

**Manchester City Council
Report for Resolution**

Report To: Executive – 10 March 2010
Subject: The Impact of Procurement Spend on our Local Communities
Report of: The City Treasurer

Summary

To set out how Manchester City Council (MCC) uses its significant buying power to ensure that our contractors and their sub-contractors recruit as high a percentage of their workforce from Manchester as possible.

Recommendations

The Executive are requested to approve the following recommendations, arising out of the research undertaken:

1. Extend the research beyond the top 300 suppliers by a further 700 to enable the spend with the top 1000 suppliers to be analysed.
 2. The production of case studies for the top 300 to promote best practice in relation to local employment and training.
 3. 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.
 4. Open discussions within AGMA through the Commission for New Economy regarding undertaking similar research across the 10 Greater Manchester Authorities.
 5. To work through all the recommendations listed in Appendix 2 to this report during the next 12 months.
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Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The research shows that £309million or 86.5% of the total spend with our top 300 suppliers is within the AGMA region which shows the impact that our procurement policies have on the local economy.

Reaching full potential in education and employment	The research has highlighted the extent to which MCC procurement spend supports local employment and training.
Individual and collective self esteem – mutual respect	The support to local businesses through our procurement spend helps trade to prosper which is good for the self respect and self esteem of the owners and their employees.
Neighbourhoods of Choice	The presence of our major suppliers within our communities contributes to our objective of creating neighbourhoods of choice.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None

Financial Consequences – Capital

None

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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.

1.0 Introduction

1.1 Manchester City Council has been at the forefront of embedding the notion of sustainable procurement, first outlined in the National Procurement Strategy (first published in 2003), into reality. Being spenders of some £600 million in revenue expenditure and some £300 million in capital expenditure each year on goods and services 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 The requirement for sustainability therefore runs through every procurement decision alongside compliance, risk management and the delivery of value for money. This notion of sustainability is reflected strategically in the Government's Sustainable Task Force's "Flexible Framework" and Manchester City Council's emerging "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 The importance of this statement is reflected in the sustainability considerations which now make up part of the procurement decision for Manchester City Council alongside adherence to EU value for money agendas. There are a number of these sustainability considerations which include:

- Considering the environmental ethos of all suppliers and encouraging them to undertake activities in an environmentally sustainable manner;
- Working more effectively with diverse suppliers such as micro Small to Medium sized Enterprises (SME's), black and minority ethnic owned enterprises and voluntary sector organisations;
- Maximising the opportunities for employment and economic gain within Manchester's communities

2.0 Background

2.1 The consistent application of our best practice model ensures that our specifications are developed in conjunction with our stakeholders and tested with a wide range of suppliers prior to tendering to make them as open and inclusive as possible thereby ensuring value for money is achieved for the Council.

2.2 A wide range of contracts have been developed, many mid to long term, that enable the Council's aims and objectives to be incorporated within our supply chain through regular contract management and monitoring of their performance for adherence to our overall aims and objectives.

2.3 Manchester uses economic, environmental and social clauses within commissioning and procurement process and all tenders are evaluated on a quality/price points scoring basis and contracts are awarded on the basis of the “most economically advantageous”.

2.4 Sustainability is embedded in all standard commissioning and procurement processes and, since December 2009, a minimum of 10% of the overall available score is now allocated to sustainability on evaluation of all major contracts processed through Corporate Procurement.

2.5 A recent contract for the supply of office furniture carried a 2.5% weighting for corporate social responsibility which included outcomes based on employment and training opportunities, social inclusion and supply chain initiatives and a 5% weighting for sustainability which included targets based on reducing CO2 and energy consumption to meet sustainability targets. It should be noted the company that scored the highest in this area were successful in being awarded the contract and were also the lowest price.

2.6 The Procurement Service is also addressing key issues faced by potential suppliers from the voluntary sector and SME's.

2.7 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, in addition 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.

2.8 A good example of the results being achieved through procurement is how Capital Programmes have used their framework contracts to develop long term relationships that have been developed with their partners to introduce the “Young People into Construction Programme” which is contributing to the city's social and economic development objective in the Corporate Plan.

2.9 Construction partners have appointed 63 apprentices, 36 with Manchester Working Limited and 28 through the ‘Young People into Construction’ initiative. The next step is to roll out the initiative across the Council and increase employment and training opportunities for Manchester residents. Some of the young people on the programme have come from difficult backgrounds, which can sometimes result in challenging behaviour; however, because we have built up strong relationships with our partners, we are able to provide better support with these more challenging individuals.

