

October 2018

LOCAL WEALTH BUILDING IN KIRKLEES: PHASE 1

Final report prepared by

Centre for Local Economic Strategies

Presented to

Kirklees Council

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EXECUTIVE SUMMARY

This report for Kirklees council marks the beginning of its journey to develop a more inclusive economy and growth through a new approach to economic development, 'local wealth building'. In so doing, the Council joins a progressive movement of local authorities using this approach from Barcelona and Bologna to Preston and Salford.

The mobilisation of a local wealth building approach requires political buy-in and leadership at the highest level. The Cabinet's commitment to this progressive programme of work is therefore an important first step. In phase one of this work, the Centre for Local Economic Strategies (CLES) has focussed on understanding more about the procurement spend of Kirklees Council, and the behaviour of their supply chain. This strand of the work aims to embed an approach that sits at the heart of Kirklees Council's corporate priorities and brings greater benefit for Kirklees in local economic, social and environmental terms. The report also provides an overview of broader local wealth building activity amongst other anchor institutions in the borough. The recommendations contained within this report will clearly articulate what needs to happen next to make the achievement of an inclusive economy a reality in Kirklees.

Why this work is important

It is now increasingly obvious that that our current growth model is failing. Last year, OECD data showed that the UK is the only developed economy in which wages fell while the economy was actually growing, albeit meagrely.¹ The UK is an economy where one in eight workers live in poverty,² and where 1.3 million people (including children) rely on food banks.³

Fuelling this inequality is the fact that the fruits of growth are too readily extracted by the already wealthy few, rather than increasing incomes for the majority. The problem is not just a lack of wealth but where this wealth goes, who owns it and who benefits from it. At a local level, the prevailing model of economic development has failed to engage with these questions of wealth distribution, focusing instead on generating contributions to GDP.

In Kirklees, where parts of the district are in the top 10% most deprived areas in the country, the council has committed to boosting and improving social and economic opportunity to create an inclusive economy. In order to achieve these aims, however, radical change is needed through the implementation of a local wealth building approach.

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,⁴ 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

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

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

³ <https://www.independent.co.uk/news/uk/home-news/food-banks-uk-how-many-people-adults-poverty-a8386811.html>

⁴ <https://cles.org.uk/blog/local-government-the-commons-the-time-has-come/>

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 local wealth building?

As a fundamental driver of this new approach, local wealth building aims to reorganise and control the local economy so that wealth is not extracted but broadly held and generative, with local roots, so that income is recirculated, communities are put first and people are provided with opportunity, dignity and well-being. Through local 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.

Local 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 use of their spend, employment practices, and use of land and assets.

At the heart of the Local Wealth Building approach, then, are four strategies for harnessing existing resources to enable local economies to grow and develop from within.

- 1) Procurement - Progressive procurement can develop dense local supply chain of local enterprises, SMEs, employee owned businesses, social enterprises, cooperatives and other forms of community ownership. This type of procurement is locally enriching because these types of businesses are more likely to support local employment and have greater propensity to retain wealth and surplus locally.
- 2) Employment - Often the biggest employers in a place, the approach that Anchors take to employment can have a defining effect on the employment prospects and incomes of local people. Recruitment from lower income areas, commitment to paying the living wage and building progression routes for workers are all examples of the actions Anchors can take to stimulate the local economy and bring social improvements to local communities.
- 3) Land and Assets - Anchors are often major land holders and can support equitable land development (through establishment of Community Land Trusts) and development of under-utilised assets for community use. In terms of financial investments, directing pension funds to local investment priorities can bring transformative capital to locally rooted enterprises.
- 4) Democratic Ownership of the Local Economy - At the heart of Local Wealth Building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs, municipally owned companies and local banks enable the wealth generated in a community to stay in that locality and play a vital role in counteracting the extraction of wealth.

What does the report tell us and what should Kirklees do next?

The initial phase of work in Kirklees has, as noted above, focused on procurement as well as providing an overview of broader local wealth building activity amongst other anchor institutions in the borough.

The headlines from CLES's research here are encouraging.

- ❑ 44% of Council spend with its top 300 suppliers (by value) is with Kirklees based suppliers.
- ❑ There are also many encouraging signs of local wealth building activity amongst the wider group of anchors:
 - Some are already strong on local procurement and using their land and assets to benefit the community.
 - All of the wider anchors we spoke to are promoting social value through progressive employment practices.

However, with a local wealth building focus, far more wealth and surplus could be retained locally in Kirklees. Starting from a similar position, Manchester City Council increased their local spend by around 20% over a 5 year period which was estimated to have created 6,000 more jobs in Manchester. In a similar timescale, and by focusing on spend across all of its anchor, Preston has managed to inject an additional £70 million back into its local economy and raise itself out of the bottom 20% of the index of multiple deprivation.

These are concrete examples of what can be achieved through a local wealth building approach and Kirklees now has the opportunity to do the same. To show the huge potential that this agenda has for the Kirklees economy, take the scenario that Kirklees Council increases the proportion of local spend with the top 300 suppliers by 10% from the CLES baseline (an increase from 44% to 54%). We can estimate that this would represent an additional £102 million being invested in the Kirklees economy by the end of 2021/22.⁵

The recommendations provided at the end of this report provide a clear plan for the Council to take the lead on creating an inclusive economy and growth in Kirklees. Whilst all are important, the following three recommendations are key.

To ensure that the local wealth building approach is embedded as a key corporate priority in the Council, we recommend that a cross departmental working group is formed, charged with coordinating and driving forward local wealth building across the 4 strategies of: procurement, workforce, land property and assets, and the democratic ownership of the local economy

See Recommendation 1.

The Council should take the lead on establishing a permanent (and externally facilitated) anchor network comprising representatives from each anchor institution who perform a leadership role and, as such, are responsible for driving forward change.

See Recommendation 6.

There is the potential to increase and expand the VCSE sector's contribution and integrate it more fully into that of the public sector. In order to facilitate this action, we recommend the establishment of a co-commissioning framework. This framework will put co-production at the heart of commissioning, involving the VCSE in the earliest stage of needs analysis, review, planning and service development, putting strong resilient and inclusive communities at the heart of the future health and care system.

See Recommendation 7.

111,487,463

⁵ Spend with Kirklees based organisations in 16/17 was £111,487,463 (44.3% of total spend with the top 300 suppliers), if the proportion of total spend with Kirklees suppliers was 54.3% at the same level of total spend, this is an increase in local spend of £24,293,124. From CLES' survey of suppliers it was found that responding suppliers re-spent 20p in every £1 of Council contract value on Kirklees based employees and suppliers of their own. Applying this ratio to the uplift equates to an additional £4,858,625. Adding these two figures together equals £29,151,749.

To generate the figure of £102 million, we have multiplied the £29,151,749 by 3.5 (for the full financial years 2019/20, 2020/21 and 2021/22 and the remaining 6 months of financial year 2018/19). This scenario assumes spend with the top 300 suppliers remains at £251.4 million per year until 2021/22.

1 INTRODUCTION

This report for Kirklees council marks the beginning of its journey to develop a more inclusive economy through a new approach to economic development, 'local wealth building'. In so doing, the Council joins a progressive movement of local authorities using this approach from Barcelona and Bologna to Preston and Salford.

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The following report presents our analysis of local wealth building activity in Kirklees with a focus on procurement and spend within the Council as well as an overview of broader local wealth building activity amongst other anchor institutions in the borough.

The report is split into the following sections:

- ❑ **Section 1** places the report within the local strategic and wider West Yorkshire contexts and gives an overview of the methodology employed;
- ❑ **Section 2** details the findings of the analysis of direct impact – the supply chain analysis and the results from the influenceable spend workshop with procurement staff;
- ❑ **Section 3** explores the wider impact of Kirklees Council through detailing the results of a survey of the supply chain and a survey of Kirklees Council employees;
- ❑ **Section 4** outlines our analysis of wider anchor activity in the borough; and
- ❑ **Section 5** – details our emerging recommendations and proposed next steps.

