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| creating a good local economy through procurement |
| Case Study 3 – Lublin, Candelaria, and Almelo prepared by |
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# case study 3 – innovation in procurement (social criteria) – Lublin, candelaria, and almelo

## Introduction

The third transnational meeting of the Procure network took place in [Albacete, Spain](https://en.wikipedia.org/wiki/Albacete)[[1]](#footnote-1) on Tuesday 13th and Wednesday 14th December 2016. The focus was upon the thematic area of innovation in procurement and specifically around embedding social considerations and criteria into the process. The thematic element of the meeting looked to address five key questions (these have been previously identified by the partners as part of the baseline study):

* What is meant by social criteria?
* How is social criteria developed and how is it embedded into tenders?
* How is an effective balance found between price, quality and social value?
* How is quality and social impact measured and scored?
* How are better relationships developed with suppliers around social criteria?

The findings of this have been written up into a post meeting briefing note. To supplement the briefing note, this case study looks specifically at the examples of Lublin (Poland), Candelaria (Spain), and Almelo (Netherlands) and how they are considering and addressing social considerations through procurement. These examples were discussed during a ‘walk and talk’ session at the transnational meeting.

## A reminder about innovation in procurement and social criteria

There are eight key means of embedding social criteria into procurement – these were also provided in the pre-meeting and post-meeting briefing notes but are worth reiterating here. They relate to the four stages of the commissioning and procurement cycle and are as follows:

### Design of the service (commissioning)

The best place to consider social factors in the procurement cycle is at the design of the service or the commissioning stage. If they are not considered at this stage, it can often to be too late. There are two key ways to consider social factors in the commissioning stage:

#### Mean 1 – innovate for outcomes

The first, and as already described is to adopt a PPI approach whereby suppliers are engaged to create a good or service which is not already on the market. This is important from a social perspective in that the design of that good or service can be subsequently linked to wider outcomes that a place is seeking to address such as ill-health or crime and that the good or service will be more relevant to that outcome.

#### Mean 2 – link design to wider issues

The second is for commissioners to actively consider in the design process what wider issues their product or service can potentially address; they can then embed this into the procurement process. For example, they may wish to consider how the construction of a new railway station can address youth unemployment. The answer is potentially through ensuring there is a clause in the procurement for suppliers to create a certain number of apprenticeships as part of their contract. The key is that these discussions take place in commissioning and not once the required good or service has reached the procurement and decision stage.

### Procurement strategy and tender processes

There are four key means through which social factors can be considered and embedded in procurement strategy and tender processes:

#### Mean 3 - Link procurement to wider priorities

The first is to frame procurement strategy in relation to the wider priorities facing a city. A procurement strategy could, for example, focus on both detailing compliance with legislation and processes; and detailing the key and wider economic, social and environmental priorities that the city has. It could be as simple as saying that our city has the following three priorities: reducing unemployment; raising skills; and increasing growth of the private sector. This intrinsically then links procurement to wider priorities. Cities can then also detail these priorities in their tender documents – this automatically gets potential suppliers thinking that they may also need to contribute towards addressing those issues as part of their bid and in the delivery of the good or service.

#### Mean 4 - Set criteria around social factors

The second is to allocate criteria in procurement around social factors. The stock way of making a procurement decision historically has been around cost – with often, upwards of 80% of the decision-making criteria allocated to this. If cities want to use procurement to address wider issues, the decision-making process also needs to look more intensely at considerations of quality and social factors. So, for example they may have more of a balanced decision-making process where 45% is awarded on cost, 45% on quality, and 10% on social factors; with the proportion attributed to social considerations dependent on the nature of the good or service.

#### Mean 5 – Ask questions around social factors

If cities are to include considerations around social factors in their decision-making processes, then they need to ask questions around social factors in their tender documentation. This will enable them to subsequently score bidders against these considerations. The questions might be, for example: ‘how are you going to create jobs through the delivery of this good or service’ or ‘how are you going to upskill your workforce through the delivery of this good or service’ or ‘how are you going to ensure that carbon emissions are kept to a minimum through the delivery of this good or service’.

#### Mean 6 – Through including social clauses

Where appropriate and relevant to the subject of the good or service, cities can include specific obligations on potential suppliers to deliver social clauses. For example, they can ask construction companies to create one job or one apprenticeship per million euros spent with that organisation. This is often referred to as targeted recruitment and training as it uses the process of procurement to address wider issues a place faces particularly around (youth) unemployment. Clauses can also be used in other contracts and address other issues beyond employment. For example, suppliers can be stipulated to reach certain standards for products.

### Making the decision

There is one key mean of embedding social considerations in the making the decision stage.

#### Mean 7 – Score against social criteria

If Cities are involving means 3,4,5 and 6 (as described above) in their procurement strategies and tender processes, then they need to make sure that they score against these in making the decision as to who wins a particular contract. At the decision-making stage, cities therefore need to develop a means by which they score social considerations alongside those considerations of cost and quality. This can include both quantitative scoring, for example the number of jobs a supplier is proposing to create; or qualitative scoring, for example the quality of terms and conditions offered to employees of suppliers. The important consideration is that scoring mechanisms are both robust and straightforward for those making the decision.

### Monitoring

The key mistake cities often make around social considerations in procurement is that they implement the means described above, let the supplier go out and deliver the service or provide the good, and then do not monitor delivery against social aspects which were promised in the bid.

