

Setting A Target

**Key Data Points to
Set A Procurement
Baseline**

Congratulations!

Your organisation has committed to changing its procurement practices to diversify its supply chain and support inclusive economic growth in London by buying more from smaller and diverse businesses in the city.

In order to do this, all members of London Anchor Institutions' Network (LAIN) Procurement working group are expected to set numeric targets – a percentage of our annual spend and amount in pounds (£) - that we will commit to purchasing from these business types. Target businesses for this work include London - based;

- Micro, small, and medium-sized enterprises (MSMEs)*
- Diverse-led businesses*
- Voluntary, community and social enterprises

Tracking our spend across the above data points allows us to assess and demonstrate the impact we're making – both individually and collectively as a network.

We collect and share data on spend performance across these areas twice annually – mid-year (1 April – 22 September 2023) and year end (23 September – 4 April 2024).

In order to set an ambitious but realistic target for how much you can commit to, you will want to become familiar with your organisation's existing annual baseline spend.

This document is meant to help guide you through the key data points needed to establish your baseline. Please note that some of the information relates to public sector organisations which are bound by specific procurement rules, so some of the detail here may not apply to all LAIN members.

You may not have all the answers to these questions at the start. That is ok! Keep these missing data points in mind and speak with relevant colleagues early on to ensure your organisation is making the changes required to collect the information in future.

Don't worry if you realise that you don't yet have sufficient data to set a goal. Most organisations find themselves in this position at the beginning. What you should do is start collecting the missing data and set a soft target for your first year. Then you will be better positioned to set a more accurate target for next year.

DATA TO COLLECT



Total addressable spend

Addressable spend is loosely defined as procurement that is within our control to influence. On your database, filter out all non-addressable spend, as these expenses cannot be influenced and shouldn't be part of your baseline analysis.



Spend by business size

Do you currently collect information on whether businesses you buy from are (M)SMEs? If you do not track this during procurement processes, you'll want to work with colleagues to start collecting this data now.



Spend by ownership/management

Do you know if your suppliers are diverse-owned or led? If you do not track this during procurement processes, you may want to work with colleagues to start collecting this data now. Some colleagues may express data protection concerns over collecting data about race, ethnicity, gender, sex, or other personal information in this way. However, this information assists in monitoring our impact, can be collected on a voluntary basis and can be held securely. Talk to us if you have questions around good data governance.



Spend by contract size

Try to understand how many of your contracts are "below the threshold" for a public tender. (For many goods and services, the threshold, which was updated in 2022, is £213,477.) If you only document transactions and not contracts, you will want to begin collecting or re-categorising your data by contract size. Knowing how many contracts are below the threshold will help you understand how many contracts can be reserved for targeted outreach to specific business types. The categories that surface in this exercise can help showcase live opportunities when liaising with small businesses at "meet the buyer" and other events.



Spend by purchase category**

Understand your top 10 spend categories. For instance, office supplies, facilities management, human resources services, etc. Then consider - with colleagues if possible - which of these can be supplied by small and diverse businesses*. Your overall target will likely be met by moving the spend within these categories.



Spend by supplier

Understand your largest (Tier 1) suppliers and the categories (ideally subcategories) they provide to encourage them to diversify their subcontractors. You will want to understand how much they contract with target businesses, as this is a powerful way to use the influence of your indirect spend.

*Useful definitions

Micro business: <10 employees and turnover <€2m (£1.7m) per year

Small business: <50 employees and turnover < €10m (£8.8m) per year

SME: <250 employees and turnover < €50m (£44m) per year

**Illustrative spend categories

Below is a list of example spend categories that are often able to be supplied by smaller and diverse businesses. You may wish to check in with colleagues at your organisation managing the purchase of different goods and services, as well as fellow LAIN Procurement Working Group members to identify additional opportunities.

- Advertising/marketing
- Building maintenance
- Cleaning & janitorial services
- Food services
- IT/consumer electronics
- Legal and consultancy services
- Multimedia, A/V
- Office equipment/supplies
- Recruitment
- Security

Diverse-led businesses: businesses with a majority (51% or more) owned or managed by individuals from Black, Asian and minority ethnic groups, women, people with disabilities, LGBTQ+

VCSE: (voluntary, community and social enterprise) describes any organisation that works with social purpose and that generates revenue through trading and reinvests any surplus back into the business or the community it serves.