Place-based governance and local public procurement: engaging small and medium enterprises in low carbon, inclusive transitions

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RESEARCH

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ABSTRACT

Public procurement is increasingly recognised as a pivotal yet underexploited mechanism for advancing local low carbon and inclusive transitions in the United Kingdom (UK). Recent reforms, such as the Procurement Act 2023, create new opportunities for local authorities to embed environmental and social objectives into procurement processes, while enhancing the inclusion and participation of small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs). Given local governments' responsibility for planning, transport, development and some infrastructure, local authorities are well positioned to shape place-based climate action, despite lacking a formal energy mandate. In the absence of statutory requirements, however, the extent to which carbon reporting, energy demand reduction and wider environmental criteria are incorporated into public procurement is largely discretionary, resulting in uneven expectations and support for SMEs and VCSEs across the UK.

Drawing on qualitative interviews, this paper examines how the UK's evolving local procurement practices can engage SMEs and VCSEs in these areas. Our findings reveal that public procurement is shifting from a compliance-focused function to a more relational governance mechanism that facilitates early dialogue, bidirectional learning, and potential new entry routes for SME engagement in decarbonisation. However, these developments remain uneven across place and are shaped by significant capacity disparities within both SMEs/VCSEs and local authorities alike. While procurement may encourage the normalisation of carbon reporting, our findings reveal that it also risks amplifying inequalities between regions and between SMEs with differing resources and levels of readiness. We argue that whilst public procurement is evolving, it has significant potential to support just and place-based low-carbon transitions; yet its effectiveness depends on addressing structural capacity gaps and ensuring more consistent and supportive landscapes.

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1. INTRODUCTION

Local government actors, embedded in place, play a crucial role in fostering low carbon and inclusive transitions. In the United Kingdom (UK), over two-thirds of local authorities voluntarily issued climate emergency declarations (Gudde et al. 2021), despite having no statutory direct energy mandate (House of Commons, 2023). Local authorities occupy multiple and overlapping governing roles for climate action – ranging from managing their own organisational emissions, to acting as key intermediaries coordinating action across civil society, third sector and private sector actors (Bulkeley & Kern, 2006). Building on this work, more recent scholarship has highlighted the potential for place-based (in contrast to place-agnostic) approaches to support more inclusive transitions (e.g. Marsden et al. 2025; InnovateUK, 2022).

Place-based climate governance involves both state actors and non-state actors (e.g. Bulkeley & Betsill, 2005). Private business, in the form of small and medium-sized enterprises (SMEs) are widely recognised as essential to achieving climate goals but also have a key role to play in local economies and communities. They are therefore a key actor in building and supporting sustainable and resilient communities. Despite this, existing research (e.g. Hampton et al. 2023) has highlighted that the role of SMEs has been neglected in environmental policy and remains even more peripheral in debates on the just transition (e.g. Eadson et al. 2026). This observation also extends to voluntary, community and social enterprises (VCSEs). Whilst there are acknowledgements of the role of the third sector in climate governance (Buchs et al. 2012), this prolonged exclusion in environmental policymaking and wider research agendas has left SMEs and VCSEs behind in terms of decarbonisation.

Public procurement is the purchase of goods, services and works by governments and publicly-funded entities by external suppliers (OECD, 2026). The goods, works and services that are purchased in public procurement contracts are wide-ranging and may impact sustainability efforts directly and indirectly, for example, building infrastructure such as bicycle lanes, purchasing zero-emission vehicles, sourcing hospital equipment, to contracting waste management services. The long history of evolving public procurement in the UK has resulted in a complex and continuously evolving landscape which is challenging to describe in simple terms (Parker & Liddell, 2024).[1] In the UK, public bodies – including government departments such as education and transport, local authorities, the NHS, housing associations and universities – spend approximately one-third of total public expenditure (almost £400 bn annually) on the purchase of goods, services and works from external suppliers (UK Parliament, 2025). In England alone,[2] local authorities spent approximately £91.8 bn in 2023–2024 (UK Parliament, 2025). Public procurement has emerged as a critical yet underexploited policy lever in efforts to accelerate decarbonisation strategies while addressing social and economic inequalities. Given that approximately 65%–95% of local authority emissions occur indirectly as a result of the authority's activity (LGA, 2025), local public procurement can potentially be a vital tool for reducing emissions at the local level and for also achieving wider co-benefits through place-based procurement (CCC, 2026; Sugar et al. 2022).

Following the UK's departure from the European Union, the UK's national public procurement legislation has undergone reform. The most recent iteration of this, the Procurement Act 2023 – which was introduced in February 2025 superseding the 2012 Act – seeks to implement greater flexibility in procurement design and evaluation, potentially enabling local authorities to pursue environmental and social objectives simultaneously. An updated National Procurement Policy Statement (NPPS), published into a formal statutory requirement, highlights the ambitions of the new legislation to simplify procurement processes and enable more SMEs and VCSEs to

1 It is outwith the scope of this paper to provide a detailed history/timeline of public procurement evolution in the UK. For a more detailed explanation, please refer to Parker & Lidell (2024) and Arrowsmith (2023) The Evolution of Procurement Law in the United Kingdom: a Common Law Perspective on Regulating Contract Award Procedures (February 28, 2023). Available at https://doi.org/10.2139/ssrn.4756144.

2 Scotland, Wales and Northern Ireland have different local government structures and funding to those in England. Their finance statistics are therefore also different and cannot be meaningfully compared with the statistics for England (or, indeed, with each other). (UK Parliament, 2025). It should be noted that there are different types of local authority structure within the UK, which consists of two-tier (county and district), unitary areas (e.g. metropolitan) and combined authorities. At the time of writing, England is undergoing a period of institutional change through the implementation of the English Devolution White Paper. As powers and responsibilities are reconfigured across local governance structures, public procurement practices may also evolve. However, the effects of these reforms on procurement-led climate action and SME/VCSE engagement remain uncertain and warrant future investigation.

win public contracts, supporting job creation and economic growth in local areas and across the UK (UK Government, 2025). Furthermore, there is a shift from MEAT (most economically advantageous tender) to MAT (most advantageous tender), resulting in contracting authorities identifying tenders that offer the best overall value when considering multiple factors beyond price (Sugar et al. 2022).

