

London Centre of Excellence: 'Buying a Better London'

Final Report on the SME/BAME Regeneration Exemplar Project



A Report:

Setting out the findings, recommendations, implications and next steps arising from the LCE's SME, BAME & Regeneration Exemplar Project 'Buying a Better London'

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1. Executive Summary

The **Buying A Better London** programme comprised a series of innovative yet pragmatic workstreams to investigate and develop the connection between local authority procurement and our business communities.

Underpinned by the theories of good procurement practice and a range of influential partners, the outcomes of the programme aim to:

- Provide valuable information for procurement and regeneration practitioners;
- Identify innovative improvements to existing procurement practice and systems;
- Be used to improve procurement performance and contribute to the drive for efficiency savings and value for money;
- Feed into wider procurement and regeneration practice across the capital.

At the start of the project there was little research and information available on the business case relating to SMEs (small and medium enterprises), BAMEs (Black, Asian and minority ethnic enterprises), local organisations and/or the third sector in public sector supply chains. This project has generated information and created knowledge that will contribute to the long-term development of that case.

In addition to these practical deliverables, the programme leaves a legacy of improved understanding and knowledge of the connections and relationships between local authority procurement policy and practice and community issues.

Seven innovative workstreams covered procurement issues including:

- Spreading and embedding best practice
- The scope for regenerative procurement
- SME/BAME databases and the feasibility of a database for London
- The usefulness to SMEs of "Selling to the Council" web pages
- A pilot mentoring programme between first tier suppliers and SMEs/BAMEs

Moving forward, a formal business case should be developed to convince not only London boroughs but also private sector London companies, at the most senior level, of the strategic and financial benefits of changing procurement practices. Only then are wide ranging changes likely to occur that will enable the potential opportunities identified in this programme to be realised.

Strong, visionary leadership from the London Centre of Excellence, ensuring the GLA group, the LDA and the Government Office for London are all singing to the same tune, will be essential to keep the focus on the big picture rather than smaller localised issues. Perhaps the Olympics, and the enormous potential for regenerative procurement between now and 2012, can be a catalyst for bringing together the diverse political interests for the benefit of the SMEs and BAMEs that form the majority of London's businesses.

Key Lessons Learnt

- The SME/BAME Agenda requires Active high level buy-in from senior management teams.
- There is a need to understand how supplier diversity can support best value and local economic development.
- The public sector can have a significant impact on commercial procurement and its ability to achieve economic, regeneration and social outcomes.
- It is not currently possible to gain a clear picture of the total amount of business being placed with smaller or diverse suppliers using the current databases.
- There is no evidence of a consistent approach to identification and selection of suppliers across the London Authorities.
- SMEs currently find supplier registration difficult and time consuming.
- There is a distinct lack of integration between procurement and economic regeneration.
- Embracing technology to engage with suppliers may relieve some of the pressure placed on procurement teams to handle supplier enquiries and disseminate opportunities.
- Mentoring provides an excellent vehicle for the delivery of focussed support for SMEs wishing to improve their ability to successfully tender for public sector contracts, however gaining the agreement from the public sector bodies of a common approach and delivery partner for a London-wide programme would be problematic.
- London boasts an excellent level of support provided to SMEs however this help and information is not signposted by the purchasing authorities and so only a relatively small proportion of the SMEs and BAMEs in London have enjoyed the benefits.

2. Introduction

2.1 Brief and Background

The **Buying A Better London** programme was conceived in July 2005 by the London Boroughs of Haringey, Southwark and Harrow and the City of London Corporation. It was funded by, and reported to, and the London Centre of Excellence (LCE). The London Borough of Enfield also participated as a partner following initiation of the programme.

This report summarises the activities and findings of the project and identifies opportunities for moving forward.

2.2 Objective of the Programme

To make London and its local authorities international leaders in the theory and practice of public sector procurement and its social implications, by:

- Disseminating existing good practice, and developing new, around SMEs and BAMEs in public sector supply chains. In particular, to work in a structured manner with London boroughs to adopt and adapt the 'procurement toolkit' produced by the Haringey **SME Procurement Pilot** for the Small Business Service.
- To take forward the procurement agenda as it relates to SMEs, BAMEs and economic regeneration, through a series of innovative workstreams.
- To bring an SME and BAME 'voice' into procurement policymaking, so that decisions are realistically aligned to the market.
- To deliver defined outputs, and develop indicators of change in public sector procurement.

The project was to add further value by:

- Working with procurement practitioners to improve their overall procurement practice.
- Providing clarification and recommendations for development of procurement systems (the subject of confusion and conflicting views in recent years).
- Better alignment of procurement to market.
- Better alignment of procurement to business communities.
- Effective communication.
- Contribution to management of change.
- Development of indicators towards demonstrable change.

2.3 Programme Partners

The following organisations came together to develop and deliver this programme due to their previous interest and endeavour in this field. Each partner has previously undertaken successful initiatives in the fields of regenerative procurement and the participation of SMEs and BAMEs in public sector supply chains. The partners are also well connected and networked with other organisations and programmes undertaking work in this area.

LB Haringey

For eighteen months until March 31st 2005, Haringey led the Trade Local Initiative, a supply-side focused procurement project that delivered procurement support and capacity building to around six hundred businesses in Haringey and Enfield.

Haringey were also project leaders of the Haringey SME Procurement Pilot: a demand-side focused procurement project funded by the Small Business Service which investigated and developed relationship of SMEs and BAMEs to public sector supply chains.

