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Practising Innovation in Public Sector Procurement: Mobilising the Power of Local Spending - East Birmingham Inclusive Growth Strategy

(Part 2)

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Executive Summary

Conrad Parke from CLES examines how anchor institutions—such as universities, hospitals, and local councils—can drive inclusive economic growth through strategic public sector procurement. In his first brief ([Practising Innovation in Public Sector Procurement: Working with the Anchor Institutions. Research brief no. 11/2024 – 3](#)), he explored how even small shifts in spending by these institutions toward local businesses can significantly benefit Birmingham's economy by creating jobs and fostering community resilience. However, he identified numerous barriers, including compliance-focused processes and cost-saving priorities, often preventing smaller businesses from accessing procurement opportunities.

Building on his first brief, in this second piece, Conrad examines how the Birmingham Anchor Network is piloting innovative procurement practices aimed at breaking down barriers for local businesses, particularly in economically disadvantaged areas like East Birmingham. Recognising that traditional procurement processes often favour larger firms, the Anchor Network is experimenting with ideas such as hyper-local spending initiatives, prioritising businesses within immediate neighbourhood zones and working to streamline procedures for smaller contracts and making these opportunities less burdensome for micro-enterprises. To cultivate a more inclusive and accessible procurement ecosystem, the Anchor Network is fostering direct connections between institutions within the Network and local businesses. This approach supports local businesses' economic participation, strengthens ties within the community and aligns public spending with broader goals of equity and resilience.

Inclusive Growth Approach to East Birmingham - Setting the Scene

Despite recent economic growth, Birmingham still faces significant socioeconomic challenges, especially in East Birmingham. Although the city's economy has grown in gross value added (GVA) since 1998, this prosperity hasn't reached all residents equally. Birmingham still has the highest unemployment claimant rate among the UK's core cities, and nearly half of its children live in relative poverty. Furthermore, 87% of Birmingham neighbourhoods rank, by LSOA¹, as more deprived than the national median (CLES, 2024).

To address this, the Birmingham City Council (BCC) has adopted an "inclusive growth" strategy for East Birmingham, a predominantly disadvantaged area with over 250,000 residents. The East Birmingham Inclusive Growth Team collaborates with the Birmingham Anchor Network, a coalition of six public sector institutions (i.e. Birmingham City Council, University Hospitals Birmingham NHS Trust, Aston University, University of Birmingham and two Housing Associations: Pioneer and Bournville Village Trust), to support the local economy.

A key part of our initiatives is focusing on local procurement, which could drive millions of pounds into the local economy. However, East Birmingham's business landscape, dominated by micro-enterprises with fewer than nine employees, presents unique challenges to engaging with large-scale public sector supply chains.

Proposed Solution - Opportunities and Challenges

So, the question is - *how do we mobilise the power of local spend when there is such a disparity between the scale of the spend (billions) and the scale of the businesses (micro)?*

We at the Birmingham Anchor Network have taken the first step to better understand the challenge before committing to a solution or strategy. The procurement managers from the Anchor Network have been studying the problem and have identified a number of barriers.

These barriers include:

- Procurement often being viewed primarily as a financial function, rather than an economic one, which leads to a focus on cost savings rather than fostering local economic benefits.
- Decision-making being driven by compliance rather than risk-taking.
- Having a 'one size fits all' procurement requirement for all contracts, regardless of scale, creating unnecessary bureaucracy for smaller contracts.
- Not having the resources necessary in the procurement team to spend time nurturing relationships with small businesses new to public sector supply chain opportunities.
- Being tied into national or regional frameworks and long-term, large contracts because they are viewed as being more efficient to manage.

¹ Lower layer Super Output Areas (LSOAs) are made up of groups of Output Areas, usually four or five. They comprise between 400 and 1,200 households and have a usually resident population between 1,000 and 3,000 persons.

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- Not being familiar with the local businesses landscape and who might be appropriate to invite to bid/quote for a small tender opportunity.

The Anchor Network also worked with a partnership on a project funded by the BCC and delivered by a Birmingham-based ISE (The Initiative for Social Entrepreneurs), which looked at the same challenge from the perspective of local social enterprises.

This work identified a further set of challenges, which included:

- Limited understanding by the social enterprises on how to measure or effectively use the social impact they create in order to demonstrate their suitability for a project.
- Not having enough capacity to engage in lengthy or detailed procurement processes, particularly when the outcome is uncertain.
- A lack of access to information on the opportunities available.
- A lack of clarity around the business support on offer that could help them.
- Limited knowledge of how to navigate the public procurement process themselves and create effective partnerships.

Addressing these numerous barriers is further complicated by the varying priorities of different institutions. For instance, some institutions have dedicated procurement teams, while others rely on a single procurement manager. In some cases, all spending is centralised within the procurement function, whereas other organisations allow certain budget responsibilities to be delegated across departments. Additionally, some institutions have a significant portion of their spending that can be locally influenced, while others are limited due to the scale or specialisation of their needs. Finally, each institution's definition of "local" can differ

widely, adding another layer of complexity to collaborative efforts.

