The only way is ethical procurement, Localis report on local spend advises

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Press release

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The public sector should strive to be more ethical and place-sensitive when buying goods and services worth up to £300bn each year, the think-tank Localis has argued.

In a report published today entitled **'True Value: towards ethical public service commissioning',** the place experts examine the current state and likely future of the public service marketplace, as well as the role of social procurement reforms to advance the 'levelling up' agenda.

The paper urges the public sector to make the most of the freedom from EU directives to reform public spending on goods and services so the process becomes more strategic, innovative and delivers better services and local outcomes for communities.

Among key recommendations for place-based procurement reform, Localis calls for central government to prove the impact of their procurement spend, especially in priority areas of the country, to show how they are achieving goals outlined in the Levelling Up White Paper.

In its recommendations, Localis also sets out a local English charter for ethical public procurement centred around seven key themes:

- good jobs;
- transparency;
- good business;
- understanding local impact;
- carbon commitments;
- good training;
- high standards.

Localis chief executive, Jonathan Werran, said: "Procurement has been very much a criminally-neglected art, whose skills and potential impact are more vital now than ever post-Brexit.

"The extent to which better public service commissioning can improve public efficiency and social benefits to communities is seen as a niche issue. But, nearly a decade after the Social Value Act, as a positive force for shaping and improving the daily life of ordinary people everywhere it can't be bettered.

"Local government has a pretty big dog in this fight. Some £180.6bn was spent with third parties in the last three years and £63bn alone was spent on third parties in 2019-2020. The trick for the next decade will be to boost the value of the local pound in making local economies stronger for people and places – whether through better local wages or enhanced skills acquisition for jobs in the age of net zero."

Callin McLinden, Localis researcher and report author, said: "Public procurement has immense potential for recovery and levelling up - and now finds itself in its most exciting, yet precarious, moment for decades. Now free of the EU rulebook and in the hands of a government that is at least indicating its willingness to leverage public spending to tackle inequalities, there is a profound opportunity to remodel public procurement to work more strategically and deliver for communities.

"The government's proposed reforms have many positives and notable negatives - but above all else they begin to realise the strategic power of procurement. 'True Value' investigates the potential of this strategic power - and how it can be most effectively delivered locally to best facilitate recovery and levelling up at the level of place."

Alan Long, Executive Director of Mears Group, said: "To achieve meaningful levelling up in our communities, companies who bid for work with the public sector need to be more honest and open about social value outcomes when bidding for work. There are too many examples of poor practice in the sector

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which means councils do not get meaningful payback for their communities.

“Procurement at council level also needs an overhaul. I hope that the procurement changes will create a level playing field and genuinely enshrine social value as a metric on which contracts are decided, rather than simply on price.

“If we all get this right, the prize will see real and immediate benefits and harness the public pound for the benefit of all.”

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Notes to Editors:

1. **An advance copy of the report is available for download**

https://www.localis.org.uk/wp-content/uploads/2021/12/043_TrueValue_WebAWK.pdf

The report is being launched at the Churchill War Rooms on Tuesday 7 December from 10.30 a.m. to 11.30 – an event that is also being livestreamed. Media places are available here:

1. **About Localis**

Localis is an independent think-tank dedicated to issues related to politics, public service reform and localism. We carry out innovative research, hold events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

www.localis.org.uk

About Mears Group

Mears is a housing and care company. We provide and manage some 12,000 homes for local and central Government and is also responsible for keeping 750,000 of all social housing in the UK in good repair and cares for 20,000 elderly or vulnerable residents. Mears has 11,000 employees and a footprint all across the UK.

Mears Group has been recognised for its outstanding environmental, social and governance practices by gaining a place in the FTSE4Good Index – and places Mears in the top 9% of companies in the index. Social value runs through everything we do. We were one of the first companies to launch a social value board, chaired by our Executive Director Alan Long and made up of independent experts to scrutinise all of our social value output.