Although recent procurement reforms have created new opportunities to advance environmental and social objectives, there remains a limited evidence base on how these changes are shaping climate action in practice. In particular, there is currently limited empirical work on how local procurement may be used to encourage climate action, reporting, learning and engagement in SMEs and VCSEs.

This paper makes three distinct contributions to understanding the potential for place-based action for low carbon and inclusive transitions. First, it contributes to understanding the roles of UK local authorities and SMEs/VCSEs in progressing decarbonisation, in the context of greenhouse gas emission targets and changing public procurement policy. Second, it presents an empirical contribution through qualitative interviews to illustrate the opportunities and challenges for local authorities and SMEs/VCSEs to engage in public procurement strategies, using a relational and place-based lens. Third, it makes a novel contribution by integrating the concepts of public procurement and local governance in a low carbon and just transition context, providing a stimulus to debate on place-based energy governance. Using these three contributions, we aim to answer the research question: How does local public procurement shape engagement of SMEs and VCSEs in decarbonisation, and what does this reveal about the role of place-based governance in supporting low carbon and inclusive transitions?

This paper is structured as follows. The next section expands our understanding by reviewing the roles of SMEs and VCSEs in climate action and examining how local authorities, through their spending (i.e. public procurement), can act as key intermediaries. In doing so, it highlights the novel conceptual framework of the paper. Section three outlines our methodological approach. Section four presents empirical findings and discusses how local authorities and SMEs/VCSEs interact through procurement processes. The paper concludes with implications for policy and practice, alongside limitations of this study and recommendations for future research.

2. LITERATURE REVIEW: SME ENGAGEMENT THROUGH LOCAL PUBLIC PROCUREMENT

This paper brings together three interconnected bodies of literature to develop its conceptual framing. First, it introduces the role of SMEs and VCSEs in climate action. Second, it examines the role of place-based climate governance, focusing on local authorities. Third, it introduces public procurement as a potential tool to engage SMEs and VCSEs in place-based climate action. The following subsections consider each of these bodies of literature in turn, before synthesising their insights in the final subsection to provide the conceptual framework that guides this study.

2.1. SMEs AND VCSEs ENGAGEMENT IN CLIMATE ACTION

The role of SMEs and VCSEs in climate governance has attracted growing attention, although research on the climate role of VCSEs remains comparatively underdeveloped. SMEs make up a significant proportion of the global economy, representing approximately 90% of all firms globally (World Economic Forum, 2026). Within the UK, there were 5.7 million SMEs in 2025, meaning that 99.9% of businesses nationally were SMEs, accounting for 60% of employment and 51% of turnover (UK Parliament, 2025). Whilst no longer part of the EU, the UK continues to follow the EU definition of SME. Under this definition, an SME is defined as any business with fewer than 250 employees and less than or equal to £44 m in annual turnover, or a balance sheet total of less than or equal to £38 m (UK Government DBT 2025). Importantly, this incorporates the subset of VCSE in its definition, and since procurement legislation frequently refers to SMEs and VCSEs together, references to SMEs in this paper include VCSEs, unless otherwise specified.

In terms of their aggregate emissions, SMEs alone play a significant role, collectively accounting for around one-third (37%) of the UK's greenhouse gas emissions (British Business Bank, 2025). Yet it is important to note that emissions are unevenly distributed, with 14% of UK

SMEs accounting for around 84% of total UK SME emissions (ibid). There is significant sectoral variation, with the largest number of SMEs in the UK falling within the construction sector (16%), followed by professional, scientific and technical activities (14%) (UK Government, 2025). Distribution is also geographically uneven, with London and the South-East of England having the highest proportion of SMEs. Such variation highlights the heterogeneous nature of the SME sector and the importance of considering place-specific contexts when examining business engagement in climate action.

By contrast, available emissions data on VCSEs remains limited. In 2020/21, the sector was estimated to comprise just under 164,000 organisations, with around 95% categorised as micro, small, or mediumsized (UK Parliament, 2024). However, there is currently no national estimate of VCSEs' aggregate emissions, underscoring a significant gap in both data availability and understanding of their carbon impact, despite wider recognition of third sector organisations in climate action more broadly (e.g. UK Government, 2022).

Across both SMEs and VCSEs, the barriers to engaging in climate action have been well-documented. SMEs generally have less access to capital for climate mitigation measures (e.g. Andrews & Johnson, 2016; Hampton et al. 2025), which often results in reduced knowledge, internal capacity, resources and expertise. Their engagement with climate action is also shaped by organisational culture and priorities (Isensee et al. 2020), while many businesses continue to struggle to access trusted, relevant and actionable information on decarbonisation (Hampton et al., 2024).

Despite their multiple roles in influencing emissions e.g. as consumers, enablers, adopters, citizens and influencers as per Hampton et al. (2025), SMEs remain largely outside mainstream climate governance. They are exempt from mandatory environmental reporting due to their smaller carbon footprints, heterogeneity and more limited resources (Hampton et al. 2024). While intended to avoid disproportionate burdens on SMEs, this exclusion also limits their opportunities and incentives to engage in systematic climate action.

Existing research has highlighted the difficulties in engaging SMEs in carbon reduction measures, e.g. from the view of local authorities (Westman et al. 2021). Emerging research on engaging SMEs in energy efficiency emphasises the importance of effective partnerships, leveraging change points, and maximising every contact (Sugar et al., 2024). At the same time, this work notes how uneven and differential local capacities shape engagement. Collectively, these persistent challenges illustrate why new governance levers are needed to better engage and mobilise SMEs in climate action, particularly at the local level, as discussed next.