The London Borough of Haringey has extensive working links with key practitioners and academics in SME and BAME business support and supply chain diversity, including Supplier Diversity Europe and MSD(UK), and has supported the Commission for Racial Equality in the development of a guide to supply chain diversity.

LB Southwark

Southwark Council is committed to supporting the growth of its local economy and has created a co-ordinated approach to market development through the establishment of the Market Development Action Group, comprising representatives of Procurement, Regeneration, Social Inclusion, Economic Development and external stakeholders. The main purpose of the group is to assist local small and medium enterprises (SMEs) and black and minority ethnic enterprises (BAMEs) in becoming 'fit to compete' for contracts within the borough.

The group is also addressing issues about analysis of the supplier database, improved access to information, simpler and clearer tender processes and is planning a series of training and development initiatives in support of SMEs and BAMEs. Southwark is an active member of the Cross-River Partnership programme, which provides extensive business support.

City of London Corporation

The City of London Corporation's procurement strategy is focussed on developing procurement arrangements that support fair opportunities for local suppliers, SMEs and BAMEs.

City of London Corporation recognize that the development of a vibrant SME economy must be the basis of any sustainable form of regeneration in the City fringes and neighbouring boroughs therefore since October 2003, City of London Corporation have been running a self-funded Local Procurement Project. This is a joint initiative between the Central Procurement Unit and the Economic Development and Education Unit.

Haringey, Southwark and City of London have worked well together and developed strong, close working relationships.

LB Harrow

Through consultation with the local business community, the London Borough of Harrow has developed a business portal that offers advice and guidance on business issues, as well as detailed information on how the Council procures and current tender opportunities. Harrow, in common with a number of other London boroughs, has signed up to the National SME Friendly Concordat to confirm its commitment to this sector.

Following the completion of the workstream that they led, Harrow chose to cease to play an active part in the programme.

LB Enfield

The London Borough of Enfield was a partner in the Trade Local initiative and is keen to support enterprise in the borough through the provision of a range of services for businesses including Enterprise Enfield, a not for profit organization offering practical information, expert advice, guidance and training seminars to help people start new businesses as well as develop and expand established ones. Its team of regularly assessed Business Advisers provide specialist support in a number of key areas including procurement.

The procurement department at Enfield went through change through the course of the programme, and so was not as active in the project as they would have liked. However, the change has resulted in a Corporate Procurement Unit which is fully committed to supply chain opportunity.

London Development Agency (LDA)

The LDA works with partners, businesses and other organisations to lead the regional agenda for regeneration and economic development across London and has been at the forefront of the promotion of equality and diversity in regeneration and economic development, providing leadership to the Regional Development Agency (RDA) network.

The LDA currently manage the Procurement Development Project (PDP), a pan-London procurement support programme for BAMEs and SMEs, as well as a variety of other programmes such as the SME Innovation Support Programme, designed to stimulate development and growth of SMEs in the London Objective 2¹ areas through improvements in product, process, technology and business practices.

The London Development Agency (LDA) expressed strong initial interest in participating but fell by the wayside as a partner, due to changes in personnel.

¹ The London Objective 2 Programme covers 95 wards in 13 London Boroughs. The award of Objective 2 status means that areas are able to benefit from financial assistance provided under the EU's Structural Funds.

The activities of the **Buying A Better London** programme have resulted in the development of strong working relationships between the procurement teams from the London authorities and the GLA family across London. There is now a strong informal network in place and important social capital has been generated.

Project Management

A Project Board and a Project Team were appointed, each with representatives from the participating organisations. Please see Appendix A for a list of members.

The Project Board met every month to six weeks throughout the life of the programme. The Project Team initially met on a similar basis, but as relationships were built and workstreams began to be completed, it adapted to become a virtual team. By the end of the programme the Board and Team had effectively merged into one, larger, group.

The Board reported up to the London Centre of Excellence Board via submission of monthly highlight reports. Strong channels of communication were also established between the Buying a Better London and LCE teams.

Budget

The total spend profile requested from the LCE was £150,000 over two financial years.

- 2005/6: £88,000
- 2006/7: £62,000

The total value of the workstreams is significantly higher than this, as each partner has made a significant in-kind contribution.

Appendix B shows the profile of spend on the programme (budget and actuals).

3. Approach

A programme comprising eight workstreams was developed.

Workstream 1(a) aimed to create a level playing field for SMEs and BAMEs in public sector procurement by spreading and embedding current best practice across the London boroughs.

Workstream 1(b) built on this by working in depth with three of the authorities participating in 1(a).

Workstream 2 looked at the potential for regenerative procurement in the private sector, and ways in which the public sector could influence and encourage this.

Workstream 3 established a helpline for public sector organisations with SME-related procurement queries.

Workstream 4 explored existing SME and BAME databases and the feasibility of a database for London.

Workstream 5 examined the “Selling To The Council” websites and portals of the London boroughs, and identified the important information that should be included to make these pages useful for SMEs, and make it easier for them to participate in the supply chain.

Workstream 6 brought large organisations into mentoring partnerships with SMEs to share their experience of growing a public sector client base.

Workstream 7 was to establish an SME Panel to advise on public procurement and policy in London.

This report is **Workstream 8**: the findings, recommendations and broader implications of the preceding workstreams.

The partners worked to ensure high-level buy-in to the project, within the procurement and economic regeneration departments of their own organisations.

