



# Austerity, political control and local government contracting

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@peckersley

# Overview of presentation

Introduction

Procurement and contracting as a strategic political tool

Hypotheses

Results

Conclusions





# But first, a clarification...

- ❖ This presentation is not about outsourcing, which is difficult to define and measure
- ❖ We focus on contracting behaviour and choice of supplier
- ❖ Can we detect patterns in supplier selection across UK councils that may be related to political control, UK region/nation, austerity or other local factors?



# Procurement as a strategic political tool

- ❖ Longstanding call to make procurement more strategic and involve politicians more in supplier selection, service model design and contract management (Byatt 2001; Bolton 2006; Murray 2007)
- ❖ EU regulations do allow public bodies to take account of social and environmental issues in procurement decisions
- ❖ Public Services (Social Value) Act 2012, Public Contracts Regulations 2015, current UK government consultation all moving UK policy further in this direction
- ❖ More explicit calls by Scottish and Welsh governments to consider social impact of procurement
- ❖ Locally, the 'Preston model' has sparked interest



# However:

- ❖ Most studies focus on:
  - ❖ The barriers that SMEs and third sector organisations face in winning public contracts (Loader 2007; Peck and Cabras 2010; Ancarani 2019)
  - ❖ The potential conflicts between regulatory compliance, price and public value (Erridge and McIlroy 2002)
  - ❖ Sustainable procurement (Preuss, 2009; Thomas & Jackson, 2007)
  - ❖ E-Procurement (Moon 2002)
  - ❖ Transparency, rent-seeking and corruption in public contracting (Neu et al 2015; Auriol et al 2016)
- ❖ Local authorities are more likely than other public bodies to buy from local suppliers/SMEs (Walker and Brammer 2009). But are political control, central government frameworks and austerity also influential?
- ❖ How political/strategic are councils in their procurement choices?



