



DESIGNING SMART PUBLIC PROCUREMENT FRAMEWORKS

URBACT Implementation Networks

This guidance has been designed as part of a series called 'Learning about Implementation' by the URBACT III Programme. It is relevant for all European cities implementing integrated strategies for urban development.

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1. Introduction

1.1. The URBACT Implementation Challenges

The URBACT Implementation Challenges were part of the core design of the Implementation Networks, providing six thematic areas to guide cities in exploring the difficulties commonly found during implementation of integrated action plans. The six Implementation challenges are:

- > Preparing for Implementation
- > Ensuring the integrated approach in the delivery of the strategy & their related actions/projects
- > Maintaining involvement of local stakeholders and organising decision-making for delivery
- > Setting up efficient indicators & monitoring systems to measure performance
- > **Designing smart public procurement frameworks**
- > Enhancing funding of urban policies by exploring financial innovation

The first three challenges are deemed to be compulsory for all cities to consider, on the basis that they are common to any implementation project. This guidance note focuses upon **Designing Smart Public Procurement Frameworks** and specifically explores:

- What public procurement is, why it is important, its legislative framework, whether Action Plans have been developed around the theme, and the general challenge of implementation associated with public procurement;
- The key challenges associated with implementing Public Procurement Strategies and Action Plans;
- The key solutions to overcoming those key challenges and ensuring effective implementation.

This Guidance should be read alongside the city stories from around Europe demonstrating how designing smart public procurement works in practice.

1.2. Implementation Challenge 6: Designing Smart Public Procurement Frameworks

1.2.1 What is Public Procurement?

Public procurement is the process used by cities and particularly their municipalities and anchor institutions to buy goods, services and works. All cities across Europe need to buy:

- **Goods** – products such as stationery which enable them to function;
- **Services** – activities such as employment support for their residents; and
- **Works** – such as the construction of new schools.

These goods, services and works will be provided by a range of businesses and other types of organisations (suppliers), with procurement being the competitive process used to make decisions about which supplier to use.

1.2.2 Why is Public Procurement important?

Public procurement is important for a number of reasons:

- **Scale** - across Europe, 14% of Gross Domestic Product (GDP) is through the process of public procurement. On an annual basis, cities across Europe spend over 2000 billion Euros buying goods and services through public procurement.
- **Leverage** - the process of procurement can be used as a lever to address the many economic, social and environmental challenges which Europe, Member States and individual regions and cities face.
- **SMEs** - the economy of Europe is dominated in number and jobs terms by Small to Medium Sized Enterprises (SMEs) – yet the majority of public procurement contracts are awarded to large corporations. Procurement is and should be important for the sustainability of SMEs.

1.2.3 What is the Legislative Framework for Public Procurement?

The recognition of the importance of procurement to wider strategic priorities and ensuring Integrated Urban Development across Europe is growing, with this reflected in legislation. In 2014, the European Commission updated their [Procurement Directives](#)¹ (the regulations used to govern the way in which procurement is undertaken). The refreshed Directives retained a core emphasis upon compliance, efficiency and competitiveness in public procurement, but introduced three wider considerations:

- First, they wanted to make the process of public procurement less bureaucratic and encourage Member States and regions and cities to reduce the complexity associated with procurement and make tender documents more flexible;
- Second, they wanted to ensure that the process of public procurement was more straightforward for SMEs; thus, encouraging them to bid for procurement opportunities, and potentially win contracts competitively;
- Third, they wanted public procurement to become more strategic. By this they meant that they did not just want procurement decisions to be made on the basis of cost efficiency, but also to consider wider factors such as quality and how procurement could be used to achieve wider social and environmental goals.

1.2.4 Towards Public Procurement Strategies and Action Plans

All EU Members States have been required to transpose the 2014 Directives into their own national level procurement law and strategies, meaning that in theory the principles around flexibility, SME engagement, and utilising procurement strategically are considered and embedded.

In addition, there is a key emphasis on public procurement in wider European Strategy, and notably the priority of Sustainable Growth in [Europe 2020](#)², which has a key emphasis on SME development. Public

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN>

² https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/framework/europe-2020-strategy_en

procurement is also a specific Partnership for the EU Urban Agenda with a key focus of the partnership being around developing Procurement Strategy.

At the Regional and City Levels, the development of Public Procurement Strategies and Action Plans has been sporadic. There is some evidence of strategy development in the UK, the Netherlands, Norway and Poland; but the development of such strategies is far from universal across cities, nor is the recognition of the strategic importance of public procurement in addressing wider economic, social and environmental issues.

Eleven cities which do have public procurement Action Plans are those which were involved in the URBACT III Action Planning Network, Procure (2015 to 2018). The [Action Plans](#)³ of these cities have the primary objective of raising the importance of public procurement as a key strategic function of municipalities and wider anchor institutions and a core component of Integrated Urban Development. To realise this, there are a range of common actions detailed in the Plans including:

- To measure and understand more effectively where public procurement spend goes and its wider impact;
- To make the procurement process more straightforward for bidders;
- To diversify the types of organisations bidding for and winning procurement contracts;
- To engage with the market prior to public procurement processes commencing;
- To embed social and environmental criteria into procurement and decision-making processes;
- To make public procurement a truly cross-cutting political and strategic functions.

