives. We therefore need to think through how local authorities could maximise economic and social benefit through procurement.

INNOVATION AND THE POWER OF PUBLIC PROCUREMENT

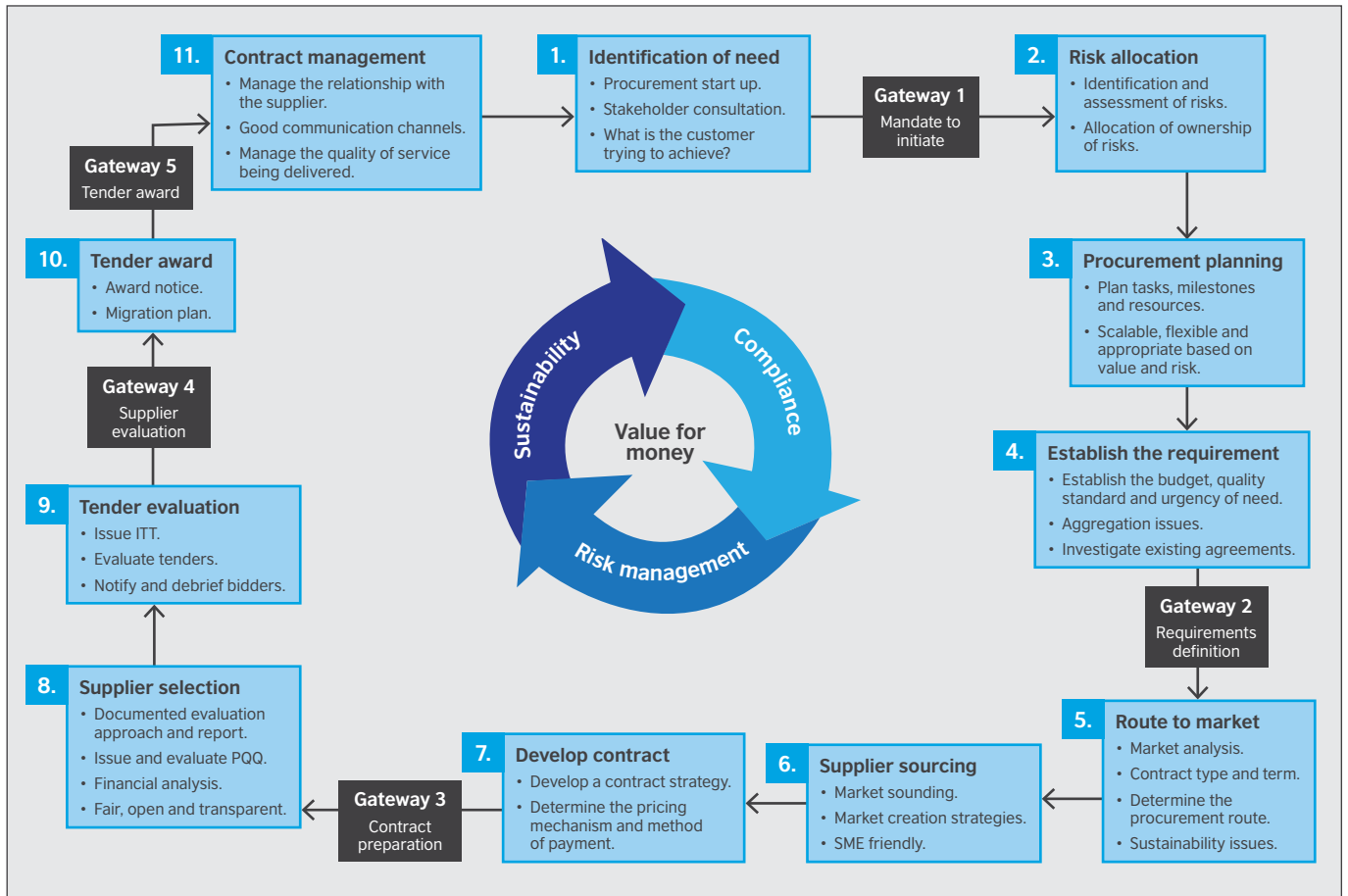
To address these barriers to innovation in procurement, we have worked with a local authority to understand where purchasing spend had been going, and also to influence internal public service behaviour when it came to procurement policy and external behaviour when it came to supplier ethos towards the local economy and the questions of equality and equity. Manchester City Council, since 2009, has been our testing ground¹. This work has now been nationally recognised, through Manchester City Council's recent England Cabinet Office award as the 'best council to do business with'².