# Hypotheses



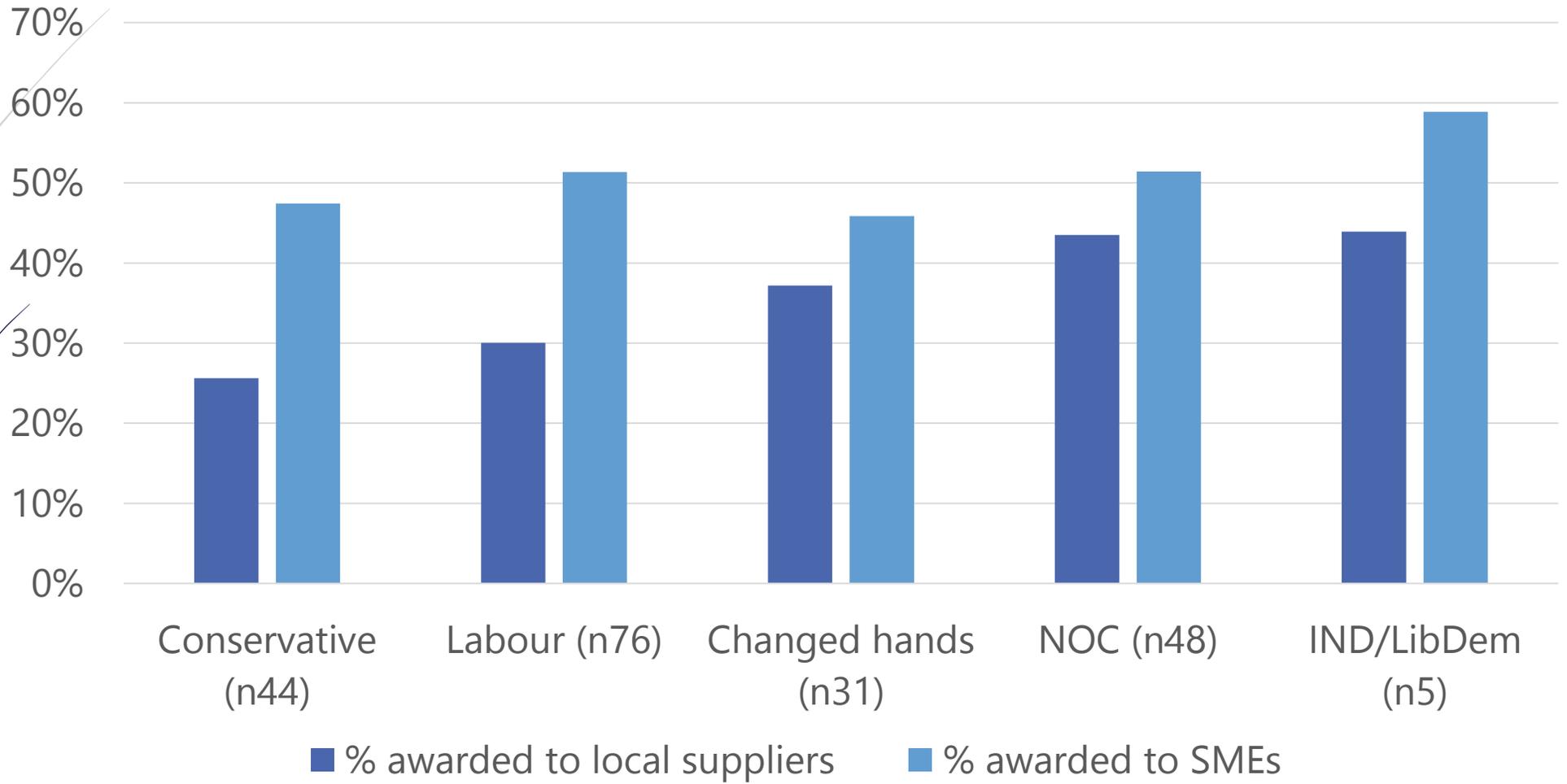
- ❖ Councils that are politically in the balance are more likely to agree contracts with local suppliers (assumption based on pork-barrel principle)
- ❖ Councils in Scotland and Wales are more likely to agree contracts with local suppliers (assumption based on policy of devolved governments)
- ❖ Councils that have been less affected by austerity are more likely to agree contracts with local suppliers (assumption based on cost being less decisive in procurement decisions)