The fact that Buying a Better London is an initiative of the London Centre of Excellence – formerly the London Centre of **Procurement** Excellence - meant that it was easier to achieve buy-in from procurement officers than economic regeneration officers:

- The extent of existing working relationships between procurement and economic regeneration officers proved to be less than anticipated at the start of the project. One-to-one work with some local authorities resulted in such officers working together for the first time.
- ‘Economic regeneration’ in itself means very different things within different local authorities. Thus different departments have different perceived roles engaged to very different degrees. Some regeneration teams take more of a policy focus, whilst others are more hands-on. Lambeth is now, for example, closely linking procurement and economic regeneration.

The reports from each workstream are available on the LCE website (www.lcpe.gov.uk). They were also despatched directly to heads of procurement and regeneration of local authorities across London. Reports were also sent to other influential and stakeholder groups including SOPO, LCSG, OGC and the Small Business Service.

The following section sets out the outcomes and lessons learned from each of the workstreams. Full reports on each of the major workstreams can be found on the LCE website. Hyperlinks to these documents can be found at Appendix C.

3.1 Workstream 1(a) & 1(b): Spreading and Embedding Current Best Practice

Project Activity

This workstream took the Haringey SME Procurement Project toolkit and disseminated it to individual local authorities. Comprising workshops, an assessment day, a recommendation report and support with implementation, the programme team worked with authorities to help them adapt and adopt good practice.

Lessons Learned

Detailed lessons learned are included in the final report from Workstream 1 available on the LCE website.

Many procurers have a poor understanding of the make-up of their supply chains. There is some tension between the government agenda of wishing to promote SMEs generally, and local authority procurers, who are more concerned about their local economies. Government initiatives such as the SME Concordat are not widely understood or adopted. Good quality data about the SME marketplace is an important starting point and there is a need to understand how supplier diversity can support best value and local economic development. Procurers need to understand how tendering works from the SME perspective.

Where different public sector organisations have common concerns and a desire for progress, it is perfectly possible to bring these organisations together to share ideas and support one another in an open and supportive climate. However even within London, different organisations have different concerns; the type of suppliers that participants are most concerned to involve varies significantly between organisations.

- Central government is concerned with SMEs and, more recently, with third sector organisations (VCS and social enterprises).
- Local authorities are primarily concerned with organisations based in their borough – whatever their shape, size, colour or structure.
- The mayoral family is currently primarily concerned with opportunities for London’s BAME business community.

As this agenda moves forward, tensions may arise between these priorities.

Most participating individuals had an outline vision for how they would like their supply chains, supplier base and local economies to look and function. This is usually expressed, albeit in an outline version, in their organisation's Procurement Strategy. It is not generally, though, worked up and shared across their organisation, and nor is it included in their organisation's Community Strategy or similar. Numerical or % targets for supply chain diversity are generally considered inappropriate for a variety of reasons.

Due to the many pressures faced by senior officers in local authorities, active high level buy-in to supply chain initiatives may be lacking, and change difficult to achieve. Layers of hierarchy, devolved spending powers and 'silo thinking' between departments can all slow down change programmes or stop them altogether.

The supply diversity agenda within the GLA family is driven very firmly from the Mayor's office, and includes the requirement that all the various elements of the group (Transport for London, Metropolitan Police Authority, London Fire and Emergency Planning Authority, and the London Development Agency) work together on achieving it. Councils have no such driver to work together. Although they may come together on sub-regional or regional basis (e.g. via the London Centre of Excellence, London Councils) there is no necessity for them to do so. If local authorities are to take forward the supplier diversity agenda together, then, it would be on a voluntary basis, and so each local authority must see a value in it for them, and that there are benefits in working with others.

3.2 Workstream 2: Regenerative Procurement in the Private Sector

Project Activity

This project reviewed the private sector's understanding of and approach to the role of procurement in adding social value, and explored opportunities for the public sector to influence private sector activity and spend. A small research study was undertaken around the current approach to procurement in the private sector, to find out how large organisations manage their supply chains, and their impact on SMEs and BAMEs. Further research was undertaken to identify other projects with similar or related objectives, and to bring this learning together into a single document. An event was then held for procurement and economic regeneration officers on The Corporate Experience.

Lessons Learned

Corporate social responsibility is moving up the procurement agenda within the private sector, but still only has a moderate influence. The best way to persuade commercial organisations to change their buying patterns and place more work with BAMEs and local SMEs is to demonstrate clear bottom-line benefits where price and quality will not be compromised. The business case that demonstrates these benefits has not yet been clearly defined.

The public sector can have a significant impact on commercial procurement and its ability to achieve economic, regeneration and social outcomes. However there are many facets to this and

not all of them are understood by all public sector bodies. Simple examples include using public purchasing power to change the way commercial suppliers behave (community benefit and S106 clauses); leading by example and publicising success; and using the public platform to educate and inform commercial firms about regeneration opportunities on their doorstep, and the financial and human capital benefits that could be achieved from "Trading Local". The report includes a route map to illustrate the opportunities. Grouped under four headings (Engage, Encourage, Exemplify and Enable), the route map gives practical suggestions that public sector organisations can implement to foster regenerative procurement in other businesses.

3.3 Workstream 3: Helpline for Procurers on SME Issues

Project Activity

Workstream 3 established a helpline for public sector organisations with SME-related procurement queries, providing a telephone number and email address that public sector bodies could contact with queries about diversifying their supply chains.

Activities undertaken to promote the helpline included a mass mail out and mentions at all events held as a part of Workstream 1. The OGC also provided information which could be obtained via their website or on request by completing the form that was included with their questionnaire circulated at the events.

Lessons Learned

The majority of calls received related to Buying a Better London workshops or seminars. However some other queries were received including:

- A call from the Voluntary Action Group in Sheffield requesting information on Best Practice.
- Requests for the final Report of Workstream 5.

