



## EXPLORING THE WIDER IMPACT OF THE PROCUREMENT SPEND OF THE 10 GREATER MANCHESTER AUTHORITIES – SUMMARY REPORT

### Context

The AGMA procurement hub authorities have a collective spend upon procuring goods and services of over £3billion annually. Whilst ensuring that all procurements are undertaken in a compliant and transparent way; the authorities also seek to ensure that spend brings maximum benefit for the Greater Manchester economy and its people. This means businesses, job creation, skills development and other economic, social and environmental benefits. This commitment comes in the commissioning and design of services, in the development of procurement documentation, and in the award of contracts.

Greater Manchester has been at the forefront of work around social value and procurement, both before and after the legislation of the Public Services (Social Value) Act 2012. To supplement this, in 2014, the Greater Manchester Combined Authority (GMCA) developed the Greater Manchester Social Value Procurement Framework. The Framework was designed to serve the dual purpose of providing a common means through which the ten Greater Manchester authorities could consider social value when commissioning and procuring public services; and also as a way of demonstrating the impact of spending choices on an ongoing basis. The framework is based around six key outcomes:

- ❑ Promote employment and economic sustainability;
- ❑ Raising the living standards of local residents;
- ❑ Promote participation and citizen engagement;
- ❑ Build capacity and sustainability of the voluntary and community sector;
- ❑ Promote equity and fairness;
- ❑ Promote environmental sustainability.

Whilst, the Greater Manchester authorities have had the Framework in place, there was an identified key gap in developing an evidence base as to exactly what the impact of the authorities procurement spend was upon the Greater Manchester economy, both directly and through the supply chain. The Association of Greater Manchester Authorities (AGMA) therefore asked the Centre for Local Economic Strategies (CLES) to develop a baseline position in 2014/15, this work is an update to that baseline analysis.

For the analysis of 2015/16 spend CLES has:

- 1)** Undertaken supply chain analysis for the top 300 suppliers by value across AGMA (30 suppliers per authority were included in the analysis). Spend was broken down by the geography of suppliers and whether they were based or had a branch in the local authority and Greater Manchester boundaries and whether they were a Small to Medium Sized Enterprise (SME);
- 2)** Surveyed the top 300 suppliers by value. This was sent electronically and focused predominantly on the behaviour of suppliers across a range of indicators which relate to themes of the Social Value Procurement Framework; with the data gathered including both quantitative and a small amount of qualitative information.

## Headline findings

The following outlines the key findings of the supply chain analysis and survey analysis for the ten Greater Manchester authorities. 91 of the top 300 suppliers responded to the survey. Where appropriate, proxies have used the actual results of the survey to make estimations across the top 300 suppliers. Findings are broken down by the six outcomes of the Greater Manchester Social Value Procurement Framework.

### Outcome 1 – Promote employment and economic sustainability

- ❑ 88% of the total spend (£1.05 billion) by Greater Manchester authorities with their top 300 suppliers by value is with organisations based in, or with a branch in Greater Manchester (84.8% in 2014/15); this equates to £933 million.
- ❑ In terms of direct spend with SMEs, Greater Manchester authorities spent £505 million, or 48.1% of total spend with the top 300 suppliers with such organisations (48.5% in 2014/15).
- ❑ In relation to the supply chain, the survey identified that on average 61% of the employees of suppliers are resident in Greater Manchester (57% in 2014/15).
- ❑ 89% of responding suppliers stated that they created jobs in the last year (93% in 2014/15), with 956 jobs created in Greater Manchester. We **estimate** that 5,288 jobs were created in Greater Manchester by the top 300 suppliers.
- ❑ 86% of suppliers stated in the survey that they created apprenticeships in the last year (69% in 2014/15), with 351 apprenticeships created in Greater Manchester. We **estimate** that 1,651 were created in Greater Manchester by the top 300 suppliers.

### Outcome 2 – Raise the living standards of all residents

- ❑ 50% of suppliers stated in the survey that they paid all staff the Living Wage Foundation wage of £8.45 per hour (50% in 2014/15).
- ❑ 20% of suppliers responding to the survey were Living Wage Foundation accredited employers.
- ❑ Suppliers stated in the survey that the rate of pay for the lowest paid member of staff in their organisations was an average £8.41 per hour (£7.66 per hour in 2014/15).
- ❑ Suppliers stated in the survey that on average 87% of their employees were employed on a permanent basis (93% in 2014/15). 7% are employed on a temporary basis and 6% are on zero hours contracts.
- ❑ 84% of responding suppliers to the 10 Greater Manchester authorities have a workplace health and wellbeing policy.
- ❑ 74% of responding suppliers support employees with childcare challenges and costs.
- ❑ 63% of responding suppliers to the 10 Greater Manchester authorities are looking to address the gender pay gap within their organisation.