1. CLES (2010), *The Power of Procurement*. CLES, Manchester UK. www.cles.org.uk/wp-content/uploads/2011/01/The-power-of-procurement.pdf

2. www.gov.uk/government/speeches/best-councils-to-do-business-with-awards

AN INNOVATION CYCLE

Figure 1: Procurement Generic Model Version: 1.2



The premise behind innovation in procurement is that it is a cycle: we should not be thinking simply about the process of awarding a contract but the active consideration of the value procurement could bring, from the identification of need at the initial stage, through to the completion of the contract. This cycle means there is a need for real local engagement with the potential and actual supply chain. This ability to see procurement as a cycle serves to ensure that there is a balanced consideration of social, environmental and economic impacts and that employees, contractors and suppliers are more aware of the public sector’s commitment to long-term issues as regards equality and equity.

A CROSS-DEPARTMENTAL INNOVATIVE PROCUREMENT WORKING GROUP

A key element to ingraining this innovation ethos in procurement is to break down department isolation in terms of the goods and services it purchases. This means that a single department does not make a buying decision in terms of its own priorities, but in terms of the wider local authority, which should include considerations around equality and equity. This can be achieved through the setting up of a cross-departmental network. Cross-departmental networks ensure that key equality and equity questions are continuously considered once a decision has been made to commission a service. In the case of economic development, they can also twin service delivery activities to employment programmes and apprenticeship schemes, and signpost core contractors to local sub-contractors.

In Manchester, CLES with Manchester City Council developed a cross-departmental procurement working group. The group in Manchester consists of senior officers from various internal departments. They meet on a quarterly basis and seek to identify ways in which procurement spend could be innovative in tackling equality and equity issues.

REDUCING BUREAUCRACY

One of the biggest barriers preventing local and particularly small organisations from bidding for contract opportunities, and thus advancing equality and equity, is an (often fair) perception that the process is too complex and bureaucratic. However, authorities can overcome this in line with European legislation and the standardisation of tender documents advocated by the UK government by:

- standardising Pre-bid Qualification Questions (PQQ) and Invitations to Tender (ITT)
- simplifying the requirements of PQQs and ITTs
- streamlining assessment criteria
- removing PQQ requirements altogether for lower-value contracts, allowing smaller local and perhaps more equality- and equity-minded organisations to bid.

Authorities can also develop a range of online activities that raise awareness of upcoming tender opportunities among the local business base, Small and Medium Enterprises (SME) and the voluntary and community sectors. These can include online portals, which provide alerts to relevant contract opportunities and a means of uploading tender documents, and guides that explain to small organisations what is expected in the tender process.

APPRENTICESHIPS, LABOUR AND SOCIAL CLAUSES

Authorities can also stipulate in tender documentation the requirement for contractors to add value for communities beyond service delivery. In capital- and construction-type projects, this could include a requirement to create apprenticeships for every £1 million spent, or a desire to create jobs for those who are unemployed. In more revenue-focused services, it could include wider social benefits such as community work. Such stipulations or clauses form part of the contract management for the innovation cycle.

SUPPLIER NETWORKS

While economic and social clauses are useful means of delivering wider benefit aspirations, particularly in relation to construction contracts, informal relationships and voluntary arrangements between local authorities and suppliers are equally important. These are simple and have no legal barriers. In these networks, authorities can merely seek to influence the activities of suppliers by promoting the importance of equality and equity with regard to say, local economic issues, such as business sustainability, youth unemployment or worklessness, with the expectation that the supply chain will voluntarily respond. Responses could include informal commitments to use local business in any sub-contracting (particularly beneficial where a prime contractor might be from outside the locality) or a commitment to create jobs for people from neighbourhoods with high levels of worklessness.

