



Centre for Local Economic Strategies



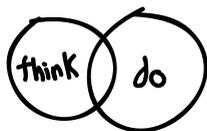
# The power of procurement

*Towards progressive procurement:  
the policy and practice of Manchester City Council*

*Matthew Jackson*

## About CLES

The Centre for Local Economic Strategies (CLES) is the leading membership based organisation in the UK dedicated to economic development, regeneration and local governance.



Founded in 1986, CLES undertakes a range of activities including independent research, events and training, publications and consultancy. CLES also manages the monthly New Start online magazine through its new CLES online service which provides comprehensive analysis and commentary on current policy and good practice. In all of CLES' work, the challenge of delivering local economic development alongside progressive environmental and social benefits is a common theme. For more information visit [www.cles.org.uk](http://www.cles.org.uk).

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# Contents

Introduction	3
The current policy context	6
Why procurement spend matters in Manchester	9
Sustainable procurement policy: the Manchester model	11
Mapping procurement spend: research findings	14
Recommendations and progress	22
Towards a new era for procurement	25
References	29
Figure 1: The Manchester procurement cycle	12

# Introduction

## **CLES and public procurement**

The Centre for Local Economic Strategies (CLES) has long recognised the importance of public procurement policy and spending to the functioning of local economies. The decisions public procurers make in both central and local government can have key implications for the sustainability of business, the growth of jobs and the circulation of incomes within communities. What has always shaped our policy thinking, both historically and now, is that public procurement is far more than an administrative process for determining the delivery of public services. Public sector led procurement has the opportunity to shape and influence so many of the activities which our public services deliver and ensure that public spending reaps maximum local economic, social and environmental benefit.

In times of economic change and fiscal restraint, the power of procurement becomes even more important. We need to make sure that every pound spent upon public service provision and procuring goods reaps maximum value and benefit. The term progressive procurement is therefore an important one. Procurement needs to move beyond the restraints of bureaucracy and red tape and become one of the core functions which shape the local economic future of our places.

Manchester City Council can be described as being at the forefront of progressive procurement policy and utilising procurement to shape the future of local economies. Over the course of the last year, Manchester City Council and CLES have been working together to demonstrate exactly what the benefit of progressive procurement policy and spend is. This CLES publication demonstrates the results of a research process which sought to understand the local economic, social and environmental benefits of procurement; and identifies how Manchester City Council are taking forward a range of policy recommendations.

## **A time of structural and institutional change**

The United Kingdom is currently categorised by a host of political, policy and financial changes and reforms. As the country tries to emerge from a period of prolonged recession, decision-makers at national and local levels are seeking new ways of returning to growth and productiveness. The general election brought to the fore a new Coalition Government with commitments to localism, economic growth and the notion of communities helping themselves through 'big society'. We are also in a period of

financial austerity in the spend of public resources, with the Comprehensive Spending Review in October 2010<sup>1</sup> detailing the full extent of financial reform and cuts.

These changes leave many of our localities, as places and as economies, under threat. Recession has exacerbated the challenges of unemployment and worklessness. Coalition Government policy, certainly in rhetoric terms, appears overly focused upon economic growth without consideration of social equality. In addition cuts in public expenditure threaten the viability of local public services and jobs, and the sustainability of the wider supply chain, in the form of commercial business and the voluntary and community sector.

### **A need for progressive procurement**

Local places and economies need to do something to respond to the challenges identified above and ensure they are resilient to global, national and local policy and financial reform. Procurement is an area of public service function recognised as important by all three main political parties. There is a feeling that 'progressive' and 'sustainable' procurement practices can offset some of the challenges public expenditure cuts are presenting to public bodies and, in particular, to local government.

The problem with this political recognition of the importance of progressive procurement is that Government itself is not sure of the benefits that effective procurement policies and practice can bring to local economies, social equality and the environment. Nor is local government given the required flexibility to enable procurement to be undertaken in an effective and progressive manner. For far too long procurement policy has been characterised by bureaucracy, narrow value for money and efficiency arguments, and a preoccupation with European Union procurement law.

In a time of fiscal austerity the whole process of procurement needs to change. We need to use the public sector resources which remain in a cleverer way which tackles both the big global challenges and the localised issues facing communities. We need to be considering the sustainable procurement of goods and services, receptive to the environment and mitigating climate change. We need to take into account the value and knock-on effects of procurement to local economies and the functioning of place. We need to consider the role of procurement policy and spending in tackling social ills such as worklessness and deprivation. And, we need to ensure that procurement cross-cuts the skills sets and priorities of different local authority departments.

## **The Manchester approach to procuring goods and services**

Above all, we need procurement policy to be progressive as opposed to regressive; and need a much deeper understanding of its links to the development of local economies. Over the last five years Manchester City Council has been extremely proactive in developing sustainability principles in its procurement policy. It has also sought to ensure that its procurement spending reaps maximum local economic, social and environmental benefit for the city's communities.