2.2. GOVERNING CLIMATE ACTION THROUGH LOCAL AUTHORITIES

Local authorities are well-recognised as playing a key role in climate governance. More than two-thirds of the UK's local authorities have voluntarily declared climate emergency declarations. Local authorities have no public energy mandate (Garvey et al. 2025), but they do have control over procurement, transport, welfare and land use planning and development (Tingey & Webb, 2020). These functions position them at the centre of place-based climate action.

Much research has been dedicated to examining local authority climate action, ranging from managing their own estates, to governing by provision to governing by authority and governing by experiment (e.g. Bulkeley & Kern, 2006; Bulkeley et al. 2015). Their role in network governance has also been well-researched, for example in municipal climate networks (e.g. Busch et al. 2018) and their role as key intermediaries, acting as agents for change in different directions: upstream, downstream and sideways (Janda & Parag, 2013).

However, the ability of local authorities to achieve net-zero goals is limited without addressing their indirect emissions which account between 65–95% of their total emissions (Watson et al. 2024). Indirect emissions are the most difficult and complex emissions to measure (ibid), and addressing them requires engagement with suppliers, contractors and wider economic actors, particularly SMEs and VCSEs.

Whilst there are no direct figures nor estimates of SMEs and VCSEs emissions within local authority supply chains, these organisations make up a moderate portion of local public contracts. According to Tussell and Local Gov (2025), local authorities spent £28.8 billion of their budget with SMEs (roughly 34%), and £8.7 billion with VCSEs in 2024. Whilst this is over four

times more than central government, spending patterns vary considerably between councils within the UK. For example, Wealden District Council had the highest proportion of spending with SMEs (77%) compared to Tandridge District Council (59%). For VCSEs, London Borough of Richmond upon Thames spent 43% with VCSEs, compared to Liverpool City Region Combined Authority, which spent 27% (Tussell and Local Gov, 2025).

These figures highlight the significant role that SMEs and VCSEs already play within local authority supply chains, suggesting that procurement has considerable potential to influence business engagement with decarbonisation and wider sustainability objectives. Yet, despite their importance within local procurement systems, there remains limited understanding of how local authorities can effectively engage SMEs and VCSEs in climate action through procurement processes (e.g. Sugar et al. 2022). To address this gap, the next section examines public procurement not simply as a purchasing and spending mechanism, but as a *potential* governance tool, through which local authorities can shape engagement, learning and decarbonisation among supply-chain actors.

2.3. PUBLIC PROCUREMENT AS A GOVERNANCE MECHANISM FOR PLACE-BASED CLIMATE ACTION

Recent reforms to the UK's public procurement landscape have renewed interest in procurement as a mechanism for delivering environmental, social and economic outcomes, driving economic growth and delivering value for money (LGA, 2025). This reflects a broader shift in the purpose of procurement from a narrow focus on purchasing and compliance, towards a more expansive role to potentially address societal and environmental challenges.

In the UK, this is evident in ongoing efforts to embed social value within public procurement policy. Until recently, environmental considerations, including carbon reduction, formed part of the government's Social Value Model. However, changes announced by the Cabinet Office on 5 August 2026 introduced a revised Social Value Model under PPN 026, which places greater emphasis on the delivery of good British jobs, skills and opportunities. Carbon emissions reduction does not feature explicitly within the revised Social Value Model, raising questions about the role that carbon and wider environmental objectives will play within social value requirements in public procurement moving forward. Importantly, however, this change does not remove carbon-related requirements from central government procurement more broadly. At the time of writing, under PPN 006, Carbon Reduction Plans continue to be required as a condition of participation for suppliers bidding for relevant major central government contracts, requiring suppliers to report emissions, commit to achieving Net Zero by 2050 and outline relevant environmental management measures.

Most recently, the Procurement Act 2023 has introduced a number of reforms intended to remove unnecessary burdens and costs to make it easier for SMEs to access public procurement opportunities (UK Government, 2025). The UK Government (2025) places new duties on contracting authorities to "have regard to SME participation", "ensuring greater visibility of upcoming public sector opportunities and preliminary market engagement" and "banning some common barriers to SME participation" (UK Government, 2025).

Alongside academic work on sustainable and green local procurement (e.g. Preuss, 2009, Thomson and Jackson, 2007; Warner & Ryall, 2001), practitioner and policy reports have examined the challenges local authorities face in achieving environmental outcomes through procurement. Whilst carbon reduction plans, as a requirement of PPN 006, provide a useful strategic steer to include environmental reporting, they only concern central government contracts worth £5 million or more per year and do not directly apply to local authorities (Sugar et al. 2022). Moreover, local authorities also face limited capacity, inconsistent practices, difficulties in monitoring, measuring and evaluating invitations/notices to contract (most commonly referred to as a 'tender'); recruitment challenges; and shifting policy priorities (Flynn, 2026). As a result, procurement is enacted unevenly across places, reflecting differing institutional capacities, political priorities and organisational capabilities (Parker & Liddle, 2024).

While the reformed legislation is relatively recent, the use of public procurement for supporting SME development has been in discussion for some time (e.g. Peck & Cabras, 2010; Loader, 2016). However, much of this work treats procurement as a general policy instrument operating

across governance scales. Here, we conceptualise procurement as having the potential to play two principal roles for climate action; on the one hand, it could act as a lever for changing SME engagement and practices to take into consideration environmental and social dimensions, and on the other, it could act as a governance mechanism for local government to purchase lower-carbon goods and services.

