



PRESTON SOLUTION STORY: IMPLEMENTATION OF PUBLIC PROCUREMENT ACTION PLANS

Cities face many challenges when it comes to implementing Public Procurement Strategies and Action Plans including around: data and evidence; embedding innovation and social and environmental criteria; and decision-making and monitoring. The City of Preston in the United Kingdom has been working on addressing these challenges over the course of the last eight years through both URBACT Action Planning and Transfer Networks (see the [Procure](https://urbact.eu/procure)¹ and [Making Spend Matter](https://urbact.eu/makingspendmatter)² Networks) and through wider bespoke activities. This document tells the Story of the activities undertaken and how the implementation challenge has started to be overcome.

Introducing Preston and their approach (Community Wealth Building)

The City of Preston is based in North West England with its Functional Urban Area (FUA) having a population of 365,000 people. The FUA covers 3 local authority areas (Preston, Chorley and South Ribble) and is often referred to as Central Lancashire. Whilst the economy of Preston is evolving, the City faces a number of economic and social challenges. Preston has a decent local small and medium-sized business base but one which is not actively engaged in bidding for public procurement opportunities. Economic inactivity levels in Preston are above the national average, with wage levels for those who are in employment below the national average. There is a skills mismatch in Preston with a smaller proportion of the population having higher level skills, and life expectancy for both males and females is below the national average.



In 2011, the City of Preston was a very different place economically, socially and environmentally. As a result of the recession and a change of government in the UK, the role of local government had changed significantly. Preston, because of high levels of deprivation and poverty, had since the early 2000s been in receipt of area-based regeneration funding to address key issues such as unemployment and poor educational attainment – this money was abruptly removed by government in around 2011. Additionally, the government had in 2010 introduced a programme of austerity designed to reduce spend by local

¹ <https://urbact.eu/procure>

² <https://urbact.eu/makingspendmatter>

government on public service delivery – over the next few years Preston City Council would lose almost half of its budget.

The approach of Preston to economic development in 2011 was relatively orthodox; the city sought to attract inward investment in the form of big employers and developers, with the hope that the benefits of such investment would trickle down to communities and address social issues. For years, Preston had been aspiring to attract a significant investor to regenerate its retail environment – in 2011, this developer decided to go elsewhere. It was clear that Preston had two choices regarding its future economic destiny. First, it could accept austerity and the removal of regeneration money and continue to shape economic development through an inward investment approach. Or second, it could try something unique and radical and challenge the whole way in which place cooperates and undertakes local economic development.

In May 2011, local government elections took place in Preston and across many areas of the UK. In Preston, the leadership of the Council changed to the Labour Party, and with it came a desire to deliver on the second of the two choices outlined above. The new leadership recognised that they had to do something differently to address the very real challenges of social exclusion and poverty facing the city.

2011, therefore saw the introduction of the Community Wealth Building initiative in Preston. This initiative recognised that Preston should not continue to be reliant upon central government funding or inward investors to stimulate its economy; but instead it should understand and harness the wealth that it already has to enable local economic, social and environmental benefit. This existing wealth comes in many forms: the wealth which is generated by employees in the public sector through their wages and pension funds; the wealth of anchor institutions located in the area through their roles as employers, procurers, and asset owners; and the wealth of residents in terms of their skills and sense of community spirit and pride.

Whilst, the Community Wealth Building Initiative has comprised of many elements, there has however been a core emphasis upon harnessing the wealth of anchor institutions in the locality through the process of public procurement, both for the benefit of Preston residents and to address economic, social and environmental challenges. 2011, therefore, also saw the emergence of a public procurement aspiration (effectively a Strategy and Action Plan) which was focused upon:

- Understanding more effectively where public procurement spend went;
- Anchor institutions working together to harness their procurement spend and work towards common objectives
- Using public procurement as a lever to address wider social and environmental challenges;
- Diversifying the types of organisations bidding for, and winning, public procurement contracts, with a particular emphasis upon Small to Medium Sized Enterprises (SMEs) and Cooperatives;
- Shifting the way in which decisions were made around public procurement so that there was less emphasis on price and more on social impact.

