



Centre for Local  
Economic Strategies

**June 2019**

***PROGRESSING PROCUREMENT PROCESSES AND PRACTICES IN LEEDS***

Report prepared by

**Centre for Local Economic Strategies**

Presented to

**Leeds City Council**

---

<b>CONTENTS</b>		<b>PAGE NO.</b>
<b>1</b>	<b>INTRODUCTION</b>	<b>2</b>
<b>2</b>	<b>MEASURING DIRECT IMPACT</b>	<b>6</b>
<b>3</b>	<b>EXPLORATION OF WIDER ECONOMIC IMPACT</b>	<b>13</b>
<b>4</b>	<b>COLLECTIVE SPEND ANALYSIS</b>	<b>15</b>
<b>5</b>	<b>RECOMMENDATIONS</b>	<b>17</b>

## 1 INTRODUCTION

This report presents the findings of research undertaken by the Centre for Local Economic Strategies (CLES) which sought to investigate the impact of spending by Leeds City Council, Leeds City College, Leeds College of Building, Leeds Trinity University, Leeds Beckett University and Leeds Teaching Hospital Trust.

The report is split into the following sections:

- ❑ **Section 1** places the report within the context of wider Community Wealth Building and gives an overview of the methodology employed;
- ❑ **Section 2** details the findings of the analysis of direct impact of Leeds City Council spending – a supply chain analysis and the results from an ‘influenceable spend’ workshop;
- ❑ **Section 3** explores the wider impact of Council spend through detailing the results of a survey of the supply chain;
- ❑ **Section 4** summarises an analysis of the direct impact of spending by the other five anchor institutions involved in the project; and
- ❑ **Section 5** – details our recommendations and proposed next steps.

CLES has worked with Leeds City Council and the other five anchor institutions involved to understand more about their spend, and the behaviour of their supply chain. This work aims to bring greater benefit for Leeds in local economic, social and environmental terms. The recommendations contained within this report articulate what needs to happen next in terms of procurement, and the wider Community Wealth Building agenda. It is important to clarify that this work will take time; the figures in this report provide a baseline against which progress can be measured, but it is a change in the culture of politicians, officers and suppliers that will be the true measure of success for this approach.

### 1.1 Why this work is important

Our current growth model is failing. Last year, data from the Organisation for Economic Co-operation and Development (OECD) showed that the UK is the only developed economy in which wages fell while the economy was growing.<sup>1</sup> The UK is an economy where one in eight workers live in poverty,<sup>2</sup> and where 1.3 million people rely on food banks.

Part of the reason for this is the dominance of large global companies in key sectors of the economy. These firms crowd out smaller, often more locally rooted businesses, with profits from local operations flowing out to, often distant, shareholders. This means that while profits of these large firms have increased at an unprecedented rate, competition has suffered with small and medium sized businesses struggling to challenge their dominance. At a local level this has contributed to a hollowing out of local economies and a stagnation of wages.

#### The importance of procurement

Recent years have seen unprecedented cuts to local authority budgets across the country. Many authorities have been forced to find efficiency savings in their budgets through the scaling back or complete withdrawal of some services.

As budgets continue to dwindle, and it becomes more and more difficult to put resources on the ground, attention has turned to other, locally-controlled ways to affect positive change for people and place. One such lever is the commissioning and procurement practices of local authorities. Whilst these have been one of the major means through which local authorities have made savings, they also present a significant opportunity, with some changes, to progress economic, social and environmental objectives.

Since 2012 there has been emphasis in national legislation on the dual role of commissioning and procurement of achieving both efficiency (through a focus on cost) and effectiveness (through a focus on outcomes) in the Public Services (Social Value) Act (2012). This Act effectively requires all public authorities to have regard to economic, social and environmental wellbeing in connection with public service contracts. This means that the potential ‘social value’ offered by suppliers is considered

<sup>1</sup> <https://www.ft.com/content/83e7e87e-fe64-11e6-96f8-3700c5664d30>

<sup>2</sup> <https://www.jrf.org.uk/press/uk-poverty-2017-country-reaches-turning-point>

alongside considerations of cost, quality and efficiency giving a more balanced consideration of value for money.

### What is an inclusive economy?

An inclusive economy is an economy which is focussed on social goals, social justice, environmental sustainability and prosperity for all. It contrasts to inclusive growth which aims to improve living standards and share the benefits of increased prosperity more evenly across social groups. From an inclusive growth perspective, inclusion is about what happens socially to growth after we have growth. Whilst helpful, however, this aim is limited, and limiting, given the scale of the social issues and economic challenges facing our society.

By contrast, an inclusive economy offers a more voracious conceptual frame to the social benefits that flow from, or feed into, economic activity. In essence, an inclusive economy is a functioning economy which is intrinsically married to social goals, social justice, environmental sustainability and prosperity for all. This is not inclusion after the fact of growth, or inclusion which fits within a liberal market frame. Instead inclusive economy seeks to develop inclusion with or without growth, whilst seeking to address the fundamental social flaws of market liberalism. Inclusive economy is not merely about the poor social effects of economic growth outcomes, it is about addressing the causes which are created by the market liberal approach to growth. This agenda is aligned to a belief in heterodox economics and new forms of economic democracy and urban development such as new municipalism,<sup>3</sup> an alternative characterised by the current wave of progressive policy and practice, emerging across Europe and beyond. This new wave is driven by a need for resilience, and a much deeper concern for place action on economic and social justice.

Consequently, this approach prompts local government to take a more 'activist' position: stepping into the market to enable, mediate and cajole other actors as a means of maximising local community and commercial benefit. Fundamentally this relates to building local wealth, securing social outcomes and new models of ownership. Above all, this is about the principle of economic gains, which occur through the actual functioning of the economy, not just via 'after-the-fact' benefits or through the redistribution of any growth. Work by CLES with Local Municipalities (i.e. Barcelona, Oldham, Preston and Birmingham) and similar work of organisations such as The Democracy Collaborative in the USA, is reflective of this new wave.