What has been missing from the Manchester model, however, has been: a quantitative understanding of the benefit of procurement spend to the local economy; an exploration of the extent to which suppliers to the city council adhere to sustainability principles in their own choices; and an understanding of how sustainable procurement policies and practices can be improved in the city.

## **Research and publication objectives**

In August 2009, Manchester City Council commissioned the Centre for Local Economic Strategies (CLES) to undertake research to explore these three core gaps in understanding. The research sought to both develop an innovative methodology for understanding the benefits of procurement spending and engaging suppliers; and offer recommendations as to how Manchester could move towards more progressive procurement practices across the local authority.

This publication and associated event held on Monday 25th October 2010 launches the research and provides an update upon how the recommendations are being taken forward by Manchester City Council. As a precursor to this, it sets the research in context by exploring the current policy environment.

# The current policy context

Before exploring the Manchester model of sustainable procurement policy and practice and its impact, it is important to be clear what we mean by procurement and sustainable procurement and to frame it within the wider national policy context and the current climate of financial austerity. Given the challenges facing global economies and the austerity measures facing the public sector, it is vital that procurement spend reaps not only maximum value for money but also economic, social and environmental benefit.

## **What do we mean by procurement and sustainable procurement?**

*'Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset'<sup>2</sup>.*

For so many years in the UK procurement has been viewed as an overly bureaucratic administrative function restrained by the notions of competition detailed in European Procurement Law. The National Procurement Strategy was the first point at which UK level government began to discuss the merits of community benefits and sustainable procurement strategy. In particular, it sets out two considerations that local authorities need to have in their procurement practices. First, it states that councils need to encourage a range of suppliers to help stimulate a varied and competitive market place, including understanding the suppliers' perspective and marketing the council to suppliers. Second, it states that under the Local Government Act 2000, councils are required to prepare a community plan and have powers to promote the economic, social and environmental well-being of their communities. Provided there is compliance with EU public procurement regulations and Best Value policy, councils can work with suppliers to realise community benefits of this kind through their procurement activities.

## **Public procurement policy**

In the years following the launch of the National Procurement Policy for Local Government, central government has sought to both promote the importance of sustainable procurement practice and also achieve efficiencies in service delivery, as advocated by the Gershon Review of 2004<sup>3</sup>. This has left local authorities with a series of difficult balancing acts to achieve.

On the one hand, there has been an expectation to enable community benefit whilst also adhering to European regulations. On the other hand, there has been an expectation to enable community benefits whilst also achieving cost efficiencies. This has meant that only the most innovative and creative local authorities have achieved true effectiveness and sustainability through their procurement practices.

The importance of public procurement to sustainability considerations is further reflected in policy documentation from Government over the last few years. The HM Treasury Operational Efficiency Programme report from 2009<sup>4</sup> detailed that the public sector spent over £175 billion upon procuring goods and services in 2007/08, with the Roots Review<sup>5</sup> highlighting that £42 billion of this was spent by local government. The challenge for local government has been to ensure that this is undertaken wisely and in a way which reaps maximum local economic, social and environmental benefit. This level of expenditure can provide a bulwark to a local economy in terms of: supporting business and the voluntary and community sector; providing employment opportunity; and ensuring the promotion of spend within the local economy, thus enabling the sustainability of local shops and services.

CLES would argue that procurement decisions made solely on the basis of cost are effectively more inefficient than they are efficient. These types of decisions are unlikely to have the wider policy impacts of more considered cost, quality, and benefit focused ones.

## **Financial austerity and emerging policy**

The viability and vitality of public services are under increasing threat as a result of the emerging austerity measures of the Coalition Government. Local authorities are facing significant budget cuts which will impact upon service provision and feed through to their communities and supply chain. This means that local authorities will need to spend the budget that they do have effectively and to the maximum benefit of their economy. It is useful to outline the key changes afoot which may have an impact upon budgets and the ways in which local authorities go about doing things.

### ***Spending cuts***

A significant cut of £6.2 billion was made to the public purse in June 2010, with a predominant focus upon area based grants such as Working Neighbourhoods Fund. The Comprehensive Spending Review (coming after the publication of this report) is expected to further cut public spending. The projection is for 25% to be cut from Government Departments across the board over the Spending Review period (2011-2014), with the cut in

the budget of the Department for Communities and Local Government expected to be closer to 33%.

### ***Structure reform***

The Coalition Government is moving away from a regional approach to economic development and regeneration to one focused upon localism. The Regional Development Agencies have been abolished and are being indirectly replaced by Local Enterprise Partnerships. These partnerships will bring together public and private representatives in a region with the idea that they will have a focus upon enabling economic growth. This development is important for procurement as it may result in an increase in the cross-authority delivery of public services.

### ***Service provision change***

With less money available, we have already seen some localities move towards more commercially focused methods of service delivery through the outsourcing of particular services and, in some cases, whole departments. This is important for organisations delivering services and providing goods through procurement as they may need to re-negotiate contracts and work with organisations other than the local authority in the procurement process.