### Outcome 3 – Promote participation and citizen engagement

- ❑ 73% of suppliers stated in the survey that they actively encouraged their staff to participate in volunteering and community activities (64% in 2014/15), with these stating that 10,372 hours were offered in Greater Manchester in the last year. We **estimate** that 103,004 hours were offered in Greater Manchester by the top 300 suppliers.

### Outcome 4 – Build capacity and sustainability of the voluntary and community sector

- ❑ 67% of suppliers stated in the survey that they actively provided support to the voluntary and community sector (64% in 2014/15), with these stating that 19,461 hours were offered in Greater Manchester in the last year. We **estimate** that 169,264 hours were offered in Greater Manchester by the top 300 suppliers.

### Outcome 5 – Promote equality and fairness

- ❑ 68% of suppliers stated in the survey that they created employment opportunities for those individuals described as 'hard to reach' (71% in 2014/15), with these suppliers stating that 298 employment

opportunities were in Greater Manchester. We **estimate** that 3,148 such employment opportunities were created in Greater Manchester by the top 300 suppliers.

### Outcome 6 – Promote environmental sustainability

- ❑ 38% of suppliers stated in the survey that they actively measured carbon emissions (32% in 2014/15).
- ❑ 84% of suppliers stated in the survey that they had an environmental management strategy in place (82% in 2014/15). Of these: 89% have recycling increases included, 95% have energy use included, 65% have carbon emission reduction included, 64% have transport type included, 79% have waste minimisation included, and 58% have a cycle or walk to work scheme included.

### Recommendations

In the 2015/16 study, CLES suggested five key recommendations for AGMA and the participating authorities.

First, we recommended that authorities ensured that social value was considered as a matter of course as part of every commissioning and procurement process, utilising the principles and outcomes of the Greater Manchester Social Value Procurement Framework. The participating local authorities are largely following this recommendation. However, the framework needs to be translated into the behaviour of other commissioners and procurers in Greater Manchester, including those in the health sector in particular.

Second, we recommended that there was a need to develop a process for continuously monitoring social value. This has partially been adhered to through the updating of the baseline position in this document. However, there remains work to be done to embed social value monitoring into contract management processes. This does require time and capacity considerations to be taken into account.

Third, we recommended that the authorities explored in more detail the spend which was leaking out of the Greater Manchester economy and the extent to which it was potentially 'influenceable'. This was with a view to engaging Greater Manchester suppliers in future tender exercises for these opportunities. Some work has been done on an individual authority basis in relation to this recommendation; but there needs to be a more effective relationship between commissioners and procurers and economic development practitioners across Greater Manchester.

Fourth, we recommended that the authorities sought to influence the behaviour of the supply chain so that more social value was generated through the process of procurement and subsequent delivery. The achievement of this recommendation can be evidenced in that many of the indicators have seen improvements over the course of the last year.

Fifth, and finally we recommended that AGMA and the authorities providing signposting to suppliers to support their achievement of social value outcomes. This has happened and AGMA in particular are seeking to enhance relationships between suppliers and organisations such as the Manchester Growth Company and their various programmes.

It is clear that whilst some of the recommendations have been met, there remains work to be done. This is on both a cross authority and individual authority basis. The evidence gathered through the supply chain analysis and survey of suppliers identifies indicators for each organisation which sit below the cross authority average. These are effectively areas for each authority to work on going forwards both individually and with their suppliers.

- ❑ Bury need to work on the proportion of their expenditure which is with suppliers based in the Bury boundary. They also need to encourage their suppliers to reduce their use of temporary contracts;
- ❑ Manchester need to work on supplier use of temporary contracts and increasing the proportion of their suppliers which actively measure carbon emissions;
- ❑ Oldham need to work on encouraging more of their suppliers to pay all their employees a Living Wage and also increase the proportion of employment opportunities they provide to people described as hard to reach;
- ❑ Rochdale need to engage more effectively with their supply chain (given the lower response rate than other authorities) and also work on levels of expenditure with suppliers based in Greater Manchester;

- ❑ Salford need to work on encouraging their suppliers to more proactively support the voluntary and community sector and also increase the proportion of suppliers which actively monitor carbon emissions;
- ❑ Stockport and Trafford need to engage more effectively with their supply chain (given the lower response rate than other authorities) and also work on levels of expenditure with SMEs;
- ❑ Bolton, Wigan and Tameside are largely above the GM average on all indicators, and should therefore share practice with others around their supply chain engagement.

## Concluding thoughts

This work undertaken in Greater Manchester is unique in that it not only explores the direct impact of procurement spend, but also presents findings of the wider social value derived by suppliers. This work is a snapshot, looking at the spend of the AGMA procurement hub authorities with their top 300 suppliers (just over £1billion). However, there is much more wealth in Greater Manchester which needs to be understood and harnessed for the benefit of the Greater Manchester economy and its people. This includes the spend of other anchor institutions including those in health and higher education sectors, large businesses, the Local Enterprise Partnership, and those funds being devolved through the Greater Manchester Devolution Deal.

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