Given that procurement is enacted through local supply chains, business networks and institutional relationships, its effects are necessarily embedded within places. The opportunities available to SMEs and VCSEs, the support they receive, and the expectations placed upon them are all shaped by local governance arrangements and capacities. Consequently, there is a need to understand procurement not simply as a uniform policy instrument, but as a place-based practice (Uyarra et al., 2017) that is enacted through relationships between local authorities, businesses and other actors. Examining procurement through a relational and place-based lens (Middlemiss et al., 2024) therefore offers a useful framework for understanding how procurement can support or constrain low-carbon and inclusive transitions, as discussed in the following section.

2.4. CONCEPTUAL FRAMEWORK: APPLYING A RELATIONAL AND PLACE-BASED LENS TO PUBLIC PROCUREMENT FOR SME CLIMATE ENGAGEMENT

To understand how public procurement could shape SME and VCSE engagement in climate action, we adopt a place-based and relational perspective, responding to Marsden et al.'s (2025) call for greater attention to place in energy demand research. Here, we understand place not as a fixed geographical container or sectoral category, but as a dynamic assemblage of social practices, relationships, infrastructures, and wider institutional contexts, operating across multiple scales, levels and time. This perspective is particularly fruitful because it draws attention to geographically variable and uneven capacities, support systems, and governance arrangements, that shape how procurement reforms are, and are not, experienced, and enacted in different local contexts.

Therefore, rather than viewing procurement as a uniform policy instrument, a relational lens also highlights the role of social relations in shaping engagement and behaviour of energy demand (e.g. Middlemiss et al. 2024). Like place-based approaches, a social relation is not conceptualised as a fixed object, but a dynamic web of processes and networks over time (ibid). A relational approach therefore highlights how engagement opportunities, learning processes, and decarbonisation outcomes are *co-produced* through interactions between key 'intermediaries', in this case, local authorities and SMEs specifically. A place-based and relational lens enables us to connect debates on public procurement with emerging discussions on the wider co-benefits of just and inclusive low-carbon transitions (e.g. Lait et al., 2026; Lacey-Barnacle & Boucher, 2025), providing a framework for understanding how procurement can support or constrain place-based climate action and governance (see Figure 1).

3. RESEARCH METHODS

3.1. DATA COLLECTION

This paper draws on a qualitative research project examining public procurement for a low carbon and inclusive transition, undertaken between 2024 to 2025. Given ongoing procurement reforms and differences in procurement legislation across the UK's devolved nations, the study focuses on England. The research specifically explores the perspectives of actors involved in engaging SMEs and VCSEs through procurement processes. While recognising the diversity of the SME sector, the analysis does not differentiate between SME sub-types; this limitation is discussed later in the paper.

The empirical research is based on 22 semi-structured interviews conducted between January and June 2025 with key stakeholders involved in procurement and SME engagement, covering the period immediately before and after the Procurement Act 2023 came into force. Participants included procurement practitioners from local authorities and consultancy organisations, SME consultants, project management consultants, and environmental consultants. In total, representatives from seven local authorities were included; a breakdown is provided in Table 1.

Interviews lasted between 60–90 minutes each and explored perspectives on procurement reform, climate reporting requirements, environmental and social value considerations, and

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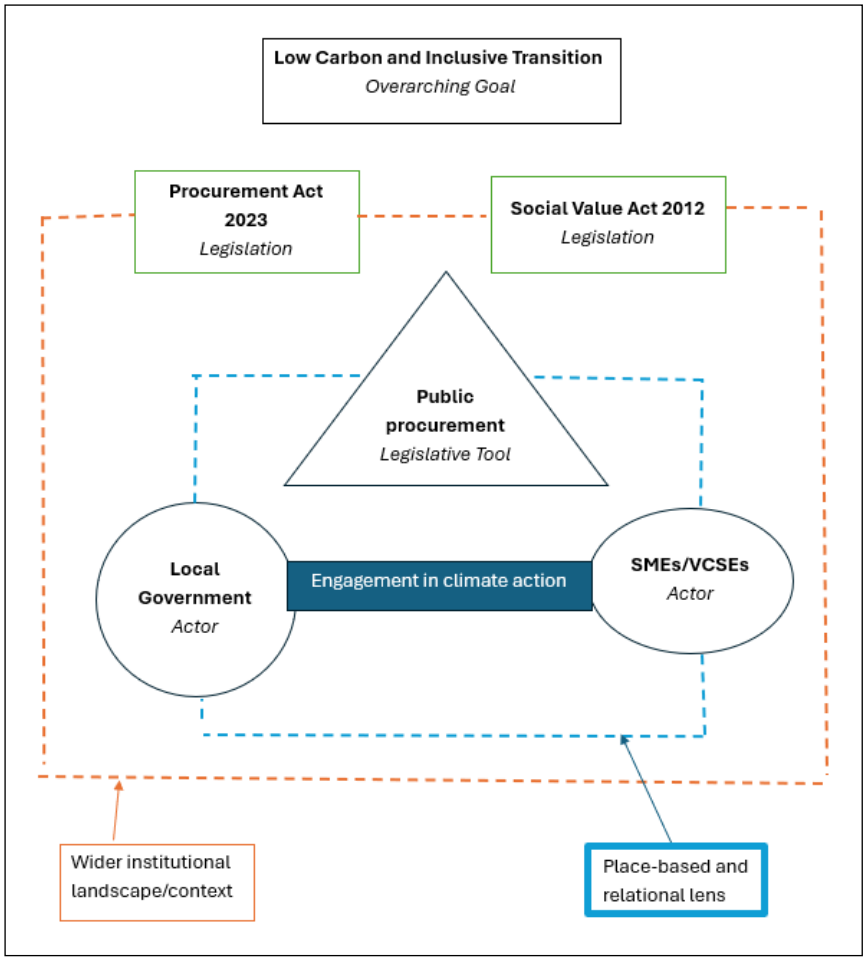


Figure 1 Conceptual framing (source: authors' own).