For instance, Manchester City Council has set up a supplier network. This network has ensured a continuous relationship between the council and suppliers. In a traditional procurement process, goods and services have gone out to tender and subsequently suppliers have delivered the required service. The supplier network enables a deeper relationship to develop where authorities influence the behaviour of suppliers by informing them of corporate priorities and wider expectations around equality and equity. Supplier networks, in turn, can enable suppliers to challenge the bureaucracy of the procurement process.

In Manchester, the network consisted of local authority officers and a sample of suppliers. The network had a dual purpose of addressing any challenges suppliers had with the procurement process, and – importantly – influencing suppliers to bring about greater impact for the Manchester economy and residents. The supplier network has discussed barriers in the procurement process, tackling worklessness, apprenticeships and environmental management. This is an informal means of raising supplier awareness of questions of equity and equality, and thus creating a context in which these issues are seen and recognised as important, thus affecting the way the suppliers bid for contracts.

MAXIMISING EQUITY AND EQUALITY THROUGH PROGRESSIVE PROCUREMENT

The above considerations can and have been shown to deliver significant equality and equity benefits, through jobs, skills, business development and localising supply chains. It is clear from this work that progressive procurement policies that are receptive to and considerate of local equality and equity can have a number of advantages:

- using a local supplier can lead to employment opportunities and job creation, as well as sustain existing jobs
- unemployment, worklessness and deprivation are inextricably linked, meaning that job creation through procurement processes can tackle the cycle of deprivation
- using a local supplier can have benefits for the wider supply chain, potentially supporting the creation of new businesses within communities
- employees and suppliers of organisations procured to deliver services will spend money within local economies in shops and upon suppliers of their own
- progressive procurement can advance a consciousness that equality and equity questions matter in service provision.

LOCAL SPEND

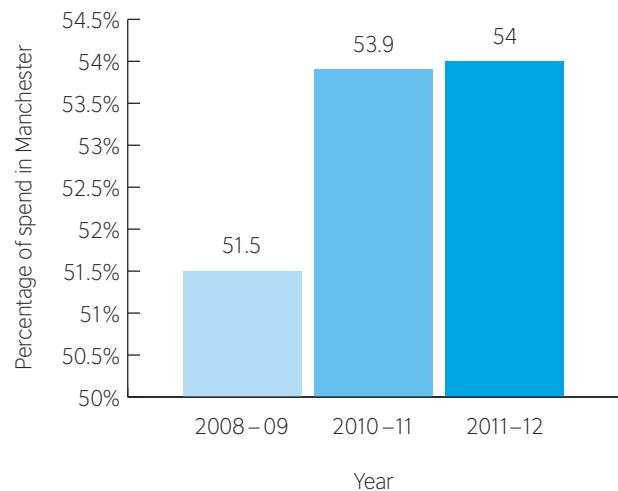
Authorities can continuously seek to identify the impact their procurement spend brings for their locality through spend analysis and contract monitoring. Through analysis of where suppliers are located, they can identify the extent to which spend is with suppliers based in or has a branch within their particular local authority boundary; and pinpoint spend in particular wards and areas of deprivation. Through contract monitoring, authorities can identify the extent to which suppliers re-spend in the local economy on local suppliers and employees of their own, and the extent to which they are adding value to wider local priorities and outcomes.

Figure 1 shows findings of local spend in Manchester. Initial findings in 2009 were fairly positive and showed that 51.5 per cent of the city council’s spend of £357 million with its top 300 suppliers was with organisations based in or with a branch within the Manchester City Council boundary. However, this had increased to 54 per cent by 2011–12. This represents around £432 million.