2.10 Capital Programme's partners have collectively in 2009: provided over 60 work experience/internship placements; and, hosted over 200 community events in area's in which they are working. These community benefits are now being measured and publicised in a quarterly “Added Value” magazine.

2.11 Construction partners also play a role in Student Engagement by getting students involved with the design process and inviting them onsite to learn about Health & Safety. This process links in with the Work Experience and Apprenticeship offering.

3.0 Publicising Best Practice and Working with Partners

3.1 In addition to our work with existing suppliers and contractors Procurement has proactively used its links with organisations representative of SME's 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, North West Development Agency and through our North West Regional role on Procurement.

4.0 Measuring the Impact of our Sustainable Procurement Strategy

4.1 Whilst it is all very well Manchester City Council having commitments to sustainability, supporting SME and voluntary sector organisations to bid and deliver contracts, and to tackling deprivation in our procurement strategy, the question remains as to how this commitment and policy framework filters down to the organisations that actually deliver against procurement contracts (ie the supply chain):

- What commitment do these organisations have to environmental sustainability?
- What wider impact do these organisations have upon local monetary and social economies and in tackling deprivation?
- How do these organisations adhere to and fit within the Sustainable Procurement Policy Statement?

5.0 Independent Research

5.1 The three questions outlined above therefore formed the basis of a research commission undertaken by the Centre for Local Economic Strategies (CLES) which examined and sought to understand the wider economic, social and environmental impact of procurement strategy and spending within Manchester City Council's boundary. In this, we sought to:

- Identify the extent to which procurement spending goes to organisations based within the Manchester local authority boundary
- Assess what happens to that procurement spending once it reaches the pockets of the suppliers, in particular assessing the extent to which that money is re-spent in the Manchester economy
- Examine the wider ethos of supply organisations with regard to environmental sustainability, employment, and deprivation, amongst other factors, when it comes to spending that money

5.2 The survey was based on the top 300 suppliers, by value, with a total spend of £357million during the financial year 2008/9.

5.3 The key findings for the research are detailed as below:

5.3.1 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

5.3.2 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

5.4 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."*

5.5 It was found that in organisations for whom Manchester City Council were their key customer, their recruitment was very much driven by the ethos of the Council.

5.6 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.

5.7 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.

6.0 Summary

6.1 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%).

6.2 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).

6.3 The amount of employment generated for Manchester residents through the spend with the top 300 suppliers has been calculated to be 5,225.

6.4 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.

7.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

The research shows that £309million or 86.5% of the total spend with our top 300 suppliers is within the AGMA region which shows the impact that our procurement policies have on the local economy.

(b) Reaching full potential in education and employment

The research has highlighted the extent to which MCC procurement spend supports local employment and training.

(c) Individual and collective self esteem – mutual respect

The support to local businesses through our procurement spend helps trade to prosper which is good for the self respect and self esteem of the owners and their employees.

(d) Neighbourhoods of Choice

The presence of our major suppliers within our communities contributes to our objective of creating neighbourhoods of choice.

8.0 Key Policies and Considerations

(a) Equal Opportunities

All major contracts are procured in an open process, advertised through our e-procurement portal and accessible to all interested parties.

(b) Risk Management

N/A

(c) Legal Considerations

N/A

APPENDIX 1

Young People into Construction Headline News 10/02/09

The logo for 'Young People Into Construction' features the text in a blue, sans-serif font. To the right of the text is a stylized graphic of a blue and white starburst or sunburst.

UNIQUE

Young People into Construction is a unique model and is hailed as an exemplar of good practice in the North West. This flagship status derives from the way the young people are employed, how their placements are managed, and the way the apprentices are recruited.

MINIMISING BARRIERS

Competency based recruitment criteria means the programme minimises barriers to entry for those who can't read or write, creating greater prospects for local people who have lacked opportunities in the past.

CHALLENGING STEREOTYPES

"It is great to be involved in a scheme that is helping to destroy the stereotype of unemployed young women and shaven headed young men being disaffected and without ambition. They have all grasped the opportunity of an improved future and are in the process of making a better life for themselves through construction."