1.1 Why this work is important

It is now increasingly obvious that that our current growth model is failing. Last year, OECD data showed that the UK is the only developed economy in which wages fell while the economy was actually growing, albeit meagrely.⁶ The UK is an economy where one in eight workers live in poverty,⁷ and where 1.3 million people (including children) rely on food banks.⁸

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⁹ <https://cles.org.uk/blog/local-government-the-commons-the-time-has-come/>

1.4 Local and regional developments

In January 2018, the Policy Team at Kirklees Council met with the Cabinet to discuss the next Social Value Policy. Cabinet members said they wanted the Council to:

- ❑ Work more with other organisations and groups to boost social value outcomes;
- ❑ Encourage more local spend, but in an intelligence-based way;
- ❑ Stop standing in the way of community groups, especially charging them to use their assets.

In the January meeting, Cabinet members mentioned the work of the Centre for Local Economic Strategies (CLES) in Preston. It was decided to commission CLES to explore how Kirklees could utilise the principles of Local Wealth Building to increase social value across the borough.

In spring 2018 senior officers from the five Local Authorities of the West Yorkshire Combined Authority met to assess opportunities for greater collaboration around procurement and specifically the securing of social value. Following this they agreed that they would each undertake an analysis of their spend to identify areas of leakage from the West Yorkshire economy. The results of this work would then be shared, and an assessment made of opportunities to collaborate to further. CLES is currently working with Leeds City Council, Calderdale Council, Wakefield Council and Bradford City Council to support this work.

1.5 Methodology

CLES' work has sought to challenge the way in which procurement is currently undertaken in Kirklees Council; 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 three elements of this work is set out below.

1.5.1 Supply chain analysis

Kirklees 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 three key geographical areas of focus. These geographies were agreed at a meeting of the West Yorkshire Combined Authority in February:

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

CLES utilised the spend with the top 300 suppliers for several reasons:

- ❑ The majority of spend (over 70%) is with this group;
- ❑ This a widely adopted scale of analysis, and will allow for comparisons to be made with other studies;
- ❑ 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 supplier's main postcode was not in Kirklees, CLES undertook further research to determine if they had a local branch or office.

As well as interrogating the extent to which spending was in the two geographies, for Kirklees 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, spend with small and medium sized enterprises (SMEs) was charted, and explored; together with analysis of the industrial sector of each supplier.

1.5.2 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, local or regional suppliers to engage in a procurement process to win these contracts. See Section 2.2 for the analysis.

1.5.3 Supplier survey

CLES has sought to explore the wider impact of contract spend with the top 300 suppliers (by value) to Kirklees Council in financial year 2017/18. Data has been 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 Kirklees or West Yorkshire residents and the extent to which their suppliers are based in these geographies. See Section 3.1 for the analysis

1.5.4 Employee survey

Finally, to identify the nature of the re-spend of Kirklees Council employees upon goods and services of their own, CLES developed a concise survey, with lines of enquiry around spend on various categories of goods and services. The survey was promoted to employees by Kirklees Council and was distributed via email. See Section 3.3 for the analyses.

1.5.5 Analysis of wider anchor activity

CLES were invited to deliver a Local Wealth Building presentation at an event hosted by the council on the 11th July 2018. The event brought together the main anchors institutions in the borough. This included representatives from the NHS, Huddersfield University, Housing Associations, sports clubs, the Police as well as large private sector employers such as Cummins Turbo Technologies.

After providing an overview of CLES's Local Wealth Building work in areas such as Manchester, Preston and Birmingham, as well the recent work undertaken in Kirklees, we convened a short workshop to start to gauge the level of Local Wealth Building activity within this group of wider anchors.

Following the workshop, we undertook 6 qualitative interviews with a selection of the wider anchors to provide a more detailed analysis of anchor activity in the Kirklees area. Findings from the workshop and interviews are detailed in section 4 of this report.

The workshop also highlighted a need to engage directly with the voluntary, community and social enterprise (VCSE) sector around their capacity to work with anchor institutions. Consequently, an additional workshop was arranged to serve this purpose. The results of this workshop are also presented in section 4.

2 MEASURING DIRECT IMPACT

This section of the report details the findings of the analysis of procurement spend.

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. In many areas area-based resources have borne the brunt of these cost saving measures and as a result, regeneration activities and the capacity to address social ills on the front line of public services is being continually eroded.

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 effect positive change for people and place.

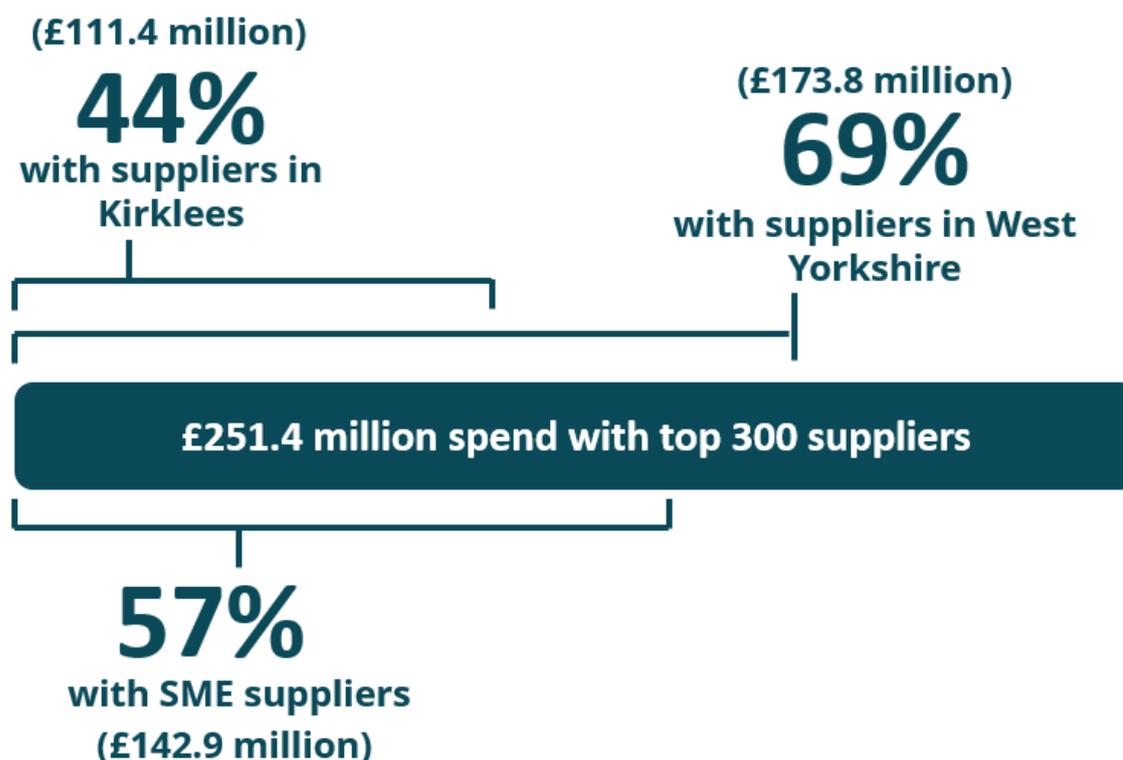
One such lever is the commissioning and procurement practices of local authorities. Whilst these have been one of the major means through which local authorities have made savings, they also present a significant opportunity, with some changes, to progress a series of economic, social and environmental objectives.

Since 2012 there has been acknowledgement and 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 (including local 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 alongside considerations of cost, quality and efficiency giving a more balanced consideration of value for money for every procurement process for services above the relevant European Union thresholds.

2.1 Analysis of procurement spend by Kirklees Council

This section of the report identifies and highlights the spend of Kirklees 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 Kirklees Council for 2017/18. Further detail on each of these findings is provided in the subsequent analysis.