1.2.5 Implementing Public Procurement Strategies and Action Plans

Whilst a growing number of Member States, Regions and cities are developing Strategies and Action Plans around Public procurement, examples of effective implementation are rare. This is largely due to the complexity of the theme of Public procurement, and the significant amount of time it takes to realise change in public procurement processes, practices, and cultures. In the following sections of this Guidance Note we explore the key challenges to implementation and how these challenges can be, and are being, overcome by cities across Europe. Challenges and solutions around implementation can be split into five themes:

- Data and evidence;
- Politics and Governance;
- Embedding Innovation, and Social and Environmental Criteria;
- Market engagement;
- Decision making and monitoring.

³ https://urbact.eu/sites/default/files/media/procure_partners_iap_summary.pdf

2. THE NATURE OF THE CHALLENGE

This section of the guidance describes the key challenges facing cities in implementing Public procurement Strategies and Action Plans. The challenges are split into five overarching themes.

2.1. Data and Evidence

The first overarching challenge is around data and evidence. Cities will often detail in their Public Procurement Strategies and Action Plans a desire to measure and understand where their procurement spend goes and its wider impact. There is however a significant challenge in gathering such data, interpreting it, and using it to shape implementation.

2.1.1 Gathering data about procurement spend

In order to be able to understand more about public procurement spend and impact, cities firstly need to collect data about their procurement spend. Despite the significant scale of public procurement, this can be difficult for a number of reasons:

- First, procurement spend data is often not kept in a standard format detailing: the name of the supplier it is being spent with, their geographical location, whether they are an SME or not, and their industrial sector;
- Second, such procurement spend data will be held by different people within a Municipality, particularly where procurement responsibilities are decentralised to departments;
- Third, procurement spend data can often be perceived as being confidential, with holders of such data reluctant to share more widely;

Without access to such data, cities will be unable to implement action plan priorities around measuring spend and wider impact.

2.1.2 Interpreting data around procurement spend

Even where cities overcome the challenge of collecting data around procurement spend, there comes a further challenge in analysing and interpreting it. Whilst, there are various methodologies that have been developed over the course of the last 20 years around public procurement, these often do not link to the requirements of Action Plans, such as understanding how much of procurement spend is with SMEs. Instead, they tend to focus on the scale of efficiency savings, for example. There is no universal cross-Europe methodology for analysing procurement spend.

Where cities have undertaken an analysis of where their spend goes and its wider impact, there is then a challenge in how it is interpreted, particularly where the emphasis of analysis is upon proportions spent with suppliers based in a defined geographical area. Politicians, in particular, will want to demonstrate how procurement is contributing to their city's economy through spend with 'local suppliers'. Such interpretation can be viewed as protectionist and anti-competitive.

There is therefore a key challenge in ensuring analysis is undertaken in a robust manner and that the findings are interpreted in a manner which does not compromise a wider strategic approach to public procurement.

2.1.3 Using data and evidence to shape implementation of procurement strategy, processes and practice

Data and evidence should be the starting point of any implementation of Public Procurement Strategies and Action Plans. Cities should be understanding where their procurement spend goes and its wider impact, what the key challenges are in relation to their existing procurement processes and practices, and how they can improve their approach to enable more effective engagement of SMEs and deliver enhanced social and environmental outcomes.

The challenge of implementing such Action Plans is that cities will often jump to the solutions, before fully understanding what data is telling them. For example, cities may want to increase the proportion of SMEs bidding for construction contracts; yet 90% of construction contracts may already be delivered by SMEs, meaning that other sectors may be more appropriate for such targeted activity. Data and evidence is often not at the forefront of such decision-making processes around the implementation of procurement strategy, processes and practice.

2.2. Politics and Governance

The second overarching challenge is around politics and governance. Cities will often detail in their Public Procurement Strategies and Action Plans a desire for public procurement to be at the heart of their political and strategic priorities. There is however a significant challenge in securing political buy-in and drawing together departments and wider institutions to make such a desire a reality.

2.2.1 Securing political buy-in to implementing strategy

The process of public procurement can often be seen as quite boring, bureaucratic and complex. It can also be viewed as transactional, meaning that the emphasis can be placed on just buying a good or service at the cheapest possible price, as opposed to considering a range of potential wider social and environmental impacts. From a political perspective, and in times of reduced city budgets this approach is very common, meaning that the Politicians are just interested in buying stationery, or a health project, or a construction project rather than the potential wider benefits procurement could bring.

This is a challenge as Public Procurement Strategies and Action Plans will often detail aspirations for public procurement to contribute towards achieving wider social and environmental goals, which is at odds with the political and transactional approach outlined above.