(Paul Hill, Framework Manager, GB Building)

LOCAL JOBS

63 full time apprentice placements; 32 Work Experience placements; 13 internships and over 200 community benefit events created on capital programmes such as Surestart, Building Schools for the Future and Housing Renewal.

RETENTION OF CASH

Of £357m procurement spend across the top 300 MCC suppliers 86.5% is spent with organisations based in the Manchester City Region – Furthermore, 25p in every £1 of this £357 is re-spent by our suppliers on employees, products or services within the city region.

(source: 2009, report commissioned by MCC Corporate Procurement from the Centre for Local Economic Strategies)

APPENDIX 2

RECOMMENDATIONS FOR FURTHER IMPROVEMENT IN THE PROCUREMENT PROCESS

This research has presented a stronger and wider understanding of the local economic, social and environmental impact of procurement policy and spending decisions in Manchester. Despite strong figures when it comes to the direct, indirect and catalytic local economic impact of procurement spending; and an ethos to sustainability amongst suppliers there is room for improvement in both the policy and practical decision making process. This is further reflected in the five core challenges outlined above. To respond to these challenges, Centre for Local Economic Strategies (CLES) would therefore suggest the following recommendations for improvement:

Recommendation 1 – Make the bidding process more straightforward

Manchester City Council should look to reduce some of the bureaucratic, capacity, timescale and cost challenges currently associated with the procurement process by making the bidding process more straightforward. Whilst recognising that there is already work underway in relation to this, Manchester City Council should look to: standardise Pre Qualification Questionnaires (PQQs) and other forms of tender documentation; offer capacity building activities to third and SME sector organisations; and organise innovative events which bring together suppliers and the buyer.

Recommendation 2 – Embed greater cross-departmental relations for procurement delivery

Interest in the process and impact of procurement has grown across the departments of Manchester City Council as this research has progressed as has awareness of its potential impact in tackling issues such as worklessness and deprivation. There does however need to be a better dialogue between departments as to what barriers there are in the procurement process and what roles departments potentially have in supporting suppliers to achieve community benefit. Manchester City Council should therefore look to set up a cross departmental Working Group specifically focussed upon procurement. The Working Group would enable best practice to be shared, identify key issues which procurement policy and spending could be addressing, and identify which departments provide advice to suppliers.

Recommendation 3 – Provide better direct advice for suppliers

The procurement process and its impact does not and should not end with the contract award. Indeed, this research has demonstrated a strong ethos amongst suppliers to enabling local benefit through the procurement process. What these suppliers do need however is better advice in relation to embedding these principles into practice. Manchester City Council should cross-departmentally therefore provide a dedicated service whereby suppliers can receive advice about:

- **Employment and recruitment** – specifically signposting suppliers to local and neighbourhood employment brokers who can support them in their recruitment needs
- **Skills** – providing suppliers with advice about where they can up-skill their workforce and support the lowly skilled into employment
- **Supply chain** – providing Business Link type advice about businesses in Manchester which can potentially provide suppliers with goods and services

Recommendation 4 – Facilitate learning amongst suppliers

This research has demonstrated through the strategic interviews that there is significant good practice amongst suppliers in achieving community benefit. There is however not a facility through which this good practice can be shared and through which suppliers can meet and learn from each other. Manchester City Council should therefore set up a network through which suppliers can come together on a quarterly basis, for example, to discuss how they are enabling local economic, social and environmental benefit through procurement. The network could be piloted with one sector such as construction or could be across service areas.

Recommendation 5 – Set targets for enhanced impact

This research has effectively provided a baseline picture of the local economic impact of Manchester City Council's procurement spending. They spend 51.5% of all spend upon the top 300 suppliers with organisations with a Manchester City Council postcode or a branch in the Manchester boundary. These suppliers re-spend 25p in every £1 upon their own Manchester based employees and suppliers. Manchester City Council should set targets for these multiplication figures for the future and within legislative consideration assess how they can be improved in policy and practice terms.

Recommendation 6 – Understand impact of procurement at different geographical scales

This research has very deliberately focussed upon the impact of procurement spending within the Manchester City Council boundary. Given city-regional governance arrangements and natural economic area considerations, procurement spending clearly has inter-linkages and impacts with Greater Manchester level geographies. Manchester City Council should therefore in collaboration with the other 9 local authorities of Greater Manchester investigate the procurement spend of each area upon its top 300 suppliers and any commonalities and linkages in spend and impact.