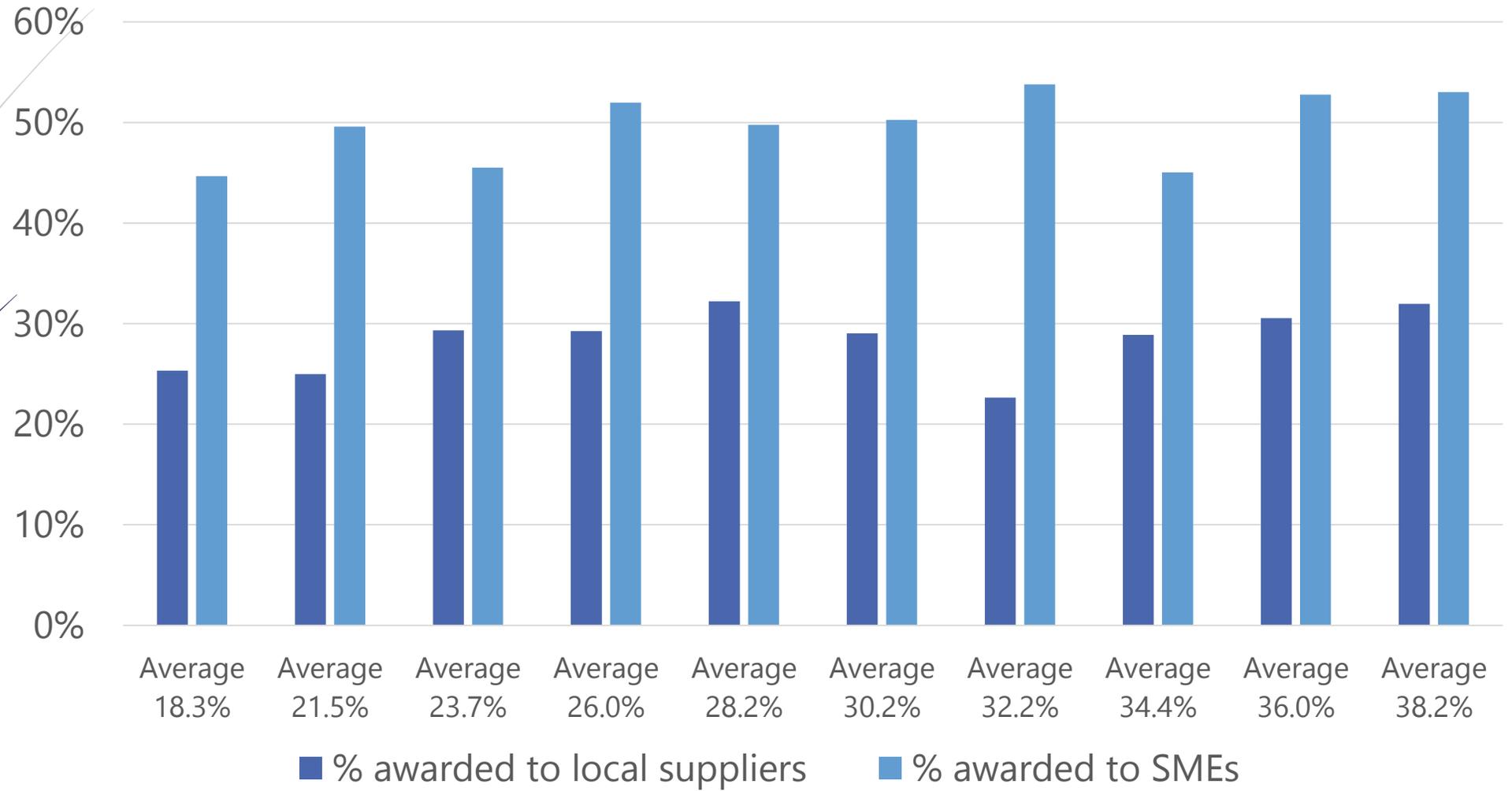
# Method

- ❖ Since May 2015, all public bodies have been required to publish tender documents and contracts online (<https://www.gov.uk/contracts-finder>)
- ❖ Tussell ([www.tussell.com](http://www.tussell.com)) harvest, repurpose and sell these data to contractors (and us!)
- ❖ 107,000 lines of data – each a different contract agreed by an upper- or single-tier authority in England, Scotland or Wales
- ❖ NI excluded from the analysis
- ❖ Data on length or value of contract often missing
- ❖ Still interesting to see the *number* of contracts each council signed with local suppliers and SMEs
- ❖ Mapped against variables of political control, austerity and UK region/nation
- ❖ Controlled for median earnings, job density and number of businesses in the local authority area

Average % of contracts awarded (by political control)