2.2.2 Drawing together departments, commissioners and procurers within municipalities

The process of public procurement is often viewed (wrongly) as being the domain and role of procurement officers within a municipality. These officers will develop specifications for goods and services, review and evaluate the responses of suppliers, and make decisions as to who is successful. There are however a range of other stakeholders that need to be involved including: the strategists who develop Public Procurement Strategies and Action Plans; the people who are responsible for designing goods and services (the commissioners); and those that work in Economic Development and with business representative bodies, who can identify potential suppliers.

Public Procurement Strategies and Action Plans will often have priorities around joint and collaborative working. There is however an implementation challenge in that the stakeholders identified above will often work alone in silos.

2.2.3 Engaging wider stakeholders, including anchor institutions

The process of public procurement is often viewed as just being about the spending of a Municipality. There are however a range of other public institutions (anchor institutions) that are based within a city and which have a stake in that place because they spend lots of money buying goods and services, they employ lots of people, they own land and assets, and they are unlikely to go anywhere.

Given that these institutions spend lots of money through public procurement, cities will often place in their Public Procurement Strategies and Action Plans a desire to understand and harness the potential of these institutions. Like the previous challenge around joined up working within the Municipality, there is often also a challenge in engaging with such institutions and encouraging them to be part of a place-based approach to public procurement.

2.3. Embedding Innovation, and Social and Environmental Criteria

The third overarching challenge is around embedding innovation, and social and environmental criteria. Cities will often detail in their Public Procurement Strategies and Action Plans a desire to utilise public procurement as a lever to address wider social and environmental goals, particularly in light of the 2014 Directives. There is however a significant challenge in identifying which social and environmental outcomes can be addressed, when such criteria can be embedded into the procurement process, and what questions need to be asked around such criteria during tendering.

2.3.1 Identifying wider outcomes to be addressed

The language of the 2014 Directives of using public procurement as a lever to achieve wider social and environmental goals is broad. Social and environmental challenges will be different in different places and with different scales of challenge. In terms of public procurement, different types of goods and services will also lend themselves to different types of social and environmental considerations being attached to them. For example, for a construction project it might be more appropriate to consider how procurement can be utilised to create jobs; whereas for a waste management contract it might be more appropriate to consider how procurement can be utilised to enhance recycling rates.

There is therefore a challenge for implementing Public Procurement Strategies and Action Plans in identifying exactly the types of social and environmental outcomes which are appropriate for a specific City and which can be linked to the process of procurement.

2.3.2 Embedding innovation and social and environmental criteria at the right stage

Many Public Procurement Strategies and Action Plans will have priorities around embedding innovation and social environmental criteria into the process of procurement. However, although cities will include narrative around these considerations in tender documents and ask questions, they often leave it until too late in the process, which in turn can then sometimes stifle the potential for innovation.

Therefore, there is a challenge for implementing Public Procurement Strategies and Action Plans in bringing such considerations much further forward in the process, as part of the design of the good or service and during pre-procurement market engagement.

2.3.3 Asking the right questions during tender exercises

Even where social and environmental considerations are included in tender documents, the questions asked of suppliers around them can be very generic and broad. For example, they may ask: ‘what social issues are you going to address as part of the delivery of this good or service?’ This is problematic on two counts. First, it does not provide clarity to bidding organisations exactly what types of wider social issues they need to deliver against. Second, it will provide the procuring municipality with a range of random responses that will be difficult to score and evaluate against as part of the procurement decision-making.

There is therefore a challenge in implementation in ensuring that innovation and social and environmental priorities of Public Procurement Strategies and Action Plans are realised through asking the right types of questions around these considerations.

2.4. Market Engagement

The fourth overarching challenge is around market engagement. Cities will often detail in their Public Procurement Strategies and Action Plans a desire to identify potential organisations that could deliver the good or service and engage with them prior to a formal procurement exercise. There is however a significant challenge in identifying potential suppliers, engaging with them prior to procurement, and promoting wider social and environmental goals.

2.4.1 Identifying potential suppliers and SMEs

Many municipalities will have priorities in their Public Procurement Strategies and Action Plans around diversifying the types of organisations bidding for procurement contracts and potentially winning them, with a particular focus on encouraging more SMEs to bid. The challenge in relation to this is two-fold. First, municipalities will often not know who the SMEs are and whether they have the capacity, capability and skills to bid for to deliver specific goods and services. Second, SMEs often do not know what types of goods and services a municipality is looking to procure. There is therefore an implementation challenge in actually identifying potential suppliers and raising awareness amongst them of procurement opportunities.

2.4.2 Working with the market prior to procurement

There is a common misconception in public procurement that it is illegal for municipalities to engage with the market for providing a good or service prior to a procurement exercise commencing, with it being felt that this will lead to unfair advantages for those engaged. Pre-procurement engagement is actually an effective way of sharing information about procurement exercises and processes, in stimulating social and environmental value, and in innovating. The skill is in how this pre-procurement engagement is undertaken, so that it is open to all potential suppliers. There is therefore an implementation challenge around pre-procurement engagement in municipalities overcoming the misconception described above.

