



# **Key tools and methods of assessment to inform the work of your LEP**

**Procurement and Multiplier Modelling**

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# The policy context

## Procurement matters

- Need to maximise efficiencies
- Need to nurture local supply chain
- Need to enable service effectiveness
- Need to ease problems of worklessness and deprivation
- Need to extract maximum benefit from spend
- Need to support social business and social enterprise



# Why are we bothered about procurement?

## Fuelled by 2 key frustrations:

- ◉ Under recognised role of the public sector in the local economy
- ◉ Lack of understanding of the catalytic and multiplier effects of public spend within commercial and social economies

## What we set out to do

- ◉ Gather evidence on how and where public sector resources are being spent
- ◉ Develop a replicable method and model of measuring the economic impact of public sector spend on the local economy
- ◉ Enable strategic directors and managers to make better economic decisions around services delivery



# The Local Multiplier 3 (LM3) model

## The LM3 model

- Round 1 – total spend
- Round 2 – spend upon (local) suppliers
- Round 2 – spend upon (local) direct employees
- Round 3 – re-spend of local suppliers upon their own local suppliers and their own local employees
- Round 3 – re-spend of direct employees upon good and services in the local economy
- $LM3 = \frac{\text{Round 1} + \text{Round 2} + \text{Round 3}}{\text{Round 1}}$



# Results from West Lothian

- Round 1 - NETs - £10,801,353.60
- Round 2 - NETs – spent £834,227.83 on local suppliers (34%)
- Round 2 - NETs – spent £4,963,553.59 on local employees (85%)
- Round 3 - Suppliers to NETs – re-spent £147,745.32 in local economy (18p in every pound)
- Local employees of NETs – re-spent £1,607,366.22 in local economy
- Non-local employees of NETs – re-spent £76,908.00 in local economy
  
- LM3 = 1.71
  - 54p in every pound spent directly on local employees and local suppliers
  - Further 17p generated for local economy by supplier and employee re-spending



# The pro's and gaps of the research

## Pros

- Provides a multiplier figure
- Provides a data based understanding of the supply chain
- Provide a data based understanding of re-spend
- Provides a perspective for a specific department

## Gaps

- Does not provide a detailed understanding of the practices of suppliers
- Does not always get into the bones of procurement strategy



# Wider procurement research in Manchester

- To understand the extent to which procurement spend upon the top 300 suppliers stays in Manchester
- To understand what happens to procurement spend once it reaches suppliers
- To understand the activities of suppliers
- To explore the validity of Manchester City Council procurement strategy and any key barriers within the system
- To seek to link procurement spend to key local economic development challenges for Manchester and the city region



# Key results of research (1)

- MCC spent £357,382,215.03 upon its top 300 suppliers (08/09)
- MCC spent £183,967,557.15 upon Manchester based suppliers (51.5%)
- £43,164,744.32 is spent in Ardwick
- £87,541,509.18 is spent in Manchester neighbourhoods in 10% most deprived nationally
- £106,954,708.29 is spent with indigenous Manchester firms
- £309,055,609.74 (86.5%) is spent in Greater Manchester





## Key results of research (2)

- All suppliers re-spent £89,345,553.76 in the Manchester economy
- This equates to 25p in every £1 received
  - Manchester based suppliers re-spent 23p in every £1 received
  - Greater Manchester based suppliers re-spent 45p in every £1 received
  - National based suppliers re-spent 12p in every £1 received
- The catalytic impact of spend for the Manchester economy is £687,030,798
- Manchester procurement contributes towards the support of 5225 jobs in the Manchester economy



# Key results of research (3)

## o **Employment choice**

- Recruitment policy can support the recruitment of local labour
- Community benefit is embedded into the practices of the construction sector
- City council priorities can drive supplier policy