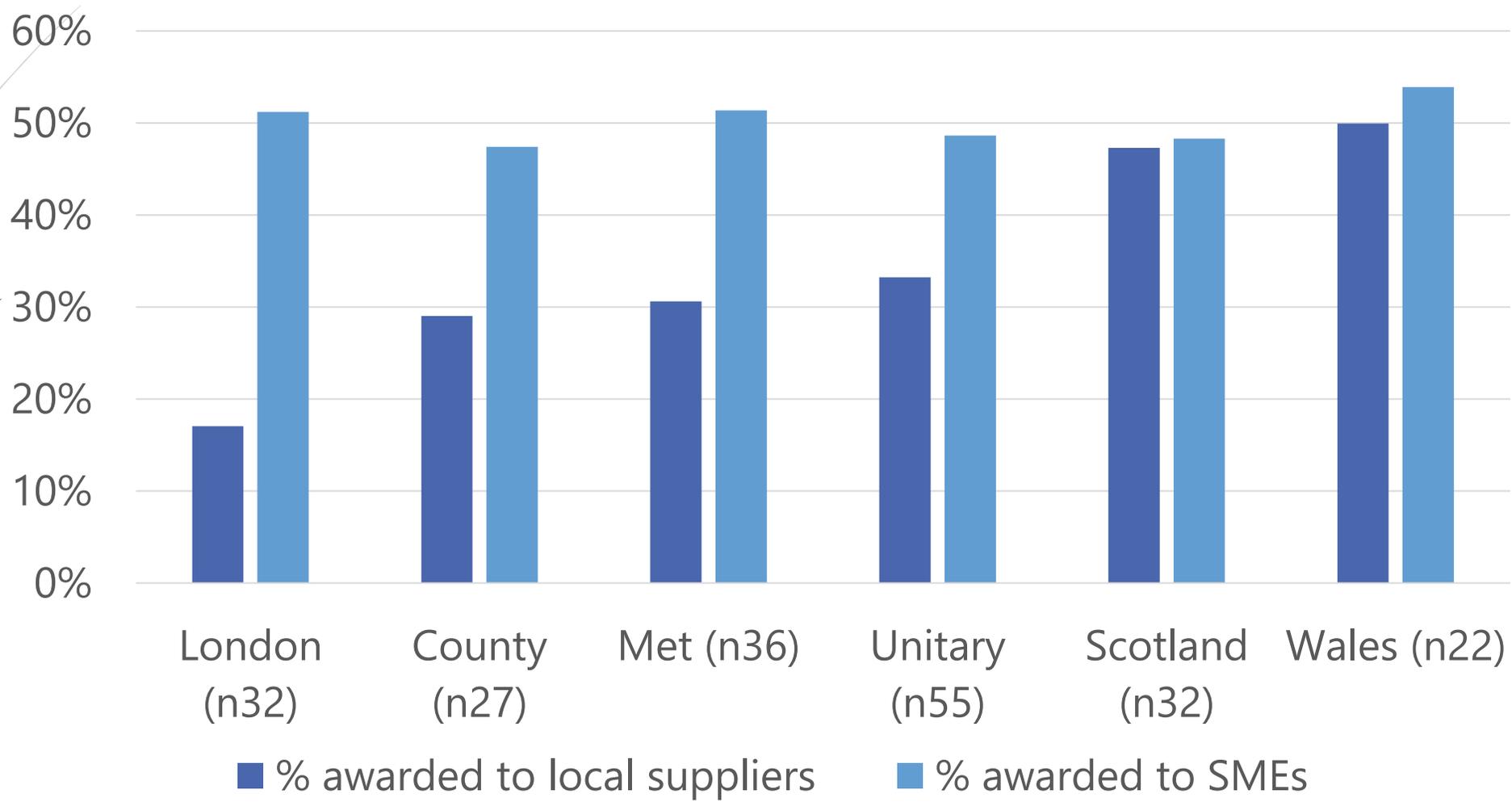


Average % of contracts awarded (by cut in spending power)





### Average % of contracts awarded (by type of council)



# Share of contracts agreed with local suppliers

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
London	32	17.0406	9.41372	1.66413	13.6466	20.4346	.00	40.01
County	27	29.0204	15.61298	3.00472	22.8441	35.1967	6.15	70.78
Metropolitan	36	30.6186	15.49943	2.58324	25.3744	35.8629	9.00	71.74
Unitary	55	33.2338	15.74946	2.12366	28.9761	37.4915	.00	76.19
Scotland	32	47.2834	16.80313	2.97040	41.2253	53.3416	5.26	76.65
Wales	22	49.9232	21.21341	4.52271	40.5177	59.3287	3.77	91.78
Total	204	33.6782	18.65042	1.30579	31.1036	36.2529	.00	91.78