## **The need for progression in procurement**

The financial austerity measures being placed upon local government means that the function and process of corporate procurement is going to take on even more strategic importance. With local authorities set to see reduced budgets it will be increasingly important that procurement spend reaps maximum bang for every single pound spent. This means: being innovative in spend and supply choices; promoting the value of procurement spend to local economies; working cross-departmentally to understand place; and demonstrating to central government that procurement can be done, not just efficiently, but also extremely effectively. There are a whole host of economic, social and environmental benefits which can be achieved through progressive procurement.

# Why procurement spend matters in Manchester

## **Manchester: a key example of place stewardship**

Manchester is often held up as a key example of place stewardship. Uninterrupted and effective civic leadership; a strong vision for urban renaissance; and often unrivalled partnership working has meant that the city has been resilient to the many economic and environmental shocks thrown at it, certainly in governance and investment terms. The IRA bomb of 1996, rather than being a signal of decline has been a catalyst for urban and economic rejuvenation. The redevelopment of the city centre, the effective development and delivery of the 2002 Commonwealth Games, and the development of Spinningfields are just three key examples of physical and economic regeneration.

## **An unequal distribution of wealth**

The challenge for Manchester has been that the benefits of growth and physical regeneration have not always been spread equally. Whilst the city centre in particular is continuing to boom, residential neighbourhoods remain categorised by issues of multiple deprivation: poor housing; cycles of poverty; worklessness; and low skills. These figures bring to life the extent of the challenge facing Manchester:

- On the Index of Multiple Deprivation 2007 Manchester is ranked the 4th most deprived local authority in England;
- 135 of Manchester's 259 Lower Super Output Areas (LSOAs) are in the 10% most deprived in England with 30 in the 1% most deprived;
- The 2nd most deprived LSOA in England is in Manchester;
- 5.1% of the working age population of Manchester claim Jobseeker's Allowance, compared to the England rate of 3.5%;
- 17.9% of the working age population of Manchester are 'workless', compared to the England rate of 12.0%;
- Worklessness is particularly prevalent in certain wards. 34.5% and 34.1% of the working age populations of Benchill and Harpurhey respectively are workless;
- 16.4% of the working age population of Manchester have no qualifications compared to the England rate of 12.1%;
- Residents of Manchester in employment earn an average of £447.50 per week before taxation. People working in Manchester

but resident elsewhere earn £514.30 before taxation, making this a significant variance.

### **What is procurement's role in enabling local benefit?**

The decisions made around procurement policy and spending have the potential to influence these challenges on a number of fronts. Progressive procurement policies which are receptive to, and considerate of, local economic, social and environmental benefits can have a number of advantages for local economies:

- Using a local supplier to provide specific goods or services can lead to employment opportunities and job creation, as well as sustain existing jobs;
- Unemployment, worklessness and deprivation are inextricably linked meaning that job creation through procurement processes can tackle the cycle of deprivation;
- Using a local supplier to provide specific goods and services can also have benefits for the wider supply chain, potentially supporting the creation of new businesses within communities;
- Employees and suppliers of organisations procured to deliver services and provide goods will spend money within local economies in shops and upon suppliers of their own;
- The choice of supplier, particularly in the construction sector, is important for skills and apprenticeships. Local authorities can support the development of local labour through reflective clauses around training and apprentices.

# Sustainable procurement policy: the Manchester model

## **The validity of a sustainable approach to procurement**

Manchester City Council's corporate procurement team have been aware of the importance of local economic and wider sustainability considerations in procurement practice for a number of years. Responding largely to the National Procurement Strategy 2003, Manchester City Council has recognised the importance of their £900 million expenditure on procuring goods and services reaping maximum benefit and impact. The Sustainable Procurement Task Force's 'Flexible Framework'<sup>6</sup> and Manchester City Council's 'Sustainable Procurement Policy Statement'<sup>7</sup> and associated 'Statement of Intent' all promote notions of sustainable procurement practice and, where legally possible, procurement practice which is beneficial for the City of Manchester and its residents.

## **The Manchester procurement cycle**

For Manchester City Council, the achievement of sustainable procurement practice does not just come in the decision to award an organisation a contract, but follows the much wider cycle from identification of need to completion of contract. This is demonstrated in figure 1 overleaf.