PARTICIPANT NUMBER	TYPE OF ORGANISATION	ENGLISH REGION
P1	Procurement specialist	North-West
P2	SME Consultancy	Nationwide
P3	SME Consultancy	Nationwide
P4	Local Authority	North-East
P5	Procurement specialist	North
P6	Local Authority	North-West
P7	Procurement specialist	Nationwide
P8	Project Management Consultancy	North-West
P9	Local Authority	North-East
P10	Procurement specialist	Nationwide
P11	Local Authority	North-East
P12	Local Authority	Midlands
P13	Procurement Specialist	Nationwide
P14	Environmental and Housing Consultant	Midlands and North
P15	Local Authority	South-West
P16	SME Consultancy	South
P17	Procurement specialist	Nationwide
P18	Local Authority	South
P19	SME Consultancy	South-East
P20	SME Consultancy	Nationwide
P21	SME Consultancy	Nationwide
P22	Environmental and Housing Consultant	Nationwide

Table 1 Interviewee details.

opportunities and challenges associated with SME/VCSE engagement (See example of interview guide in Table 2). Participants were identified through online searches and contacted primarily via email. Snowballing was used to recruit participants. Whilst efforts were made to present a geographical sample across England, this was limited by participant availability and willingness to participate in the research project. We reflect on this and potential selection bias further in the limitations in Section 5.1.

All participants received an information sheet and provided informed consent prior to interview. To protect anonymity, participants were assigned identifiers (P1–P22), and organisational affiliations, job titles and locations were anonymised. Maintaining anonymity was particularly important given the relatively small number of procurement professionals working within some organisations. All interviews were conducted online via Microsoft Teams.

Table 2 Illustrative example of interview guide.

BROAD THEME	EXAMPLE QUESTION
Public Procurement reform (Based primarily on Procurement Act 2023)	• How has the Procurement Act 2023 changed procurement practices within your organisation or area of work? • What opportunities or challenges have emerged for [your organisation/area of work] since the reforms? • To what extent have procurement priorities shifted in recent years for [your organisation/area of work]? • How do you think the reforms have affected SMEs' and VCSEs' ability to engage with public procurement opportunities?
SME/VCSE Engagement in Procurement and Climate Action	• How does [your organisation] currently engage [SMEs and VCSEs] through procurement processes? • What challenges does [your organisation] face when implementing/participating in public procurement processes? • Have you observed any changes in [SME/VCSE] participation over time?
Place-based Climate Action and Environmental Reporting	• To what extent are environmental considerations incorporated into [your organisations'] procurement processes? • How is [your organisation] expected to demonstrate climate action or carbon reduction activities? • What challenges do [SMEs and VCSEs] face in responding to environmental requirements? • How do local circumstances shape your procurement priorities and practices? • What other relationships are involved in procurement processes, and with whom? • What factors can affect these relationships, and how? • In your opinion, how important is procurement in supporting procurement and climate action?
Social Value	• How is social value interpreted and applied within [your organisation] and procurement activities? • In what ways do you engage with social value in your procurement?
Relationships and learning	• What role do relationships [e.g. between local authorities, suppliers, consultants and other stakeholders] play in procurement processes? • How can engagement [in climate action] be supported/encouraged in procurement? • To what extent do procurement processes create opportunities for dialogue, networking or knowledge-sharing [for climate action]? • What factors strengthen or constrain these relationships?

3.2 DATA ANALYSIS

Using qualitative analysis software, interview data were analysed following a systematic thematic analysis approach (Naeem et al. 2023). This was particularly appropriate given the focus on procurement processes to stimulate SME engagement in climate action. Analysis involved familiarisation with the data, initial code generation, theme development, theme review and refinement, and the construction of a conceptual framework. Illustrative examples of coding are presented in Table 3.

The analysis was iterative and inductive, with themes discussed and refined collaboratively by the research team following independent review of the interview material. This process enabled the identification of recurring patterns, points of convergence and divergence across participants, and the development of the key themes presented in the findings section. Although the diversity of the sample enabled consideration of how procurement and decarbonisation were understood from different organisational positions, the study was not designed as a systematic comparison between professional groups. Differences between actor groups are therefore highlighted where evident in the data but are not interpreted as representative of those groups more broadly. We reflect on this further in the research limitations.

The results that follow draw on these themes to examine how participants saw public procurement shaping SME and VCSE engagement in climate action and what this reveals about place-based governance in low-carbon and inclusive transitions.

4. RESULTS AND DISCUSSION

4.1. PROCUREMENT AS A RELATIONAL GOVERNANCE MECHANISM

All interviewees agreed that one of the strengths of the reformed Procurement Act (2023) is the requirement for preliminary (pre-) market engagement from local authorities. Since implementation, local authorities are recognising the need to foster engagement with SMEs and are actively responding through earlystage communication and supporting activities. The legislation sets out when preliminary-market engagement should occur, e.g. 'preparing the tender notice' (UK Gov, 2024), but there are no rules set out in the Act about how this should be achieved. It is therefore at the discretion of local authorities to decide how to conduct pre-market engagement (a limitation of which is discussed in Section 4.4).

This flexibility of how to conduct pre-market engagement was welcomed by most interviewees across the sample who noted that local authorities are experimenting with new support strategies, including free online training, improved information provision through 'meet-the-buyer' events, simplified tender templates, and guidance offered both before and after tendering. Such interventions of fostering early dialogue represent new forms of experimental governance (Caprotti & Cowley, 2017; Castan Broto, 2020; Creasy et al. 2021), suggesting that procurement is moving from a narrow compliance function towards a governance arena that actively shapes participation and engagement between actors. Pre-market engagement therefore creates an important governance pathway through which climate-related expectations, knowledge and relationships can begin to be established before formal procurement processes commence.

Table 3 Illustrative examples of coding.