As the programme aimed to anticipate all the information needs of the participants in respect of increasing SME participation in supply chains, the Helpline was provided as a "belt and braces" service, and therefore a low number of calls about the core programme were expected and received. In fact only one call was received with a specific query about how to make supply chains more accessible to SMEs.

3.4 Workstream 4: Mapping and Evaluation of Databases of SME, BME and other Diverse Suppliers & Potential Suppliers

Project Activity

Workstream 4 involved the mapping and evaluation of existing databases of SME and BAME suppliers, investigating and reporting on current practice around supplier (and potential supplier) databases. It identified the methods and/or systems that could realistically be implemented by an individual borough or on a wider basis (including consideration of cost and potential impact on business community) and considered the feasibility of a database for London.

Lessons Learned

There is a vast number of mechanisms whereby suppliers can register their details, some of these systems are used by procurers to identify suppliers, others only allow supplier registration and cannot therefore be used as sourcing tools, these include: In-house Approved Supplier Lists; 3rd Party Supplier Accreditation Systems; Supplier Registration Systems - Procurement Portals, e Tendering Systems, Paid for Supplier Registration Systems, and Tender Alert Services; Supplier Development Initiatives such as Supply London, Tender to Win and Trade Local.

There is no evidence of a consistent approach to identification and selection of suppliers across the London Authorities. The databases and systems in general use do not currently aid the engagement between procurers and specific groups of suppliers such as BAMEs. Those databases that might help are privately managed and not currently available to procurers. No one database or system showed itself to be better than the others overall: there were pros and cons for each.

Data collation presents problems – it is not currently possible to gain a clear picture of the total amount of business being placed with smaller or diverse suppliers using the current databases. There is a fragmented approach to the use of third party accreditation; the capabilities of accreditation systems are not being fully exploited.

The majority of councils in the London area do not operate databases systems that are currently, or have the potential, to be integrated directly to their financial reporting systems without the purchase of additional modules.

SMEs currently find supplier registration difficult and time consuming. Furthermore there is very little information available to direct SMEs and BAMEs to any of the comprehensive, free procurement support that is available to them.

There is a duplicated effort both on the part of suppliers and procurers and little evidence to suggest it is actually enabling supply chain diversity. The inefficiency of approach, for both suppliers and purchasers, impacts the market by generating high overhead costs and administrative burdens on the part of the public sector buyers, and by inevitably being reflected in the pricing on behalf of the suppliers. Best value is not being achieved.

3.5 Workstream 5: Selling to the Council Websites & Portals

Project Activity

This workstream identified the key elements that make "Selling To The Council" websites and portals useful for SMEs. Panels of SMEs and BAMEs from across London provided input to the project, and the existing provision of each London borough was evaluated. All London Borough Council Procurement Departments were invited to provide feedback and best practice examples were identified from across all UK Council websites. A best practice checklist was developed.

Lessons Learned

Whilst the majority of councils fulfil their obligation to publish on-line 'Selling to the Council' guidance, there is significant inconsistency in relation to the depth and relevance of information available, and the information is presented from the purchaser's rather than the supplier's perspective.

Many SMEs and BAMEs feel that whilst a number of the council websites offered a plethora of information, it was heavily focused on procurement strategies and policy and was presented in such a way that actually discouraged smaller businesses from bidding for work. There is a distinct lack of integration between procurement and economic regeneration evident through the absence of links between the two areas on the websites.

Many councils do not appear to have harnessed the power of the web. Embracing technology could enable suppliers to interact on-line by means of on-line forms, automated e-mail alerts, and on-line discussion groups. This would relieve some of the pressure placed on procurement teams to handle supplier enquiries and disseminate opportunities.

This report was one of the earliest published, and has already been picked up and utilised by several local authorities.

3.6 Workstream 6: Making Mentoring Work

Project Activity

Mentoring of SMEs by larger organisations or first tier suppliers is frequently proposed and suggested by public sector organisations, but up to now there have been few successful examples. The study was undertaken to address that gap. Partnerships were established between mentors (contractors/suppliers) and mentees (SMEs and BAMEs). A mentoring toolkit and induction programme was developed and structured mentoring relationships ran over a four month period.

Lessons Learned

The study clearly demonstrated that mentoring provides an excellent vehicle for the delivery of focussed support for SMEs wishing to improve their ability to successfully tender for public sector contracts.

Whilst there are many SME/BAME capacity building initiatives that have been run across the UK, the workstream was unable to identify many examples where larger companies have mentored smaller companies. Identification of suitable and willing mentor organisations was more difficult than anticipated and little assistance or participation was provided by the boroughs in identifying tier one suppliers to provide mentors.

A key factor in ensuring successful delivery of a mentoring programme for SMEs is the operation of an impartial, supportive and formalised enabling/facilitating management hub. One challenge of operating such a programme London-wide would be in gaining the agreement from the public sector bodies of a common approach and delivery partner.

Another challenge is the funding that may be required upfront to start the ball rolling. Whilst it is likely to be agreed in principle that a mentoring programme would be a good thing, it requires a long-term vision to see the benefits to the public sector of encouraging, facilitating and funding an SME mentoring programme. This long-term vision can sometimes be difficult to mesh in to short term funding priorities.

3.7 Workstream 7: SME Panel to bring an SME Voice into Procurement Policymaking

Project Activity

Workstream 7 aimed to establish an SME Panel to advise on public procurement and policy in London. It was planned to recruit a group of 20 – 25 SMEs and BAMEs, across a variety of sectors, but all with experience of public sector procurement. Policy proposals and publications from across the London Centre of Excellence were to be sent to this group, for a 'supply-side' perspective on what impact proposed policies and recommendations could have on SME and BAME community.