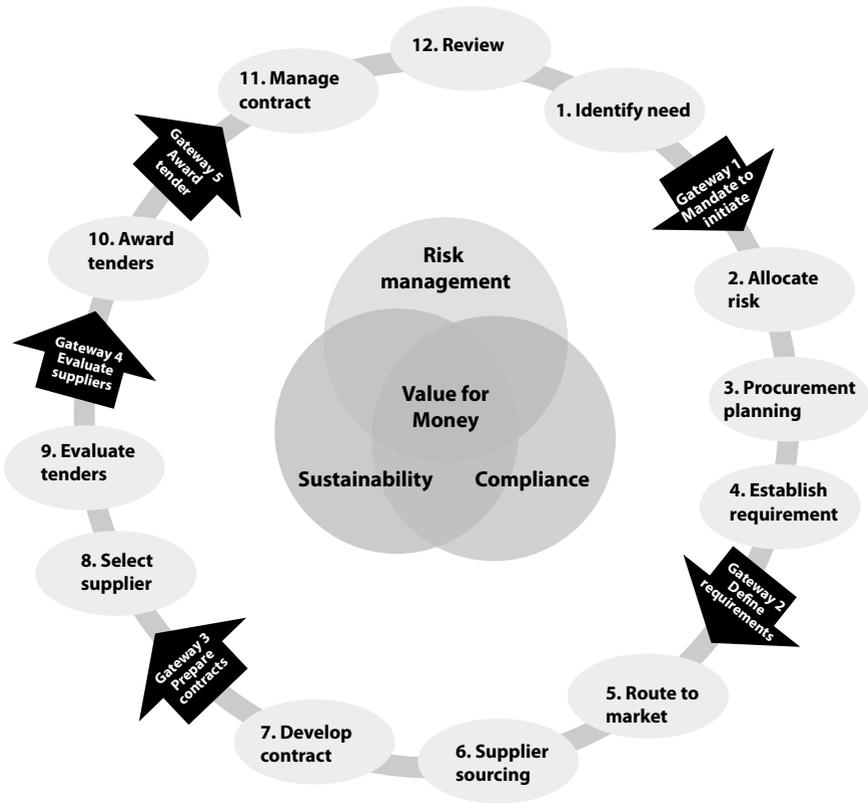
The objectives of the 'Statement of Intent' reflect the drive towards sustainable procurement and particularly the consideration of economic, social and environmental impact. There are two overarching aims to Manchester City Council's sustainable procurement policy:

- To ensure that balanced consideration of social, environmental and economic impacts are undertaken throughout the procurement process;
- 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.

## **A need to check the validity of the policy**

Part of the reason for CLES and Manchester City Council undertaking research exploring the local economic, social and environmental benefits of procurement was to utilise the second aim as a hypothesis and see how it was filtering through into supplier practice. We also sought to explore with

**Figure 1: The Manchester procurement cycle**



suppliers and through analysing data the validity of the following objectives of Manchester City Council's sustainable procurement policy:

- Taking into account the need to minimise emissions;
- Considering the environmental performance of all suppliers and contractors;
- Using recycled produce and products derived from reclaimed materials;
- Using Fairtrade, or equivalent, and ethically sourced and produced goods and services;
- Working more effectively with diverse suppliers;
- Ensuring that local enterprises are encouraged to bid;
- Maximising the opportunities for employment and economic gain within Manchester's communities.

# Mapping procurement spend: research findings

## **Manchester City Council and CLES research**

Over the course of the last year and a half, CLES and Manchester City Council have been undertaking a number of pieces of research to explore the two core aims described previously and in particular, to both quantitatively and qualitatively, analyse the procurement policy and practice of Manchester City Council. What has emerged is not only a local authority which is an example of good practice in sustainable procurement policy and a local authority committed to the locality; but also a local authority which is not prepared to rest upon its laurels as it strives towards progression in procurement. CLES has undertaken three core pieces of research for Manchester City Council:

- Between August 2009 and January 2010, the first piece of research explored Manchester City Council's spend upon its top 300 suppliers<sup>8</sup>. In particular CLES explored: the geography of spend upon suppliers; the re-spend by suppliers in the Manchester economy; and the ethos or practices of suppliers when it came to their own employment, suppliers and environmental choices;
- Between February and May 2010, the second piece of research explored Manchester City Council's spend upon suppliers ranked 301 to 1000<sup>9</sup>. In particular CLES explored: the geography of spend upon suppliers; the re-spend by suppliers in the Manchester economy; and gaps in spend in Manchester wards and by types of industry;
- Between March and April 2010, the third piece of research sought to develop good practice case studies of the activities of Manchester based suppliers to Manchester City Council<sup>10</sup>. In this we explored practices around recruitment, supplier and environmental choices.

## **The direct impact of procurement spend upon the Manchester economy**

Manchester City Council and CLES explored the extent to which the spend upon the top 300 suppliers was within the Manchester City Council boundary; was within particular wards; was within areas of deprivation; was within Greater Manchester; and was with organisations in particular industries.

### ***A significant amount of investment in Manchester's public services***

The Roots Review of 2009 highlighted that local government across England spends some £42 billion procuring goods and services. Manchester City Council spends some £900 million annually upon procuring goods and services (£600 million revenue expenditure and £300 million capital expenditure). £357,383,215.03 was spent in financial year 2008/09 upon procuring goods and services from the top 300 suppliers. A further £38,762,957.79 was spent upon suppliers ranked 301 to 1000.

