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**Manchester City Council  
Report for Resolution**

**Report to:** Economy, Employment, Skills Overview and Scrutiny Committee  
– 8 September 2010

**Subject:** The Impact of Procurement Spend on our Local Communities

**Report of:** Regeneration Manager (Employment Skills)/City Treasurer

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**Summary:**

The report outlines the conclusions of a piece of work undertaken by CLES as part of our membership on the impact of Manchester City Council (MCC) spend on our local economy. It provides an update on the progress made against the recommendations detailed in the report submitted to the Executive on the 10 March 2010 and key actions over the next quarter. This report aims to demonstrate the value of MCC's CLES membership by highlighting a particular piece of work on sustainable procurement.

**Recommendations:**

Members are recommended to note and comment on the content of the report which outlines actions to implement recommendations of CLES study on Manchester City Council's Sustainable Procurement Policy in order to maximise the wider impact of our spend

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**Wards Affected:**

All wards

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents

are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Understanding the wider local economic, social and environmental impact of procurement (CLEs December 2009)
- Report to the Executive on the 10 March 2010
- Exploring the Local Economic benefit of MCC's spend on its top 1000 suppliers (CLEs May 2010)
- Exploring good practice in achieving community benefit – development of 11 case studies (CLEs March 2010)

## 1. Introduction

1.1 Manchester City Council has been at the forefront of embedding the notion of sustainable procurement into reality. Being spenders of some £600 million in revenue expenditure and some £300 million in capital expenditure each year requires procurement decisions to take account of community benefit; sustainability; supporting local organisations to bid for contract opportunities; and ensuring that procurement spending has wider benefit in terms of tackling worklessness and deprivation.

1.2 This notion of sustainability is reflected strategically in Manchester City Council's "Sustainable Procurement Policy Statement" and associated "Statement of Intent". As such emerging sustainable procurement strategy is being driven by the following key vision:

*"The Council will embed the principles of sustainability within its procurement activities to ensure that, in all cases, a balanced consideration of social, ethical, environmental and economic impacts are undertaken throughout the procurement process resulting in only value for money products and services being selected".*

1.3 Sustainability considerations include:

- Balanced consideration of social, environmental and economic impacts are undertaken throughout the procurement process.
- Aims to ensure that MCC employees, contractors and suppliers are aware of the Council's commitment to long term social, ethical, environmental and economic sustainability.
- Objectives include:-
  - Working with diverse suppliers
  - Considering environmental performance
  - Encouraging local enterprises to bid
  - Maximising opportunities for employment

1.4 Manchester uses economic, environmental and social clauses within its commissioning and procurement process that ensures all tenders are evaluated on a quality/price points scoring basis and contracts are awarded on the basis of the "most economically advantageous". Since December 2009 a minimum of 10% of the overall available score is now allocated to sustainability on the evaluation of all major contracts processed through Corporate Procurement.

1.5 The Procurement Service is also addressing key issues faced by potential suppliers from the voluntary sector and SME's. These organisations now benefit from a move by the Council to remove pre-qualification on tenders which are less than £100k in value. In addition, the procurement service has simplified tendering documents, offers procurement skills training and support, and standard payment terms have been reduced from 30 days to 10 days. In

a few instances payment has been made in advance to assist suppliers particularly in the voluntary sector.

- 1.6 As well as our work with existing suppliers and contractors, the Procurement Service has proactively used its links with organisations representative of SMEs and voluntary sector to explain what is important to Manchester in terms of local employment and recruitment. This has been supported by an increase in regular meetings and presentations at numerous events held in Manchester working with partners such as the Chamber of Commerce, The Centre for Construction Innovation (CCI), North West Development Agency and through our North West Regional role on Procurement.

## **2. Background to CLES**

- 2.1 The report was commissioned by Corporate Procurement Department to understand the wider local economic, social and environmental impact of procurement, testing the impact in terms of local spend of its supply chain. CLES were commissioned to carry out this work on the basis of previous work undertaken in Swindon and West Lothian.
- 2.2 The Centre for Local Economic Strategies (CLES) was established in 1986, as the National Forum for the development of Local Economic Policies, in response to concerns relating to the lack of focus for investment in metropolitan cities. It set out to link the work of local authorities in job creation and economic planning with that of the community, trade unions, third sector and private sector. Manchester was one of the 5 original member authorities.
- 2.3 Manchester City Council's membership gives MCC access to the following services:
- CLES publication and research;
  - Free and reduced rate events places – MCC has 12 free places on CLES training courses including its Summer School with the remainder available at half price.
  - Bespoke information enquiries; tailored workshops around policy and practice – CLES are undertaking four workshops in 2010 on Local Economic Assessment; Procurement; Health and Worklessness; and delivery.
  - Reductions in consultancy work. The remainder of this report focuses on a particular piece of consultancy work undertaken as part of our membership.
- 2.4 CLES has strong historical and growing relationship with Manchester City Council. This includes an evolving and bespoke membership agreement which provides tailored briefings and events for members and officers, alongside access to core services, publications and training. Manchester City Council are strongly supportive of the CLES Summit which sees a good mix of

attendance from officers and members. Historically CLES' relationship has been through the auspices of economic development. However more recently the relationship has branched out including this work with the Corporate Procurement Department.