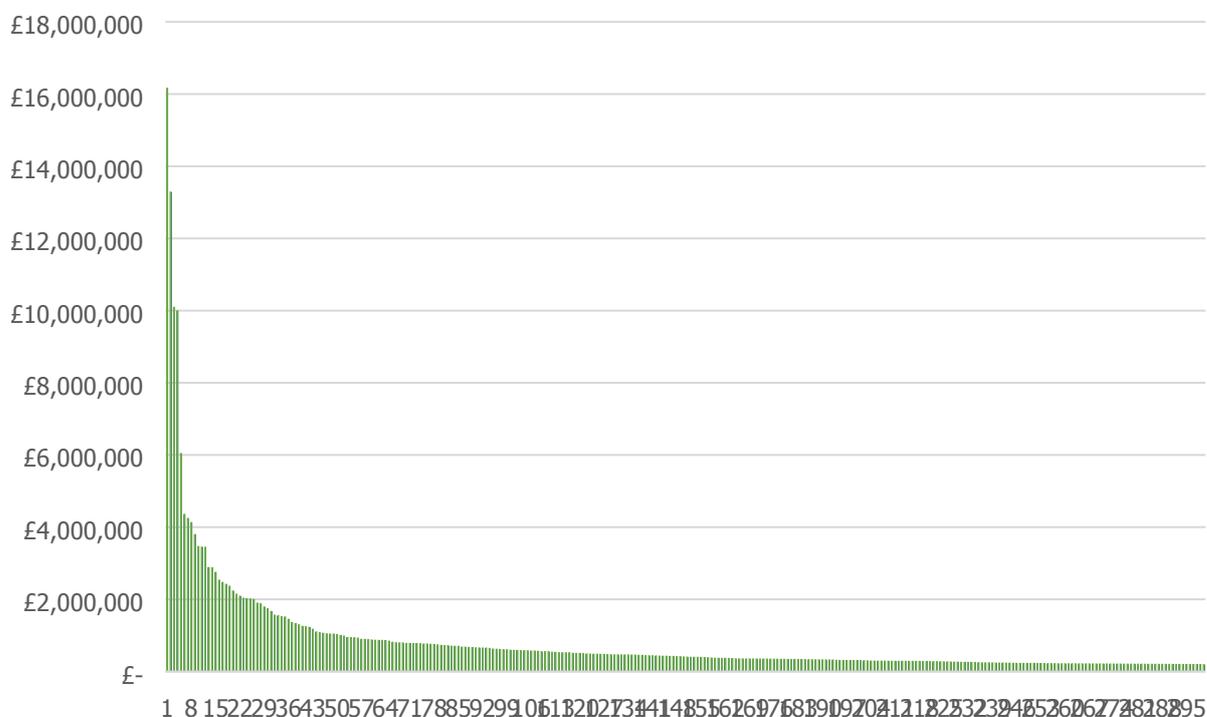
Figure 1: Headline findings from Kirklees Council procurement analysis



2.1.1 Total spend with the top 300 suppliers

During the 2017/18 financial year, Kirklees Council spent a total of £251,445,533 upon procuring goods and services from its top 300 suppliers (by value). The value of these contracts ranged from £16,160,864 to £193,555. Figure 2 shows the distribution of contract values, with a few very large value contracts and a 'long tail' of relatively lower value contracts. The spend and category of these 300 contracts are included in tab 6 of the supplementary spreadsheet.

Figure 2: Distribution of top 300 contracts by spend value

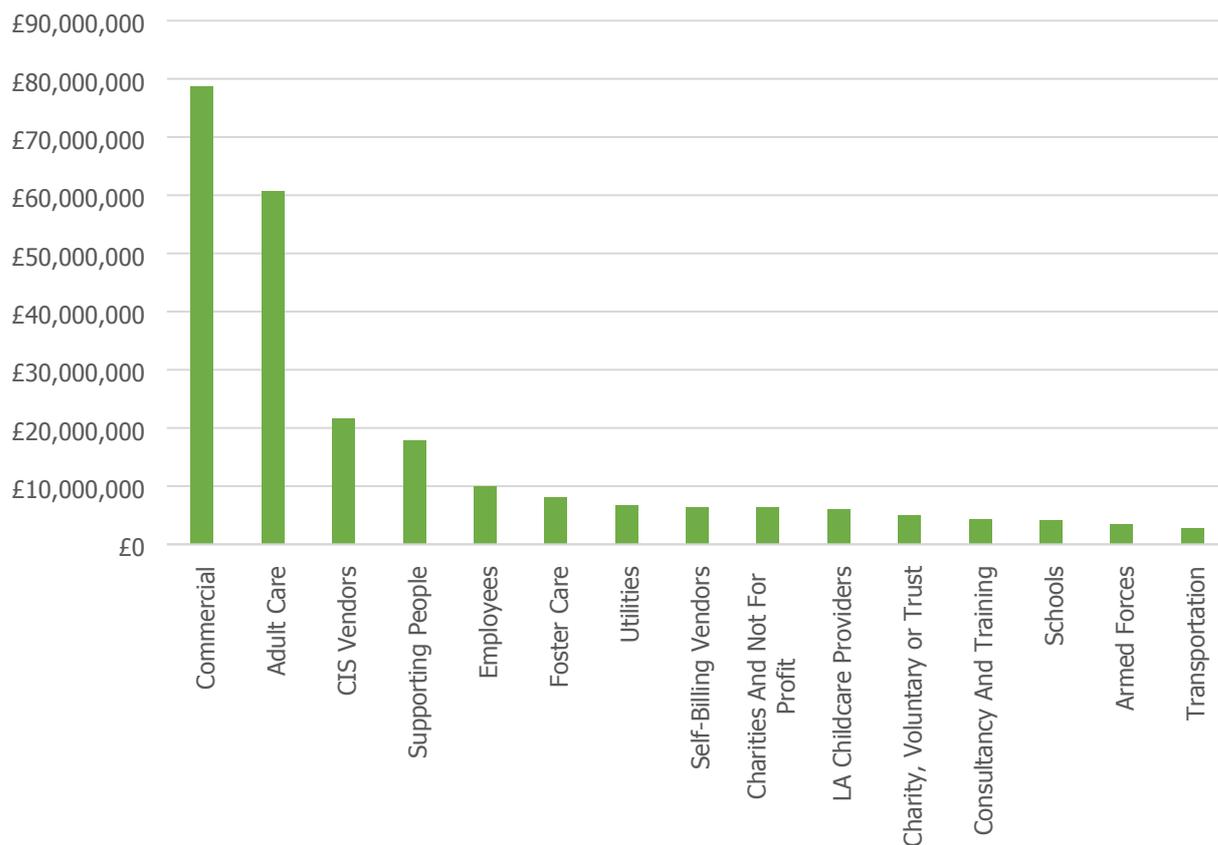


Spend with suppliers by industrial classification

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. Figure 3 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 £2 million (there are 11 sectors not represented¹⁰), and highlights that:

- ❑ The highest level of spend in financial year 2017/18 was with organisations classified Commercial at £78,673,996. This spend was with 79 suppliers and is equivalent to 31% of spend with the top 300 suppliers;
- ❑ The second highest level of spend in financial year 2017/18 was with organisations classified as Adult Care at £60,752,267. This spend was with 83 suppliers and is equivalent to 24% of spend with the top 300 suppliers.

¹⁰ 'IFRS NHS Body', 'Insurance', 'Legal', 'General Vendors', 'Prof. Bodies Clubs and Assocs', 'Payroll Deductions', 'Other Public Bodies (WGA)', 'Early Years Nurseries', 'Healthcare', 'Tribal (early years funding ie an out of school club)' and 'Individuals'

Figure 3: Spend by industrial classification***Spend with suppliers by geography***

Using the supply chain information provided by Kirklees Council, CLES calculated the extent to which procurement spend for 2017/18 was with Kirklees based 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 Kirklees or West Yorkshire. For these organisations, we have gathered further postcodes and it is these that shape the analysis. Table 1 overleaf demonstrates the findings of this analysis.