PRIMARY CODE	SECONDARY CODE	THEME
Procurement engagement	Pre-Market engagement; local authority training; feedback; networking	Early dialogue, mutual learning
Learning process	Knowledge-exchange; SME training; support mechanisms; post-tender	
Capacity	Staff time; procurement expertise; resources; climate knowledge; funding; scale [national; regional; local]	[Uneven] Resources and Support
Climate action support	Support infrastructure; training; advice; guidance; national; local	
Social Value	Economic; Social; Environmental; skills; environmental value; community benefit; training	Integration of environmental and social criteria into procurement

Interviewees across the sample reflected not only on the engagement needed between SMEs and local authorities, but also on the mutual learning that emerges from these interactions, emphasising that pre-market engagement should not be unidirectional from the local authority to SMEs. Instead, as highlighted by one interviewee, this is a bi-directional dialogue with an emphasis on feedback and shared-learning: "we want to get more feedback from organisations around how they found tendering procedures and things like that" [P4, Local Authority, North-East].

These findings extend existing conceptualisations of procurement as a governance mechanism by illustrating how preliminary market engagement creates new relational spaces for interaction, learning and capacity-building between local authorities and SMEs, rather than simply a legislative or compliance exercise. This contributes to wider discussion of the potential of public procurement for value creation (e.g. Malacina et al. 2022).

4.2. EMBEDDING ENTRY POINTS FOR ENVIRONMENTAL AND SOCIAL VALUE ENGAGEMENT THROUGH PROCUREMENT PRACTICES

The statutory duty for environmental reporting or carbon related requirements (PPN 006) does not apply to local government procurement. In response, our findings reveal that several councils have started voluntarily incorporating environmental criteria directly into procurement decisionmaking, signalling to suppliers that carbon reporting and emissions reductions are increasingly expected components of tendering. These can be dependent on weighting, which is variable across regions, ranging between 10–30%.

Some interviewees noted the importance of environmental criteria being embedded not just within procurement, but across wider strategy:

> [...] net zero is seen as a corporate wide priority and that I think is very, very important because we wouldn't have gone anywhere if it was just seen as a procurement or contracts issue. [P15, Local Authority, South-West]

These findings suggest that procurement is increasingly being reimagined as a mechanism through which environmental criteria can be operationalised across local authority supply chains. They also reinforce the importance of the intermediary role that local authorities have in practice, demonstrating how procurement may function as a bottom-up governance mechanism to implement carbon reporting in their wider supply chain and operations.

The integration of environmental criteria into procurement has helped to embed environmental considerations more firmly in local procurement practice, with interviewees arguing that this is making "climate reporting a normalised expectation for SME [suppliers]" [P11, Local Authority, North-East]. This development has led to a reported increase in the number of SMEs undertaking carbon reporting audits, as highlighted by one environmental consultant working directly with SMEs: "Most of the SMEs I come across are actually relatively on board with this [carbon reporting]. They know it's where it's going" [P22, Environmental and Housing Consultant].

Yet this normalisation is still very much in its infancy and, as discussed in Section 4.4**,** can disadvantage SMEs that do not have the financial resources nor time to complete audits or that do not view environmental reporting as a strategic priority. This illustrates the potential limitations of public procurement as a mechanism to engage SMEs in decarbonisation. Rather than broadening participation, it may primarily stimulate participation amongst proactive front-runner firms that already possess the resources, expertise and capacity to respond (Mazhar et al. 2022).

Interviewees reflected that some councils choose to apply environmental requirements to smaller contracts, particularly where there is a strong environmental leadership at the local authority. However, since this is discretionary, implementation is piecemeal and inconsistent, creating confusion among SMEs about what is expected. This inconsistency undermines predictability for SMEs, which face different rules depending on the local authority they work with. Viewed through a place-based lens, and as discussed in Section 4.4, reveals these variations and different local governance arrangements are producing uneven decarbonisation expectations and opportunities across places. A report by Robertson (2025) reinforces this, noting that 'a national [procurement] framework would be helpful to create consistency across local authority areas [giving] supply chains greater certainty and confidence to invest in skills and capacity by recognising the level of demand across multiple places' (2025, p. 18).

Our emerging findings demonstrate that whilst social value was incorporated into legislation in the Public Services (Social Value Act) 2012 (Bird et al. 2026), social value considerations are becoming increasingly embedded in new procurement legislation. Interviewees in this study generally considered this to be a positive for SMEs engagement as it stimulated curiosity. As one interviewee highlighted: "Social value is a new thing for them [SMEs]" [P1, Procurement specialist, North-West]. This social value approach potentially creates an entry point for dialogue, allowing local authorities to reinforce priorities that resonate with local suppliers whilst also signalling a focus on training, apprenticeships and skills (e.g. Robertson, 2025; Parker & Liddle, 2024). This is particularly important in areas which are under-developed in terms of skills development, such as retrofit (Panakaduwa et al. 2025).

Like environmental criteria, social value in procurement ensures a two-way dialogue, where local authorities and SMEs engage, as highlighted by one interviewee:

> It gives us [the local authority] a way into those local contractors to try and educate them into what's important for us. So when we're talking about sustainability, employment and skills, they can understand they're important and they can align themselves to help deliver [that]. [P18, Local Authority, South]

In addition, there are ample opportunities for mutual learning: "it is often the SMEs who are based in their own communities, and they will be doing a quite a lot of support of those communities of their own" [P13, Procurement Specialist, Nationwide]. The mutual learning here can also highlight a potentially relational dimension that has been underplayed between urban governing actors, in particular private sector and local authorities (Eadson et al. 2026; Hampton et al. 2024; Mazzucato, 2022). That is, the role of SMEs as influencers and enablers (e.g. Hampton et al. 2024), and as 'agents of change' (Mazhar et al. 2022), in addition to applying the notion of intermediaries (e.g. Janda & Parag., 2013), where SMEs in this case are transferring knowledge upstream, in this example i.e. through procurement engagement strategies, as well as local authorities downstream i.e. preliminary market engagement. SMEs therefore emerge not simply as recipients of procurement requirements but as active participants in shaping local transition pathways through their knowledge, networks and embeddedness within communities.