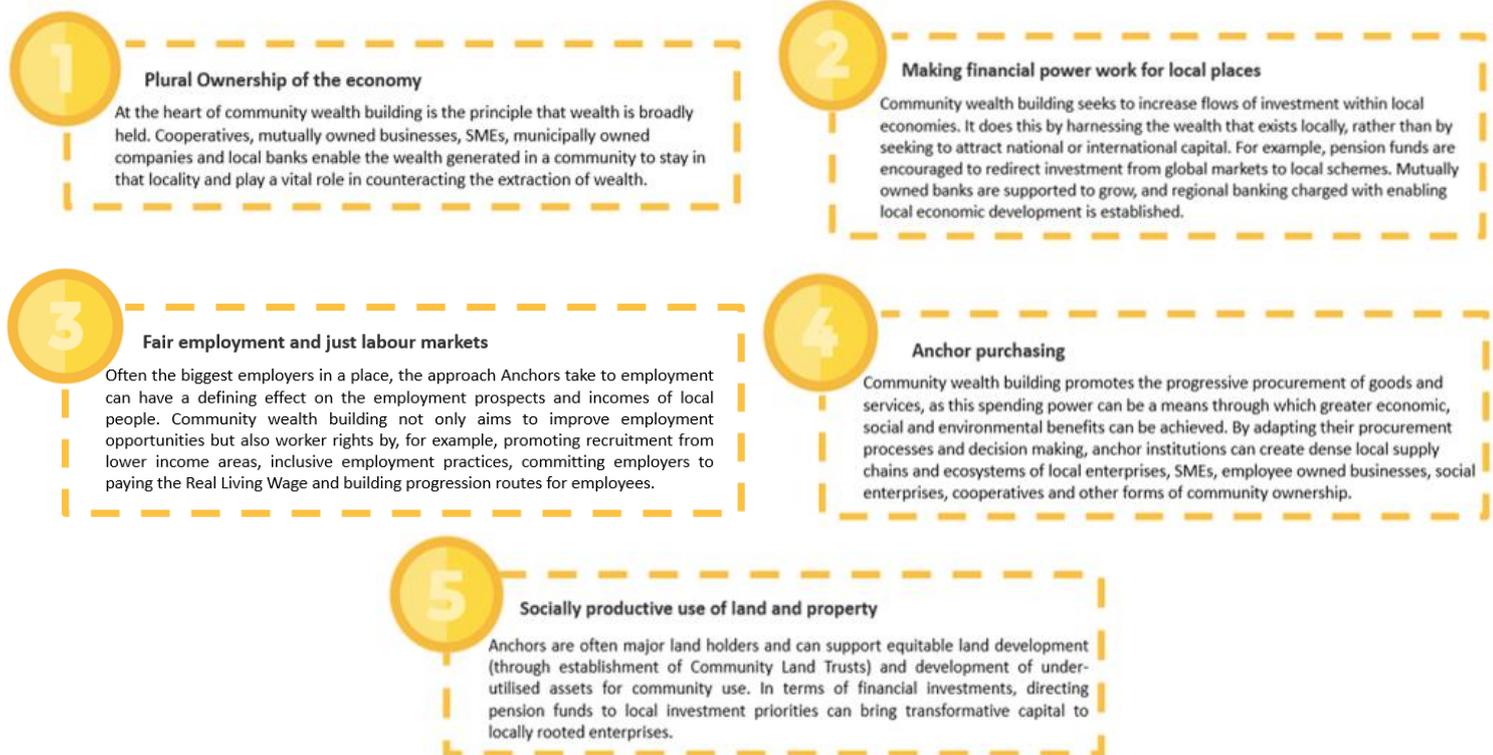
### What is Community Wealth Building?

Mainstream local economic development has little to offer in countering the distorting effect of global firms on local businesses. Instead it focuses on contributions to GDP, with little recognition of failure of the wealth created by these businesses to translate into wealth for local businesses and employees. By contrast Community Wealth Building aims to grow the local business supply base so that wealth generated in a place doesn't flow out but is broadly held, with local roots, so that income is recirculated and employees are provided with opportunity, dignity and well-being. Through Community Wealth Building we are seeing a democratic, social and economic movement, which seeks to provide resilience where there is risk and local economic security where there is precarity

Community Wealth Building has a particular focus on the activities of Anchor institutions. Anchor institutions are large established organisations, rooted in local communities, which can improve local economic and social wellbeing through the directing of their spend, employment practices, and use of land and assets. At the heart of the Community Wealth Building approach, then, are five strategies for harnessing existing resources to enable local economies to grow and develop from within:

---

<sup>3</sup> <https://cles.org.uk/blog/local-government-the-commons-the-time-has-come/>



Community Wealth Building has huge potential. For example, Manchester City Council increased their local spend by around 20% over a 5-year period, through the development of an ethical procurement policy, and applying a 20% social value weighting to tender decisions. This is estimated to have created 6,000 additional jobs in the city.

In Preston, there is cooperation across anchors to look at different elements of Community Wealth Building in addition to anchor spend. The development of cooperatives has been prioritised, and Council pension funds have been used to raise capital for physical redevelopment projects. In addition, there are plans for the development of a local bank, to provide affordable finance to individuals and organisations that are not catered for by mainstream lenders. This approach has managed to inject an additional £70 million back into the Preston economy and the city was the most improved in the 2018 Good Growth for Cities index.

These are concrete examples of what can be achieved through a Community Wealth Building approach and Leeds City Council and the city's other anchors now have the opportunity to apply these principles and build an inclusive economy.

## 1.2 Methodology

CLES' work has sought to challenge the way in which procurement is currently undertaken in Leeds City Council and other anchor institutions in the city; draw upon practice from elsewhere; baseline the local economic impact of procurement spend; and offer tailored advice as to how social value can become far more embedded in commissioning and procurement processes and in contract monitoring. The methodology for the four elements of this work is set out below:

### 1.2.1 Supply chain analysis

Leeds City Council supplied CLES with a list of the top 300 suppliers (by value of the contract) for financial year 2017/18. CLES analysed this procurement spend and particularly the extent to which spend is with organisations in two key geographical areas of focus:

- ❑ **Leeds** – we explore levels of spend within the Council boundary;
- ❑ **West Yorkshire** – we explore levels of spend within the region, comprising the local authority boundaries of Bradford, Calderdale, Kirklees, Wakefield, and Leeds.

CLES utilise the spend with the top 300 suppliers for several reasons; it accounts for the vast majority of total spend; is a widely adopted scale of analysis, and will allow for comparisons to be made with other studies; and it is also important to CLES that we can support organisations to independently complete the analysis in future and using the top 300 provides robust data and a manageable process in terms of required capacity.

The focus was on spend in financial year 2017/18 (1 April 2017 to 31 March 2018). To undertake the analysis, CLES cross referenced spending totals upon suppliers and their postcodes against a list of postcodes for each of the geographies of focus. Where suppliers' main postcode was not in the Leeds City Council boundary, CLES undertook further research to find a local postcode. It is important to note that for the purposes of our analysis, we take the most local postcode to the geographies of focus and attribute all Council spend to that postcode; so for example, if Leeds City Council were to use a global energy firm for its utilities, but they have a depot in Leeds, we would use the postcode of the local depot.

As well as interrogating the extent to which spending was in the two geographies, for Leeds based suppliers only we also examined the geographical ward in which the supplier was based, and the extent to which suppliers were based in 20%, 10% and 1% most deprived neighbourhoods in the country. In addition for the top 300 suppliers, spend with small and medium sized enterprises (SMEs) was charted, and explored; together with analysis of the industrial sector of each supplier.

### 1.2.2 Influenceable spend workshop

The spend analysis outlined above produced a list of suppliers that do not have a base or branch in West Yorkshire. For the influenceable spend workshop we went through this list with procurement staff to understand a bit more about the nature of the contracts, the goods and services being provided, the performance of the supplier, and the social value they deliver. The aim of the discussion was to whittle down this long list produced by the supply chain analysis, to leave a number of contracts where there may be potential for alternative suppliers to engage in a procurement process for these contracts. See Section 2.2 for the analysis.

### 1.2.3 Supplier survey

CLES has sought to explore the wider impact of contract spend with the top 300 suppliers (by value) to Leeds City Council in financial year 2017/18. Data was gathered through issuing an electronic survey to the suppliers, to allow us to understand the extent to which suppliers re-spend back in the local and regional economies. This has been done through asking specific questions of suppliers as to the extent to which their workforces are Leeds or West Yorkshire residents and the extent to which their suppliers are based in these geographies. See Section 3.1 for the analysis

### 1.2.4 Supporting an anchor network in Leeds

Leeds City Council recognise that collaboration between anchor institutions in the city is an important step to grow and scale this approach. Work has been conducted by Nicky Denison and Les Newby to develop a network of anchor institutions in the city, committed to working together to amplify their impact on the local economy. Engagement with the anchor institutions involved in the network indicated that five of the organisations wished to explore procurement as a potential area of collaboration

Following a meeting of the Leeds anchor institutions with CLES Associate Director Frances Jones on 9<sup>th</sup> November 2018, it was decided that five of the anchor institutions would like a more detailed analysis of spend. Therefore, for Leeds Beckett University, Leeds City College, Leeds College of Building, Leeds Teaching Hospital Trust; and Leeds Trinity University, CLES undertook a spend analysis in line with the methodology outlined in Section 1.2.1.

