



Austerity, political control and local government contracting

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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



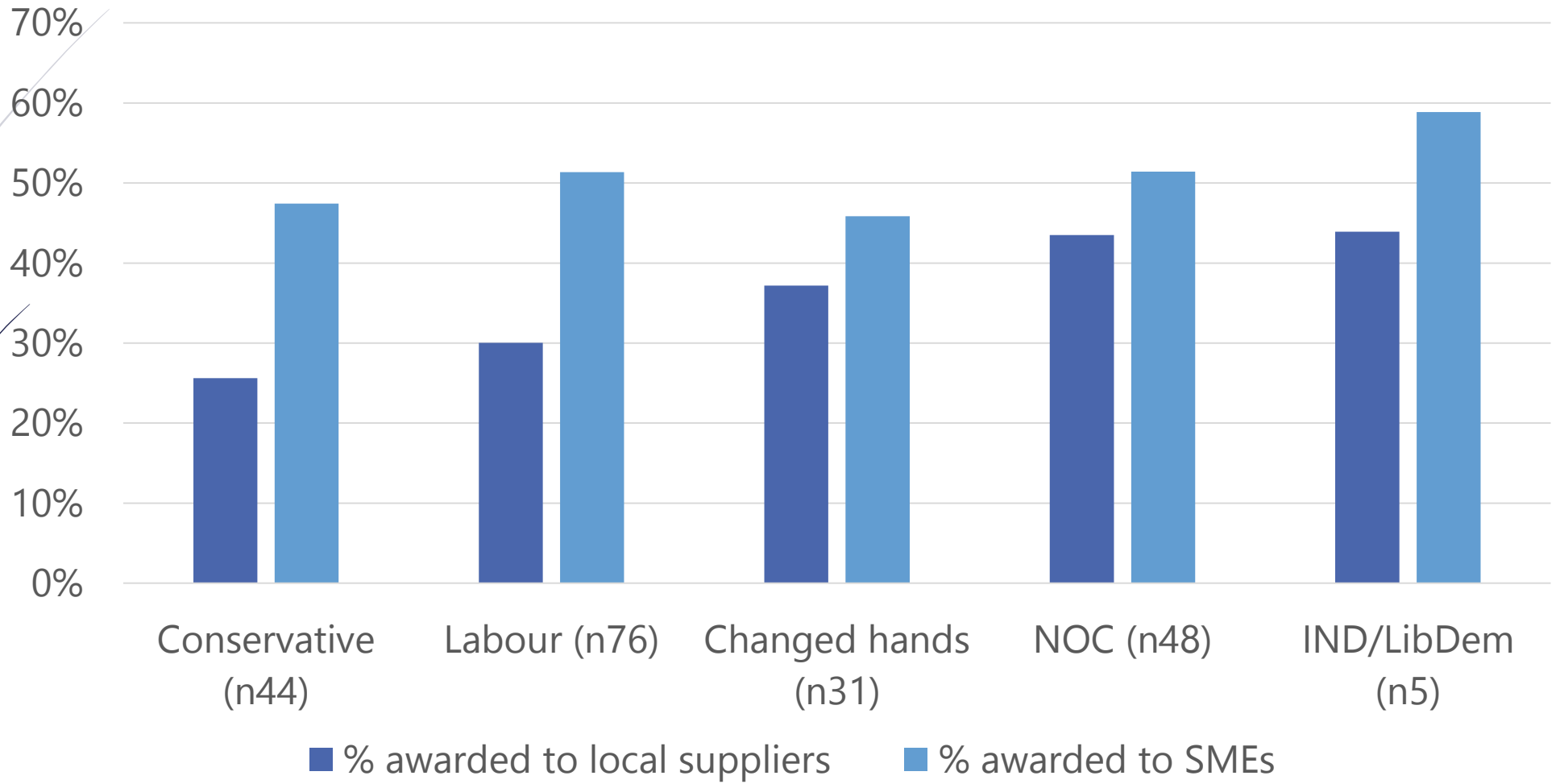
- ❖ Councils that are politically in the balance are more likely to agree contracts with local suppliers (assumption based on pork-barrel principle)
- ❖ Councils in Scotland and Wales are more likely to agree contracts with local suppliers (assumption based on policy of devolved governments)
- ❖ Councils 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) 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)