Our latest social value report is available here

1. **Key report recommendations**

Recommendations

A local English charter for ethical procurement

A written procurement ethics policy is the key place 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.

A clear and concise written policy, with general principles, specific rules, and adequate guidance on how they should be applied, would help with this. Below is a charter for councils to follow when drawing up procurement policies, and to guide relationships between local authorities and suppliers.

1. **Good Jobs**

• Suppliers should all pay the Living Wage, as determined regularly by the Living Wage Foundation.

• Councils should commit to a diverse workforce and expect the same of suppliers.

• In cases of large suppliers, workers should be represented on the board where possible.

• Career progression opportunities should be available to the employees of council suppliers.

2. **Transparency**

• Councils must take a proactive, not reactive, approach to transparency.

• Contract registers should be made publicly available in *the simplest form possible*, with dashboard overview of council spend and impact available to residents.

• Key performance indicators for public value should be agreed by the council.

• Weighting for social value in tendering should be applied equally and consistently throughout the process.

3. **Good business**

• At the front end of the contracting process, councils should engage and consult with the market to ensure opportunities are well communicated and tailored to local specifications.

• At the point of application, councils should ensure that the application and tendering process is as simple as possible and consistent across council contracts.

• At the back end of the contracting process, it is vital that councils commit to prompt and timely payment of suppliers, with suppliers carrying this commitment onto their own supply chain.

• Councils should sign up to the ISO 44001, which details requirements for the effective identification, development, and management of collaborative relationships within or between organisations.

4. **Understanding local impact**

• When dealing with large suppliers, councils should understand the impact the supplier could have locally, on the labour market and in the community.

• Councils must seek to maximise the ‘multiplier effect’ of spreading SME spending across as many local firms as possible.

5. **Carbon commitments**

• Councils should ensure that all smaller suppliers, within reason, undertake carbon accounting and are aware of their carbon footprint.

• In the case of major suppliers, councils should wherever possible ensure that large suppliers are on a path to net-zero emissions before 2030.

• This information should be aggregated and made available so residents can be aware of the carbon impact of their council’s procurement.

6. **Good training**

• Councils must be aware of and communicate to suppliers the desired outcomes of procurement policy

on the local labour market, using a robust evidence base.

• Councils must act as a coordinator between suppliers and local educational institutions to ensure commitments around training and skills provision are upheld in the most constructive and effective way possible.

7. **High standards**

• Upon signing up to this charter, councils should, wherever possible, ensure that the standards of doing business with the council are passed down the supply chain of large suppliers.

Unlocking strategic procurement: central government procurement reforms

The Procurement Green Paper and subsequent policy notes provide the beginnings of a positive step-change in procurement across the public sector.

Building on this reorientation of the discipline, the following recommendations for procurement reform are designed to unlock strategic procurement at the local level and promote levelling up through procurement across the public sector.

• **Long term, stable funding for local government to build strategic procurement capacity.** Local procurement can be used as a strategic instrument of levelling up, providing resources are provided to fund a long-term reorientation and widespread organisational change.

• **A move away from ring-fenced and competition-based funding.** The ability of the local government to use procurement towards strategic goals is greatly diminished when much of what they procure is paid for through ring-fenced, one-off capital injections, often at the bac end of a costly competition process.

• **Training pathways and standards for procurement officers and senior councillors.** Changing the emphasis and principles of public procurement must be accompanied by appropriate 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.

• **A regional competition policy to replace EU competition law.** With the UK no longer subject to EU competition law, there is an opportunity for central government to rework the rules for local procurement in line with the aims to be outlined in the Levelling Up White Paper.

• **A shift in the onus of local procurement officers from value for-money to local impact.** 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.

• **Clear and consistent metrics of local impact, aligned with the Levelling Up White Paper.** The Levelling Up White Paper should definitively state the criteria for measuring a place's success in levelling up. These should be aligned with guidelines for measuring impact in the

procurement reforms

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