In addition, there has been a significant ripple effect of this spend. In 2008–09 suppliers re-spent 25 pence in every £1 received back into the Manchester economy via local employees and their own local suppliers, with 75 pence leaving the area. However, by 2011–12, this figure had increased to 47 pence, with only 53 pence in every pound spent leaving the economy.

Furthermore, the number of Manchester employees, employed by suppliers that related to the public-sector spend in Manchester amounted to 5,225 jobs, some of whom lived in the most deprived locations of the city.

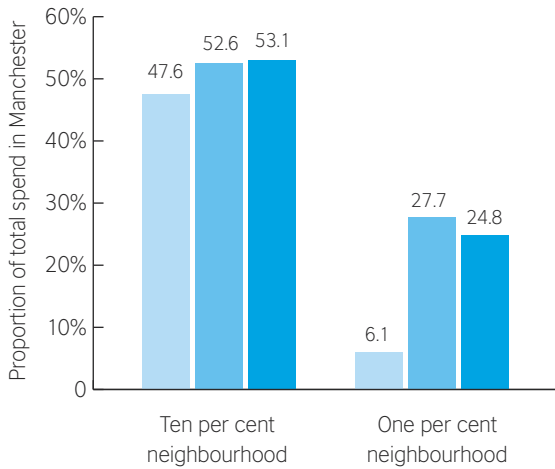
Figure 2: Local spend percentage comparison



LOCAL SPEND IN MOST DEPRIVED AREAS

Figure 2 highlights how spend in areas of deprivation has changed over the financial years of 2008–09, 2010–11 and 2011–12 through the work on procurement. It details amount spent with suppliers in the ten per cent and one per cent most deprived neighbourhoods in the country as a proportion of the total spend on Manchester-based suppliers. It is clear that proportions of spend in neighbourhoods in Manchester in the ten per cent most deprived nationally have increased by over five per cent from 47.6 per cent in 2008–09 to 53.1 per cent in 2011–12. This amounts to around £123 million. Furthermore, in the one per cent of the most deprived wards of the country there has been an 18 per cent increase between 2008–09 and 2011–12. Work by CLES has shown that the reasons for change relate to the positive work undertaken by the supplier networks and the economic-development teams in areas of deprivation to support organisations to bid for procurement opportunities.

Figure 3: Spend in area of deprivation comparison



EQUALITY THROUGH PROGRESSIVE COMMISSIONING

In terms of addressing equality issues, procurement and the commissioning of services is key. However, this is harder to address than questions of equity, and much work has still to be achieved. Nevertheless, in a CLES publication³, we made a plea as to how commissioners should start addressing questions of equality. We highlighted the need for greater choice, where procurement identifies gaps in service provision and contracts with representatives from equality groups. We also pinpointed how questions of diversity need to be embedded in procurement to ensure equality groups and communities are involved in the design and delivery of services.

CONCLUDING THOUGHTS: EQUITY AND EQUALITY CAN BE ADVANCED

In times of public-service austerity, it is all too easy to focus on raw financial efficiencies and as such wider questions of equality and equity may be sidelined as being burdensome and expensive. This think-piece has highlighted that there is significant scope for the process of procurement to be used as an innovative means of influencing the behaviour of suppliers and in maximising the benefit public spend brings in equity and equality terms. All countries – including Nordic nations – have procurement and commissioning rules, and many may seem inflexible and a barrier to innovation and progressive thinking in public-service delivery. However, much of what has been considered here has no legislative barrier. It is about creating a process, developing understanding and working in different ways within the context of existing procurement legislation and practice. The challenge is not necessarily legal, the challenge is centred around changing the culture of local authorities to become less risk-adverse and to embrace progressive procurement for greater equality and equity outcomes. The CLES work in Manchester has proven that a progressive procurement framework is a good way of understanding how authorities are currently seeking to maximise and enhance equality and equity benefit through procurement.

3. CLES (2011), Open for all. www.vsnw.org.uk/files/Final%20Executive%20Summary%20Oct%2711.pdf