Policy proposals did not emerge from the LCE at the rate or nature anticipated. It was not, therefore, considered appropriate to convene an SME panel, as the likely perceived benefits of the panel to the SMEs would not be equal to the opportunity costs that they would incur.

3.8 Workstream 8

This report is **Workstream 8**: the findings, recommendations and broader implications of the preceding workstreams.

4. Moving Forward

The following section draws together the bigger picture from the findings and lessons learnt. The *Buying a Better London* project sought to develop the connection between local authority procurement and community businesses, increase awareness and knowledge of procurement and regeneration practitioners, and contribute to the drive for efficiency savings and value for money.

Therefore to ensure a legacy of sustainable activity continuing after the end of the project it is necessary to analyse and interpret the findings from all the successful workstreams to address the question '*How can we Buy a Better London?*'

4.1 The SME/BAME Perspective

For small businesses in London, winning work with the public sector requires a multitude of contacts, approaches, form filling and registration. Each organisation has its own systems and requirements, and often it is difficult to find this out.

The largest opportunities are easy to find (if you are aware of Tenders Electronic Daily and can understand the complicated terminology of a Contract Notice) but difficult to win due to the requirements to demonstrate scale, financial standing and significant track record. The smaller opportunities, those most appropriate for SMEs beginning to work in the public sector, would be easier to win but are much harder to find. There is no single place to find these contracts, and the majority of sub-OJEU work still goes out via quotes to organisations already known to the purchasing authority. SMEs ought to have plenty of opportunity further down the supply chain, but it is very difficult to identify first tier suppliers and find out how a supply chain is structured.

Fully and part-funded help and support are provided across London, through single authority or local initiatives and the PDP Tender To Win and Supply London programmes. In addition a good fund of information, knowledge, templates and workbooks is available on line as a legacy of the Trade Local and Fit To Supply programmes. However this help and information is not signposted by the purchasing authorities and so only a relatively small proportion of the SMEs and BAMEs in London have enjoyed the benefits.

Becoming a supplier to the public sector is complicated, time consuming and can be expensive. There are many strong, capable businesses in London that could form a valuable part of a public authority's supplier base. Some of them are unaware of the opportunities. Some of them are keen but need more support before they are ready to supply. Others have tried but become disheartened at the multiplicity of requirements when trying to supply to more than one organisation. Yet many small firms have had significant success at growing their public sector client base. The opportunity is being missed to connect dynamic London SMEs and BAMEs with the enormous public sector spend in the city.

Similarly accessing opportunities within commercial sector supply chains has proved to be equally as difficult for many SMEs, as many of the challenges and barriers outlined in the previous paragraph are also applicable in the context of private sector procurement. The findings of

Workstream 2 have identified that Corporate social responsibility is moving up the procurement agenda within the private sector, but still only has a moderate influence.

4.2 Preaching to the Converted

The challenge of a project like this one is that it is most attractive to those authorities that are already committed to the diversification of their supply chains and the increased participation of SMEs and BAMEs in their spend. It is likely that those organisations with the most to gain and learn are the one that were least engaged and interested in the work. However the Buying A Better London programme did engage in one way or another with 29 of the 32 London boroughs and all members of the GLA family. This is the first time that this agenda has been progressed on such a scale.

Local authority procurement can achieve significant progress in achieving regeneration, economic enterprise and social inclusion objectives, among others. As long as the themes and initiatives of Buying A Better London are seem to be special-interest topics for individuals within procurement and regeneration, the wider vision is hard to achieve.

The potential to buy better across London, and the wider social and economic outcomes this can also achieve, needs to be understood at senior (chief executive and cabinet) level. Thought should be given to the dissemination of the strategic benefits to this group, perhaps through an executive briefing paper or conference presentation and coverage in the relevant professional journals. A helpful organisation to engage with in this respect could be the Society of Local Authority Chief Executives (SOLACE).

4.3 Understanding the Opportunity

At present many London boroughs do not have a clear picture of who they spend their money with, which of these organisations are SMEs (and even rarer to know which are BAMEs), and the potential supplier market within their local area to meet their needs. The LCE co-ordinated an analysis (via Spikes Cavell) of the supply chains of many local authorities, which gave them all an indication of how much of their trade is with SMEs and their own local organisations. Only a handful have an idea, however, of how much of their trade is with BAMEs, and this has been achieved by direct surveying of suppliers. LB Islington are proposing a pan-London LCE project to survey suppliers across the capital so that all Councils can get an idea of how much of their spend is with BAMEs.

Knowledge about the make up of supply chains can now be addressed through the Supplier Spend Analysis Framework Agreement recently established by the regional Centres of Excellence. London and the South West are two regions that are already using this information actively. Any local authority can draw down from this agreement at a fixed price and a fixed time period, choosing between 2 suppliers, Spikes Cavell and Exor. Indeed the McClellan Report (the Scottish equivalent to Gershon) highlighted spend analysis as an essential first step in achieving best value.