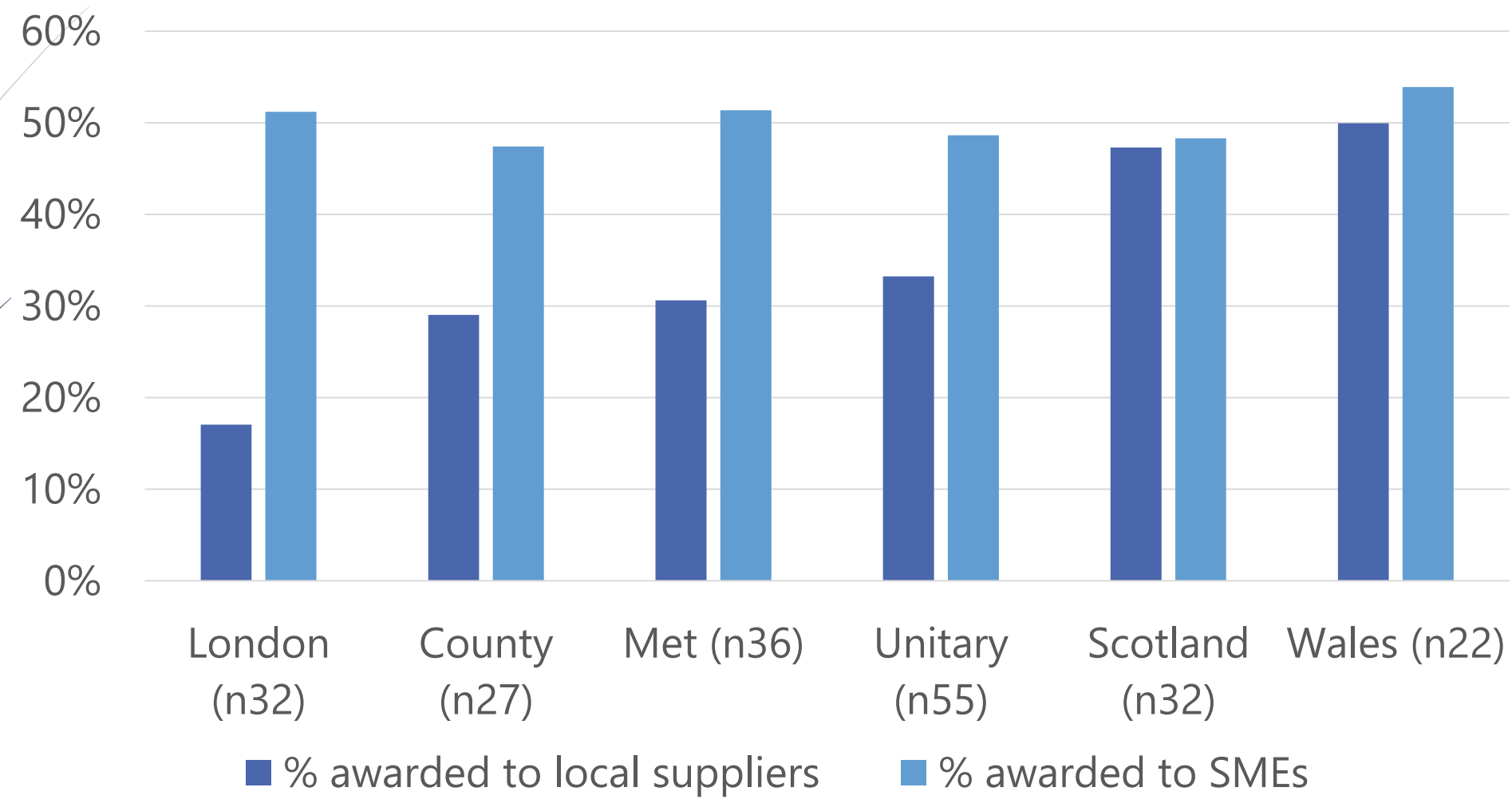


Average % of contracts awarded (by cut in spending power)





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 ^a | | | | |
|-------|-----------------------|-----------------------------|------------|---------------------------|--------|------|
| | | 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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