# Contract award to local suppliers by type of council

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	77.801	8.957		8.686	.000
	Earnings	-.078	.018	-.299	-4.224	.000
	Job_Density	.136	4.107	.002	.033	.974
	Enterprise_Population	.000	.000	-.197	-2.836	.005
2	(Constant)	51.113	11.077		4.614	.000
	Earnings	-.031	.023	-.117	-1.323	.187
	Job_Density	-.188	3.944	-.003	-.048	.962
	Enterprise_Population	.000	.000	-.187	-1.622	.106
	LondonCouncils	-10.786	4.409	-.211	-2.446	.015
	CountyCouncils	4.495	6.130	.082	.733	.464
	MetropolitanCouncils	-3.036	3.407	-.062	-.891	.374
	ScotlandCouncils	13.610	3.518	.266	3.869	.000
	WalesCouncils	14.733	3.996	.246	3.687	.000

a. Dependent Variable: Contracts\_Percent\_Local



# Summary of findings

- ❖ No correlations with preference for SMEs, plus some coding issues here anyway
- ❖ No correlations with spending power reductions in English councils
- ❖ Correlation between political control and preference for local suppliers disappears when controlling for region/nation
- ❖ Clear correlation between Scottish and Welsh councils and contracting with local suppliers
- ❖ London councils are negatively associated with % of contracts awarded to local suppliers

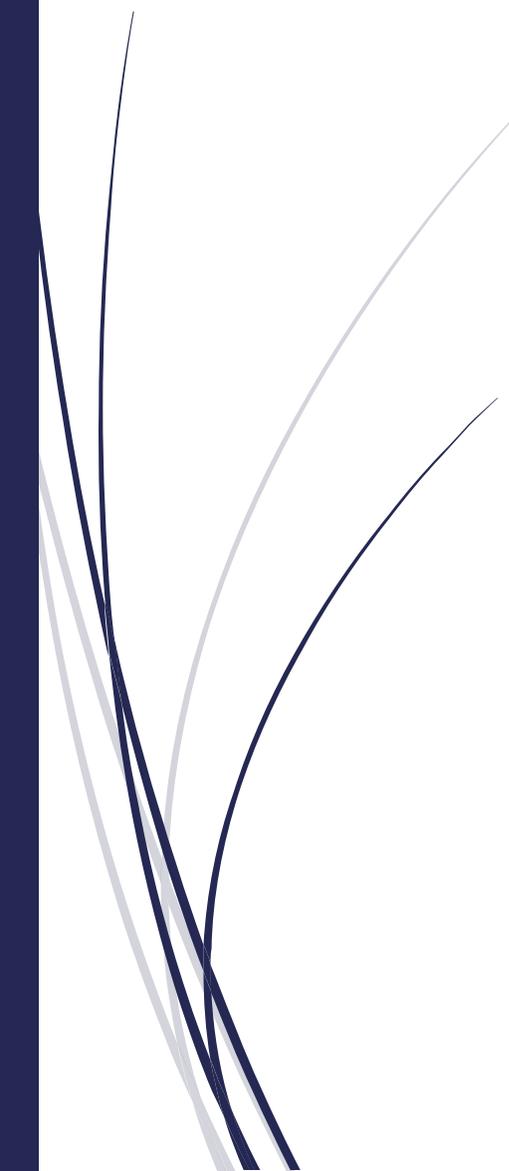


# Concluding thoughts

- ❖ May be a link between Scottish and Welsh government policies and council contracting behaviour
- ❖ London councils may find it easier to attract suppliers from outside the postal code area
- ❖ Postal code areas differ in size; some councils will have more 'local' suppliers to choose from than others
- ❖ Next steps:
  - ❖ Longitudinal analysis
  - ❖ Examine political control and preference for public/private/third sector suppliers
  - ❖ Examine suppliers and councils by region rather than postal code area



# Questions?



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