



Making places better



Taking a fresh look at procurement

Matthew Jackson, Head of Research, CLEES

**Paul Murphy, Group Manager, Systems and Strategies,
Manchester City Council**



Taking a fresh look at procurement: using the resources we do have

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Matthew Jackson, Head of Research, CLEES

**Paul Murphy, Deputy Head of Procurement,
Manchester City Council**



Why are Manchester bothered about sustainable procurement?

- a number of significant challenges facing the City:
 - Worklessness
 - 20% of working age population
 - Up to 40% of working age population in some wards
 - Low skills
 - High levels of deprivation
 - 4th most deprived local authority in the country



Task 1

- Government spends £220billion a year on procuring goods and services
- Local Government spends £50billion a year on procuring goods and services
- What additional benefits should this be bringing for economies and communities?



Why Local Multiplier models?

Fuelled by 2 key frustrations:

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

What we set out to do

- ❶ Gather evidence on how and where public sector resources are being spent
- ❷ Develop a replicable method and model of measuring the economic impact of public sector spend on the local economy
- ❸ 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
- $LM3 = \frac{\text{Round 1} + \text{Round 2} + \text{Round 3}}{\text{Round 1}}$



The pro's and gaps of the research

Pro's

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

Gaps

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



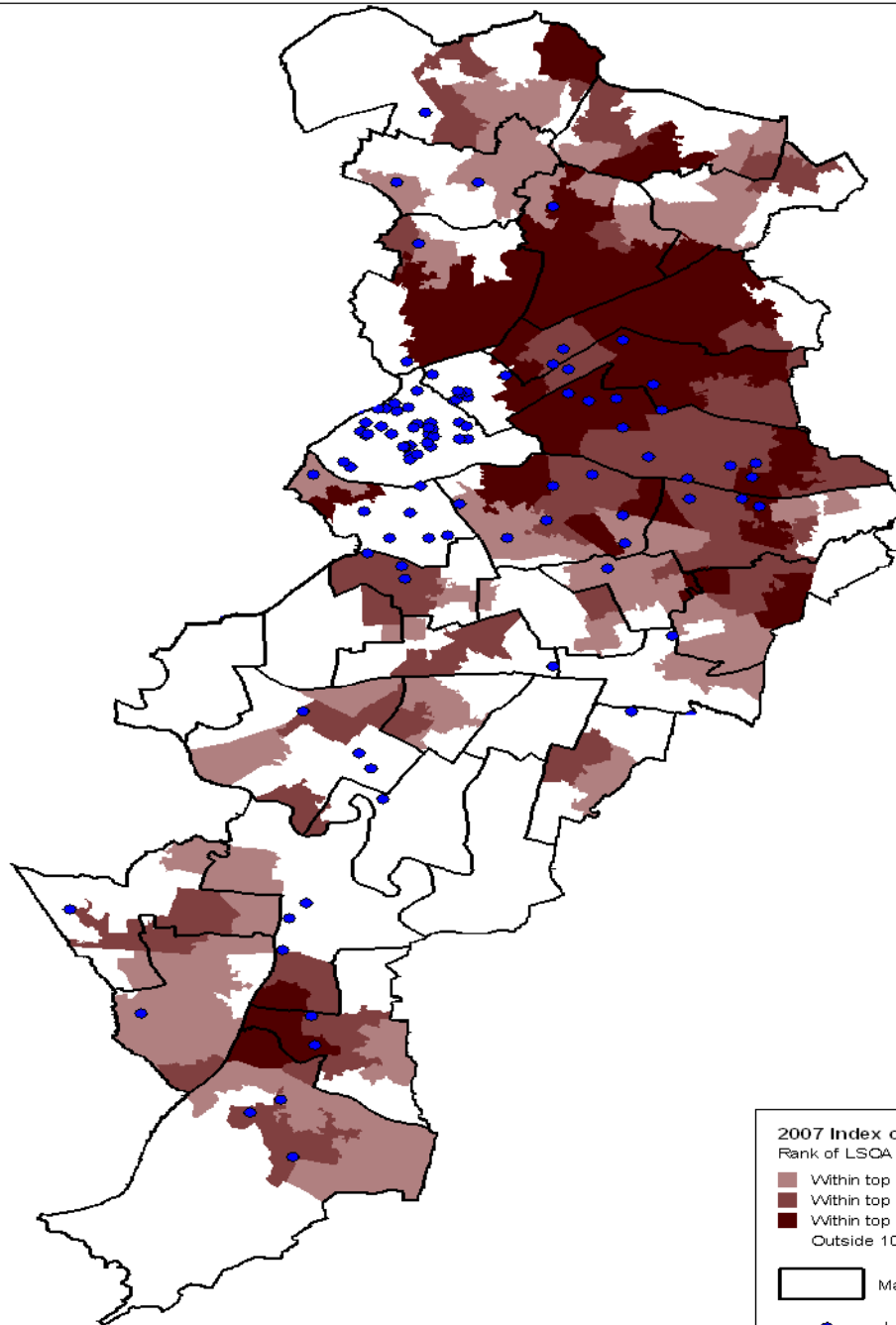
Wider procurement research in Manchester