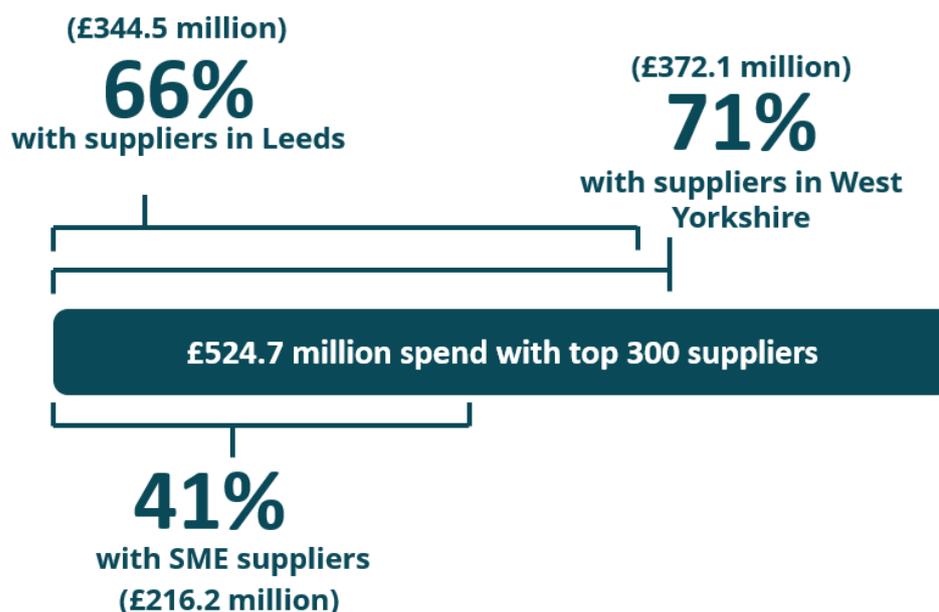
## 2 MEASURING DIRECT IMPACT

This section of the report details the findings of the analysis of the City Council's spend, and the 'influenceable spend' workshop.

### 2.1 Spend analysis

This section of the report identifies and highlights the spend of Leeds City Council upon procuring goods and services from its top 300 suppliers (by value). Figure 1 highlights the headline findings from the procurement analysis of the top 300 spend of Leeds City Council for 2017/18. Further detail on each of these findings is provided in the subsequent analysis.

**Figure 1: Headline findings from Leeds City Council procurement analysis**



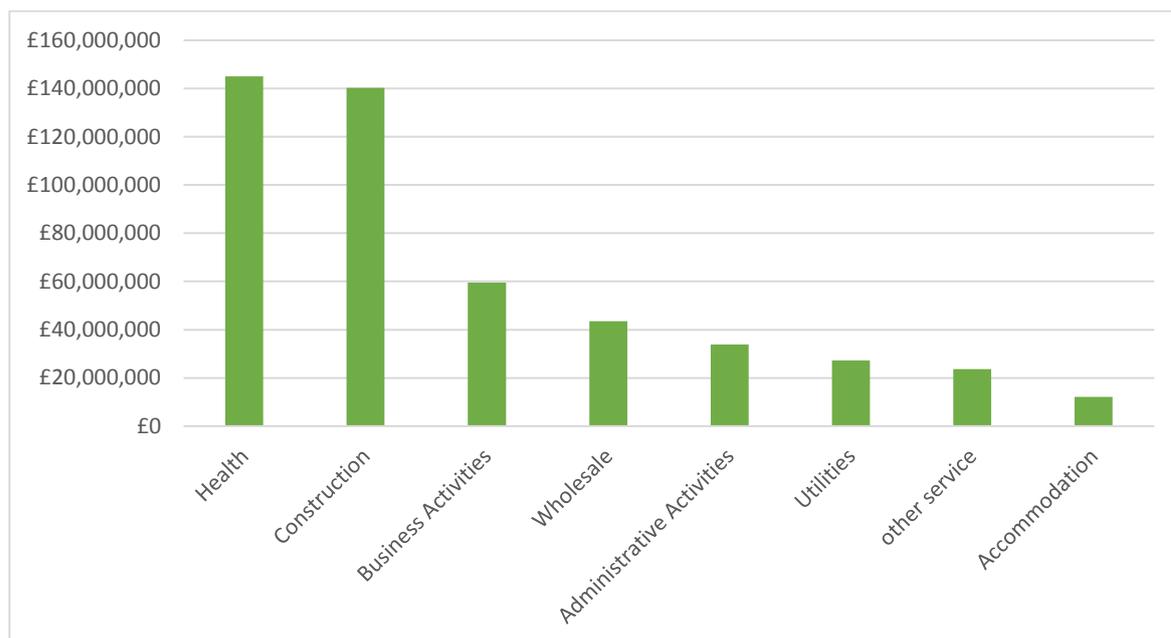
During the 2017/18 financial year, Leeds City Council spent a total of £524,681,881 upon procuring goods and services from its top 300 suppliers (by value). The value of these contracts ranged from £27.8 million to £225,000.

#### 2.1.1 Spend with suppliers by industrial classification

For the top 300 suppliers, CLES has categorised suppliers and levels of spend by the types of goods and services provided. To do this, we utilised the information held on the Council database, together with information from the ORBIS and Companies House databases. Figure 2 shows the amount of spend and proportion of total spend with the top 300 suppliers by industrial classification. The chart only shows sectors where there has been spend in 2017/18 in excess of £10 million (representing 92% of Leeds City Council spend - there are 6 sectors not represented<sup>4</sup>), and highlights that:

- ❑ The highest level of spend in financial year 2017/18 was with organisations classified Health at £145,000,492. This spend was with 119 suppliers and is equivalent to 28% of spend with the top 300 suppliers;
- ❑ The second highest level of spend in financial year 2017/18 was with organisations classified as Construction at £140,345,454. This spend was with 53 suppliers and is equivalent to 27% of spend with the top 300 suppliers.

<sup>4</sup> Communications; Manufacturing; Transport; Mining and Quarrying; Public Administration; Education

**Figure 2: Spend by industrial classification**

### 2.1.2 Spend by size of supplier

This section of the report will look at the value and proportion of Leeds City Council spend with organisations based on their size. We utilised the information provided by the Leeds City Council database to search for the size of each supplier in the Orbis directory.

- ❑ In financial year 2017/18 Leeds City Council spent £258,023,426 with SMEs<sup>5</sup>;
- ❑ This spend was with 198 suppliers and equates to 49.2% of procurement spend by Leeds City Council with its top 300 suppliers;
- ❑ The national benchmark for SME spend is 52% of total private sector business revenue;<sup>6</sup>
- ❑ In financial year 2017/18 Leeds City Council spent £46,798,331 with microbusinesses<sup>7</sup>;
- ❑ This spend was with 73 suppliers and equates to 8.9% of procurement spend by Leeds City Council with its top 300 suppliers;

### 2.1.3 Spend by type of supplier

This section of the report will look at the value and proportion of Leeds City Council spend with organisations based on their type. We utilised the information provided by the Leeds City Council database to search for the type of each supplier in the Orbis directory.