The challenges associated with Community Wealth Building and Public Procurement

There were however a number of challenges relating to realising these aspirations:

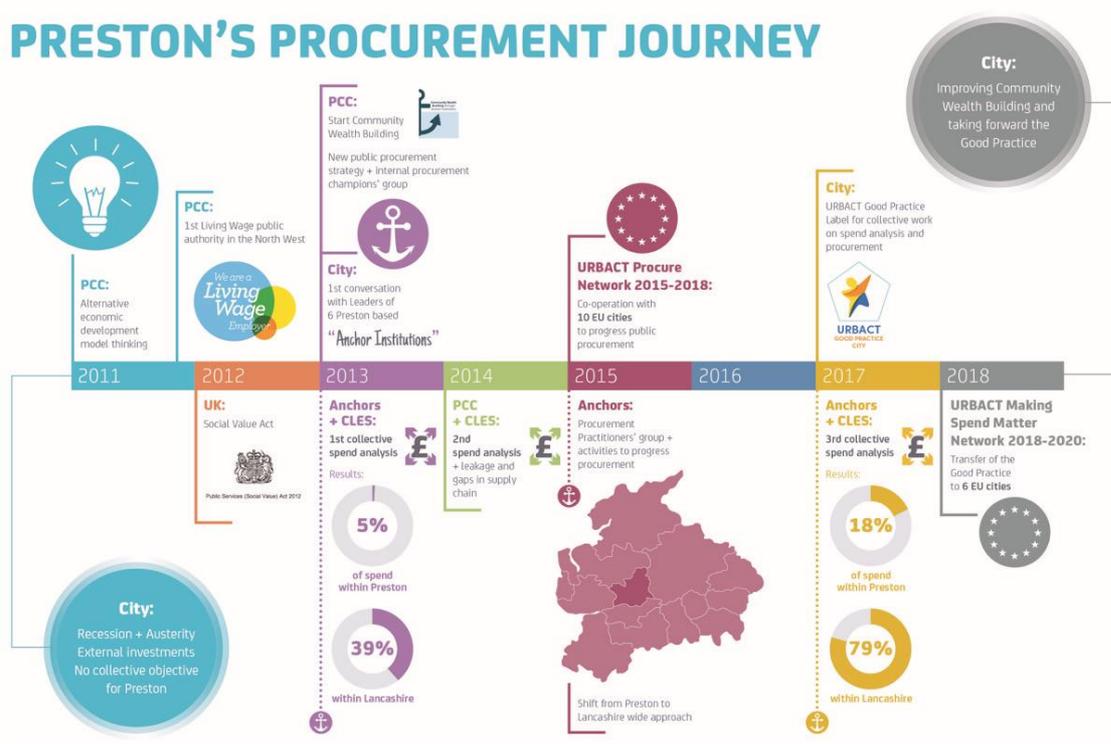
1. Preston City Council and the anchor institutions did not have a methodology for measuring spend;

2. There was not a cross-anchor institution strategy or vision around public procurement;
3. The anchor institutions tended to work in silos when it came to public procurement;
4. Preston City Council and the anchor institutions did not know how social and environmental criteria could be embedded into public procurement processes;
5. Preston City Council and the anchor institutions did not have an adequate understanding of the potential market when it came to public procurement;
6. Preston City Council and the anchor institutions did not monitor the impact their procurement decisions had upon wider social and environmental outcomes.

Implementing Community Wealth Building and Public Procurement aspirations in Preston

Preston City Council and the wider anchor institutions have undertaken a number of activities to overcome the challenges associated with public procurement (as outlined above) and implement their Community Wealth Building and public procurement aspirations and strategy.

PRESTON'S PROCUREMENT JOURNEY



NOTE: Anchors: public anchor institutions based in Preston and Lancashire / CLES: Centre for Local Economic Strategies / PCC: Preston City Council

For more information about Community Wealth Building visit www.preston.gov.uk/the-council/the-preston-model



Take advantage of National Legislation

In 2012, the UK government legislated for the [Public Services \(Social Value\) Act](http://www.legislation.gov.uk/ukpga/2012/3/enacted)¹. This piece of legislation was focused upon the process of procurement and required public authorities (including local authorities)

¹ <http://www.legislation.gov.uk/ukpga/2012/3/enacted>

to consider in their procurement decisions how the good or service will contribute to addressing wider social and environmental challenges. The legislation came into effect in early 2013. The legislation required Preston City Council and other local, public sector institutions to think differently about service contracts, above the Official Journal of the European Union (OJEU) thresholds, with a greater emphasis on social value. The language of the Act around 'considering' social value was however relatively weak and few authorities have adopted social value as robustly as Preston.

In light of the legislation and the emerging Community Wealth Building initiative, Preston City Council started to develop a new procurement strategy. This strategy not only reflected the existing European Directives, the emphasis upon compliance, quality and risk; but as a result of the Act and more local drivers started to detail how procurement could and should be used as a means of addressing wider social and environmental issues. At the same time, Preston City Council, through a procurement champions network, sought to develop its internal capacity to embed social value into procurement. The Social Value Act and the subsequent Procurement Strategy effectively formalised Preston's Community Wealth Building approach and focus on public procurement.