2.4.3 Encouraging social and environmental benefit

As described earlier, there is an increasing emphasis being placed in Public Procurement Strategies and Action Plans around how procurement can be used to achieve wider social and environmental goals. There is however a challenge in this in relation to market engagement, in that potential suppliers will view the creation of a job, or the provision of a training course, or the payment of a fair wage to their employees as being a cost to their organisation. The dialogue as part of pre-procurement engagement and in

procurement documentation needs to mitigate this concern, otherwise priorities detailed in action plans around wider social and environmental impact are unlikely to be realised.

2.5. Decision-Making and Monitoring

The fifth overarching challenge is around decision-making and monitoring. As alluded to in each of the previous elements of this section, cities are increasingly considering wider social and environmental issues as part of procurement processes, with these forming a key component of Public Procurement Strategies and Action Plans. However, there is a challenge in embedding these considerations into the decision-making process and importantly into contract monitoring.

2.5.1 Ensuring right balance between price, quality and social and environmental considerations

Even in cities where Procurement Strategies and Action Plans have been developed, two key factors continue to dominate the decision-making associated with procurement. The first is rightly that the approach to good and service design, pre-procurement, tendering and decision-making has to be compliant in relation to European and National level law. The second is that price and often the cheapest price dominates the decision-making process.

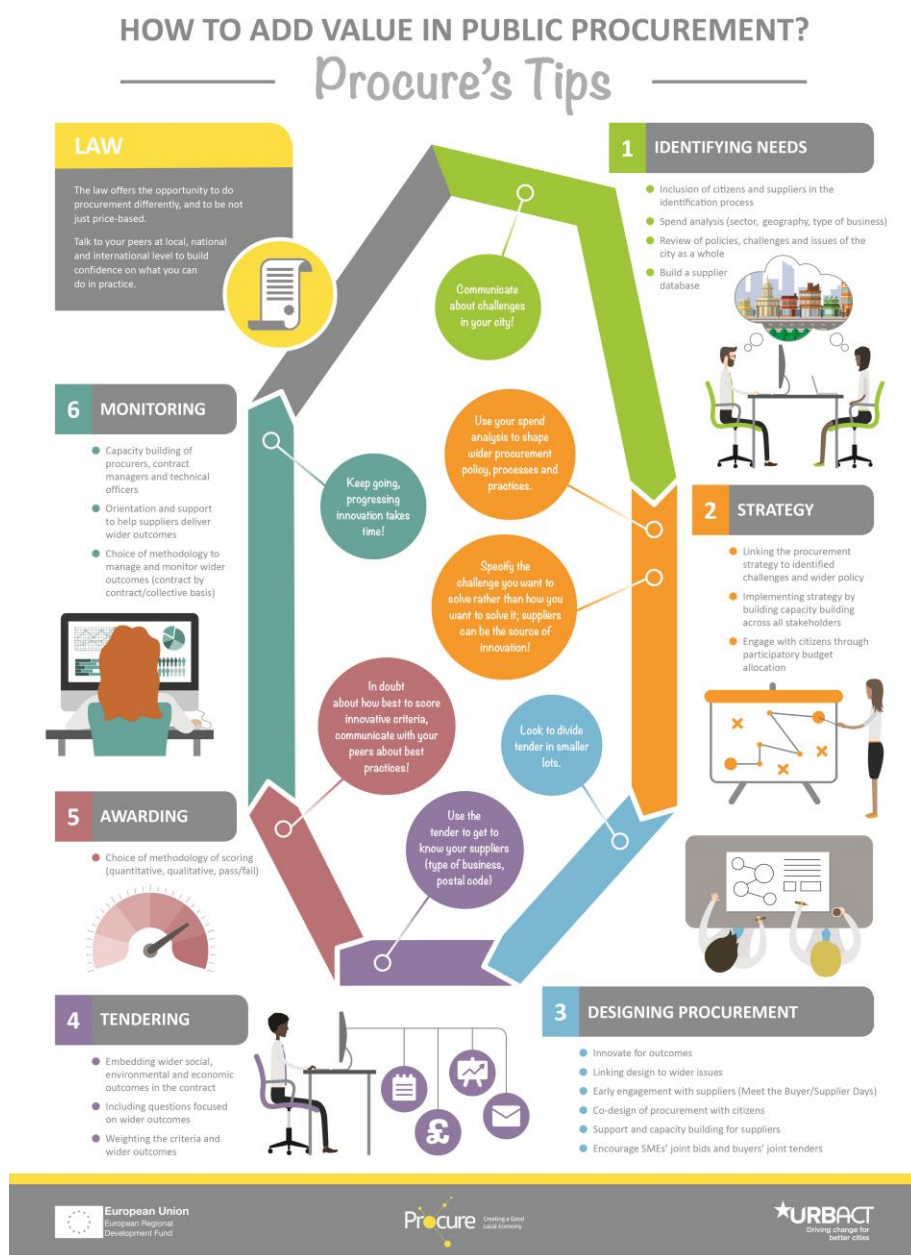
If cities are embedding considerations around social and environmental challenges into their procurement processes as detailed in the previous elements of this section, then there has to be some sort of engagement of that consideration in the decision-making process, alongside considerations of quality and price. The implementation challenge is that many municipalities with an emphasis upon social and environmental criteria do not know what proportion of weighting to place in decision-making around such criteria; nor do they know how to evaluate and score responses to such questions.