### ***A significant contribution to the Manchester economy in spend***

£183,967,557.15 or 51.5% of spend upon the top 300 suppliers was with organisations with a Manchester City Council boundary postcode or with a branch within the local authority boundary. £13,029,202.83 or 33.6% of spend upon suppliers ranked 301 to 1000 was similarly spent within Manchester. Both these figures compare positively to previous studies undertaken by CLES in Swindon (31.7% of suppliers local) and West Lothian (11.8% of suppliers local).

### ***Procurement spend: a core driver of ward economies***

Procurement spend also contributes to more localised economies in the form of wards and neighbourhoods. There are particular wards in Manchester where there are high levels of procurement spend. Organisations in the ward of Ardwick, which is to the East of the City Centre, were contracted to deliver £43,164,744.32 of the total spend upon the top 300 suppliers in 2008/09. The largest amount of Manchester based spend upon suppliers ranked 301 to 1000 was in the City Centre ward, amounting to £3,915,802.00. The research undertaken into suppliers ranked 301 to 1000 also identified wards where there were gaps in procurement spend compared to the business base of that locality. There were particular gaps in spend in the wards of Cheetham and Didsbury West.

### ***Procurement spend: a fillip to the economies of deprived neighbourhoods***

Of the £183,967,557.15 spent upon the top 300 suppliers based in Manchester, some £87,541,509.18 was spent with organisations based in, or with a branch in, the 10% most deprived LSOAs in England. £11,291,186.96 was spent with organisations based in, or with a branch in, the 1% most deprived LSOAs in England. Of the £13,029,202.83 spent upon suppliers ranked 301 to 1000 based in Manchester, £3,755,888.00 and £1,549,564.00 was spent respectively with organisations based in, or with a branch in, the 10% and 1% most deprived LSOAs in England.

### ***An impact upon the wider Greater Manchester economy***

Manchester City Council's spend upon its top 300 suppliers also has a ripple effect for the wider Greater Manchester economy. On top of the £183,967,557.15 spent within the Manchester City Council boundary, a further £125,088,052.59 was spent with organisations based within, or with a branch within, the other 9 local authorities of Greater Manchester. This means 86.5% of all spend upon the top 300 suppliers was with organisations with a presence in Greater Manchester. A different picture emerges for suppliers ranked 301 to 1000, with 57.8% of all spend upon suppliers being with Greater Manchester based or branched organisations. £22,402,422.85 of the total spend of £38,762,957.79 upon suppliers ranked 301 to 1000 was, therefore, with Greater Manchester based or branched organisations.

### ***A key contributor to the local construction sector***

In difficult financial times it is encouraging to see significant investment in the local construction sector by Manchester City Council through procurement. From the top 300 suppliers in 2008/09, £178,669,181.46 was spent with organisations classified as being in the construction sector. £84,960,265.52 was spent with construction organisations with a Manchester City Council boundary postcode or a branch within the local authority boundary. Spend upon suppliers ranked 301 to 1000 is differently focused, when industrial type is explored. The largest proportion of spend, both in total (£13,492,874.94) and with Manchester based suppliers, was in the real estate, renting and business activities sector. The research undertaken into suppliers ranked 301 to 1000 also identified industrial sectors where there were gaps in procurement spend compared to the proportion of those types of organisations in Manchester. There were particular gaps in the industrial sectors of wholesale and retail trade and construction.

### ***A fair degree of spend with the voluntary and community sector***

Given the drive towards contracting, in past and present government policy, around the voluntary and community sector it is important to recognise the importance of Manchester City Council's spend upon procurement to the social economy. Of the total spend upon the top 300 suppliers in 2008/09 £29,165,882.79 was spent with voluntary and community sector organisations based in Manchester.

## **The indirect and catalytic impact of procurement spend upon the Manchester economy**

Manchester City Council and CLES explored the extent to which suppliers re-spend the income they received from Manchester City Council through procurement within the Manchester City Council boundary. The emphasis was placed upon re-spend upon suppliers and employees of their own. We also explored the catalytic impact of spend and the role of procurement in job creation and sustainability.

### ***A significant reinvestment in the Manchester economy by suppliers***

90 of the top 300 suppliers to Manchester City Council responded to a survey exploring the extent to which they re-spend upon Manchester based and resident suppliers and employees of their own. For all the suppliers who responded to the survey (encompassing Manchester based, Greater Manchester based, and national suppliers) 25p in every £1 was re-spent upon Manchester based employees and suppliers of their own, amounting in monetary terms to £89,345,553.76. This compares positively to previous studies undertaken by CLES in Swindon (16p in every £1 re-spent locally) and West Lothian (18p in every £1 re-spent locally). Suppliers to Manchester City Council ranked 301 to 1000 re-spent 33p in every £1 upon Manchester based employees and suppliers of their own.