Data and evidence

In response to the challenge of not understanding the procurement spend of Preston City Council and anchor institutions, the think-tank and research organisation, the [Centre for Local Economic Strategies \(CLES\)](https://cles.org.uk/)¹ were commissioned to provide support and undertake Spend Analysis. This straightforward to use tool undertook analysis of an institution's procurement spend for a defined financial year and thus enabled that evidence base of existing wealth to be identified and particularly:

- Where spend goes geographically – how much was spent with suppliers based in a defined geographical area;
- Where spend goes sectorally – how much was spent with suppliers in construction, professional services, and social care, for example;
- Where spend goes by business type – how much was spent with Small to Medium Sized Enterprises (SMEs), for example.

The analysis revealed that 5% of the collective spend of the anchor institutions was with suppliers based in the Preston boundary, with 39% being in wider Lancashire. The evidence gathered from the spend analysis described above highlighted to Preston City Council, that there was significant scope to harness the wealth of the anchor institutions more effectively for the benefit of the Preston economy and its residents. It was felt that this could be done through those institutions working together more cooperatively and through changing their behaviour around the process of procurement.

Politics and Governance

In response to challenges of silo working around procurement, Preston City Council and the anchor institutions developed a Procurement Practitioners Group which brought together the procurement officers of each of the anchor institutions on a quarterly basis to share learning around procurement processes and practices. Emphasis was particularly placed upon how greater social value could be derived through the process.

¹ <https://cles.org.uk/>

Embedding Innovation, and Social and Environmental Criteria

In response to the challenges around identifying the types of outcomes to focus upon, and enabling change across anchor institutions, Preston undertook two activities. First, the anchor institutions came together to develop a collective vision to deliver greater benefit for the Preston and Lancashire economy and address social and environmental issues through the process of procurement, recognizing that the vast majority of businesses in the locality are SMEs. This meant engaging with Preston based businesses and wider SMEs to raise awareness of procurement opportunities and developing their capability, capacity and skills to bid for contract opportunities.

Second, the anchor institutions were encouraged to embed innovation, and social and environmental criteria into their own procurement processes and practices as outlined in the examples below:

- Lancashire County Council has developed a social value procurement framework;
- Lancashire Constabulary have developed Key Performance Indicators (KPIs) to measure the contribution of their suppliers towards wider outcomes;
- Preston's College are embedding apprenticeship clauses into their construction procurements.

Market Engagement

In response to the challenges associated with identifying potential suppliers and working with all parts of the market prior to procurement exercises commencing Preston has undertaken three activities. First, they have developed a database of SMEs and other organisations which could potentially bid for procurement opportunities across a range of sectors; and invited them along with others to pre-procurement engagement events. The purpose of the database is to raise awareness of upcoming procurement opportunities with these organisations and to explore any capacity building requirements they may have.

Second, the University of Central Lancashire (UCLAN) are working with Preston City Council to develop new Worker Owned Cooperatives which can potentially deliver procurement contracts in the future. The purpose of this is to diversify the suppliers which bid for procurement opportunities. Third, Preston City Council has developed a further procurement strategy and have introduced new procedures below the OJEU thresholds focused upon supporting SMEs to bid for procurement opportunities.

Decision-Making and Monitoring

In response to the challenges associated with contract monitoring, Preston has started to measure the wider impact of procurement spend. Preston City Council and the University of Central Lancashire (UCLAN) undertook further work to measure what happened to procurement spend once it reached their suppliers – to what extent were they spending with local employees; how many jobs were they creating; and were they measuring their carbon emissions, for example. Community Gateway, a housing organisation, have undertaken multiplier analysis to understand the wider impact of their services on the Preston economy and its residents;

Concluding Thoughts

The activities described above have taken eight years to realise, with some of the challenges around implementing Public Procurement Strategies and Action Plans overcome. There is now a much more evidenced and joined up approach to public procurement at Preston City Council and amongst the anchor institutions, with the activities described above starting to have an impact.

For example, further Spend Analysis undertaken in 2017 highlighted that the proportion of spend across the six institutions with Preston based suppliers had increased from 5% to 18% - representing £74million (80 million Euros) more being spent in the Preston economy. This brings Preston closer to nationally defined benchmarks in terms of harnessing the potential of procurement spend.

Of far greater importance, the culture of procurement is beginning to change with a much greater emphasis placed upon utilising procurement as a lever to address wider economic, social and environmental challenges. There does however remain significant work to do – addressing the challenges associated with public procurement takes time, energy, and capacity.