- ❑ In financial year 2017/18 Leeds City Council spent £407,093,428 (equivalent to 78% of spend) with 213 private limited companies;
- ❑ During the same period Leeds City Council spent £42,813,207 (equivalent to 8% of spend) with 41 companies with charitable status<sup>8</sup>;

Organisations should be seeking to develop diverse supply chains with a plurality of types of providers. We know that locally owned or socially minded enterprises are more likely to employ, buy and invest locally. This means that rather than extracting wealth they contribute to local economic development. For this reason, community wealth building seeks to promote locally owned and socially minded enterprises. These include public sector insourcing, municipal enterprises, worker ownership, co-

<sup>5</sup> Classified as 'Very Small', 'Small', 'Medium Small' and 'Medium'. The definitions used to classify they categories are contained within Tab four of the supplementary spreadsheet.

<sup>6</sup> Department of Business, Energy and Industrial Strategy (2018) Business Population Estimates 2018

<sup>7</sup> Classified as 'Very Small'. The definitions used to classify they categories are contained within Tab 4 of the supplementary spreadsheet.

<sup>8</sup> Those listed as 'charitable organization' or 'limited company by guarantee'

operatives, community ownership and local private ownership. These models enable wealth created by users, workers and local communities to be held by them, rather than flowing out as profits to shareholders.

### 2.1.4 Spend with suppliers by geography

Using the supply chain information provided by Leeds City Council, CLES calculated the extent to which procurement spend for 2017/18 was with Leeds and West Yorkshire based suppliers. Prior to running the analysis, CLES undertook further research to identify organisations which have a national administrative postcode but are based or have a branch within the region. For these organisations, we have gathered further postcodes and it is these that shape the analysis. Table 1 demonstrates the findings of this analysis:

**Table 1: Spend by geography**

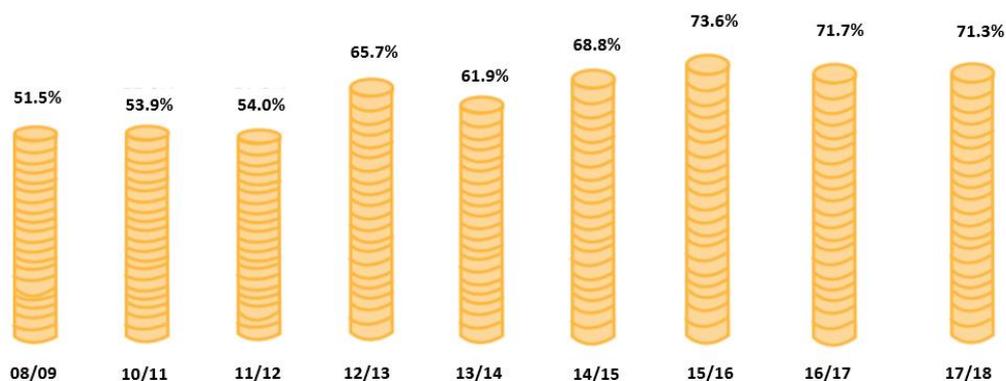
Geography	Spend	Proportion of total spend with top 300 suppliers
Leeds	£344,478,285	65.7%
West Yorkshire (including Leeds)	£372,102,484	70.9%
Non-West Yorkshire	£152,579,398	29.1%

It is difficult to compare these findings with other authorities because the economies of local places and regions are very different, in terms of the scale of them and also the nature of the business base. However, there are publicly available data from Manchester City Council to provide context to these figures. Figure 3 below shows the results of 9 years of spend analysis and charts the proportion of spend that is with suppliers based in, or with a branch in Manchester.

In addition, an analysis of 26 spend analyses conducted by CLES, saw the average local (local authority) spend at 36%, with its wider regional spend as being 62%. Therefore, on this measure Leeds City Council has a higher proportion of local spend than our average analysis.

It is important to note that although the geography of the supply chain is an important indicator, and that spend with local suppliers is considered to innately generate social value, it is more important to measure the local social value being generated by contracts and to recognise that all contracts have the potential to contribute to local priorities. Indeed, CLES have seen many examples of non-local suppliers who have provided significant social value as part of a contract. It is not enough to simply utilise local suppliers.

**Figure 3: Spend analysis from Manchester City Council (2008-09 to 2017/18)**



### 2.1.5 Spend with Leeds based suppliers

- During the 2017/18 financial year, Leeds City Council spent a total of £524,681,881 upon procuring goods and services from its top 300 suppliers (by value);

- ❑ Of this, £344,478,285 is spent with suppliers based in, or with a branch in, the Leeds City Council boundary; this equates to 65.7% of spend upon the top 300 suppliers;
- ❑ 184 of the Council's top 300 suppliers are based in, or have a branch in the Leeds City Council boundary.

### ***Spend with Leeds based suppliers in areas of deprivation***

For Leeds based suppliers, and utilising the 2015 Index of Multiple Deprivation, it is possible to identify how much of Leeds City Council's spend upon its top 300 suppliers (by value) is with organisations based in the most deprived neighbourhoods, or LSOAs<sup>9</sup>. For this measure we have used the overall deprivation domain.

The breakdown of spend in areas of deprivation within Leeds is as follows:

- ❑ £13,085,704 or 4% of spend with Leeds based suppliers is with organisations based in, or with a branch in, the 1% most deprived LSOAs nationally (there are 9 suppliers in these areas);
- ❑ £115,861,564 or 34% of spend with Leeds based suppliers is with organisations based in, or with a branch in, the 10% most deprived LSOAs nationally (there are 51 suppliers in these areas);
- ❑ £137,366,175 or 40% of spend with Leeds based suppliers is with organisations based in, or with a branch in, the 20% most deprived LSOAs nationally (there are 61 suppliers in these areas).

To provide context, in 2015 there were 16 LSOAs in Leeds in the 1% most deprived nationally (3% of LSOAs in Leeds; 105 in the 10% most deprived (37% of LSOAs in Leeds); and 148 LSOAs in Leeds were in the 20% most deprived (52% of LSOAs in Leeds).

Tab 2 of the supplementary spreadsheet highlights the Leeds based suppliers based in the 20% and 10% most deprived LSOAs nationally and the amount spent by the Council with them. Leeds City Council should seek to engage with these organisations to maximise the social value generated as a result of these contracts.

### ***Spend with Leeds based suppliers by industrial sector***

We have broken down the £344,478,285 spend with Leeds based organisations by industrial sector. This illustrates that:

- ❑ During the 2017/18 financial year the highest spend in Leeds was with organisations classified as Health at £133,743,025 (39% of total spend with Leeds based suppliers);
- ❑ Spend with Construction organisations comprised £80,427,633 (23% of total spend with Leeds based suppliers);
- ❑ Wholesale, Business Activities, Administrative Activities and Utilities have 9% 7% 7% and 5% of spend respectively.
- ❑ The remaining 10% of spend are distributed relatively evenly between 8 other categories – Transport, other service, Communications, Public Administration, Mining and Quarrying, Manufacturing, Education and Accommodation.

### ***Spend with Leeds based suppliers by ward***

For Leeds based suppliers, we have also identified the extent to which they are based in the each of the city's 33 wards. The figures for spend for each of the wards can be found in Tab 1 of the supplementary spreadsheet, however the headline findings are:

- ❑ The ward with the highest spend is Garforth & Swillington at £63,664,567.63, this is equivalent to 18.5% of total spend with suppliers based in Leeds (this spend is with 17 suppliers);
- ❑ In total, there has been spend in 30 of Leeds' 33 wards.