2.5.2 Monitoring the impact of procurement spend

Finally, and probably the greatest challenge facing cities that have developed Procurement Strategies and Action Plans is that of monitoring the impact of procurement spend. Cities are becoming more effective at thinking about the social and environmental criteria that apply to particular types of goods and services and seeking responses from potential suppliers in tender documents. However, once a supplier starts delivering a contract, there is often none or very little monitoring of how they are contributing towards the outcomes they suggested they would during the tender process. There is some counting of outputs, such as the number of jobs created; there is however often no consideration of the quality of those jobs or the impact it had upon those individuals moving into work.

3. TACKLING THE CHALLENGE IN PRACTICE

This section of the Guidance describes the key solutions that cities are utilising to overcome the challenges of implementing Public Procurement Strategies and Action Plans and to realise effective implementation. It is important to note that the implementation of changes to procurement processes and practices takes time and that the approach should be cyclical, following the stages of the procurement cycle as outlined in the below infographic (this was the core output from the activities of the URBACT III Procure Network):

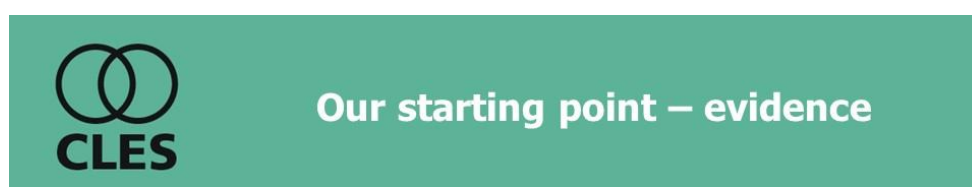


3.1. Data and Evidence

3.1.1 Solution A – Spend Analysis

In response to the challenges associated with data and evidence (gathering data about procurement spend, interpreting data around procurement spend, and using data and evidence to shape implementation of procurement strategy, processes and practice) cities can deploy a process of **Spend Analysis** – by measuring where money goes, who it is spent with, how it is spent, and how spend can influence wider strategy and practice. This element of the guidance explains the history to Spend Analysis and the key elements to it.

In 2002, a think-tank in the United Kingdom called the [New Economics Foundation](#)⁴ made the first attempt to develop a methodology to understand how spend circulates in particular and defined local economies. [Local Multiplier 3 \(LM3\)](#)⁵ was developed to understand the local economic impact of regeneration programmes and projects. LM3 develops a ratio which details the proportion of the total budget of a project which circulates in a defined local economy, through procurement spend with suppliers, through wage spend with employees, and through the extent to which those suppliers and employees spend back within the local economy. The LM3 ratio is detailed in the diagram below:



The Local Multiplier 3 (LM3 model)

- Round 1 – total spend
- Round 2 – spend upon (local) suppliers
- Round 2 – spend upon (local) direct employees
- Round 3 – re-spend of suppliers upon their own local suppliers and their own local employees
- Round 3 – re-spend of direct employees upon good and services in the local economy
- $LM3 = \frac{\text{Round 1} + \text{Round 2} + \text{Round 3}}{\text{Round 1}}$

In 2007, another UK based think-tank called the [Centre for Local Economic Strategies \(CLES\)](#)⁶ started to take the LM3 methodology further through looking at the totality of local authority spend within a place. A first

⁴ <https://neweconomics.org/>

⁵ https://neweconomics.org/uploads/files/9215d0d00f79789377_cxm6bu0ue.pdf

⁶ <https://cles.org.uk/>

study in Swindon with the [Association for Public Service Excellence \(APSE\)](#)⁷, found that for every pound spent, 64 pence was spent or re-spent upon and by suppliers and employees in the local economy of Swindon.

In 2008, CLES started using the principles of LM3 to analyse the [procurement spend of Manchester City Council](#)⁸ and subsequently to use this evidence to change the way in which procurement policy is developed and procurement practice undertaken. The Spend Analysis methodology deployed in Manchester consistently over the last ten years explores four things:

- The extent to which procurement spend is with suppliers based in the Manchester and Greater Manchester (the region) boundaries;
- The extent to which procurement spend is with suppliers which are categorised as Small to Medium Sized Enterprises (SMEs);
- The extent to which procurement spend is with suppliers in particular industrial sectors such as construction or health;
- The extent to which suppliers re-spend back in the Manchester and Greater Manchester economies upon suppliers and employees of their own.