Workstream 4 identified the likely benefits of a single database that could bring together information about SMEs and BAMEs, with some sort of qualitative information around their readiness to supply (through self-registration or accreditation). There are multiple sources, each

providing a part of the jigsaw. It would be difficult to integrate these databases due to currency and format of data, as well as data protection concerns. Any of the databases or systems could be a starting point for a database for London: such a service would be easy to tender and manage, and could likely be self-financing in time. However this information source in itself would not help to buy a better London unless purchasing authorities actively used it as a place to look for suppliers. The Olympics and the ambitions of the mayor's office may be the driver to trigger the development and implementation of a pan-London database. It is hard to see how such a development will occur without such a catalyst. Arguably, the market might determine which of the commercial databases will survive, but market forces are not currently so strong as to force evolution through to one sole 'survivor'.

4.4 Changing Practice

Individual authorities can take practical steps to change the way they buy, by inviting companies with the desired supplier profile to quote for work where the opportunities are sub-OJEU. For example, LB Kingston requires two quotes from three to be from local companies for its smaller opportunities. It has worked with the local Chamber to create a business directory that is used to identify these companies. Some other boroughs have similar arrangements - although concern must be taken to ensure that a cross section of businesses (including BAMEs) participate in the directory.

Public organisations usually already have a range of reliable, proven suppliers in place, whether large or small, local or national. They may perceive - not perhaps without justification - that trying out unproven suppliers introduces an element of risk that was not present before. This can act as a disincentive to use or indeed seek out SMEs, BAMEs and CVS organisations. Such businesses, often perceived as "riskier" anyway, often face a proportionately greater burden of proof than larger household name competitors.

Workstream 2 indicated that there may be some opportunity for the public sector to lead by example and educate the private sector on the wider social benefits of regenerative procurement. A routemap has been developed but this is a new and complex area, and more support and detailed information on implementation would be needed before local authorities could roll this out. A pilot "how to" and implementation of the route map for regenerative procurement would be a useful study to follow on from this programme.

4.5 The Business Case for Change

The biggest single barrier to more effective procurement across London is of course the reluctance of individual local authorities to modify their processes, requirements and working practices in order to deliver a wider vision and achieve a greater good. There is a lack of real engagement in and commitment to valuable initiatives such as this one by many of the boroughs, and this needs to change before the potential opportunities can be realised. What can be done?

Encouragingly, the OGC facilitators reported that the sense of social responsibility is much greater in London than in other parts of the UK, where they have run similar workshops. Harmonisation,

passporting and compromise of requirements and culture to achieve broader social and economic outcomes will need to be led at the most senior level, not least due to the political implications that can be raised by making such changes. To appeal to the “boardroom”, the best approach is to develop a structured business case, setting out what changes would need to be made, and why this would be worth the time, investment and risks.

Although the **Buying A Better London** programme has significantly improved knowledge and understanding around many of the issues, the workstreams do not demonstrate a business case for organisation-wide change. The development of this will be an important next step to take the agenda forward.

4.6 Knowledge Sharing

The knowledge and experience from the programme will be helpful for other Centres of Excellence, as well as influencers and stakeholders nationally. Based on the success of Workstream 1, it may be a good idea to spread the work through workshops rather than just through publication of the reports. Any such national initiative should be funded nationally rather than by LCE.

4.7 Specific Recommendations

This report should be read in conjunction with the individual Workstream reports, each of which sets out detailed recommendations for action and follow up relating to the individual workstream in question.

During the course of Buying a Better London, the various workstreams have raised suggestions for ways to continue and expand the work of the programme, these include several options for potential London-wide networks:

- A forum bringing together supply-side procurement support programmes (Supply London, Tender to Win etc) public sector demand-side activity (Mayoral family, local authorities) and private-sector demand-side development programmes.
- A London branch of the DTI’s, Anthony Collins Solicitors-facilitated network that seeks to achieve community benefits through procurement
- Taking supply diversity agenda forward through an established procurement group such as the London Contracts and Supply Group (LCSG)
- A forum to bring public-sector procurers together with Voluntary and Community Sector umbrella organisations, such as National Council for Voluntary Organisations (NCVO).
- London Council’s Regeneration Lead Officer working group to champion agenda within local authorities.
- A ‘pool’ of officer ‘champions’, experienced in supply chain diversity work, to volunteer to spend 1 day per month coaching/supporting other local authorities.

- A network of private sector procurers, sharing information and experiences around supply chain diversity.

All of the above would demand commitment from one or more organisations, to facilitate and lead such groups. Aside from the meaningful participation of other organisations, few additional resources need be required.

4.8 A Vision for the Future: How to Buy a Better London

The section above suggested pragmatic ways of moving the agenda forward. Combining the experience of Buying a Better London with the other procurement development programmes (supply and demand side) in London suggests strongly that if the link between procurement and regeneration is to deliver the benefits to London's communities that many people believe it could, then it's time to 'think big' beyond the current constraints.

Here is a vision for how we might, truly, Buy a Better London.

The State We're In

A number of pilots and programmes have been undertaken over the last 5 years, all seeking to address the need to increase the participation of SMEs and BAMEs in public sector (and commercial) supply chains. This work, including most recently the Buying A Better London programme, has generated positive outcomes and a good understanding has been achieved of what works well, the issues and blockers, and the actions that need to be taken by all parties to achieve this aim.