### ***A variant re-spend by locality***

The respondents to the survey were split down by Manchester, Greater Manchester, and nationally based organisations to see if there was any re-spend variation by geography. The results were interesting with: Manchester based organisations re-spending 23p in every £1 in the Manchester economy; Greater Manchester based organisations re-spending 45p in every £1 in the Manchester economy; and nationally based organisations re-spending 12p in every £1 in the Manchester economy. The Greater Manchester figure is high and is skewed by one large supplier based in Salford, but with a strong Manchester focused supplier and employee chain. Similar analysis for suppliers ranked 301 to 1000 revealed that Manchester based suppliers re-spent an impressive 50p in every £1 in the Manchester economy upon their own employees and suppliers.

### ***Procurement: a catalytic impact upon the Manchester economy***

The above re-spend analysis was undertaken on the basis of the amount each organisation received from Manchester City Council. Clearly suppliers will have contracts with organisations other than Manchester City Council and their re-spend will have wider impact. The survey also asked suppliers to detail how much they felt they spent in total in the Manchester

economy. Suppliers re-spent an average of £2,290,102.66 in the Manchester economy upon suppliers and employees of their own, in catalytic terms amounting to £687,030,798.00, which is effectively double the amount spent by Manchester City Council upon procuring the top 300 suppliers. Suppliers ranked 301 to 1000 re-spent an average of £153,745.84 in the Manchester economy upon suppliers and employees of their own, in catalytic terms amounting to £107,622,088.00, which is effectively treble the amount spent by Manchester City Council upon procuring suppliers ranked 301 to 1000.

*Procurement: a creator and supporter of jobs for Manchester residents*

It is also possible to use the data generated from the survey to highlight a figure for the number of jobs created and supported by spend upon the top 300 suppliers. Using the total spend of Manchester City Council upon all suppliers; the average spend upon employees by suppliers responding to the survey; and the number of local employees of each supplier we worked out that 5225 jobs are supported for Manchester residents through Manchester City Council's spend upon the top 300 suppliers.

## **The ethos of supply chain organisations**

Through a series of strategic interviews with suppliers, Manchester City Council and CLES also sought to explore the ethos of the top 300 suppliers when it came to their own employment, supplier, and environmental choices. The following section explores this ethos in a little more detail, together with case study examples.

*Employment choices*

There were a number of considerations when it came to employment choices for suppliers to Manchester City Council:

- **Location is not the only factor in the recruitment decision** – the recruitment choices of suppliers varied by type of industry. Whilst the primary focus of consultancy and front-line service providers was skills; those organisations in the voluntary and community sector had much more of a neighbourhood commitment as outlined in the example of Community Security/Community Ironworks.

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*Community Security/Community Ironworks*

Community Security/Community Ironworks has been operating in Beswick, East Manchester since 1992, providing CCTV and alley-gating services. Community Security/Community Ironworks has a key commitment to local employment and community up-skilling through

goods and service provision. Any potential recruit to the organisation who lives within a 2 mile radius of the organisations base is guaranteed an interview. Where potential local recruits do not have the full skills required to undertake the job they are guaranteed three months of training. Community Security/Community Ironworks also seeks to influence the recruitment practices of their suppliers and support young people from East Manchester into employment with these suppliers.

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• **Community benefit is embedded into the practices of the construction sector** – despite often being multi-national organisations, each of the construction organisations had commitments to community benefit. They had key policies to support local employment, training and apprenticeships and undertook activities to support local people into jobs including leaflet drops and neighbourhood specific databases, as outlined in the example of Laing O'Rourke.

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### *Laing O'Rourke*

Laing O'Rourke is the largest privately owned construction business in the UK, with a specialism in public sector and commercial physical builds. Despite their size Laing O'Rourke are committed to every community in which they work, recognising the importance of supporting local economies. Providing a string of community benefits, the organisation particularly recognises the importance of local labour and apprenticeships in reducing issues such as crime at construction sites. Laing O'Rourke also seek to, not only ensure impact in the physical look of place, but also have influence on issues such as tackling truancy in schools. They work closely with suppliers in the communities in which they have projects, assessing both their capabilities and community values.

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• **Recruitment policy can support the recruitment of local labour** – the place where suppliers advertise job opportunities can affect the employment choices of suppliers. Advertising with local brokers such as Jobcentre Plus and Work Solutions (a Greater Manchester wide employment broker), together with more informal mechanisms in local shops can support the recruitment of local labour.

• **Recruitment practice is not just about a job but progression** – for some suppliers, particularly those at the front line and in the voluntary and community sector, employment practices were not just about a job, but wider progression. Suppliers felt in particular that the move from

volunteering to employment was crucial to local economies, as highlighted in the example of YASP.

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### *YASP*

The YASP project forms part of the wider activities of the HARP Trust, providing a range of activities for young people with mental health issues. YASP's local economic value comes not only through employment and supply choices but also the way in which the activities provided alleviate worklessness, deprivation and poverty. Volunteering forms a key part of the YASP offer, with around 25% of the young people classed as service users moving onto employment with the organisation. Being a neighbourhood based project in Levenshulme means that supply choices are often made with the local economy very much in mind.