The below diagram highlights the outcome of Spend Analysis for Manchester City Council in relation to spend with suppliers based in the Manchester City Council boundary:



⁷ <http://www.apse.org.uk/apse/>

⁸ <https://cles.org.uk/wp-content/uploads/2011/01/The-power-of-procurement.pdf>

Over the last 11 years, CLES has worked with approaching 100 organisations on an individual basis to undertake Spend Analysis and subsequently progress procurement processes and practices. In 2013, they started to work with [Preston City Council and six other anchor institutions](#)⁹ (as explained in-depth in the accompanying Solution Story). This took the Spend Analysis methodology beyond local authorities to explore other institutions including Universities and the Police and base it on wider place. There are a number of steps involved in undertaking Spend Analysis:

- Define the geographical area in which analysis is to be undertaken (e.g. local authority, city-region, region);
- Collect a list of the suppliers to the organisation for a defined time period, broken down by:
 - Name; City, Postcode or ZIP code; Amount spent with them; Industrial sector; Whether an SME or not.
- Undertake analysis of:
 - Where spend goes geographically – how much was spent with suppliers based in the defined geographical areas and how much leaked elsewhere;
 - 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.

Spend Analysis, as described above, effectively provides a standardised and common methodology through which cities can baseline where their procurement spend goes and the types of sectors and organisations it is spent with. Those undertaking the Spend Analysis will need to engage with various holders of procurement data within a Municipality and draw it together into a standard format, with this process of engagement also helpful in developing relationships and overcome silo working, particularly when it comes to procurement.

The outcome of Spend Analysis is some relatively straightforward percentage figures highlighting: the proportion of procurement spend in a defined geographical area; the proportion of procurement spend with SMEs; for example; and the proportion of spend with construction organisations which are based in the defined geographical area, for example. This data can subsequently be used to shape procurement processes and practices.

For example, the Spend Analysis may identify that 10% of procurement spend is currently with SMEs and as part of their action plan the Municipality wants to increase that to 20%. The Municipality would therefore need to undertake work to identify SMEs that could potentially bid for and win particular contracts and simplify procurement documentation to enable a broader range of organisations to bid.

Spend Analysis is increasingly seen as a means of addressing implementation challenges associated with Public procurement. The good practice described above and in the Solution Story for Preston is the starting point for an URBACT III Transfer Network, led by the City of Preston and called Making Spend Matter (it will run between 2018 and 2020 with six other Transfer Cities).

⁹ <https://cles.org.uk/wp-content/uploads/2016/10/Anchor-institutions.pdf>

3.2. Politics and Governance

In response to the challenges associated with politics and governance (securing political buy-in to implementing strategy, drawing together departments, commissioners and procurers within municipalities, and engaging wider stakeholders including anchor institutions) there are three key solutions as outlined below.

3.2.1 Solution B – Linking Procurement Strategy to Wider City Strategy

All cities will have some kind of strategy whether that be a City-Wide Corporate Strategy or an Economic Strategy. In these strategies will be priorities focused upon addressing economic, social and environmental challenges within that place – for example: reducing youth unemployment; raising skills levels and aspirations; enhancing private sector growth; and reducing carbon emissions. Procurement Strategies and Action Plans will also have a focus upon using procurement as a lever to address wider social and end environmental goals.

One of the most straightforward ways of implementing Procurement Strategies and Action Plans is therefore to align their priorities around social and environmental considerations to wider place-based strategy. In doing this, there is then a symmetry to priorities and a recognition that the process of procurement is of strategic and corporate importance. In implementation terms cities then need to ensure that these aligned priorities are detailed in Procurement Strategy, are the focus of Social Value Procurement Frameworks (as explored in 3.3) and are discussed with potential suppliers as part of market engagement activity (as discussed in 3.4).

3.2.2 Solution C – Developing Cross-Departmental Procurement Working Groups

As identified earlier, there is often a lack of joined up working between Procurement Departments, Commissioners and Economic Development Teams within local government. This is despite Procurement Strategies and Action Plans talking of the importance of such relationships and setting priorities around a more collaborative approach. One key way of overcoming the challenge of silo working during implementation is to set up appropriate governance arrangements that enable such relationships to flourish.

Municipalities could set up two types of Cross-Departmental Procurement Working Groups. The first could sit across all procurement activity which the Municipality undertakes and have a dual focus on bringing together procurers, commissioners, and economic development practitioners on a regular basis; and upon implementing social and environmental considerations generally within procurement. The second could be more Departmental or focused upon particular types of procurement, such as the provision of health services. Here the work of the Working Groups will be more focused on particular goods and services – the emphasis would however remain on developing relationships and embedding social and environmental considerations.

3.2.3 Solution D – Developing Procurement Practitioners Groups across anchor institutions

Solution D is very similar to Solution C, in that the emphasis is upon developing more of a collaborative approach to public procurement. However, instead of being focused upon solely the Municipality, this is focused upon developing Procurement Practitioners Groups across anchor institutions. Municipalities are increasingly wanting to make their Procurement Strategies and Action Plans place-based. By this we mean that the principles and priorities apply to other organisations based within a place, including hospitals, universities, the police, and housing organisations, for example.