It has become increasingly clear that the two main parties in the equation (suppliers and purchasers) face equal and opposite challenges. Suppliers would like to work more with SMEs/BAMEs but do not always find it easy to identify good, capable and suitably-experienced suppliers that are able to respond appropriately to pre-qualification questionnaires (PQQs) and tenders and are able to deliver their products or services at the appropriate quality and standard. A variety of initiatives are underway to address this in the public sector, but these are mostly happening borough-by-borough and so the approaches, methods and solutions are localised, patchy and relatively small-scale. The commercial sector has not yet woken up to the challenge (other than a small number of committed corporates) and therefore there is no commercial push (and consequently investment) in play at present to solve this issue

Purchasers have a choice of programmes (at the moment) to help them learn how to become a good supplier to the public sector (and by implication the commercial sector too). Capacity-building programmes such as Fit To Supply, Trade Local, Supply London and PDP/Tender To Win have helped to develop a core of SMEs and BAMEs that are ready to respond to opportunities, but they do not have a single, recognised way of demonstrating their "readiness to supply", nor a single place to register/advertise, nor a single place to look for opportunities of a lower value that are often the most suitable part of the supply chain for them.

Commercial organisations will increasingly be under pressure to incorporate local businesses into their supply chains when they are working as first-tier suppliers for the public sector, due to the increasing prevalence of community benefit clauses and Section 106 clauses in planning applications for development schemes. However as with public sector purchasers, there is no easy way to identify a subset of SMEs that are interested and able to work with them, from the 4 million small businesses out there in the economy.

This disconnect between purchasers and suppliers in London is going to be brought into sharp focus with the approach of the Olympics. SMEs have been tantalised with the promise of business benefits, but it is still unclear what this might mean for individual small companies. The gap needs to be bridged for once and for all if sustainable benefits are to be gained from the investment in all of the preceding initiatives leading up to this point.

A Brave, Bold Vision

The time and circumstances are now right for a single, bold initiative to be taken across London to create that link between purchasers and suppliers. There will be hurdles to overcome, as ever in London. The most difficult factor in taking the leap forward is achieving a commitment at the most senior level from each borough (and at all levels of implementation) to make the changes and compromises necessary to create a single system to marry SMEs and purchasers. Up to now the hurdles have seemed almost insurmountable, but these hurdles are as much to do with history, political/cultural differences, the positioning and influence of procurement economic development/regeneration teams within local authorities as to do with the complexity of the steps that would be needed. In terms of practical actions it is actually quite straightforward.

1. **A commitment is made by all boroughs to work together to achieve a single approach to marrying purchasers and suppliers across London.** This means that all necessary changes will be made in each authority in a timely fashion to enable the desired outcome to be achieved for the greater good.
2. **A high-level Think Tank is formed** incorporating Chief Executives of representative boroughs, leading representatives from stakeholders such as LDA and the GLA family, Chief Executive of the Office of Government Commerce (OGC) as well as existing accreditation bodies and organisations/individuals that can represent SMEs and BAMEs e.g. Federation of Small Businesses, London Chamber of Commerce, Ethnic Minority Business Forum etc. Ideally, this would be chaired by the Mayor of London. This Think Tank should meet – if only for a one day session – to agree the strategic agenda for moving forward in London and set up an action plan to deliver it.
3. **The Think Tank (or a Working Group established by it) develops a single basic method and set of criteria for accrediting SMEs and BAMEs.** This method should enable businesses to show their capabilities and strengths, and enable purchasers to select and identify likely suppliers without wasted time and abortive procedures due to mismatches. The accreditation bodies work together to ensure that this basic “London Supplier” kitemark/standard can be incorporated and recognised within each of their own systems. Boroughs could also take the role of accrediting bodies themselves if for

some reason they did not wish to use an external accreditation company. This standard would be equivalent to a regular PQQ. Boroughs pan-London already match to at least 80-85% in this area, so the ground for discussion and agreement is actually quite small.

4. **The Think Tank achieves agreement for the model from all relevant parties.**
There will need to be a period of consultation, but parties should agree at the start that the prime objective is to achieve a single standard, and that therefore at the end of the consultation period the aim is to have something that everyone has agreed to. This will likely mean each organisation compromising its own detailed preferences to achieve the bigger vision. The consultation period should be time-bound to a focused period e.g. 6 weeks.
5. **The business support organisations mobilise to prepare companies to meet the “London Supplier” kitemark/standard, and the accreditation bodies amend their systems to assess for the new standard.** (At this point, it is likely that the business support organisations may form partnerships or links with accrediting bodies, or develop their own accrediting systems; and there may be some consolidating amongst the accrediting bodies).
6. **The “London Supplier” kitemark/standard is launched to the small business community.** Companies reaching the standard will receive a certificate (valid for 1 year) from their choice of awarding body, and this certificate will be accepted in place of a PQQ or first stage bid submission by all London boroughs. Purchasers can continue to select suppliers from their existing accreditation arrangements or in-house accreditation as they wish.
7. **The “London Supplier” standard is launched to the rest of the public sector and the commercial sector.** It provides a route to identifying good, local suppliers. These suppliers can be accessed through the accreditation providers.

Courage is needed to commit to achieving this single vision for London. Once in place, it becomes easy for commercial organisations and other public sector bodies to join on to the programme, so an initiative like this will snowball to achieve greater sustainable benefits as time goes on. If all boroughs would also take on the recommendations to integrate their “Selling To The Council” websites as recommended in the report on Workstream 5, the picture would be complete.

The CHAS Health and Safety accreditation scheme began within the London Borough of Merton, expanded across London and now has a national presence. This demonstrates that national adoption of accreditation schemes is possible.

What does it mean for SMEs and BAMEs?

Companies can select which body to use to be accredited. They only have to undergo this assessment a single time in a year, as a certificate is then issued which is recognised by all purchasers and other accrediting bodies. They do not need to fill in other PQQs. They may choose

to register on more than one accreditation system but they will not need to submit their basic information more than once.

What does it mean for purchasers?