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### *Supplier choices*

There were a number of considerations when it came to supplier choices for suppliers to Manchester City Council:

- **Supplier choices are dependent upon the nature of the suppliers business** – suppliers taking part in the research had a range of considerations when it came to supplier choices of their own. Choices were not necessarily focused upon locality, but dependent upon cost and quality and the supplier intensity of the goods or service provided. For voluntary and community sector organisations, the location of suppliers is important for the development of local social and monetary economies.
- **The construction and housing sectors have public sector standard supplier frameworks** – the procurement practices of organisations in the construction and housing sectors were on a par with the public sector in terms of frameworks and supplier engagement. Organisations seek to recruit local suppliers through keeping databases of credentials and holding meet the buyer events, as highlighted by the example of Bramall Construction.

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### *Bramall Construction*

Bramall Construction undertake a host of new build and social housing refurbishment activities together with existing Building Schools for the Future contracts. Supplier choices are the key area in which Bramall Construction seeks to enable community benefit. In particular they hold open days and meet the buyer events, holding the records of all potential sub-contractors and suppliers on a database which can

be searched by a number of categories including postcode. Apprenticeships also form a key element of their relationships with suppliers.

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***The environment***

Suppliers to Manchester City Council considered the environment in their employee choices, supply choices and wider operational practices. For some suppliers recruiting locally was not just about supporting the local economy and communities, but also about the environment. Construction organisations in particular were focused on reducing the emissions associated with the provision of goods and services. The organisations focusing upon environmental issues inherently had the greatest focus upon the environment in employment, supplier and environmental choices.

## Recommendations and progress

The research undertaken by Manchester City Council and CLES has highlighted a positive quantitative and qualitative picture when it comes to the procurement policy and practice of Manchester City Council. In particular there is an extremely positive contribution to both the Manchester and Greater Manchester economies in terms of spend upon suppliers and job creation. It is also evident that the second of the two primary aims of Manchester City Council, around supplier understanding of the council's commitment to community benefit, is progressing.

As with any research process, and indeed local authority practice, there is room for improvement. The 51.5% figure for spend with local suppliers could increase, as could the 25p in every £1 re-spent by suppliers in the Manchester economy. Similarly, the corporate procurement department could have far better cross-departmental relationships within Manchester City Council and with suppliers to facilitate enhanced local economic, social and environmental benefit. The research highlighted a number of unanswered questions:

- How can levels of local spend upon suppliers and by suppliers be enhanced?
- How can Manchester City Council make their suppliers more aware of their policies and commitments around sustainable procurement?
- How can Manchester City Council make organisations in wards with a so far untapped business base, such as Cheetham, aware of procurement opportunities and support them to bid?
- How can Manchester City Council support organisations in sectors with an under-representation of Manchester based businesses to bid for goods and service opportunities?
- How can Manchester City Council maximise understanding of the skills and capacity of the Manchester business base?
- How can Manchester City Council develop more effective relationships across the Council, and utilise their knowledge and experience in the procurement process?
- How can the practice of Manchester City Council be rolled out across wider Greater Manchester and the North West?
- How can Manchester City Council ensure that spending in areas of deprivation has greater impact in tackling issues such as worklessness?

- How can the best practice of suppliers around local economic, social and environmental benefit be more effectively promoted?
- How can Manchester City Council continue to be a fore-runner of sustainable and progressive procurement practice?
- Why is there more Manchester based spending with organisations ranked in the top 300 than those ranked 301 to 1000?

To enable Manchester City Council to make a start on addressing these unanswered questions, CLES provided a number of recommendations as part of the research. These were as follows:

- 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.

Being a proactive and progressive local authority, Manchester City Council have taken on board a number of these recommendations and set up activities and emerging structures.

#### ***Cross-departmental procurement working group***

Recognising the importance of the relationship between procurement and local economies, Manchester City Council has set up a cross-departmental procurement working group, between primarily Corporate Procurement and Economic Development, but also including representatives of Education and Adult Social Care. The working group meets quarterly to ensure procurement decisions are made with a grounded understanding of the local economy and the impact spending can have upon issues around employment.

#### ***Developing relationships between suppliers and education and employment providers***

Manchester City Council has sought to bring together key suppliers and providers of employment and education services. Initial meetings have been held on a pilot basis with one core supplier, with a budget of over £5 million, to explore how the supplier's provision of services can have a greater impact upon the local economy in terms of supporting people into employment and education.

### ***Supplier network***

Manchester City Council has also set up a supplier network bringing together suppliers, corporate procurement officers and economic development officers. The purpose of the supplier network is two-fold. It firstly provides suppliers with the opportunity to air any frustrations with the procurement process and ask questions of the Council. Secondly it provides Manchester City Council with the opportunity to influence how suppliers consider local economic, social and environmental benefits in their practices.