Cities can overcome the challenge of implementing such a place-based objective by setting up Procurement Practitioner Groups across anchor institutions. These groups bring together institutions to exchange practice and learning around public procurement and also to implement the principles and priorities of Action Plans and to embed a different approach to working.

3.3. Embedding Innovation, and Social and Environmental Criteria

3.3.1 Solution E – Social Value Procurement Frameworks

In response to the challenges associated with embedding innovation and social and environmental criteria (identifying wider outcomes to be addressed, embedding criteria at the right stage, and asking the right questions during tender exercises) cities can develop **Social Value Procurement Frameworks** – which apply considerations of innovation, and social and environmental criteria across different stages of the procurement cycle.

As such, there are a number of steps to developing a Social Value Procurement Framework.

Step 1 – Identify Outcomes

A Social Value Procurement Framework should outline the types of wider outcomes which an organisation wishes to contribute towards through a process of procurement. These outcomes are often economic, social, and environmental in their nature and will often link into the wider objectives which a place or organisation is seeking to achieve through wider strategy and practice (as highlighted in 3.2.1). It is also important to define what is meant by social value:

‘Social Value seeks to ensure that organisations in everything they do bring a wide range of benefits for places in economic, social, and environmental terms including through creating jobs and apprenticeships, creating volunteering opportunities and reducing carbon footprint. In relation to commissioning and procurement, social value should be at the heart of all goods and services which are designed, procured, and delivered.’

The first step in developing a Social Value Procurement Framework is therefore to identify the outcomes that a city wants to contribute towards through the process of procurement (the below is an example).

Municipality X Overarching Objective	Outcome for Procurement Framework
1. Successful Businesses	a) More Jobs and Better Equity
	b) Enhanced Direct Spend with SMEs
	c) Enhanced Re-Spend by Suppliers in Local Economy

Step 2 – Identify Indicators

All Frameworks should have means of measuring the contribution activities make towards the achievement of outcomes. It is therefore important to define at the outset of developing a Social Value Procurement Framework exactly the types of indicators against which procurement and the activities of those successful in winning contracts will be measured against when it comes to social value. These indicators can be a mix of quantitative outputs (numbers of jobs created) and more qualitative outcomes (such as the effect on an individual and their life or the quality of jobs created).

The second step in developing a Social Value Procurement Framework is therefore to develop a means against which social value outcomes can be measured (the below are some example indicators).

Objective	Outcome	Indicators
2. Successful People	a) Improved Skills	i. Number of apprenticeships created
		ii. Number of work experience opportunities created
		iii. Increased skills levels within workforce of supply chain
	b) More Equal, Diverse and Healthier Workforces	i. Evidence of workforce development and flexibility
		ii. Evidence of development of workplace health and well being activities and take up of them
	c) Increase in Co-Produced Services	i. Evidence of service user involvement in development of tender and in delivery

Step 3 – Embed Outcomes and Indicators into Good and Service Design and Commissioning

The best point at which social value should be considered in commissioning and procurement is at the design of service stage. Here, commissioners should be asking themselves a series of questions around how

the outcomes and indicators detailed in a Social Value Procurement Framework link to the type of good or service they are looking to design. It is important to note that not all aspects of Social Value and the outcomes detailed will be applicable to every commissioning exercise surrounding goods, services and works. Indeed, there will be differences by Municipality Department, Service Area, and the type of good, service or work being commissioned.

It is at this stage of the procurement cycle at which considerations of innovation are most relevant. Cities such as Eindhoven have become increasingly effective at providing the outcomes they want to the potential supply chain and encouraging them to both provide bids for goods and services, and highlight how they will contribute towards those outcomes, thus stimulating innovation.

The third step in developing a Social Value Procurement Framework is to develop a matrix against which Service Areas and types of goods and services are mapped against the outcomes and indicators developed in Steps 1 and 2.

Step 4 – Develop weightings, tender documents and social value questions

Once the above activities around commissioning have been undertaken and commissioners have decided which aspects of social value can potentially be embedded into a tender process; then cities need to develop appropriate tender documents. There are two parts to this step.

First, cities need to define what weighting will be given in an individual tendering process to social value, alongside more traditional weightings around price and quality. While some organisations have adopted a blanket percentage (such as 10%) across all procurement exercises there is increasingly evidence to show that weighting on a case by case basis is more effective. In this approach consideration would be given in each contract to the percentage attributed to social value relevant to the nature of the good or service being procured – so some procurements may have greater propensity for social value than others and therefore have an enhanced weighting percentage.

The second element of developing tender documents is to develop questions for suppliers around the Social Value Procurement Framework objectives, outcomes and measures. Dependent upon the element(s) of social value being sought from a procurement, the appropriate questions should be embedded into the tender documents. This will enable bidding organisations to be clear as to the type of social value being sought and thus be able to respond accordingly.