They can use an accreditation partner to select suppliers as now, or they can use their own supplier lists, knowing that "London Supplier" certified companies meet their basic standard. This reduces PQQ assessment, and means less time-consuming work identifying suitable suppliers.

What does it mean for accreditation bodies?

They do not need to undertake basic level assessment, as they will passport SMEs into their systems based on their current "London Supplier" status. This means that basic accreditation for suppliers can be offered at a price which makes commercial sense for both sides. The initiative will increase the use of accreditation systems by both suppliers and purchasers, and therefore the modifications and investment that may be needed will again make commercial sense in the longer run.

What does it mean for business support organisations?

Each support organisation can bring their SMEs towards an agreed standard, leading to accreditation/certification that has meaning and relevant to the purchaser market. This gives a fresh focus and purpose to the London support programmes and a tangible achievement for each business assisted. The launch of the standard will increase the uptake of support from SMEs and BAMEs, which should in turn lead to larger support programmes.

What is needed to make it happen?

Aside from the commitment to make it happen, kick-start funding would be needed. If this was forthcoming from government or RDA level, the step-change would be more likely to happen sooner (as this would avoid a negotiation about funding before the negotiations about everything else could begin). A Steering Group would be needed (as for the BABL programme) and it is likely that external facilitation would also be required to help the Working Group achieve its outcomes within the agreed timescale.

In the first instance, a short project scoping document could be prepared, identifying influencers, stakeholders, feasibility and likely pitfalls, as well as a project plan and budget. This document could then form the basis of a funding proposal for the project.

There may already be a driver in place to deliver an accreditation system – the 2012 Olympics. The overall value of Olympic supply chains is actually quite small compared even just to overall Local Government spend. Its mere existence, however, has triggered discussion around supply chain diversity and business accreditation that indicates that the Olympics could act as the catalyst for the creation and implementation of an accreditation system that could then be used for a vast range of supply chains.

Grounding the Vision

Issues that the Think Tank will have to address in order to achieve the vision include:

Accreditation. Questions that will require addressing include who will pay (e.g. SME or procurer), the criteria and standards required for accreditation and how to link to existing accreditation systems

Change Management. The experience of the London Centre of Excellence is that there are many good ideas for improvement, but it is very difficult to implement the change required to actually make them happen. The basic principles of change management must apply – senior level buy-in, on-going participation, sharing benefits etc.

Efficiency Savings. This continues to be a key driver to procurement in both the private and public sector.

Buying a Better London proposes holding a final programme event, probably in May 2007, in order to take these ideas forward.

Appendices

Appendices

Appendix A - List of Project Board & Team Members

Appendix B - Project Cost Profile (taken from the PID with budget & actuals)

Appendix C - Individual Workstream Reports (hyperlinks)

Deliverables and tools

Appendix A - List of Project Board and Team Members

Project Board Members

Michael Wood, (Head of Procurement - LB Haringey).

Paul Deegan, (Head of Procurement - LB Southwark).

Caroline Edwards, (Community Affairs Manager - Corporation of London).

Tony Sargent (Procurement Manager – LB Enfield)

Perry Scott (Corporate Procurement Manager - LB Harrow) and Helen Hughes, (Director of Resources & Equality - London Development Agency) were invited to participate, but did not do so.

Programme Manager

Liz Holford – (Procurement Development Manager / Regeneration & Resources Manager - LB Haringey)

Project Team

Jean Coleman (Procurement Officer – LB Haringey)

John Darby (Procurement Development Manager – LB Southwark)

Chander Vasdev (Service Manager - LB Harrow).

Sally Mackenzie (Local Procurement Project Officer - Corp of London).

Neil Copeman (Local Procurement Project Officer – City of London Corporation)

Tony Sargent (Procurement Manager - LB Enfield).

Jerome Albarus (PDP Project Manager – on behalf of LDA)

Appendix B - Project Cost Profile (taken from the PID with budget & actuals)

Workstream	Budget Spend	Actual Spend
1	£48,000.00	£36,649.94
2	£5,000.00	£2,423.50
3	No Budget Allocated (Officer Time)	£0
4	£15,000.00	£14,925.00
5	£15,000.00	£9,888.30
6	£29,000.00	£29,800.00
7	£5,000.00	£0
8	£9,000.00	£3,200.00
Marketing	£9,000.00	£647.60
Contingency	£15,000.00	£0
Final Programme Event	(Allocation of £9,000 from savings)	£4,650.00
Total	£150,000.00	£102,184.34

In addition, partners spent a total of 275.5 officer days working on Buying a Better London Project.

Appendix C - Individual Workstream Reports (hyperlinks)

Workstream 1(a) & (b)

[http://www.lcpe.gov.uk/BME_SME/Buying_A_Better_London_Projet - Workstream 1.asp](http://www.lcpe.gov.uk/BME_SME/Buying_A_Better_London_Projet_-_Workstream_1.asp)

Workstream 2 - Regenerative procurement in the private sector.

http://www.lcpe.gov.uk/BME_SME/Buying_a_Better_London.asp

Workstream 4 - SME and BAME databases

http://www.lcpe.gov.uk/BME_SME/SME_BME_Workstream_4.asp

Workstream 5 "Selling To The Council" websites and portals of the London boroughs

[http://www.lcpe.gov.uk/BME_SME/LCE_Buying_a_Better_London_Project - Workstream 5.asp](http://www.lcpe.gov.uk/BME_SME/LCE_Buying_a_Better_London_Project_-_Workstream_5.asp)

Workstream 6 - Making Mentoring Work

http://www.lcpe.gov.uk/BME_SME/Making_Mentoring_Work.asp