- 2.5 Our membership of CLES has enabled the analysis of the impact of MCC's sustainable procurement strategy to be undertaken at a discounted rate with the action focused work underway between Corporate Procurement and Economic Development a key recommendation of the workshop.

### **3. Measuring the Impact of Our Sustainable Procurement Strategy**

- 3.1 The research undertaken by the Centre for Local Economic Strategies (CLES) was commissioned in November 2009 and the key aims of the research were:-

- To understand the extent to which procurement spend upon the top 300 suppliers sticks in Manchester.
- To understand what happens to procurement spend once it reaches suppliers.
- To understand the principles and practices of suppliers.
- To explore the validity of the sustainable procurement strategy and any key barriers within the system.
- To seek to link procurement spend to key local economic development challenges.

- 3.2 The key results from the research are detailed in the report to the Executive and are summarised below:-

#### **3.2.1 Procurement Spend**

- £184million or 51.5% of spending is with organisations with a MCC boundary postcode or with a branch within the local authority boundary. These suppliers spend 25p in every pound upon their own Manchester based suppliers and local employees
- £309million or 86.5% is spent with suppliers based in Greater Manchester
- £85million of this £184million was spent with construction organisations
- £29million spent with Manchester based voluntary sector organisations
- £17.5million was spent with Manchester based SME's
- £87.5million was spent upon suppliers based or branched in Manchester neighbourhoods ranked in the most deprived 10% nationally

- £11.1million was spent upon suppliers based or branched in Manchester neighbourhoods ranked in the most deprived 1% nationally

### 3.2.2 Employment through the Supply Chain

- It has been calculated that 5,225 Manchester residents are directly employed due to the Council's spend on their top 300 suppliers and contractors
- The net impact of procurement spending upon the Manchester economy £273million (our spend on MCC boundary based suppliers plus the supplier's re-spend on employees and their MCC boundary based suppliers)
- Catalytic impact is impact which cannot be directly attributed to the City Council's spending but which fosters wider local economic impact for the Manchester economy. The key catalytic impact in Manchester indicates that £687million is re-spent by suppliers within the Manchester economy

3.3 The resulting CLES report's summary states: *"It is fair to say that Manchester City Council's procurement practices have a significant impact upon the Manchester economy. The notions of sustainable procurement filter down the supply chain, making important contributions to the Manchester economy as providers of services, as promoters of the City of Manchester, as enablers of local employment and local suppliers, as community integrators and developers and as providers of wider-role services."*

3.4 The report identifies the voluntary sector organisations supplying to Manchester as having a greater established community ethos when it comes to employment. They also had the greatest commitment towards employing locally and tackling worklessness and deprivation. For many of these organisations, local employment was one of their key founding principles.

3.5 The report confirms the strong contribution that the construction supply chain makes to community benefit. Community benefit is embedded into the practices of the construction sector. The construction sector was one sector which overwhelmingly bought into Manchester City Council's Sustainable Procurement Policy Statement and emphasis upon supporting local employment and tackling worklessness and deprivation.

3.6 In summary, in comparison to Swindon and West Lothian:

- The proportion of 51.5% of spend with Manchester based companies compares positively with similar studies undertaken with Swindon (31.7%) and West Lothian (11.8%).
- The re-spend figure of 25p in every pound upon Manchester's residents through employment and Manchester based suppliers compares positively with Swindon (16p) and West Lothian (18p).
- The amount of employment generated for Manchester residents through the spend with the top 300 suppliers has been calculated to be 5,225.

- 3.6 Manchester City Council's procurement spending has a significant impact upon the Greater Manchester economy. The results of the research paints a strong picture of the extent to which procurement spending is with organisations within the Manchester City Council boundary and the benefits to our local communities and within the wider AGMA sub-region.

