



# True Value

TOWARDS ETHICAL PUBLIC SERVICE COMMISSIONING

Research Briefing

This research briefing provides the key points and recommendations of the Localis report *True Value*.

## The changing procurement landscape

- Until Brexit, public procurement in the UK was governed by EU rules and legislation, and as such had to work within its framework. Rules laid out in EU directives were instructive in how and where contracts could be advertised, how suppliers were assessed, grounds for the awarding of contracts, and the approved punishment for when a rule was broken.
- A status quo developed around this set of conditions developed through decades of both domestic and EU legislation, predicated on access to EU tenders and centred on narrow calculations around value for money.
- The new Procurement Green Paper outlines a more flexible and principled system and comes with a distinct message to all contracting authorities: that they do not have to select the lowest price bid when procuring, instead insisting that authorities should take a broader view of value for money that incorporates factors such as local economic impact and 'social value'.
- Although a strategic turn in procurement at the national level is in many ways following a trend set at the local level, there are some concerns with the proposed reforms at local level – particularly around the training, staffing and resourcing of departments. There is little attention paid to how local authorities, as democratically elected bodies, engage with procurement to meet community needs. The legislation instead uses the oversimplified term 'contracting authorities' to describe all public buyers.
- If fleshed out with local nuance and accompanied by appropriate resourcing, procurement reforms have the potential to accelerate the turn towards strategic social procurement in local government.

## Why do we need 'social procurement'?

- In many local authorities, the calculation of 'social value' has spread across departments, organisations, and sectors – breaking down silos and encouraging collaborative working. Links between local authorities, small and larger suppliers, social enterprises, anchor institutions, and community groups have formed for the purpose of social value delivery.
- It is time to take advantage of this positive drive and pursue a new model of 'social procurement' that is built around and further entrenches existing ethical principles, as well as incorporating new commitments – such as collaboration, social value, sustainability, probity, higher labour standards and a prioritisation of prevention over penalisation – which are necessary for public procurement to serve society in the long term.

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- This model would take social procurement that focuses on benefits for local communities from being an activity of trailblazing councils to being the baseline for all local spend.
- However, the success of such a model hinges on a local authority's ability to embed a refreshed ethos and collaborate with communities and other local stakeholders early in the setting of local priorities and co-design of relevant strategies. These priorities and subsequent strategy must then go on to inform the desired outcomes of each contract – with management thereafter operating to deliver on this basis.
- A written procurement ethics policy is where to start for raising and maintaining a higher ethical standard, those involved in procurement must know what is expected of them and be able to make decisions promptly and efficiently. Within 'True Value' we have put forward a 7-point local English charter – with relevant guidance – to this end, that consists of good jobs, transparency, good business, understanding local impact, carbon commitments, good training, and high standards of practice.

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## What can local government do to approach procurement more strategically?

- If levelling up is to be about uplifting the most 'left-behind' places, communities, and people up to a worthy standard of economic, social, and environmental wellbeing, then the upmost priority for localities must be to identify where a lack of life's essentials is most prominently felt and where barriers to good practice are experienced most acutely, and strategise accordingly.
- Local authorities have and should aim to increase the level of retention generated by their procurement spend at the local level. Key to this is mapping public spend amongst suppliers; including the geography of spend, subsequent re-spend by suppliers, the ethos of suppliers regarding their contributions to 'social foundation' and gaps in spend by ward and type of industry. This should then be utilised going forward, complementing the development of productive local enterprise and the practice of more wholesale 'community wealth building'.
- Through pre-procurement market consultation, a platform can be set up for local stakeholders and relevant suppliers to engage with one another, knowledge gained from which can go on to develop the procurement approach from the contracting authority.
- Engaging with potential bidders as early as possible allows for a local authority's key messages to be conveyed and for emphasis to be placed on the importance of strategic goals and social value priorities, as well as the potential for unique social value offers from suppliers to be identified and considered.