## **2.1.6 Spend with West Yorkshire based suppliers**

The procurement analysis also revealed the scale of spend by Leeds City Council with suppliers based in West Yorkshire (including Leeds):

<sup>9</sup> Lower Layer Super Output Areas are a geographic hierarchy used within the reporting of small area statistics in England and Wales. LSOAs are built from groups of contiguous Output Areas and have been automatically generated to be as consistent in population size as possible, typically containing four to six Output Areas, with a minimum population of 1000 and a mean of 1500.

- ❑ £372,102,484 is spent with suppliers based in, or with a branch in West Yorkshire (including Leeds);
- ❑ This equates to 70.9% of all procurement spend by Leeds City Council upon its top 300 suppliers;
- ❑ In numerical terms, 222 of Leeds City Council’s top 300 suppliers are based in, or have a branch in, West Yorkshire;
- ❑ £27,624,198 is spent with suppliers based in the other 4 Local Authority areas of West Yorkshire outside of Leeds.

**2.1.7 Spend with Non West Yorkshire suppliers**

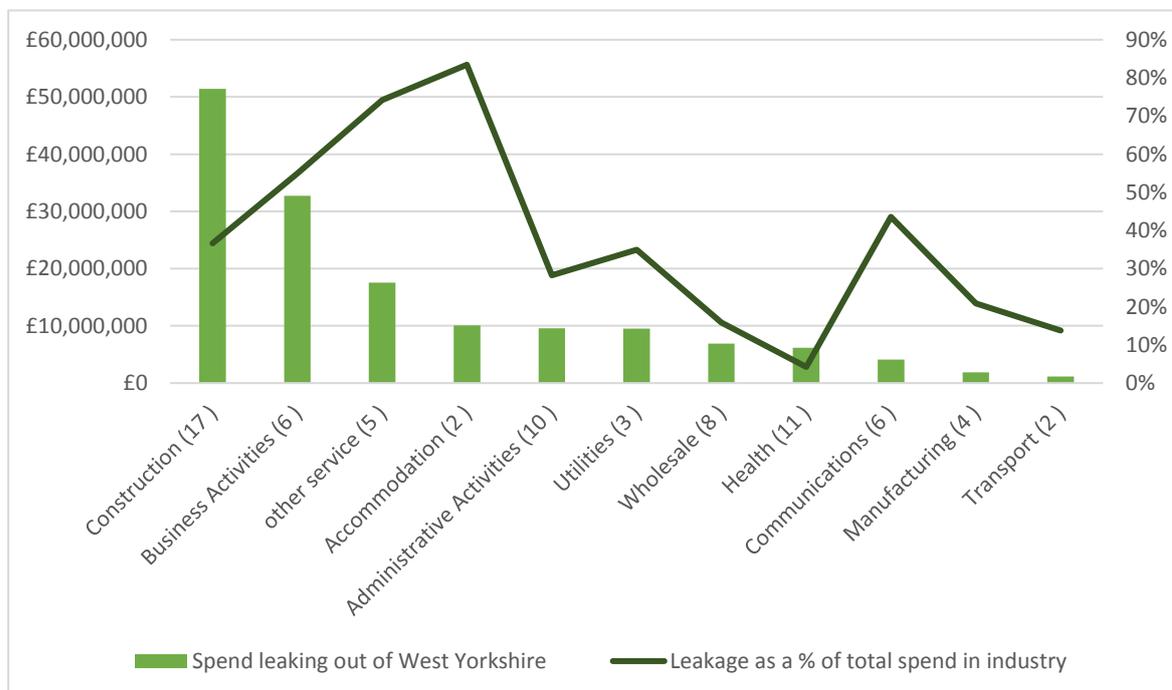
From the analysis of suppliers and their postcodes, we are also able to identify organisations within the top 300 suppliers to Leeds City Council which are not based in Leeds or West Yorkshire:

- ❑ In financial year 2017/18, £152,579,398 was spent with suppliers not based in West Yorkshire;
- ❑ This is equivalent to 29.1% of Leeds City Council spend with their top 300 suppliers leaking out of the West Yorkshire economy;
- ❑ This spend is with some 78 organisations; a list of which is detailed in Tab 3 of the supplementary spreadsheet.

The key sectors, where there is either a high value of leakage from the West Yorkshire economy, or a high proportion of total spend in a sector leaks are:

- ❑ In 2017/18 there was £51,404,442 spend by Leeds City Council upon 17 organisations classified as ‘Construction’ based outside of West Yorkshire;
- ❑ Leeds City Council spent £32,700,729 with 6 organisations based outside of West Yorkshire classified as ‘Business Activities’;
- ❑ 83% of all spend by Leeds City Council upon organisations classified as Accommodation (£10,097,694) is spent with two organisations based outside of West Yorkshire

**Figure 4: spend with suppliers that are not based in West Yorkshire**



CLES have met with Leeds City Council procurement staff to discuss the influenceable spend within their top 300 suppliers for 2017/18 (see Section 2.2).

## 2.2 Influenceable spend workshop

This sub-section of the report details the activities that were undertaken to explore the 'influenceable spend' of Leeds City Council.

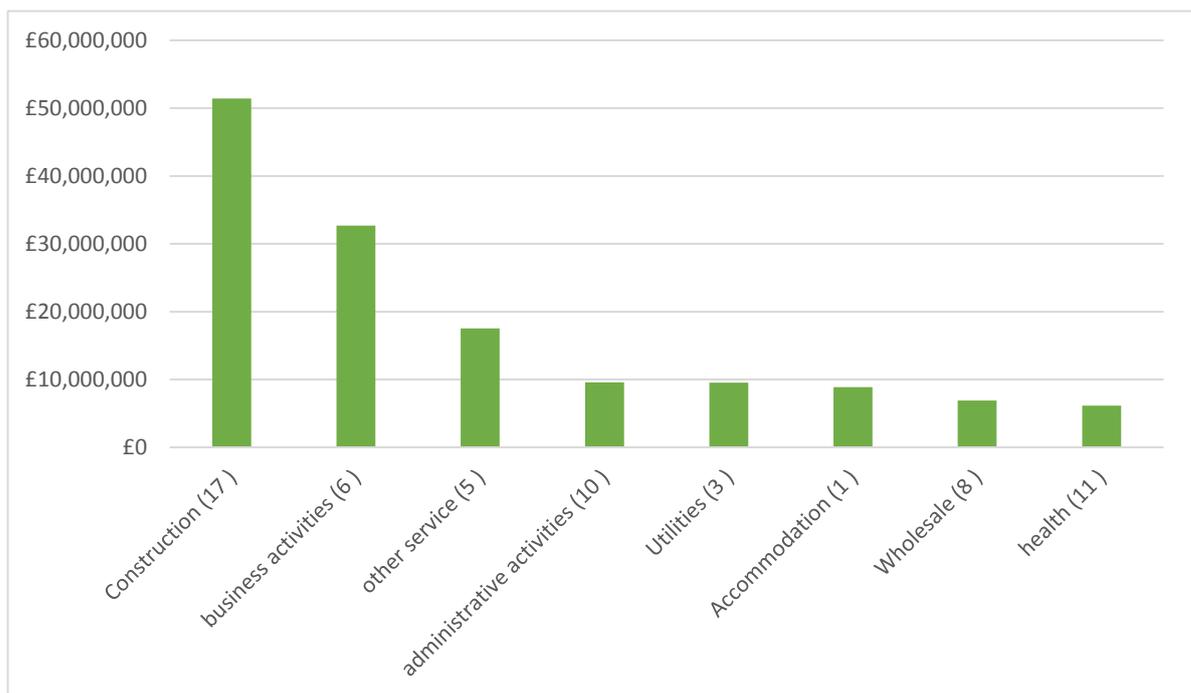
### 2.2.1 Method

Our method for an influenceable spend workshop is to take a list of suppliers who are shown by the spend analysis activity to not have a regional (in this case West Yorkshire) base or branch, to a meeting with procurement staff. The purpose of the meeting is to consider each of the suppliers in turn and consider whether this spend is 'influenceable' currently – we would argue that in the long-term all spend is influenceable. For the purpose of this exercise, influenceable spend is that with suppliers who are based outside of West Yorkshire where there may be scope for alternative provision of the goods or services. In order to make a judgement on each contract, we ask those at the meeting to consider the following questions:

- Does the supplier have a local or regional presence? (we have undertaken some work to seek alternative postcodes for non-regional suppliers, however there are often suppliers that officers can identify as local);
- Does the spend result in benefits for Leeds? (does the supplier deliver local social value as part of the contract or wider operations or do they provide an exceptional service and/or);
- Is the contract tied up in a national procurement framework and therefore the Council has no discretion over?
- Is the Council engaged in a long-term contract with the supplier? (anything 2+ years would be best considered when this exercise is repeated);
- Is the contract still in place, or has it run its course/was a one-off purchase?
- Is there a local market for the goods or services in question?

Tab 5 of the supplementary spreadsheet illustrates the list of suppliers that were discussed in the influenceable spend workshop. Figure 5 below illustrates non-regional spend by industrial sector, the proportion of total spend in each sector with the top 300 organisations that leaks out of the West Yorkshire economy and the number of suppliers in each category that are not based in or have a branch in West Yorkshire (this number is in brackets after each sector on the chart). Postcode analysis found 77 suppliers, with a contract value of £151,372,712 that were based outside of West-Yorkshire.

**Figure 5: Potentially influenceable spend by industrial sector**



### 2.2.2 Findings

The influenceable spend workshop with members of Leeds City Council's procurement team whittled down the list of suppliers, using the above questions as a frame, to generate a list of 8 suppliers (as detailed in Table 2), where there is opportunity to influence the spend. There is also further interrogation required on some contracts.

It should be noted that it is not the intention of Leeds City Council to move all spend within the local authority boundaries. This exercise is about identifying sectors or areas in which market engagement could encourage a wider range of suppliers to compete in the tender process.

**Table 2: Potentially influenceable contacts**

Supplier	Spend
Rullion IT Plus Limited	£1,629,497
Yorkshire Transformations Limited	£1,587,636
3GS (UK) Limited	£284,080
AP PAVERS	£278,570
GIBSONS GARDEN MACHINERY LTD	£269,012
Sanmet Ltd	£259,124
LYRECO UK LIMITED	£233,671
Action For Children	£228,734

### 3 EXPLORATION OF WIDER ECONOMIC IMPACT

This section of the report details the findings from the survey of the top 300 suppliers to Leeds City Council. The purpose of the survey is to understand what happens to the Council spend once it reaches the supply chain, principally the extent to which they re-spend upon local employee wages and local suppliers of their own. We have also included two questions around social value, to understand what the supply chain are already delivering and to produce some evidence on the nature of their employment practices. The survey of suppliers was sent electronically to Leeds City Council suppliers, and 83 out of the top 300 suppliers completed the survey.

#### 3.1 Supplier survey

The following analysis details the re-spend figures for Leeds City Council suppliers derived from the survey. The actual survey findings have subsequently been used as proxies to determine the re-spend of non-responding suppliers.

##### 3.1.1 Re-spend of suppliers in Leeds

Table 3 details the contract spend by Leeds City Council in 2017/18 with responding suppliers, and the amount re-spent by suppliers upon their own employees and their own suppliers who are based in, or a resident of, Leeds City. The suppliers which responded to the survey re-spent over £4.8 million on employees and their own suppliers who are resident or based in Leeds, which is equivalent to 17p in every £1.

**Table 3: Re-spend in Leeds by responding suppliers**

Type of re-spend	Contract spend by Leeds	Re-spend by suppliers on Leeds resident employees/suppliers	Proportion of local spend
Employees	£36,624,302	£2,385,766	£0.07
Suppliers	£24,782,035	£2,511,926	£0.10
<b>Total</b>	-	<b>£4,897,692</b>	<b>£0.17</b>

Using the information generated from the supplier survey responses, we can utilise proxies to derive estimates of the local re-spend of contractors and suppliers which did not respond to the survey. Overall, the survey identified that suppliers to Leeds City re-spend 17p in every £1 in the Leeds boundary. By applying this ratio to the total spend with Leeds Council suppliers of £524,681,881, we estimate that Leeds Council suppliers re-spent £87,360,778 back in the Leeds economy on local suppliers and employees of their own.

##### 3.1.2 Re-spend of suppliers in West Yorkshire

Table 4 details the contract spend by Leeds City Council in 2017/18 with responding suppliers, and the amount re-spent by suppliers upon their own employees and their own suppliers who are based in, or a resident of, West Yorkshire. The suppliers which responded to the survey re-spent over £7.8 million on employees and their own suppliers who are resident in West Yorkshire (including Leeds), which is equivalent to 26p in every £1.

**Table 4: Re-spend in West Yorkshire by responding suppliers**

Type of re-spend	Contract spend by Leeds Council	Re-spend by suppliers on West Yorkshire resident employees/suppliers	Proportion of local spend
Employees	£36,624,302	£4,215,622	£0.12
Suppliers	£24,782,035	£3,662,919	£0.15
<b>Total</b>	-	<b>£7,878,540</b>	<b>£0.26</b>

Using the information generated from the supplier survey responses, we can utilise proxies to derive estimates of the local re-spend of contractors and suppliers which did not respond to the survey. Overall, the survey identified that suppliers to Leeds City Council re-spend 26p in every £1 in the West Yorkshire boundary. By applying this ratio to the total spend with Leeds City Council suppliers of £524,681,881, we estimate that Leeds City Council suppliers re-spent £137,944,058 back in the West Yorkshire economy on local suppliers and employees of their own.

62% of Leeds City Council suppliers responding to the survey paid all their staff a Living Wage of £9 per hour, as advocated by the National Living Wage Foundation. On average 81% of responding Leeds City Council suppliers' employees were employed on a permanent basis.

The final question related to the wider benefit suppliers brought for Leeds. This ranged from supporting (donations as well as in-kind support) and engagement with community groups, local charities and sports teams. Several suppliers said they provided mentors, offered work placements, apprenticeships and training programmes (such as through local Colleges).