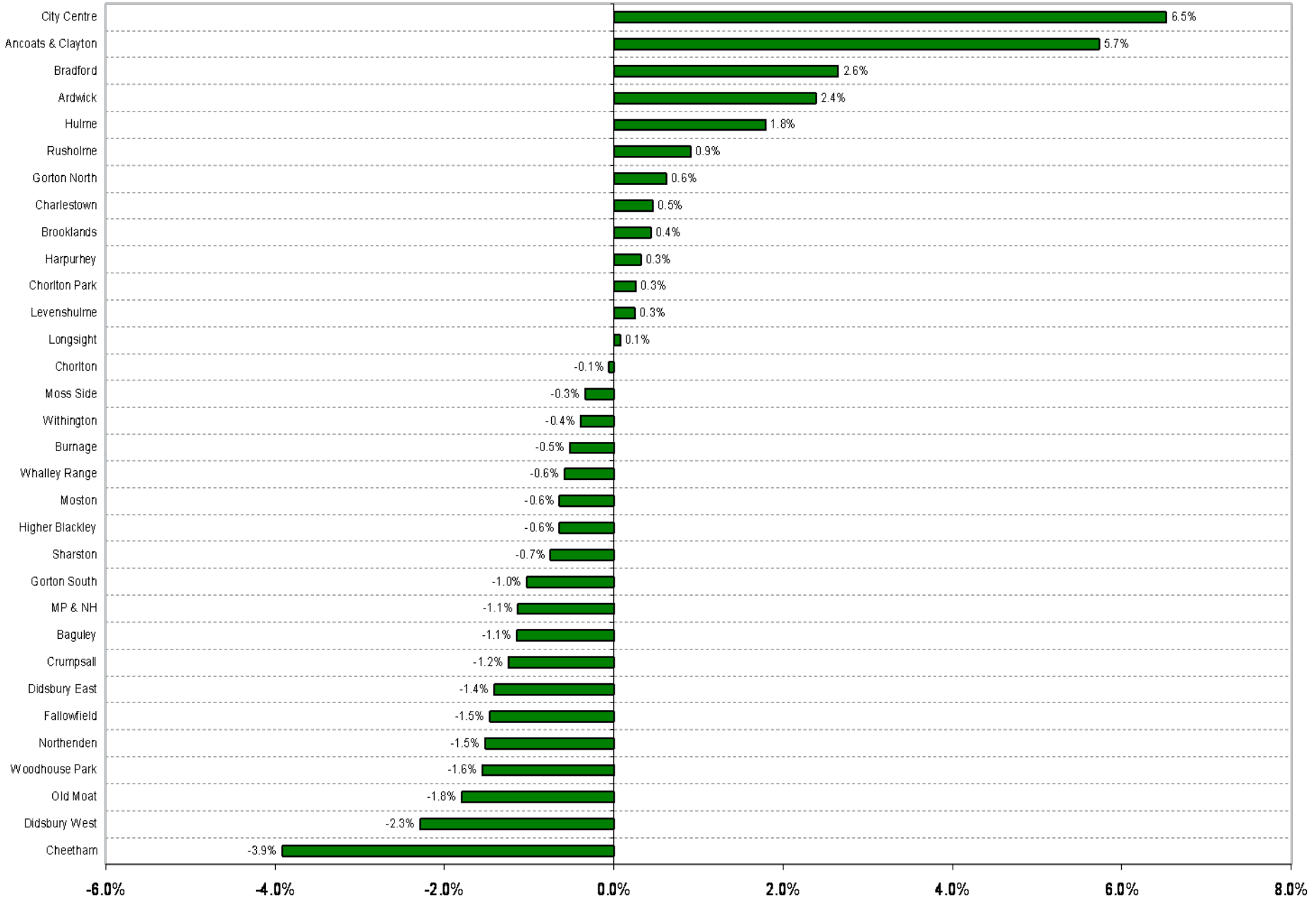
## o **Supplier choice**

- Supplier choices dependent upon the nature of the suppliers business

## o **Environmental considerations**

- Suppliers consider the environment in employee choices, supply choices and wider operational practices

# Under and over supply of suppliers by Ward





# Recommendations from Manchester

## Research identified a range of recommendations:

- Make the bidding process more straightforward
- Embed greater cross-departmental relations for procurement delivery
- Provide better direct advice for suppliers
- Facilitate learning amongst suppliers
- Set targets for enhanced impact
- Understand impact of procurement at different geographical scales
- Understand more effectively the constituent elements of contracts and the specialisms required
- Identify sectors and wards to target for business support
- Collect more effective data as part of project monitoring



# Why is this important for LEPs?

- Enables understanding of where public and other money is spent
  - Who is the supply chain? What do they do? What impact do they have?
- It gets practitioners thinking about procurement practice
  - Can processes be improved? Can benefit be enhanced? What support does business need?
- It demonstrates the contribution your locality makes to the sustainability of local services and businesses
- It highlights how you contribute to economic and social regeneration
  - Worklessness and job creation
- It enables understanding of your economy as required through Economic Assessment Duty



# Finishing off

## Further thoughts:

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