

## Features

### **Public spending for public benefit**

*Tuesday, November 29, 2005*

What do we mean when we talk about 'sustainable procurement'? Exactly what is Best Value? What does 'efficiency' mean? These are the questions that come up in any gathering of public sector professionals. They are buzzwords of the day, but each person defines them differently.

The work K2A is undertaking with local authorities addresses economic sustainability. In other words, how to get the most from every penny you have. We often associate the term 'sustainability' with the environment; however, as the OED defines it, 'efficient' means 'working productively with minimum wasted effort or expense'. There's no mention of explicit budget cuts or large contracts. Efficiency, quite simply, is about the most you can achieve with the resources you have.

Before someone tells you that your community needs to build a massive new shopping development or promote tourism to attract spending into your area, think about what could be achieved with your community's share of the £125bn that the public sector in the UK expects to spend procuring goods and services in the next year alone. Steering just 10% more of this spending into the country's most disadvantaged areas would inject £12.5bn of income into these communities in just one year – 15 times more than the £835m that UK government currently spends on designated regeneration programmes.

Achieving regeneration through mainstream public spending is not wishful thinking any longer; local government is required to do so. The National Procurement Strategy for Local Government, for instance, already requires local authorities to 'use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan'. CPA ratings will also soon take into consideration how well a local authority delivers on its community plan.

Public spending strategies can deliver the goods and services a community needs and also achieve regeneration aims for two fundamental reasons. First, developing local solutions to public service delivery keeps money circulating in the local economy for longer by fostering local economic linkages, which are critical to long-term regeneration. Second, the process of developing local solutions raises the capacity and expertise of local people and enterprises, making them more competitive as a whole, and strengthening the community links essential to lasting regeneration.

As many local authorities and other public bodies are discovering, these local solutions can save money and deliver truly efficient services. When explaining why the London Borough of Ealing awarded a massive waste and recycling contract to a company who appeared at the outset to be the underdog, Earl McKenzie, Head of Waste and Recycling, explained: "The other tenders had strengths but did not stretch or innovate to the extent required by Ealing at a time of root and branch organisational change. ECT best demonstrated understanding of the integrated nature of the contract, which is not the traditional set of separates but is led by recycling and waste. ECT understands waste minimisation, which is what 60% of the contract is really about."

We ignore the long-term impacts of short-term cuts in public expenditure at our peril. When it comes to public spending, we do in fact get what we pay for, and what appears at the outset to cut costs can have expensive consequences. Sir Derek Wanless' review of the NHS made a clear connection between healthy economies and healthy people. The Wanless Review made a compelling economic case for a fundamental shift towards a health service that focuses on 'wellness' rather than 'illness', adding to the growing evidence base that shows the true economic impact of local community decline. Mental health problems, for example, are now estimated to cost the UK economy £77bn a year through the costs of care, direct economic losses and premature death.

It is also clear that ensuring the viability of local economies now will yield benefits for years to come. Barry Mitchell, of Northumberland County Council, shares many people's concerns over the decreasing choice in the market and the need to think long-term about the regional supply chain: "Working with regional suppliers can seem less important now because we do have choices. But if we don't work with regional suppliers now, they may not exist in a few years. And then we won't have any choices left." For Barry, even maintaining the current regional supply base in today's highly competitive environment is an important achievement.

The solutions are there where the will and determination exist to apply them. Yet, while local authorities are rewarded for how cheaply they obtain units of goods rather than the whole life costs of those goods, schools are rewarded on test scores rather than the wellbeing of their pupils, and hospitals measured on the speed at which

patients pass through their doors rather than their long-term health, such solutions will remain the domain of the determined few.

In the projects I've supported in the UK, the same themes arise for making 'sustainable procurement' a reality:

- Capturing and sharing learning. In just one go-round at a recent workshop, every member presented an innovative action that the other participants had no knowledge of. Once they did know about it, they wanted to know more. And they wanted to find a way to keep on sharing their ideas;
- Collaboration. While each local authority wants to see benefits accrue to their specific area, they all recognise the need to talk with other local authorities, especially those nearby. When asked how to broaden the impact of the innovative work they had identified, one group decided that they would individually benefit from collaborating more – sharing the costs of bringing in practitioners and training, for example;
- Building local capacity. The drive to do things differently often rests with one very energetic individual. If that person moves on, the good work leaves with that person. A challenge for all organisations, not just public bodies, is how to embed that energy so that the innovation continues long after that one person leaves.

On the heels of previous work in Northumberland, using 'Local Multiplier 3' (LM3) – an economic impact measuring tool developed at nef (the new economics foundation) – other regions are looking at how they can improve the economic sustainability of their spending. In Yorkshire, for example, K2A is assisting the Centre of Excellence to support local authority delivery of public procurement targets by connecting innovators across the region and enabling them to document and share creative solutions. The results are home-grown solutions that reflect the energy of those in the region and that achieve not only efficiency gains but also social inclusion and regeneration.

Promoting regeneration through public spending is possible and it doesn't have to cost more. As demonstrated in previous publications I've authored, such as 'Public spending for public benefit' and 'More for your money', innovative public bodies providing everything from youth services to premises cleaning are already demonstrating how the public sector can promote regeneration through the competitive delivery of public goods and services. The first steps are recognising that there is a lot of expertise already in your area; simply sharing knowledge about innovative public service delivery will go a long way in solving the current pressures public bodies face to deliver both sustainability and efficiency targets.