Table 1: Spend by geography (top 300 suppliers)

Geography	Spend	Proportion of total spend with top 300 suppliers
Kirklees	£111,487,463	44%
West Yorkshire (including Kirklees)	£173,789,961	69%
The other 4 West Yorkshire Local Authorities outside Kirklees	£62,302,498	25%
Yorkshire and the Humber	£191,367,719	76%

To give context to the figures in Table 1, CLES has created an average of the spend of the 26 analyses they have carried out over the past few years and the figures are 35.9% of total spend inside the local authority boundary and 63.4% within a wider regional area¹¹.

¹¹ CLES internal research

It is also possible to compare against publicly available data from similar analysis CLES carried out for Manchester City Council. Figure 4 below shows the results of 7 years of spend analysis and illustrates that Kirklees Council are slightly lower relative to the baseline analysis of Manchester City Council from 2008/09. However, it must be noted that the business base differs greatly between Manchester and Kirklees.

It is important to note that although the geography of the supply chain is a significant indicator for this piece of work, and that spend with local suppliers is considered to innately generate social value, it is 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 have 100% of spend in the local area, but have a diverse range of organisations in the supply chain that deliver social value locally.

Figure 4: Spend analysis from Manchester City Council (2008-09 to 2015/16)



The Council should repeat this analysis on an annual basis to track progress against the baseline figures of % spend with Kirklees suppliers, % spend with West Yorkshire (including Kirklees) suppliers, and % spend with SMEs.

See Recommendation 3.

2.1.2 Spend with Kirklees based suppliers

- ❑ During the 2017/18 financial year, Kirklees Council spent a total of £251,445,533 upon procuring goods and services from its top 300 suppliers (by value);
- ❑ Of this, £111,487,463 is spent with suppliers based in, or with a branch in, the Kirklees Council boundary; this equates to 44% of spend upon the top 300 suppliers;
- ❑ 121 of Kirklees Council's top 300 suppliers are based in, or have a branch in the Kirklees Council boundary.

Spend with Kirklees based suppliers by industrial sector

We have broken down the £111,487,463 spend with Kirklees based organisations by industrial sector. This illustrates that:

- ❑ During the 2017/18 financial year the highest spend in Kirklees was with organisations classified as Commercial at £42,908,171 (38% of total spend with Kirklees based suppliers);
- ❑ Spend with Adult Care organisations comprised £34,933,569 (31% of total spend with Kirklees based suppliers);
- ❑ The remainder of the spend was fairly evenly spread, with nine sectors recording a spend below £1 million.

Spend with Kirklees based suppliers by ward

For Kirklees based suppliers to Kirklees Council, we have also identified the extent to which they are based in the each of the District's 23 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 Newsome at £23,300,545, this is equivalent to 20.9% of total spend with suppliers based in Kirklees (this spend is with 21 suppliers);
- ❑ In total, there has been spend in all of Kirklees's 23 wards.

Spend with Kirklees based suppliers in areas of deprivation

For Kirklees based suppliers, and utilising the 2015 Index of Multiple Deprivation, it is possible to identify how much of Kirklees Council's spend upon its top 300 suppliers (by value) is with organisations based in the most deprived neighbourhoods, or LSOAs¹². For this measure we have used the overall deprivation domain.

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

- ❑ £18,843,032 or 17% of spend with Kirklees based suppliers is with organisations based in, or with a branch in, the 10% most deprived LSOAs nationally (there are 32 suppliers in these areas);
- ❑ £39,525,787 or 35% of spend with Kirklees based suppliers is with organisations based in, or with a branch in, the 20% most deprived LSOAs nationally (there are 58 suppliers in these areas).

To provide context, in 2015 there were 23 LSOAs in Kirklees in the 10% most deprived nationally, and 65 LSOAs in Kirklees in the same 20% most deprived.

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

Suppliers in areas of deprivation should be supported, perhaps through a business support function, to offer opportunities to local people and deliver social value locally.

See Recommendation 4.

2.1.3 Spend with West Yorkshire based suppliers

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

- ❑ £173,789,961 is spent with suppliers based in, or with a branch in West Yorkshire (including Kirklees);
- ❑ This equates to 69% of all procurement spend by Kirklees Council upon its top 300 suppliers;

¹² 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.

- ❑ In numerical terms, 204 of Kirklees Council's top 300 suppliers are based in, or have a branch in, West Yorkshire;
- ❑ £62,302,498 is spent with suppliers based in the other 4 Local Authority areas outside of Kirklees.

2.1.4 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 Kirklees Council which are not based in Kirklees or West Yorkshire:

- ❑ In financial year 2017/18, £77,655,572 was spent with suppliers not based in West Yorkshire;
- ❑ This is equivalent to 31% of Kirklees Council spend with their top 300 suppliers leaking out of the West Yorkshire economy;
- ❑ This spend is with some 96 organisations; a list of which is detailed in Tab 3 of the supplementary spreadsheet.

Spend with Non-West Yorkshire suppliers by sector

Figure 5 illustrates the amount of spend leaking out of the West Yorkshire economy by 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).

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



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 £22,718,495 spend by Kirklees Council upon 34 organisations classified as 'Commercial'¹³ based outside of West Yorkshire;
- ❑ 100% of all spend by Kirklees Council upon organisations classified as Employees¹⁴ (£9,997,108) is spent with an organisation based outside of West Yorkshire¹⁵;
- ❑ 56% of all spend by Kirklees Council upon organisations classified as Supporting People¹⁶ (£10,091,975) is spent with an organisation based outside of West Yorkshire.

¹³ This category contains a very broad range of suppliers. We recommend the Council further explore the system they use to classify suppliers and potentially revisit this to enable more precise measurement when this exercise is repeated in future. A few high-value contracts in this category include the £16.1m 'Locala Community Partnerships CIC / Locala Homecare Limited' contract, the £13.3m 'SUEZ Recycling and Recovery UK Ltd' contract and £3.8m 'Medequip Assistive Technology Ltd' contract.

¹⁴ This spend is entirely within the 'Matrix Scm' contract

¹⁵ Data not collected by CLES but provided by Kirklees Council shows that whilst this supplier, Matrix CR, is technically based outside of Kirklees, a high proportion of the placements it provides within the Kirklees area are filled by local workers. As such, whilst for the purposes of this analysis such spend is classified as 'leakage', it is likely that this spend will be funding local employees.

¹⁶ A few high-value contracts in this category include the £10.1m 'JLW Excellent Homes for Life Ltd' contract, the £1.3m 'Foundation Housing' contract and the £1.1 'Horton Housing Support Ltd' contract

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

2.1.5 Spend with Yorkshire and the Humber based suppliers

The procurement analysis also revealed the scale of spend by Kirklees Council with suppliers based in Yorkshire and the Humber (including Kirklees):

- ❑ £191,367,719 is spent with suppliers based in, or with a branch in Yorkshire and the Humber (including Kirklees);
- ❑ This equates to 76% of all procurement spend by Kirklees Council upon its top 300 suppliers;
- ❑ In numerical terms, 223 of Kirklees Council's top 300 suppliers are based in, or have a branch in, Yorkshire and the Humber.

2.1.6 Spend by size of supplier

This section of the report will look at the value and proportion of Kirklees Council spend with organisations based on their size. We utilised the information provided by the Kirklees Council database to search for the size of each supplier. Table 2 shows a breakdown of suppliers by size.

Table 2: Supplier spend by size of organisation

Supplier size	Spend	Proportion of top 300 spend	Number of suppliers
Very Small	£44,879,568	17.8%	97
Small	£44,370,971	17.6%	42
Medium Small	£23,007,876	9.2%	26
Medium	£30,608,969	12.2%	46
Medium Large	£35,679,881	14.2%	23
Large	£48,614,899	19.3%	37
Very Large	£16,881,823	6.7%	14
Unknown	£7,401,546	2.9%	15

- ❑ In financial year 2017/18 Kirklees Council spent £142,867,384 with SMEs¹⁷;
- ❑ This spend was with 2111 suppliers and equates to 57% of procurement spend by Kirklees Council with its top 300 suppliers;
- ❑ The national benchmark developed by the Federation for Small Businesses for SME spend is 47%.