This suggests that overcoming just one barrier won't create the scale of change needed, yet attempting to solve them all at once would be unrealistic. Instead, we're taking an alternative route by testing a new, targeted approach.

Ready2Supply: Testing a New Approach

Funded through the Shared Prosperity Fund, the East Birmingham Inclusive Growth Team launched a 14-month Enterprise Support initiative, with collaboration from Newable (a specialist worker-owned agency that brings a wealth of business support experience), the Birmingham Chamber of Commerce (who bring in-depth knowledge and connection to the Birmingham business community), and the Anchor Network (who could provide access to economic assets that can support a long-term solution).

The starting point for the project is not to pre-suppose a solution but to work with partners to identify different options that could work for them. This will mean working with different options for different institutions. Then, test those options, using the additional resources funded through the project, not just to deliver positive outcomes but also to develop a system/partnership that can sustainably deliver these options.

At present, the options under consideration include:

- **Hyper-local geographic spend:** An institution may be interested in procurement from a specific neighbourhood, normally the one that is immediate to that institution. So, identify businesses in that neighbourhood first and then see if matches can be found with upcoming procurement opportunities

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- **Sharing local intel:** The institutions identify the local businesses they already trade with and share that information with. The network can organise a "Meet the Buyer" for those businesses to meet other institutions within the network.
 - **Shared need:** Identifying a procurement category that is both influenceable and low risk while also being common to several institutions, e.g., small work contracts, facilities management, or catering. Then, find local businesses to match those opportunities, even with the possibility of developing them as a consortium.
 - **Import replacement:** Identifying spend that is leaving the city that should/could be delivered locally. This would help to provide a rationale to justify localising the spend and could also be used to develop a new local market if an existing local business cannot be found.
 - **New opportunities:** Find new and interesting local businesses that will deliver high social value (e.g. startups, social enterprises, new products) and connect them to the institutions to see if they would be interested in nurturing them.
 - **Hands-on support:** Occasionally, a local business will submit an Expression of Interest (EoI) for a tender opportunity but then will later withdraw their submission when they see the process involved. We can provide targeted business support or connect to institutions for further support.
 - **Simplify the process:** Work with procurement teams to help them develop procurement processes that are more proportional to small contracts (i.e. less burdensome for small businesses to complete) while still being compliant with current procurement legislation.
 - **Innovative Procurement:** We can

introduce progressive procurement ideas. For example, some procurement teams may not have considered 'lotting', the process of breaking down large contracts into smaller 'lots' that are more likely to attract small businesses or using legislation to geographically limit the area the tender goes out to.

Conclusion

Take Aways and Ways Forward – Lessons for Other Places

Ready2Supply for East Birmingham was launched in February 2024 and has already offered valuable insights based on the groundwork and design process. Some of the early lessons learned are:

- **Commitment to Local Spending is Easy; Implementation is Harder:** Many institutions readily commit to increasing local spending, as supporting local businesses is an appealing goal. However, translating this commitment into action is complex. Building a system that enables consistent, effective local procurement requires significant effort and strategic alignment.
- **Short-Term Wins vs. Long-Term Impact:** While allocating additional resources to guide a few local businesses through existing procurement processes is possible, this approach often yields only short-term, surface-level results. Achieving sustainable, scalable outcomes necessitates cultural and systemic change—a process that will take time and persistent effort.
- **Multilayered challenges:** The challenges are multilayered and interconnected, so the solution will need to be equally multifaceted. In other words, tackling just one barrier in local procurement will likely uncover others, highlighting the need for a comprehensive approach that simultaneously addresses multiple layers.
- **Collaboration Between Providers and Suppliers is Essential:** Our research highlights the importance of working on both sides of the procurement equation. Creating

opportunities alone is insufficient; local businesses must also be prepared and equipped to step up. However, focusing only on supply-side readiness may lead to frustration and unmet expectations if procurement processes remain inaccessible. Success lies in strengthening both sides simultaneously.

- **Understanding Procurement Constraints:** It is crucial to recognise the challenges procurement officers face within their regulatory and operational frameworks. Solutions must be informed by an understanding of these constraints rather than placing the burden on officers alone.

Finally,

- **Start with Practice, Not Strategy:** Rather than beginning with a broad strategy, it's more effective to test practical solutions, even on a small scale, and use those experiences to shape a well-informed strategy. By learning from hands-on practice, we can develop a model grounded in reality and adaptable to the needs of all stakeholders.

These initial insights provide a foundation as we continue to refine and expand our approach. We look forward to sharing further lessons and successes in the future as the initiative progresses.

References

CLES (2024) *Birmingham Anchor Network: leadership report 2024*.



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