### Pre-procurement preparation

- The priorities of local communities, and what they believe local strategic priorities should be, will differ from place to place, and even neighbourhood to neighbourhood – getting a sense of what these are, how they can be quantified, and how they fit into the broader strategic vision of place can only be achieved by involving communities and other granular local stakeholders in the pre-procurement process. This will develop into an outcomes-based approach to procurement and contracting solutions that reflects on the inequalities and individual needs of communities.

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## Strong contract management

- Effective and efficient contract management – that takes administration, relationships, and delivery into account – is critical. Local authorities should be aiming for their contract management to be recognised as essential to driving ongoing improvement and improved service outcomes – with well-developed policies, systems, procedures, and staff all working holistically to drive forward planning and cost control.



1

**Contract administration** is the formal governance of the contract itself, ensuring that everyday aspects are ran effectively and that relevant changes are efficiently taken care of and reflected in documentation and monitoring. Such practices include asset management; budgeting, payment, and ordering procedures (incl. authorisation, receipts, and transfers); change control; cost monitoring, operational and management reporting; and resource planning and management. Tender documentation, as early as the drafting stage, must set out a clear framework for the governance and working relationship between parties, as well as containing clear, precise outcomes and measures. Documentation must be clear and detailed and precise to provide the basis for effective enforcement, review and evaluation.

CONTRACT  
ADMINISTRATION



2

**Delivery management** consists of ensuring that what is being procured is delivered to necessary levels of quality and performance – in accordance with contractual and service-level agreements. Again, having robust and reflective means of accountability, scrutiny and risk management carry over from pre-procurement commitments into contract management and delivery is vital. In this regard, contract performance controls, with clear and distinctly local measurements are key. Local authorities should prioritise a small set of controls over a large number, and these ought to be easily processed, timely, and useful. They should be able to reflect soft and hard measures and be dependable in providing more value than just cost benefits. They will be highly relevant to the essence of the contract and accepted and understood by all relevant stakeholders – including those with a vested interest in the outcome of a contract, despite not necessarily being a buyer or supplier.

DELIVERY  
MANAGEMENT



3

**Relationship management** is ensuring that the relationship between a local authority, contract partner(s), and other relevant stakeholders is kept open and constructive. As mentioned, making use of collaborative practice and a joined-up approach to working together, and instilling mutual trust and understanding of each contract and its respective role, will be essential in improving accountability and strengthening local relationships. Approaching relationship management through collaboration and partnership working will drive greater value out of contracts, strengthen local networks and supply chains, and will begin to manifest public procurement as a project working towards the betterment of local areas through social value, rather than a contract-by-contract process dissonant from local priorities.

RELATIONSHIP  
MANAGEMENT

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## What does central government need to do to unlock the potential of procurement for 'levelling up'?

- For local government to build its strategic procurement capacity, the sector needs long-term, stable funding that moves away from ring-fenced and competition-based capital injections.
- Changing the emphasis and principles of public procurement must be accompanied by appropriate skills pathways and training for procurement officers. The government should ensure that all council procurement teams are brought up to speed, using institutions like CIPFA or the LGA to provide training and set standards.
- With the UK no longer subject to EU competition law, there is an opportunity for central government to rework the rules for local procurement on a regional basis, in line with the aims to be outlined in the Levelling Up White Paper.
- An explicit and statutory duty should be placed upon local procurement departments to consider the local impacts – economic and social – of procurement first, and value-for-money second.
- The Levelling Up White Paper should definitively state the metrics for establishing places need for and success in levelling up, which should be aligned with guidelines for measuring impact in the procurement reforms.
- As major contracting authorities, central government departments should have to demonstrate how their spend has been targeted to help achieve levelling up goals as outlined in the White Paper.
- Lastly, there should be an independent review of how local authorities approach scoring and evaluating bids. This will contribute greatly to achieving consistency and transparency across the sector and could reveal important practical lessons.