2.2 Influenceable spend workshop

This subsection of the report details the activities that were undertaken to explore the 'influenceable spend' of Kirklees 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' within the next two years – we would argue that in the long-term all spend is influenceable. For the purpose of this exercise, influenceable spend is that with

¹⁷ Classified as 'Very Small', 'Small', 'Medium Small' and 'Medium'. These definitions used to classify they categories are contained within Tab 4 of the supplementary spreadsheet.

suppliers who are based outside of West Yorkshire where there may be scope for alternative provision of the good or service. 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 Kirklees? (does the supplier provide an exceptional service and/or deliver local social value);
- 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 good or service in question?

Table 3 illustrates the list of suppliers that were discussed in the influenceable spend workshop by industrial sector. Postcode analysis found 101 suppliers, with a contract value of £79,809,028 – the discussions held in the workshop helped to refine the analysis, and therefore the number of non-regional suppliers and cumulative contract value here is not the same as when it has been reported in Section 2.1.4.

Table 3: Potentially influenceable spend by industrial sector

Sector	Spend with non-West Yorkshire based organisations	Number of suppliers
Commercial	£24,369,241	36
Supporting People	£10,091,975	1
Employees	£9,997,108	1
CIS Vendors	£8,805,095	11
Adult Care	£8,264,564	9
Foster Care	£5,110,868	12
Armed Forces	£3,448,469	1
Utilities	£2,425,666	5
LA Childcare Providers	£2,330,649	7
Consultancy And Training	£1,685,992	6
Unknown	£765,177	3
Charity, Voluntary or Trust	£718,800	1
General Vendors	£582,414	3
Transportation	£447,888	2
Other Public Bodies (WGA)	£335,252	1
Individuals	£234,574	1

2.2.2 Findings

The influenceable spend workshop with members of Kirklees Council's procurement team whittled down the list of 101 suppliers, using the above questions as a frame, to generate a list of 13 suppliers (as detailed in Table 4), covering a wide range of firm sizes and sectors, with whom it was thought there were opportunities to either engage with local suppliers or to encourage local sub-contractors when the opportunity arises to re-procure the product/service. This exercise can, and we recommend it should be, revisited on a semi-regular basis; for instance, whenever analysis is undertaken of the Council's supply chain.

It should be noted that it is not the intention of Kirklees Council to move all spend to the Kirklees authority. 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 4: Potentially influenceable contacts

Supplier Name	Spend	Specific Industrial Sector
Cambian Group*	£2,415,892	Adult Care
J.W Young (Butcher) Ltd	£753,045	Commercial
G W Price Ltd	£677,621	Commercial
Enabling Futures Ltd*	£323,017	Foster Care
Alliance Care & Education*	£262,466	Unknown
AKW Medi-care Ltd	£234,574	Individuals
Sixteen Plus Limited*	£209,325	Foster Care

* These contracts are potentially influenceable depending on the implementation of the Sufficiency Strategy (the ability to effectively and safely build local capacity to meet the needs of children in need) and the Children's Service Improvement Plan.

Procurement officers should further interrogate the findings of the influenceable spend workshop, particularly contracts where there is potential for alternative providers who can deliver social value and the good or service in question.

See Recommendation 5.

A list of suppliers who are based outside West Yorkshire, together with the notes from the officer workshop, are listed in Appendix 5 of the supplementary spreadsheet.

3 EXPLORATION OF WIDER ECONOMIC IMPACT

This section of the report details the findings from the survey of the top 300 suppliers to Kirklees 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 Kirklees Council suppliers, and 62 out of the top 300 suppliers filled in the survey; the spend by Kirklees Council with these suppliers in financial year 2017/18 was £45,513,391, or 18.1% of total spend with the top 300 suppliers. This response rate is broadly similar to what we have achieved elsewhere when conducting a baseline analysis. We then see this rise as the exercise is repeated on an annual basis, or becomes embedded as part of contract monitoring.

3.1 Supplier survey

The following analysis details the re-spend figures for Kirklees 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.

To ensure social value is embedded, Kirklees Council should seek to track suppliers' progress against social value pledges by making it a condition of contract for them to complete a survey.

See Recommendation 2.

3.1.1 Re-spend of suppliers in Kirklees

Table 5 details the contract spend by Kirklees Council in 2017/18 with responding suppliers, and the amount re-spend by suppliers upon their own employees and their own suppliers who are based in, or a resident of, Kirklees. The suppliers which responded to the survey re-spend over £3.7 million on employees and their own suppliers who are resident or based in Kirklees, which is equivalent to 20p in every £1.

Table 5: Re-spend in Kirklees by responding suppliers

Type of re-spend	Contract spend by Kirklees	Re-spend by suppliers on Kirklees resident employees/suppliers	Proportion of local spend
Employees	£20,802,240	£2,432,899	£0.12
Suppliers	£15,331,608	£1,324,935	£0.08
Total	-	£3,757,834	£0.20

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 Kirklees City re-spend 20p in every £1 in the Kirklees boundary. By applying this ratio to the total spend with Kirklees Council suppliers of £251,445,533, we estimate that Kirklees Council suppliers re-spend £51,137,039 back in the Kirklees economy on local suppliers and employees of their own.

3.1.2 Re-spend of suppliers in West Yorkshire

Table 6 details the contract spend by Kirklees Council in 2017/18 with responding suppliers, and the amount re-spend 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-spend over £7.1 million on employees and their own suppliers who are resident in West Yorkshire (including Kirklees), which is equivalent to 38p in every £1.

Table 6: Re-spend in West Yorkshire by responding suppliers

Type of re-spend	Contract spend by Kirklees Council	Re-spend by suppliers on West Yorkshire resident employees/suppliers	Proportion of local spend
Employees	£20,802,240	£4,931,403	£0.24
Suppliers	£15,331,608	£2,187,859	£0.14
Total	-	£7,119,263	£0.38

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 Kirklees Council re-spend 38p in every £1 in the West Yorkshire boundary. By applying this ratio to the total spend with Kirklees Council suppliers of £251,445,533, we estimate that Kirklees Council suppliers re-spend £95,489,886 back in the West Yorkshire economy on local suppliers and employees of their own.

3.1.3 The supply chain and social value

The second part of the survey asked suppliers a series of questions relating to social value, such as the whether the supplier pays all employees the living wage; what proportion of employees are employed on a permanent, temporary or zero hours contract; and a question asking about the wider benefit the supplier brings for Kirklees (for instance work with schools, apprenticeship creation, donations to local schemes, supporting local charities etc).

Approximately two thirds of responding suppliers (56%) stated their organisation pays all their employees the Living Wage Foundation's accredited wage of £8.75, with around one third (30%) saying they didn't and 15% unsure.

When asked about what type of contract their employees were employed on, responding firms employed 78% of staff on a permanent contract, 5% on a temporary contract and 17% on a zero hours contract.

The final question suppliers were asked related to the wider benefits their organisation offers for Kirklees. This question was poorly engaged, with some respondents merely explaining the service they offer, whereas others did not even respond to the question.

To ensure social value is a core consideration in any commissioning and procurement, it needs to be embedded, such as creating a social value framework and tracking progress against targets.

See Recommendation 2.

Common responses included employing local staff or using local suppliers, with the positive economic benefit to local communities this ensures.

Contributing to community events, sports teams or organisations was another positive benefit to the community that suppliers cited. This has been shown to be varied, such as sponsorship, or by non-financial support such as in-kind services, information and advice etc.

Another key avenue of suppliers benefiting the community was their work with educational establishments. This can relate to schools, providing volunteer/work experience placements, but also colleges and the university to create apprenticeships and enable upskilling by enabling employees to gain qualifications).