Despite occupying different positions within the procurement landscape, many interviewees highlighted the ambiguous meaning of 'social value', which can combine both environmental and social criteria (Sugar, 2026). As such, social value can be an opportunity to embed environmental considerations, but this depends on how it is interpreted. Several competing frameworks now guide the incorporation of social value into procurement processes, e.g. Social Value Model, Social Value Portal (Bird et al. 2026), adding to the ambiguity. Until recent changes (now known as PPN 026), incorporating social value into tender requirements was not a uniform mandate at the local level. In the previous PPN 06/20, environmental criteria were included under social value "effective stewardship of the environment" which stated, "activities that deliver additional environmental benefits in the performance of the contract including working towards net zero greenhouse gas emissions" (UK Government, 2020). At the time of writing, environmental considerations remain presently at the discretion of local authorities and are not directly referenced in PPN 026. However, this is currently under consultation and therefore an evolving area. Until such changes are formalised, local discretion is likely to continue, leading to uneven approaches across places.

4.3. UNEVEN CAPACITIES SHAPING PROCUREMENT IMPLEMENTATION AND ENGAGEMENT

Interviewees highlight concerns that despite a focus on pre-market engagement within reformed legislation, as discussed in Section 4.1., pre-market engagement initiatives are limited by constrained local authority capacity, which restricts the extent and consistency of support that procurement teams can realistically provide. Furthermore, local authorities who had less experience with preliminary market engagement strategies noted that the process had been a 'steep learning curve', which while underway further constrained capacity:

> This is as much of a learning journey for us as a [local authority] organisation as it is for our suppliers. We're not environmental experts. We've been learning a lot. [P6, Local Authority, North-West]

To manage these pressures, there is emerging evidence that some combined authorities are adopting shared or outsourced procurement initiatives, for example, North East Procurement Organisation (NEPO), which is governed by 12 North East local authorities, as well as sector-specific examples, such as procure partnerships, which work across the Built Environment sector across nine regions (e.g. Parker & Liddle, 2024). On the one hand, place-based procurement platforms may help with local authority capacity [e.g. P3 SME Consultant, Nationwide; P5 Procurement Specialist, North; P9 Local Authority; North-East] and with consistency across different jurisdictions. As highlighted by one interviewee:

> We have to make it easy for [SMEs] to do something and this is the challenge because where you've got lots of local authorities all asking slightly different things. I'm not blaming local authorities. It's just a fact. They're at different stages of their journey and are asking different things. [P22, Environmental and Housing Consultant, Nationwide]

Yet, on the other hand, there is a risk that use of these platforms mean that SMEs do not develop a direct relationship with the local authority, and local authority do not build internal capacity to conduct public procurement [P5, Procurement Specialist, North]. Again, this raises the crucial question of restricting capacity-building of governing actors, which can ultimately impede engagement in the longer-term, potentially reproducing, rather than alleviating, the SME-local authority disengagement that the new reforms aim to solve.

Despite new legislation encouraging simplified tendering and procurement processes, interviewees repeatedly highlighted concerns about the reporting and administrative burdens placed on SMEs, noting their limited time, finances, and internal expertise to respond to climaterelated procurement requirements. As highlighted by one interviewee:

> The SMEs that we work with, they don't have people specifically as sustainability managers or social value managers within their organisations. They don't really have people to write the tender responses, never mind anything else. [P2, SME Consultancy, Nationwide]

Therefore, while there was broad agreement across participants about the challenges SMEs face in engaging with procurement requirements, the emphasis placed on these challenges varied according to participants' position within the procurement landscape. Local authority and procurement practitioners tended to frame these challenges in relation to procurement processes and organisational requirements, whereas SME-facing consultants and other intermediaries more frequently emphasised the practical capacity and resource constraints experienced by smaller organisations. This finding highlights again the important dimension of organisational capacity and readiness that, without sufficient support, may reproduce inequalities rather than correcting them through the new legislation.

This issue is compounded by the fact that access to energy and carbonrelated advice is highly uneven across the UK (Bouzarovski et al. 2025; Hampton et al. 2024). While some regions have strong businesssupport infrastructure, others have little provision, leaving some SMEs "only at the very beginning of the journey" [P14, Environmental and Housing Consultant, Midland and North]. This difference in readiness also exists between councils, with some authorities offering comprehensive support and others offering very little, leading to inconsistent experiences for SMEs depending on place (e.g. Paterson & Mazhar, 2025).

These findings suggest that the value of using procurement to stimulate SME engagement in carbon reporting may be two-sided. Procurement requirements could, on the one hand, encourage SME engagement in climate action, but only when there is sufficient alignment of capacities, infrastructures, and support ecosystems across place (Flynn, 2017). Where such enabling conditions are present, public procurement may act as a catalyst for learning, engagement and decarbonisation. On the other hand, where these conditions are weak, fragmented or absent, procurement may inadvertently amplify existing disparities in SME readiness for the transition, rather than act as a bridge between them. Consequently, SMEs may be unlikely to engage further in decarbonisation and energy demand reduction.

As such, addressing resource constraints – both within SMEs and within local authorities – should be considered fundamental to levelling the playing field and ensuring that procurement can act as a meaningful lever for inclusive, placesensitive climate action (Eadson et al. 2026).

5. CONCLUSION AND RECOMMENDATIONS

This paper sought to answer the following research question: How does local public procurement shape engagement of SMEs and VCSEs in decarbonisation, and what does this reveal about the role of place-based governance in supporting low carbon and inclusive transitions?