#### Mean 8 – contract manage and monitor

The final mean of practically embedding social considerations into procurement is therefore to actively contract manage and monitor. This can be often done through one of two ways. First, a dedicated contract manager can be assigned to each supplier with a remit to both monitor how delivery of the service or good is going and also the extent to which progress is being achieved with regard to any social clause or other means of bringing benefit. Second, cities can issue questionnaires to all suppliers on an annual basis which asks them to detail how they are contributing to a range of economic, social and environmental indicators.

## Case Study 1 – Lublin (innovate for outcomes)

The City of Lublin has been involved in previous European projects around procurement and is currently involved in a further specific project around Public Procurement of Innovation (PPI). Between 2012 and 2014, Lublin was involved in the Seventh Framework Programme funded ‘Cities for Business Innovation (C4BI) – Network of Procurers’. This focused upon supporting businesses in the design of goods and services which were innovative and met gaps in the market. Lublin is currently (and up until February 2019) involved in the Interreg Central Europe funded ‘PP12Innovate’ project which is seeking to boost usage of PPI across central Europe through capacity building activities.

The City of Lublin are looking to utilise both PPI and Pre-Commercial Procurement (PCP) on a number of their upcoming tenders. They recognise the role of such processes in creating new solutions through early supplier engagement and through utilising research and development; and in supporting new innovations to reach the market.

In the C4BI project, Lublin and 3 other partner cities used PCP to develop new solutions for social services to address the challenge of an ageing population. The solution developed by Lublin through PCP with potential suppliers was a ‘panel for seniors’ – they particularly wanted to develop a product that would support older people to use computers. The product developed was a device with larger buttons than a standard keyboard, together with an integrated mouse. The PCP process not only supported the development of a new product, but also enabled better outcomes to be achieved for older people through their use of computers; for example, a reduction in social isolation. A pilot stage was utilised to enable various potential suppliers to demonstrate their solutions before the requirement went to market.

In the PP12Innovate project, Lublin is working with 9 other partners to boost the use of PPI across Central Europe. The project is seeking to address three main problems or challenges around PPI which are the lack of knowledge of public procurers of PPI; the lack of awareness and interest regarding the PPI paradigm; and the lack of long-term cooperation practice between public and private actors. They are seeking to overcome these problems through creating a tool which will be customised into national frameworks and which will cover the design phase of PPI projects. The tool has a specific focus on services and solutions associated with energy, health and ICT. The tool is accompanied by three further activities around the development of:

* Six competence centres, whereby each partner identifies potential PPI projects and formulates implementation plans;
* Four PPI pilots in three thematic areas and at different geographies;
* Eighteen regional training sessions targeting public procurers.

The concept of PPI remains relatively novel across Europe and Lublin’s involvement in a specific network is important from the Procure Network’s perspective as we seek to develop action plans focused upon progressing procurement policy and practice.

## Case Study 2 – Candelaria (link design to wider issues)

The City of Candelaria has been seeking to engage its residents in procurement processes for a number of years. The purpose of this co-produced approach is to ensure that the design of goods and services is relevant to the needs of communities. Residents are engaged through five community panels, which are representative of the five villages which form the City of Candelaria. This approach is also accompanied by a budget which the community panels in coordination with the municipality of Candelaria have responsibility for spending.

The community panels are made up of stakeholders and include individuals, community groups, the Municipality of Candelaria, councillors, associations with a focus on health and housing for example, and the local business community. Diversity of the Candelaria population is ensured through including young people and older people. The panels discuss the challenges facing Candelaria which in recent years has been particularly focused around the provision of community centres and seek to develop ideas for what the participatory budget can be spent upon. It is then left with technical officers at the Municipality of Candelaria to draw up specifications.

In 2014, the focus was upon community spaces with 300,000 euros spent on the design and implementation of such spaces. In 2015, the focus was more on identifying ideas for activities to include in budgets associated with bidding for and implementing European projects. In 2016, the focus was upon new physical investment schemes and equipment, with an associated budget of 350,000 euros.

## Case Study 3 – Almelo (link procurement to wider priorities)

The City of Almelo is utilising the URBACT Programme and the Procure Network and the development of the associated action plan to develop innovation partnerships through which procurement processes will be channelled. The purpose of the innovation partnerships is to draw together procurers to cooperate on common issues they may face such as building environmental sustainability. Members of the partnership invite suitable regional level building and maintenance companies together with a view to creating, through dialogue sessions, pilot innovative solutions and consortia of organisations capable of providing the service in the longer term.

The innovation partnership seeks to reduce some of the bureaucracy of the traditional procurement process by placing the basic requirements of what the partners are after on one page. It seeks to make the procurement more focused upon solutions by having a common objective, which is ‘to ensure that all public buildings have the maximum sustainability’ rather than having a defined and common product. It also seeks to ensure that a diverse set of organisations are made aware of the opportunity through undertaking engagement with regional level businesses and that the solution is driven by the market through dialogue sessions.

The process in Almelo is framed by three key principles. First, engage at an early stage with businesses in relation to the innovation partnership. Second, establish the innovation partnership to develop the pilot project and the specifications. Third, try to organise it in a circular way so that commissioning and design leads into procurement and subsequently monitoring and delivery. The City of Almelo and partners are utilising the URBACT action planning process to realise a number of other ideas and objectives, including:

* An energy neutral neighbourhood;
* A project around the maintenance of public water;
* A city craft centre;
* An Almelo Pass or currency;
* An urban farm and fishery.

1. <https://en.wikipedia.org/wiki/Albacete> [↑](#footnote-ref-1)