3.2 Employee re-spend

This part of the analysis explores the extent to which the money spent by Kirklees Council on employee wages is re-spent by the employees back in the Kirklees economy, upon a range of activities, including shopping, transport, subscriptions, council tax (Kirklees resident employees only), and socialising. The survey of employees was sent electronically by Kirklees Council, and 285 employees completed the survey. It should be noted that as this represents a small percentage of all Kirklees Council employees, generalising the findings of this section to any wider group of Kirklees Council employees should be treated with caution.

The following analysis details the re-spend figures for Kirklees, West Yorkshire and Non-West Yorkshire residents derived from the survey. Please note that for the re-spend of Kirklees Council employees, the geography of residence 'West Yorkshire' includes residents of the four other local authority areas, excluding Kirklees.

Table 7 details the cumulative findings for employees of Kirklees Council who responded to the survey. The analysis is broken down by the geographical residence of employees and the amount which they re-spend in Kirklees. There were 39 employees who gave no information as to their geography of residence and were therefore not included in the analysis.

In total, the 224 Kirklees Council employees who completed the survey and left information regarding their geography of residence re-spent £1,726,208 in the Kirklees economy, which is equivalent to 35p in every £1 they received in net salary from Kirklees Council. This is a broadly comparable figure to other cases where we have completed similar studies. In terms of influencing this figure in future, others we have worked with have formed partnerships with local shops or restaurants, promoted campaigns encouraging local spend – 'the Kirklees Pound'; and through illustrating how £1 spent with local suppliers circulates in the local economy, compared with global suppliers.

Table 7: Re-spend in Kirklees by responding council employees

Geography of residence	Number of responding employees	Net wage received from Kirklees Council	Re-Spend by employees in Kirklees	Average re-spend in Kirklees	Re-spend in Kirklees
Kirklees	197	£4,201,212	£1,603,448	£8,139	38p in every £1 of net Council salary
West Yorkshire	20	£518,514	£100,980	£5,049	19p in every £1 of net Council salary
Non-West Yorkshire	7	£161,024	£21,780	£3,111	14p in every £1 of net Council salary
Total	224	£4,880,750	£1,726,208	£7,706	35p in every £1

Following the findings of this survey the next step is to carry out a review of Kirklees Council employment and HR practices.

See Recommendation 8.

4 DEVELOPMENT OF ANCHOR APPROACH

The findings from the anchors workshop, and the more focused anchor interviews are detailed below. In addition, we also present the output of a small workshop to engage the voluntary and community sector around their capacity to work with anchors in Kirklees.

4.1 Anchor workshop

The aim of the anchor workshop was to gauge the level of local wealth building activity amongst the wider group of anchors in the borough and to pave the way for a series of more detailed qualitative interviews with a selection of key representatives.

The workshop revealed that the wider group of anchors are thinking about embedding social value not just in their procurement activities but in other areas such as employment and the use of their land, assets and investments. Indeed, procurement was frequently felt to be the most challenging area to embed social value, particularly in the NHS where the adherence to national procurement frameworks, which tend to favour large national suppliers, is an area where they are performance managed. The challenges around having to adhere to EU procurement rules which again favour national or multinational suppliers was also mentioned by several anchors.

With respect to employment, a number of the anchors mentioned their respective apprenticeship schemes and their focus on promoting local employment opportunities for local people. Doing outreach work with schools, particularly in deprived areas was also mentioned.

A number of the anchors also spoke about how they were using land and assets to provide community groups with space to run events and hold meetings.

Finally, the workshop highlighted the potential for anchors to work more closely with the voluntary and community sector in Kirklees. Whilst in theory, VCSE organisations could bid for council and other anchor contracts, skills and capacity was said to be a barrier to this happening in practice. As such it was agreed that a separate workshop to engage the VCSE sector would be a fruitful exercise.

A review of all Council assets should be carried out to identify additional opportunities for these assets to be better deployed, for instance by enabling VCSE organisations to use them without any charge or investigating the scope for municipal investment as part of the West Yorkshire Pension Fund.

See Recommendation 9.

4.2 Third Sector Leaders Workshop

Third Sector Leaders speak on behalf of not-for-profit and charity organisations which support individuals and communities across Kirklees.

From the VCSE sector leaders point of view, bidding for council or CCG contracts is a challenge due to the scale and length of the process. There was a recognition about the amount of work that is needed to be put into applying for tenders which, for small community groups, very much detracts from their ability to carry out their everyday core business. This was felt to stand in contrast to bigger, national providers, who have bid writing teams to facilitate the process. In practice, this acts as a disincentive for small groups to apply. The point was made here that local groups shouldn't be losing out just because they can't write as good a bid as a national player.

The idea of a consortiums of small groups coming together to apply for tenders was mentioned and it was felt that the council could do more to encourage this in their tender notices. Nevertheless, getting groups to work together on bids also presents a challenge. Groups are proud of their own identity and some have concerns about how being part of a consortium may affect this.

The idea of longer contracts for outsourced services was mentioned as this would help to plan resources. There was, however, a recognition that austerity budgeting has meant that offering longer contracts would be a challenge for the council.

It was felt that direct support and open lines of communication between council and CCG procurement officers and commissioners was patchy. There was a recognition that there are some very supportive officers who are committed to the local economy and work with the VCSE sector but that there is a lack of consistency here.

There was a recognition that Third Sector Leaders need to get better at bringing-in external funding, such as Lottery money. Consequently, the sector has missed opportunities to develop. Community businesses in particular were said to be underdeveloped in Kirklees.

As well as the need for anchors such as the council to engage with the third sector, it was recognised that they also need to engage with general public, in order to get them focused on spending and donating money locally. The importance of developing a strong communications plan here was mentioned.

Finally, the need to regenerate Huddersfield town centre and make use of empty shops and buildings was raised by several contributors.

Our engagement with the Third Sector Leader group suggests that the VCSE sector in Kirklees that is well organised, well connected and is eager to be more involved in the delivery of health and social care contracts. In order to facilitate this action, and to address the challenges raised above, the establishment of a co-commissioning framework is needed

See recommendation 7.

4.3 Anchor interviews

In total we spoke to representatives in 6 anchors in Kirklees:

- Kirklees Active Leisure;
- Cummins Turbo Technologies;
- Calderdale and Huddersfield NHS Foundation Trust;
- The University of Huddersfield;
- West Yorkshire Police;
- Kirklees College.

A summary of our discussion with each anchor and the level of anchor activity is summarised below. Telephone interviews were used to engage with a single representative from each institution.

4.3.1 Kirklees Active Leisure

Kirklees Active Leisure (KAL) is the charitable trust which manages 13 leisure facilities and swimming pools on behalf of Kirklees Council. KAL have made a conscious decision to procure locally where they can and have developed metrics in their annual reporting to capture the extent to which this happens in practice. They estimate that around one third of their non-staff spend occurs within the local economy.

KAL make a significant impact in terms of providing local employment. 85 % of their staff live within the Kirklees area and 54% are under 25 making them the largest employer of young people in the area. KAL take a proactive stance on offering young people in the area non-traditional routes into employment via apprenticeships with the emphasis on attitude and job fit as opposed to qualifications.

Embedding social value into employment practices is more challenging for KAL due to cuts in their budget over recent years. They can't, for example, pay everyone in the organisation the living wage or continue to offer access to the West Yorkshire pension fund. Nevertheless, KAL do have a dedicated health and wellbeing manager to focus on improving staff welfare. They also offer discounted fitness packages to their staff.

KAL always let community groups use their rooms for free and they've partnered with a local charity to set up a clothing bank to recycle school uniforms. They are also using their reserves to improve the energy efficiency of their buildings and are working with local contractors to complete this work.