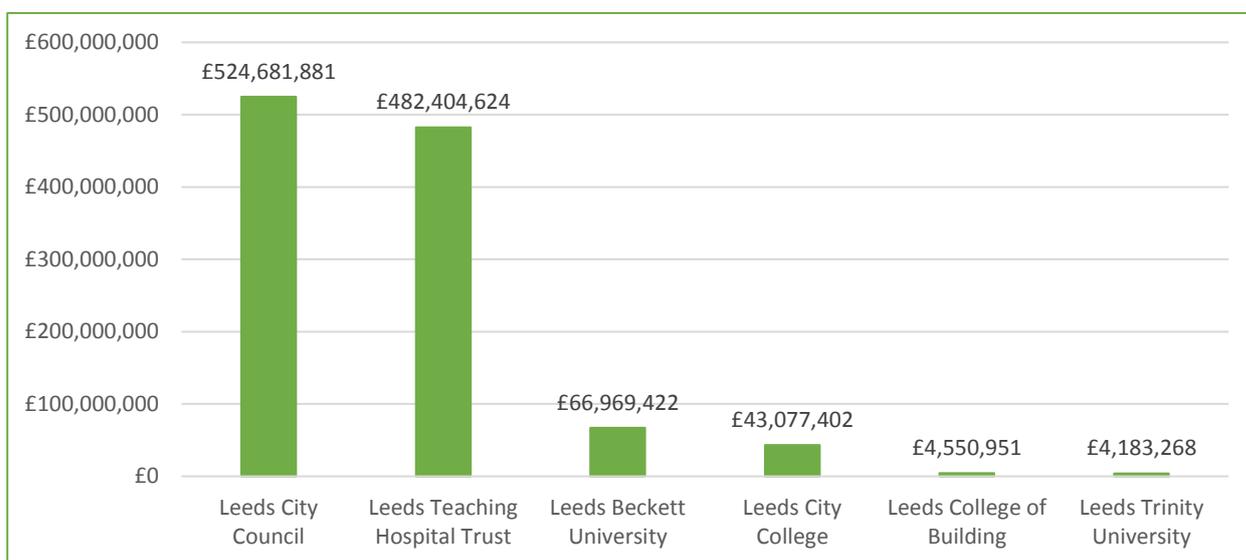
## 4 COLLECTIVE SPEND ANALYSIS

CLES undertook spend analysis for Leeds City Council, Leeds City College, Leeds College of Building, Leeds Trinity University, Leeds Beckett University and Leeds Teaching Hospital Trust. For each institution CLES has analysed the top 300 suppliers (by value of spend), so this collective analysis covers 1,800 suppliers. The analysis looks at levels of spend in Leeds and West Yorkshire (including Leeds), spend with suppliers in areas of deprivation, spend with SMEs, and spend with suppliers outside of West Yorkshire and Humber.

### 4.1.1 Total spend on suppliers

Across the six participating Anchor Institutions, a total of £1,125,867,547 was spent procuring goods and services in financial year 2017/18. Figure 4 breaks this spend down by institution. This is a significant level of spend, and when you also consider spend on employees wages and the scale of the assets that these institutions collectively own, it highlights the potential of collaboration between the group.

**Figure 4: Total spend with top 300 suppliers by institution**



### 4.1.2 Spend with SMEs

Across the six participating Anchor Institutions a total of £455,324,098 was spent procuring goods and services in financial year 2017/18 from suppliers that can be classified as SME. This spend was with 1,239 institutions and equates to 40.4% of spend with the top 1,800 institutions collectively.

To add further detail, £84,325,669 was spent with a collective 438 micro businesses.

### 4.1.3 Spend with suppliers in Leeds

Across the six participating Anchor Institutions a total of £540,831,070 was spent procuring goods and services in financial year 2017/18 that are based in or have a branch in the Leeds City Council boundary. This spend was with 650 organisations and equates to 48.0% of spend with the top 1,800 suppliers collectively.

#### *Spend with suppliers in areas of deprivation*

For Leeds based suppliers only, CLES have analysed the extent to which spend is with suppliers that are based in areas of deprivation. For this measure we have used the overall deprivation domain from the 2015 Indices of Multiple Deprivation.

The breakdown of spend in areas of deprivation within Leeds is as follows:

- £20,540,286 or 3.8% of spend with Leeds based suppliers is with organisations based in, or with a branch in, the 1% most deprived LSOAs nationally (there are 25 suppliers in these areas);

- ❑ £146,741,537 or 27.1% of spend with Leeds based suppliers is with organisations based in, or with a branch in, the 10% most deprived LSOAs nationally (there are 144 suppliers in these areas);
- ❑ £178,240,114 or 33.0% of spend with Leeds based suppliers is with organisations based in, or with a branch in, the 20% most deprived LSOAs nationally (there are 179 suppliers in these areas).

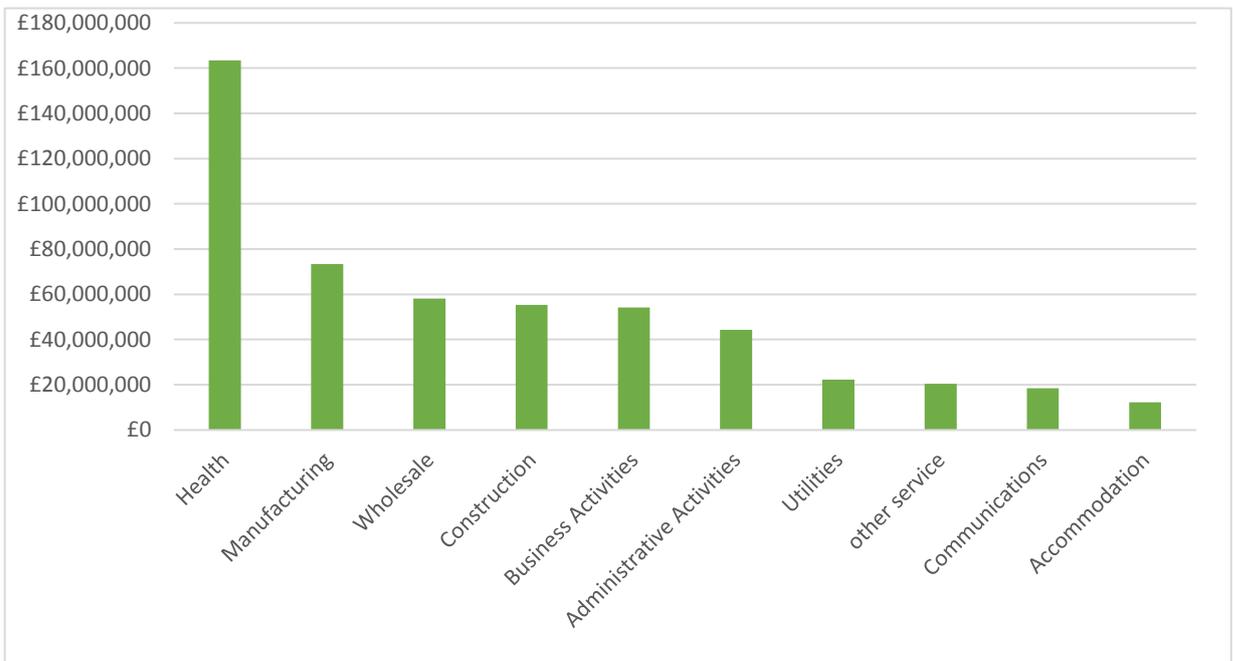
**4.1.4 Spend with suppliers in West Yorkshire**

Across the six participating Anchor Institutions a total of £591,037,289 was spent procuring goods and services in financial year 2017/18 that are based in or have a branch in West Yorkshire (including Leeds). This spend was with 863 institutions and equates to 52.5% of spend with the top 1,800 institutions collectively.

**4.1.5 Spend with suppliers based outside of West Yorkshire**

The analysis shows that across the six participating Anchor Institutions a total of £534,830,258 was spent procuring goods and services in financial year 2017/18 that are not based in West Yorkshire. This spend was with 937 institutions and equates to 47.5% of spend with the top 1,800 institutions collectively. Figure 5 illustrates this collective spend with non-regional suppliers by industrial sector.