- 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



2007 Index of Deprivation
Rank of LSCA nationally

- Within top 10% most deprived
- Within top 5% most deprived
- Within top 1% most deprived
- Outside 10% most deprived

Manchester Ward Boundary

Location of supplier

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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)

- 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
- Supplier choice
 - Supplier choices dependent upon the nature of the suppliers business
- Environmental considerations
 - Suppliers consider the environment in employee choices, supply choices and wider operational practices



Conclusions of Manchester research

- Good evidence of policy and practice BUT:
 - More gain could be achieved for Manchester economy
 - MCC could influence the practices of the supply chain further
 - Procurement still viewed as complex and silo-ed
 - Economic and procurement functions not always linked
 - Geographical and sectoral gaps in delivery
 - Significant challenges facing the City
- Recommendations
 - Embed greater cross-departmental relations for procurement delivery
 - Identify wards and sectors to target for business support
 - Provide better direct advice to suppliers



How has Manchester got to this position?

- ❶ **Through adopting a dually focussed sustainable procurement strategy**
 - ❶ To ensure that balanced consideration of social, environmental and economic impacts are undertaken throughout the procurement process;
 - ❶ To ensure that Manchester City Council employees, contractors and suppliers are aware of the Council's commitment to long-term social, ethical, environmental and economic sustainability



How has Manchester got to this position?

- ⦿ **Thorough an understanding of the power of procurement to regenerate:**
 - ⦿ Through job creation
 - ⦿ Through apprenticeships and skills programmes
 - ⦿ Through adopting sustainability principles
 - ⦿ Through recognising the multiplier effect



How has Manchester got to this position?

- ◉ **Through a range of tools:**
 - ◉ North West Construction Hub and Framework
 - ◉ Manchester People into Apprenticeships Scheme
 - ◉ Sustainability criteria in tendering
 - ◉ Clauses around labour, apprentices, and the environment
 - ◉ Meet the buyer events and training
 - ◉ Gap analysis and support for Manchester business
 - ◉ Supplier Network
 - ◉ Cross Departmental Procurement Group



How has Manchester got to this position?

- ◉ **Through challenging silos and cultural barriers:**
 - ◉ Working across service departments
 - ◉ Maximising the benefits within EU constraints
 - ◉ Through engaging directly with the supply chain to understand their ethos



How has Manchester got to this position?

- ◉ **Through a need to make efficiencies:**
 - ◉ Leader of NWIEP project to realise potential of collaborative procurement and sharing of innovation
 - ◉ 5 sub-regional and 2 regional hubs
 - ◉ Regional procurement network
 - ◉ Sub-regional infrastructures to ensure procurement efficiency at local level
 - ◉ Shared improvement and development programme
 - ◉ Capacity building around sustainable procurement understanding



Task 2

- What are the key barriers to achieving wider benefit?
- How can these barriers be overcome?



Concluding thoughts

- ◉ **Procurement is changing – local authorities need to:**
 - ◉ Assess the cost benefits of procurement decisions and delivery
 - ◉ Further influence suppliers in delivering community benefit
 - ◉ Adopt centralised procurement but work cross-departmentally
 - ◉ Recognise the importance of small business and social enterprise to local economies



Finishing off

Further thoughts:

- matthewjackson@cles.org.uk
- p.murphy@manchester.gov.uk
- 0161 236 7036