#### 4. Progress from March 2010

- 3.7 The findings were reported to MCC Executive on the 10 March 2010 and included a number of recommendations arising out of the research undertaken by CLES. We outline below progress against the individual recommendations from the Executive Report in March
- 3.8 Recommendations 1 and 2: to extend the research to incorporate the top 1000 suppliers and the production of case studies based on the research to promote best practice in relation to local employment and training have been completed.
- 3.9 Recommendation 3: to promote Manchester City Council's sustainable procurement policy and understand the wider impact of our spend through a series of seminars, workshops and events for Suppliers, Officers, Community Groups and Members
- 3.9.1 A supplier network group has now been established and will meet quarterly to ensure that procurement processes are not restrictive and onerous, particularly in relation to small businesses and the voluntary sector who are well represented in the group.
- 3.9.2 A launch event is planned for the 25 October 2010 to promote our sustainable procurement policy and present the findings of the research to a wider audience, including our top 1000 Suppliers, Employment Agencies, Senior Officers, Members and other Partners, including the NHS and University.
- 3.9.3 A cross departmental working group has now been established to with actions identified to reap maximum local economic, social and environmental benefit outlined below.
- 3.10 The joint Working Group of Procurement representatives from across the City Council is developing an action plan. The Group have already identified the following key actions to be taken forward over the next quarter:
- 3.10.1 **Identify slippage** – the CLES research revealed that around 86% of spend upon the top 300 suppliers by Manchester City Council was with organisations based in Greater Manchester. For suppliers ranked 301-1000 the composite figure was around 55%. The group will be identifying who these non Greater Manchester businesses were and what type of sector they operated within.
- 3.10.2 **Cascading messages across council** – the CLES research has identified a number of key messages about procurement and the practices of suppliers.

Case studies of suppliers provided demonstrable evidence of good practice will be presented on the Manchester City Council website, working with the Communications Department.

- 3.10.3 **Promoting the North West Regional E-procurement Portal known as the CHEST** – in order to increase levels of Manchester based business providing goods and delivering services, the group are looking to more effectively promote the CHEST to Manchester based companies.
- 3.10.4 **Developing strategic messages from research** – the key messages from the CLES research needed to be more strategically focused given the current economic stringencies. Therefore, a publication will be produced which not only focused upon the findings of the research but also linked it to current challenges particularly in relation to gaps in the local authority in relation to commercial skills.
- 3.10.5 **Developing commercial skills in the local authority** – there is a need to develop commercial skills within the local authority, therefore the group will be seeking to identify some of the key gaps in commercial skills.
- 3.10.6 **Developing simple messages about local employment** – the case studies with suppliers demonstrated good practice when it came to local employment practice. These case studies will enable us to ensure local employment considerations are a key part of the procurement process.
- 3.10.7 **Working closely with new contractors** – Manchester City Council will start working a lot more closely with organisations awarded new contracts by introducing them to education departments and employment brokers. This is in order to ensure maximum local economic benefit is reaped from that contract. The most recent example of this was on our contract for security services where 13 additional jobs were identified for Manchester residents.
- 3.10.8 **Demonstrating further good supplier practice** – the research undertaken by CLES highlighted a number of examples of good practice when it came to the locally focused ethos of suppliers. Further examples from each of the Area Regeneration Teams will be explored.
- 3.10.9 **Providing business mentoring** – to promote business mentoring to 10 organisations focusing support to organisations in areas of the City where there is currently a dearth of businesses providing goods and delivering services. Cheetham Hill was identified as an area where the group would identify organisations for support.
- 3.11 **Recommendation 4:** Open discussion within AGMA through the commission for New Economy regarding undertaking similar research across the 10 Greater Manchester Authorities. This recommendation is being taken forward for other Greater Manchester Authorities through the AGMA Procurement Hub.

## 5 Conclusion

- 5.1 The research does indicate that Manchester's significant buying power is being used to support our local communities with a significant percentage of our spend being placed with Manchester based Companies who, in turn, are respending within the Manchester economy.
- 5.2 The research has also shown that further improvements can be made to our procurement policies and practice to achieve even more for the Manchester economy and influence the practices of our supply chain to an even greater extent.
- 5.3 The recommendations and the actions being undertaken jointly by the Economic Development Group and Corporate Procurement will result in further benefit to Manchester's economy and continue to support jobs and training opportunities for Manchester residents.
- 5.4 Actions outlined in this report can have a significant impact on Manchester's priorities through maximising local economic benefit of procurement decisions. By working with suppliers to encourage recruitment of local Manchester residents, it can help to address the its priority worklessness through connecting local workless residents to jobs created. By supporting Manchester businesses to bid for contracts, we can contribute to the priority Economic Growth: working with the private sector to boost investment and entrepreneurship.
- 5.5 The research does not take into account the impact of any public sector spending cuts, however offers a model that can maximise the impact of public sector spend on our local business base and local employment and be used by other commissioners in their approaches that maximise local economic benefit.