4.3.2 Cummins Turbo Technologies

Formerly known as Holset Engineering Co Ltd, Cummins Turbo Technologies was established in Huddersfield in 1952 and now employs 1,100 people. The company manufactures turbochargers and related products, on a global scale, for diesel engines above three litres.

Due to the nature of the business, Cummins relies on the use of global supply chains, and local procurement hasn't traditionally been considered. Indeed, for the majority of their goods, global supply chains are the only option. There may be an opportunity for some services to be procured locally but that would be contingent on the supplier being able to meet the level of demand and quality required.

Cummins have a significant impact on social value through their employment strategy. They offer a number of routes into employment from entry level apprenticeships up to degree level positions. They do out-reach work in schools – particularly in areas of social deprivation and with children from pupil referral units. They also offer comprehensive work experiences opportunities for local young people. In addition, they run various initiatives to target and attract unemployed adults. They also work with local councillors to publicise jobs to the local community.

Cummins are happy to let local community groups and charities use their buildings for free - to run events for example. They have also donated catering in the past to provide further support. Furthermore, they provide skills and capacity building to local charities and VCSE sector by running workshops and offering mentoring.

4.3.3 Calderdale and Huddersfield NHS Foundation Trust

As one of two NHS Trusts operating in Kirklees, Calderdale and Huddersfield NHS foundation Trust employ around 6,000 staff across two main hospitals; Calderdale Royal Hospital and Huddersfield Royal Infirmary as well as community sites, health centres and in patients' homes.

Pursuing a local procurement strategy is a challenge for the trust due to the existence of national frameworks for goods and services. In practice this means that national or multinational suppliers tend to dominate the market. Furthermore, the idea of embedding social value through procurement is not something that is being considered across the organisation. One of the challenges here is that performance in relation to procurement is not measured in terms of social value, with the focus instead on price and value for money. In addition, since the Carter Review published in 2016,¹⁸ which looked at productivity and performance across the NHS, there has been even more of a focus on encouraging centralised procurement. Nevertheless, there may be an opportunity for Trusts to insert social value clauses into their large service contracts. This could, for example, lead to an insistence that building contracts use local subcontractors or that delivery of laundry or food supply is sub-contracted locally.

In relation to employment, there is more of a recognition of the role the Trust can play in developing social value and the idea of recruiting locally is a strategy that the trust is actively pursuing. To facilitate this mission, it does a lot of outreach work with local schools, colleagues and universities to raise awareness of NHS career choices. The Trust also provides opportunities like nurse apprenticeships - offering a routes in to a clinical position that negates the need to go to University.

The trust is pursuing the opportunity to create social value through its land and assets. For example, it is currently selling-off some of its land, 10 % of which has been reserved for affordable housing.

4.3.4 The University of Huddersfield

The University of Huddersfield has been a university since 1992 and employs around 2,000 people. It consciously identifies itself as an anchor institution with its leadership team and Vice Chancellor actively pursuing a number of strategies to promote local social value.

The University is very active in the local business community and has a strategy of using local suppliers where possible to help stimulate the local economy. It has established a business hub and regularly holds meet-the-buyer events to encourage local suppliers to realise commercial opportunities that the University has to offer. It estimates that around 20% of its non-pay spend is within Huddersfield and 48% within Yorkshire. It also estimates that it contributes around £200 million into the local economy through student and staff spend. Whilst it recognises that EU procurement rules can be a barrier to

¹⁸ <https://www.gov.uk/government/publications/productivity-in-nhs-hospitals>

local suppliers, it actively works with them to help them prepare to bid for larger contracts. The university has a policy of encouraging building contractors on larger project to use local sub-contractors. It is also signed-up to the prompt payment code.

In terms of employment, the university actively promotes employment opportunities to local people and offer a range of apprenticeships across its departments. It pays the living wage to all its employees and requires all of its suppliers to adopt this policy.

The University helps local charities by donating spare or redundant equipment. It lets groups and charities use its land and assets where possible. It has hosted markets on its land for local enterprises and businesses to sell their products. It also has a local investment fund to help finance local business, to get them up and running.

4.3.5 West Yorkshire Police

With a footprint across five geographical divisions, West Yorkshire Police employ nearly 10,000 people. West Yorkshire Police are currently involved in ongoing work linked to developing social values and local businesses and are working with Yorkshire Purchasing Organisation (YPO) to increase local suppliers within the YPO framework. There is a further piece of work with YPO instigating supplier engagement events on a monthly basis which is aimed at local provision, to highlight opportunities for local suppliers to access the public sector market. West Yorkshire Police have also been working with Efficiency North to ensure tender documentation captures and reflects social value provisions.

West Yorkshire Police feel that by far the largest challenges around the Procurement process are the legal processes they have to adhere to. As with other public sector organisations, they are legally bound to introduce objective competition to the procurement process wherever they can. Nevertheless, they are proactively looking at additional opportunities to work with local providers. For example, they are currently exploring whether local districts could source catering arrangement locally when the contract comes up for retender.

4.3.6 Kirklees College

Kirklees College is a further education college with two main centres in the towns of Dewsbury and Huddersfield. They are consciously pursuing a number of strategies to promote social value.

The college does actively target local suppliers for goods and services. However, the amount the college is spending in some instances now exceeds the OJEU threshold meaning that they are being forced to use national frameworks such as the local government portal. Unfortunately, many of their local suppliers are not on these frameworks. However, the college is redesigning its procurement strategy and hopes to support its local suppliers to get them on to the appropriate frameworks.

With respect to other services such as catering, security and estates management, the college has brought these in-house helping to create more jobs and opportunities for local residents. This has been a challenge as it has meant that costs have initially increased. The expectation however is that these costs will reduce in the long-term due to higher staff retention rates.

In terms of workforce, the college are a living wage employer and offer access to the West Yorkshire Pension Fund to all staff. The college holds recruitment events to target the local population. Whilst the workforce is currently very representative of the local community, this starts to drop off in the higher echelons of management. However, they do run an aspiring leadership course to assist anyone in their workforce to come forward to be supported and developed to become leaders and managers.

The college does in some instances let the community use assets for free, but because of their financial position they generally need to charge a small fee for events and meetings. Many of their staff sit on local boards and their students are actively encouraged to volunteer in the local community.

There are a number of good examples of Local Wealth Building activity amongst the wider anchor institutions in Kirklees. Learning should be shared via the establishment of a permanent anchor network, with consideration as to how these pre-existing activities can be amplified and developed even further.

See Recommendation 6.

5 EMERGING RECOMMENDATIONS AND NEXT STEPS

The recommendations below are intended to assist Kirklees Council to make procurement a key means for delivering greater local social, economic and environmental benefit through a Local Wealth Building approach, creating an inclusive economy and growth for all residents. 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, HR analysis, employee survey, from our initial discussions with local anchors, and from CLES' experience of conducting this type of work elsewhere. They are ambitious but achievable. Whilst they relate to the general principals of local wealth building outlined at the beginning of this report, they relate specifically to the data we have collected as part of this project.

Recommendation 1 – create capacity to drive the local wealth building agenda

To ensure that the local wealth building approach is embedded as a key corporate priority in the Council, we recommend that a cross departmental working group is formed to bring together commissioning managers from across the organisation with Category Managers. This group would be charged with coordinating and driving forward local wealth building across the four threads of activity: procurement, workforce, land property and assets, and the democratic ownership of the local economy. In addition, it is recommended that local wealth building be included as a standing item on SMT agendas to ensure it remains a priority.