There are three types of questions that can be asked as part of social value elements of tender documents. There are questions that lend themselves to a quantitative answer ('how many'). There are questions that lend themselves to a qualitative answer ('what activities' or 'who will benefit'). And there are questions which lend themselves to an answer which is a pass/fail in terms of evaluation ('do you have').

The fourth step in developing a Social Value Procurement Framework is therefore to develop a weighting system for social value and develop social value focused questions.

3.4. Market Engagement

In response to the challenges associated with market engagement (identifying potential suppliers and SMEs, working with the market prior to procurement, and encouraging social and environmental benefit) there are two key solutions as outlined below.

3.4.1 Solution F – Developing relationships with Business Representative Bodies

Cities can make businesses, and particularly SMEs, aware of procurement opportunities through developing relationships with business representative bodies such as Chambers of Commerce and small business organisations, such as the Federation of Small Businesses in a UK context. These organisations will have an intrinsic understanding of their membership bases and their potential capability and skills to bid for and potentially win procurement opportunities. They can therefore provide Municipalities with intelligence as to the types of organisations they could potentially approach to submit bids for appropriate goods and service opportunities.

These organisations can also provide advice and guidance to their members about bidding for procurement opportunities. For example, they can provide capacity building support for both SMEs and social economy organisations, which gives them the knowledge and skills to bid for contract opportunities. Capacity building can focus upon raising awareness of opportunities, the process of completing a PQQ, or getting a social economy organisation tender ready.

3.4.2 Solution G – Hosting market engagement events

Cities will detail in their Procurement Strategies and Action Plans a desire to engage with the market, prior to formally commencing a procurement process or as part of a procurement process. One way of implementing this is to hold open market engagement events, where potential suppliers come together at an event to hear about the good or service that is being procured. It is also an opportunity for Municipalities to make potential suppliers aware of their tender processes and their priorities around social and environmental considerations, for example. On the supplier side of things, it is an opportunity to demonstrate their credentials to the Municipality and also to foster innovation.

3.5. Decision-Making and Monitoring

In response to the challenges associated with decision-making and monitoring (ensuring right balance, between price, quality identifying potential suppliers and SMEs, working with the market prior to procurement, and encouraging social and environmental benefit) there are two key solutions as outlined below.

3.5.1 Solution H - Evaluate for Social Value

Once questions have been devised around social value as part of the tender process there is a need to develop a means against which tender responses in relation to social value can be evaluated and scored. This needs to be consistent for all bids and proportionate to the size of contract. The evaluation approach will flow from the type of question asked as part of tendering. There are three types of evaluation which cities could use:

- Quantitative - there are those questions that lend themselves to being scored on a quantitative basis – ‘how many’ questions.
- Qualitative - there are those questions that lend themselves to being scored on a qualitative basis – ‘what’ and ‘who’ questions.
- Pass/fail - There are those questions that lend themselves to being scored on a pass/fail basis – ‘do you’ questions.

3.5.2 Solution I - Developing contract monitoring frameworks and measurement mechanisms

The stage which organisations often do not put enough time to in relation to social value is actually following the progress of suppliers when it comes to delivery and contract management. Suppliers will detail in tender documentation what they are going to deliver around social value but they are not always held to account on this; nor are the outputs and outcomes formally monitored. The final solution is therefore around delivery and contract management. There are three elements to this:

Firstly, cities need to take the aspects and quantity of social value detailed by the successful supplier in their tender responses and translate these into terms in contracts. This will ensure that both suppliers and those commissioning goods and services know what is being delivered contractually as part of a good or service and what is being delivered in relation to social value. These social value terms and conditions should be treated like any other term of contract, with suppliers held to account if they are not achieved.

Secondly, cities should not just leave it down to suppliers to deliver social value. There are a range of types of support and signposting that can be provided directly and by other organisations, including links into employment support programmes, links into voluntary and community sector organisations, and advice and tools around measuring carbon, as ways of example.

Thirdly, to enable cities to identify the extent to which social value is being delivered, there needs to be a process of contract management and monitoring. This enables both suppliers to be held to account to the terms of their contract and enables the wider impact of commissioning and procurement decisions to be understood including their contribution to wider outcomes and priorities.

There are three main ways or techniques for contract managing and monitoring social value. The first is on a quantitative basis, so for questions such as ‘how many jobs have you created?’ to ask suppliers to provide a number either during the life of the contract or at the end. The second is on a qualitative basis, so again for the jobs question, there may be an emphasis on collecting information about the sustainability of the jobs created or the implications that job creation has had on an individual’s life (again this can be done during the life of the contract or at the end). The third is through a survey where questions are asked about social value measures (this can be done at the end of the contract).

3.6. Conclusion

This guidance document is the first in a series that focuses on implementation of sustainable urban development strategies in cities. Others in the series cover:

- Integrated Approach in Implementation
- Stakeholder Engagement in Implementation
- Measuring results in Implementation
- Public Procurement in Implementation