**Figure 5: Spend and proportion of spend upon non-West Yorkshire suppliers by sector**



## 5 RECOMMENDATIONS

The recommendations below are intended to assist Leeds City Council and the other participating anchor institutions to make procurement a key means for delivering greater local social, economic and environmental benefit through a Community Wealth Building approach. They are also intended to broaden the focus of future work to consider land, property and assets and alternative ownership. These recommendations are based on the findings of the supply chain analysis, supplier survey, the influenceable spend workshop, from our discussions with participating anchors, and from CLES' experience of conducting this type of work elsewhere.

### *Leeds City Council Procurement and Commissioning*

#### Recommendation 1 – Repeat the analyses to track progress

The spend analysis contained in this report is intended to provide a baseline for the impact of Leeds City Council's procurement spend. It is recommended that the Council repeat these analyses on an annual basis to track progress against the spend figures, in particular with SMEs and in areas of deprivation.

#### Recommendation 2 – Develop a contract monitoring system

The supplier survey undertaken for this project provides insight into the indirect impact of Council spending on key social and economic metrics. However, an on-going method for tracking the indirect impact of spend which is built into the contract management process would provide a comprehensive and up to date evidence base and enable tracking of the impact of action to embed a Community Wealth Building approach to procurement and commissioning.

Leeds City Council will be placing a renewed focus upon generating social value through procurement and commissioning and it is important to monitor delivery, both in terms of ensuring compliance and also demonstrating total scale of this wider impact. CLES recommends that whatever system that is developed for contract monitoring suppliers submit a 'social value return', to minimise demand on capacity of officers to process disparate contract data. This system need not be complex and could be developed internally.

#### Recommendation 3 – Communicate social value approach to suppliers and officers.

To assist suppliers and the wider business community to understand the approach being taken, and ultimately deliver social value, Leeds City Council must clearly communicate what they mean by social value, the priorities being pursued, and this should be applied throughout the commissioning and procurement cycle. This could take the form of a social value guidance and communication materials, alongside face to face engagement through workshops, webinars and supplier engagement events.

#### Recommendation 4 - Create a deeper understanding of the market by undertaking analysis of market supply

The extent to which social value can be generated from a supply chain is related to the strength of the market. In a Community Wealth Building approach, anchor institutions seek to use their purchasing power to grow dense local supply chains of socially responsible and democratically owned businesses. As a starting point in this Leeds should undertake an analysis of key sectors of the local market where spend is significant and gather intelligence about the profile of potential suppliers. This insight can then be combined with the data generated from the spend analysis conducted here to identify opportunities to open-up procurement opportunities for local, socially focused suppliers to compete. Once this work is done an increased social value weighting could be introduced in these key sectors.

#### Recommendation 5 - Engage with suppliers in areas of deprivation around the delivery of social value

The spend analysis has shown that Leeds have 61 suppliers (with which there was a spend of £137 million in 2017/18) that have a presence in areas within the 20% most deprived nationally. There is an opportunity here to work closely with these businesses to enhance their understanding and delivery of social value. Engagement with these businesses should be prioritised because the delivery of social value in these communities has the greatest potential impact.

### Recommendation 6 – Provide support to a wider range of business types to engage in the procurement and commissioning process

A key element of Community Wealth Building is seeking to develop a diverse supply chain. Our analysis has shown that 198 of the top 300 suppliers can be classified as SME, 73 as microbusinesses and 41 are charities, which is encouraging. However, it is important that all types of organisation, including community businesses, CICs, and charities are able to access the opportunities to provide goods and services to the Council. There is a significant opportunity to link, via procurement, with the start-ups and small businesses in the city which are a feature of the Leeds economy.

In order to do this Leeds City Council should continually review how accessible their tendering process is. This may include a review of procurement portals and frameworks used; the volume of information requested through application forms; a review of where opportunities are advertised; or a review of the numbers and types of organisations that are bidding for opportunities.

In addition, it is important that all suppliers are supported to deliver social value. CLES is aware of the limited capacity of officers, and the size of the business base in the city. Therefore, it is important for Leeds City Council to engage and work with organisations that can provide support to business around social value.

Finally, it is important to ensure that the business support offer in the city is suitable for all business types including those organisations operating in the social economy. Again, this will require Leeds City Council to engage with providers across the city to harness existing resources and to link up existing services.

### *Wider Community Wealth Building*

The first set of recommendations relate to procurement and commissioning. This work has shown the potential for an intentional approach to leveraging the spending power of the Council to build a more inclusive economy. A wider Community Wealth Building approach, encompassing the full range of anchor institution economic assets (including workforce, land, property and wider financial assets such as pension funds), would enable even greater impact to be secured. Below are several recommendations that would support the development a broader approach to building community wealth in Leeds:

### Recommendation 7 – Build community wealth through anchor assets

Anchor institutions are often major land, property and asset holders. These represent an asset base from which community wealth can be generated. In community wealth building the aim is to ensure that any financial gain from anchor assets is harnessed for the benefit of local citizens. Furthermore, there is a desire to develop local economic uses, and extend local social/community use of assets which are currently under-utilised. This work is driven by an understanding that much public sector land and facilities are the commons<sup>10</sup> and should be used to develop greater citizen ownership of the built, open space and natural environment. Working with a number of anchor institutions CLES has helped these organisations identify opportunities for under-utilised assets to be brought into socially productive use.

### Recommendation 8 – Build community wealth through anchor employment

The employment practice of Anchor Institutions has the potential to have a defining influence on local labour market and generate equitable local economic development. CLES has worked with a number of Anchor Institutions to understand the profile of their workforce, mapping employee postcodes against local data on deprivation. Conducting an analysis of this type would enable the Council to assess the extent to which people from deprived communities are accessing jobs within the organisation and estimate the economic value being generated through employment in different areas of the city. This data provides a robust basis for practical action to address barriers to employment in these areas.

### *Recommendations for anchor collaboration*

Collaboration between anchor institutions can amplify the impact of community wealth building activity, enabling institutions to send strong messages to the market and collaborating to strengthen

---

<sup>10</sup> There are many definitions of the commons – from a CLES perspective the commons are a broader set of resources that include natural assets such as water, air and physical landscapes, but it also includes assets such as community centres, parks and playing fields. CLES believe that these resources should be held in common in perpetuity for all citizens and owned by private organisations.

their practice. Leeds is in a strong position to maximise the potential of such an approach given the groundwork that has already been undertaken to develop and sustain an anchor network.

#### Recommendation 9 – Continue to work together, through the anchor network to improve practice and amplify impact in key areas

We recommend that organisations continue to participate in the Leeds anchor network. This will not just benefit the practice of individual organisations, but also provide a platform to share key learning, increasing impact by both raising the bar and by keeping a consistent focus on improvement.

#### Recommendation 10 – Agree key outcomes to work on collectively

We recommend that the Leeds anchor network agree on key outcomes for the anchor network to work towards, collaborating where practical to amplify impact in key areas. This would not preclude anchors from pursuing individual priorities but would provide a focus for collective action. These outcomes may include:

- ❑ Identifying key sectors of relevance to multiple anchors where they could seek to grow dense local and socially virtuous supply chains which will achieve wider social and local economic value;
- ❑ Identifying key social value outcomes of relevance to the Leeds economy, prioritise them in social value approaches of multiple anchors and share learning on what works in delivering on these between anchors and across supply chains;
- ❑ Increase the proportion of Anchor employees from the most deprived areas of the city.