Our other recommendations are structured around the four pillars of Local Wealth Building:

5.1 Procurement and spend

Recommendation 2 – Truly embed social value

Our review of procurement activity has created an evidence base and a starting point for Kirklees Council. However, the next stage is to embed social value as a core consideration in any commissioning and procurement. To do this we recommend:

- ❑ Review the Council Procurement Policy to ensure that social value is positioned as a key component. To provide clarity the Council should also develop:
- ❑ A Social Value Framework (ideally organisation wide, rather than for the procurement department) to clearly articulate the social value priorities of Kirklees Council, and setting targets against all measures within the framework. The other option here is that the anchor network (see Recommendation 6) develop a common framework – in this case the priorities of the framework should be decided by all partners;
- ❑ The importance of social value must be backed up by clearly communicating the priorities of the framework to suppliers and partners and making it part of the decision-making process in tenders (including a weighting – which can be flexible depending on the nature of the contract);
- ❑ Tracking suppliers' progress against social value pledges and targets by making it a condition of contract for them to complete a survey;
- ❑ Further interrogating the perception of the supply chain, and the wider Kirklees business base around the ease of trading with the Council and how they can be best supported to deliver social value.

Recommendation 3 – repeat the analyses to track progress

The spend analysis contained in this report is intended to provide a baseline for the impact of Kirklees Council procurement and employee wage spend. It is recommended that the Council repeat these analyses on an annual basis to track progress against the 44% spend with Kirklees suppliers, 69% of spend with West Yorkshire (including Kirklees) suppliers, and 57% spend with SMEs. In addition, the next analysis should broaden the scope of the supplier survey to include all the measures in the social value framework from Recommendation 2, and may consider alternative geographies such as the Leeds City Region.

Recommendation 4 – engage suppliers in areas of deprivation

The spend analysis has shown that Kirklees Council have 58 suppliers (with which there was a spend of £39.5 million in 2017/18) that have a presence in areas within the 20% most deprived nationally. Businesses in these areas need to be supported to offer opportunities to local people and deliver social value locally. Economic development officers responsible for business support should convene a workshop with local businesses to explore the barriers and enablers here and devise an action plan.

Recommendation 5 – further interrogate the findings of the influenceable spend workshop

The gap analysis workshop has produced a list of 13 contracts where there is potential for alternative providers to deliver the good or service in question and some contracts where further research is required by the procurement team. These should be interrogated in more detail by procurement officers who should then make a recommendation to the cross departmental working group (see Recommendation 1) as to where activity should be focused. This exercise can, and should be, revisited on a semi-regular basis; for instance, whenever analysis is undertaken of the Council's supply chain.

Oversight and sponsorship of this work should then be provided by the working group. In addition, it is clear from our work that certain sectors warrant particular investigation such as Adult Social Care. Although the influenceable spend workshop suggest that there is a lack alternative local suppliers in this sector, our engagement with the VCS suggests otherwise and highlights a strong desire to work with the council here to play a more expansive role. The establishment of a co-commissioning network (Recommendation 9) is therefore needed.

5.2 Diversification and Democratic ownership of the economy

Recommendation 6 – establish an anchor network for Kirklees

The Council should take the lead on establishing a permanent (and externally facilitated) anchor network that should meet a minimum of four times a year. The network should comprise representatives from anchor institutions who perform a leadership role and, as such, are responsible for driving forward change. The first meeting should focus on spend, procurement and commissioning, to share learning around best practice that is already being carried out in Kirklees. As described in section 4 above, both KAL and the University of Huddersfield have a strong approach to local procurement and work collaboratively with local suppliers. The opportunity to explore how this learning could be implemented in other anchors across the borough should be the focus of this first meeting. Subsequent meetings should focus on: developing closer links with the VCSE sector (See recommendation 9 below); the regeneration of Huddersfield town centre (see recommendation 12); enabling best employment practice, such as the payment of the living wage and recruitment of hard-to-reach groups; and linking anchor activity to business citizenship. Having a network leading actions around anchor's priorities may lead to advancing new forms of ownership that are naturally more inclusive, as a result of individuals having a stake in the governance (i.e. municipal enterprises, Co-ops etc).

Recommendation 7 – support the VCSE sector to play a more active role

The potential social value that can be delivered by the VCSE sector is significant in terms of maximising opportunities for integrated care and joint-working, tackling health inequalities, targeting hard-to-reach groups and creating a community resource which is resilient and sustainable. It is precisely this thought that underlies the Joint review of partnerships and investment in voluntary, community and social enterprise organisations in the health and care sector, published in 2016.¹⁹ Despite the perception that there is a lack of potential VCSE providers in Kirklees, our engagement with the Third Sector Leader groups suggests that the local VCSE sector is well organised, well connected and is eager to be more involved in the delivery of health and social care contracts.

As such there is the potential to increase and expand the VCSE sector's contribution and integrate it more fully into that of the public sector. By formalising the relationship between the public and VCSE sectors, new ways to collaborate, learn from each other and work at scale across Kirklees could be explored. In order to facilitate this action, we recommend the establishment of a co-commissioning framework. This framework will put co-production at the heart of commissioning, involving the VCSE in the earliest stage of needs analysis, review, planning and service development, putting strong resilient and inclusive communities at the heart of the future health and care system.

Comprising VCSE, local authority and CCG representatives the framework will endeavour to:

- ❑ Build the capacity of the VCSE sector, to help organisations gear-up to deliver Council and CCG commissioning intentions;
- ❑ Recognise the importance of infrastructure and volunteering to the VCSE sector and where appropriate provide support to continue its development;
- ❑ Support the VCSE sector by providing longer term funding (where possible);
- ❑ Support the sustainable development of voluntary organisations by signposting and facilitating access to external and non-public sector sources of funding;

¹⁹ <https://vcsreview.org.uk/>

- ❑ Ensure prompt payment of small grants and contracts;
- ❑ Explore joint commissioning across Council, CCG and other public sector organisations to deliver priorities for the borough. (There should be a dedicated anchor network meeting devoted to this task);
- ❑ Allocate funding, contracts and other resources against clear, relevant and consistent criteria
- ❑ Ensure that procurement and contracting processes are transparent, fair and proportionate, to encourage the broadest range of providers, including consortia building where appropriate
- ❑ Accept the principle of full cost recovery, in funding VCSE organisations, to help them meet the true cost of providing services;
- ❑ Design monitoring and performance management systems that are appropriate and meet the needs of the VCSE.

5.3 Employment

Recommendation 8 – carry out a review of Kirklees Council employment practices

Anchor institutions are the biggest employers in the borough. The approach taken to employment has a defining effect on the employment prospects and incomes of local people. The employee survey has shown that the 224 responding Council employees re-spent £1,726,208 in the Kirklees economy, equivalent to 35p in every £1 they received in net salary from Kirklees Council. In order to deepen the focus of the employment pillar of local wealth building there are several activities that the Council can focus on here:

- ❑ Task the cross departmental working group (see Recommendation 1) with developing ideas around how Council employees can be encouraged to spend more money locally;
- ❑ Map the home postcodes of Council employees to investigate the extent to which the staff reflect the community they serve;
- ❑ Review who applies for positions at the Council and amend the process to ensure it is inclusive;
- ❑ Review the quality of employment at the Council, including wage, terms and conditions, and the working culture;
- ❑ Present this evidence to the anchor institution network (see Recommendation 6) and support them to develop progressive employment and recruitment practice.

5.4 Land and assets

Recommendation 9 – conduct an audit of Council assets

We note the Cabinet's aspiration to stop charging VCSE organisations for using council assets. As such, the Council should follow the example set by other anchors in the borough who regularly let community groups and charities use their assets for free. This is one example of how assets can be better deployed. Another may be an investigation into the scope for taking a municipal stake in land and property as part of the West Yorkshire Pension Fund. A wider review of all Council assets would identify these additional opportunities.

Recommendation 10 – Use business rates relief to enable business growth

Making towns like Huddersfield, Dewsbury, and Batley vibrant places to live and work will surely be a key objective in the Council's new economic strategy, due to be published later this year. It was also a theme that was picked up on by the Third Sector Leaders. The council should look at business rate relief beyond its current activity, which provides rate relief on properties worth less than 15k per annum. It should also look to work collaboratively with the University of Huddersfield, whose investment fund has in the past helped the establishment of local enterprise. Refocusing the use of the fund on new businesses which will contribute to the regeneration of the town centre - particularly community businesses and social enterprise - would have a significant impact.