Our findings show that recent procurement reforms have positioned public procurement as a more relational governance mechanism, rather than a purely legislative function. We argue that requirements from the Procurement Act 2023, e.g. the emphasis on preliminary market engagement and requirements around social value criteria have the potential to create new entry points for communication, enabling earlier dialogue between local authorities and SMEs. Notably, our findings indicate that this interaction is not unidirectional: procurement processes are relational, facilitating bidirectional learning, with SMEs influencing local authority understandings and shaping evolving procurement practices.

Although recent changes to the Social Value Model in August 2026 create greater uncertainty around the prominence of environmental criteria within procurement, existing and locally determined requirements continue to provide an important route through which SMEs encounter expectations around carbon measurement and reporting, potentially encouraging both initial and more sustained engagement with emissions reduction. Drawing on our empirical findings, we argue that these developments together suggest a positive, mutually reinforcing cycle, in which reformed procurement processes could strengthen SME engagement and simultaneously build institutional learning within local authorities and SMEs over time. Our findings resonate with Parker and Liddle's (2024), understanding of procurement mechanisms as 'a type of procedural brokerage', and in the instance of this study, acting as a bridge to enable SME engagement on climate action.

Using a relational and place-based lens, these findings demonstrate that there is no one-size-fits-all approach across local authorities. Whilst place-based approaches offer many benefits (e.g. Marsden et al. 2025), our study finds that the emerging opportunities arising from reformed local public procurement – i.e. new entry points, mutual learning and increased carbon reporting – are unevenly distributed. While reforms certainly can facilitate SME engagement, they may also inadvertently reproduce or further exacerbate disparities in SME climate action.

This occurs in two ways: First, approaches to preliminary market engagement vary markedly between areas, as do interpretations of environmental and social value requirements. Such variation means that the support available to SMEs – and the expectations placed upon them – are determined by each local governance context. Second, capacity constraints on both sides of the procurement relationship remain critical: SMEs often lack the resources, expertise and personnel to respond to new procurement requirements, while local authorities face their own limitations in providing consistent guidance, engagement and support.

Taken together, these findings demonstrate the value of combining place-based and relational perspectives. A place-based lens draws attention to the varying local capacities, resources, relationships and support infrastructures within which procurement reforms are enacted. A relational lens reveals how their effects are co-produced in interactions between SMEs and local authorities. Combining these perspectives therefore helps to explain why the same national level reforms can create opportunities for engagement, learning and accelerated decarbonisation in some contexts while constraining participation or reinforcing inequalities in others.

5.1. RESEARCH LIMITATIONS AND AVENUES FOR FURTHER RESEARCH

Whilst this study provides early evidence that public procurement can act as an important governance mechanism for advancing local climate action, specifically through SMEs, several limitations should be acknowledged, and the full effects of changing procurement requirements are yet to emerge. We contend that there remains considerable scope for further research.

First, we acknowledge the empirical base is limited in scale, specifically, emissions data on SMEs and VCSEs is relatively poor. In line with procurement legislation, this paper treats SMEs and VCSEs under the same umbrella, even though they operate as separate organisational entities. Procurement processes are highly dynamic and continually evolving, shaped by shifting legislation,

organisational restructuring (e.g. evolving devolution in England), and local political priorities. As such, a larger and more longitudinal evidence base is required to capture how emerging practices develop over time, and whether early patterns of SME engagement are sustained, adapted, or reversed. Here, we have grouped SME and VCSE together, but there is scope for further research to explore how they are impacted separately, i.e. by sector and sub-categories.

Second, the empirical focus of this study is limited to a small subset of English local authorities. Whilst snowballing was an effective method to recruit participants, we acknowledge the risk of selection bias across our sample as a research limitation (e.g. Robinson, 2013), including the possibility that our participants had a stronger interest in sustainability than procurement practitioners more generally.

Comparative research spanning a wider range of local authorities, operating across different geographical contexts and stages of decarbonisation, would enhance understanding of how place-specific conditions shape procurement and engagement in climate action. Such research could explore how institutional capacity, local governance structures, support infrastructures, and economic conditions influence the extent to which procurement reforms facilitate SME and VCSE engagement in decarbonisation. Comparative analysis would be especially valuable in the context of ongoing devolution reforms in England, which are reshaping local governance responsibilities and capacities.

Third, further research could build on our relational approach to governance and public procurement in more detail. Building on our work exploring procurement through a place and relational lens may illuminate the less visible dynamics – such as informal interactions, power asymmetries, and the role of intermediaries and networks – that influence how climate reporting requirements are interpreted and enacted in practice. Such conceptual refinement would help deepen understanding of the relational infrastructures that underpin procurementled decarbonisation, and help clarify how these might be strengthened to support more inclusive and placebased low-carbon transitions.

Finally, we acknowledge that this research was conducted during a period of significant change in procurement policy and practice, which continues to evolve in the UK and beyond. Our empirical material therefore captures perspectives at the beginning of this transition, rather than the longer-term effects of these changes. As highlighted above, future research would benefit from a larger and more longitudinal evidence base to examine how emerging procurement practices develop over time and whether they lead to sustained changes in SME and VCSE participation and engagement with climate-related procurement requirements. This could be complemented by a quantitative analysis examining changes in SME and VCSE participation, the uptake of climate-related requirements, and wider procurement outcomes, over time.

DATA ACCESSIBILITY STATEMENT

The data that support the findings of this study are available from the corresponding author, Katherine Sugar, upon reasonable request.

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COMPETING INTERESTS

The authors have no competing interests to declare.

AUTHOR CONTRIBUTIONS

KS: Conceptualisation (lead), data curation; formal analysis; funding acquisition (equal); Investigation; Methodology; Project administration; Resources; Writing – original draft preparation (lead); Writing – review & editing (lead); IR: Conceptualisation (supporting); funding acquisition (equal); writing – review & editing (equal).

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