### ***Demonstrating the value of procurement across the city council and Greater Manchester***

The research undertaken by Manchester City Council and CLES presents an important message. Data around spend within the Manchester economy and job creation presents a powerful picture and one which is being effectively utilised and communicated by City Leaders. Manchester City Council and CLES are also seeking to roll the methodology out across Greater Manchester.

### ***Identifying and supporting business to bid***

The Economic Development Unit has taken on board the recommendations around supporting specific industries and organisations in particular parts of Manchester to bid for procurement opportunities. The Area Regeneration Team in North Manchester, for example, is working in Cheetham to identify organisations with the capabilities to deliver contracts. These will potentially be provided with targeted business support.

# Towards a new era for procurement

## **Manchester City Council: an example of innovation in procurement**

The research undertaken by Manchester City Council and CLES has highlighted that Manchester's sustainable procurement policy and practice can be held up as an exemplar of innovation in the move towards progressive procurement. If public procurement is to move into a new era then there is a need to embed the lessons learned from this process and from the research, not only in Manchester, but also more widely across the sub-region, region and nationally.

The Manchester model of sustainable procurement has not come about organically, but is a result of a range of factors:

- ***A long-term vision***

Manchester City Council's approach to sustainable procurement is a long term one. The procurement cycle set out earlier in figure 1 was a result of significant consultation across the local authority, region and with suppliers. It is accompanied by a set of aims and objectives which are not only resonant and adhered to by the local authority but the wider supply chain.

- ***A recognition of the need to understand the supply chain***

Manchester City Council have recognised the importance of understanding where money spent through procuring goods and services goes geographically and its wider local economic, social and environmental impact. The research undertaken has provided a solid evidence base of current levels of spend and re-spend which is being used to further enhance how Manchester goes about procurement policy.

- ***Procurement cannot be bureaucratic***

Manchester City Council has recognised that procurement policy and practice cannot be centralised, bureaucratic and narrowly focused upon cost if it is to reap maximum benefit. To ensure it does reap maximum benefit, procurement is becoming more cross-departmental. There is a particular recognition of the skills set of the Economic Development Unit and education providers in supporting objectives around local economic benefit.

- ***Suppliers buy-in crucial to achieving impact***

The relationship between local authority procurement department and supplier can often be tenuous and difficult. Having a particular aim around promoting the Council's values to the supply chain in the sustainable procurement strategy has been effective in engaging the supply chain. This

means many suppliers have bought in and are achieving impacts around the local economy and place as a matter of course.

• ***Procurement as a tackler of wicked issues***

Despite the continued challenge of Manchester being one of the most deprived local authorities in England, there is evidence from this research that procurement has the potential to tackle some of the very wicked issues facing communities, particularly worklessness. Support for local labour and apprenticeships through the supply chain engages communities effectively and fosters change.

**Key messages for government**

This research and the current fiscal restraints being placed upon public authorities and particularly local authorities, has reinforced the importance of public procurement to local economies. With local government facing significant budget cuts in the coming months, it will become increasingly important that the process of procurement is progressive and achieves maximum impact for every pound spent. This means not only value for money in the supplier choice but ensuring local economic, social and environmental benefit. There are therefore a number of key messages for government flowing from the research:

• ***The private sector needs procurement more than ever***

The new Coalition Government appears to be portraying the private sector as the solution to the United Kingdom's financial challenges and the future driver of economic growth. The problem with this is that public procurement can often be the staple of private sector finances, meaning that cuts in public sector expenditure will have knock-on effects for the private sector supply chain. As opposed to a growing private sector, there may well be a declining private sector as services are stripped away. Progressive procurement practice can aid the identification of businesses and organisations that can deliver public services and identify organisations which are capable of further developing local economies.

• ***Procurement could be part of the solution to welfare issues***

The new Coalition Government has also signalled their intention to reform the welfare system and support more people into employment. The problem with this is that a welfare system overly focused upon the supply of labour neglects the demand side and job creation. Providing employment and up-skilling needs to be matched with jobs. The challenge in the current market is that jobs are simply not available to support the number of claimants. Procurement spend as outlined in this research has knock-on effects for jobs and local economies. We therefore need to be looking at

how procurement departments and suppliers can maximise job creation for local communities through public spend.

• *Cuts mean new commercial skills are required*

The function of corporate procurement is the closest the public sector comes to a commercial and business model. Procurement officers are required to engage on a daily basis with the business sector and in effect have an inherent understanding of how they operate. As public sector spend decreases and as public sector employment declines, this skill may well prove invaluable as public sector workers seek new forms of employment. These sorts of skills need to be not just restricted to procurement departments but spread across local authorities.

• *Public services are needed more than ever*

The onset and continuation of the effects of recession has meant that communities need certain public services such as debt and employment advice more than ever. This demand is set to be exacerbated as public sector spending cuts take effect. The social purpose of these types of service, means that the effectiveness of procurement decisions and spend will become more important, particularly for voluntary and community sector organisations delivering these types of services.

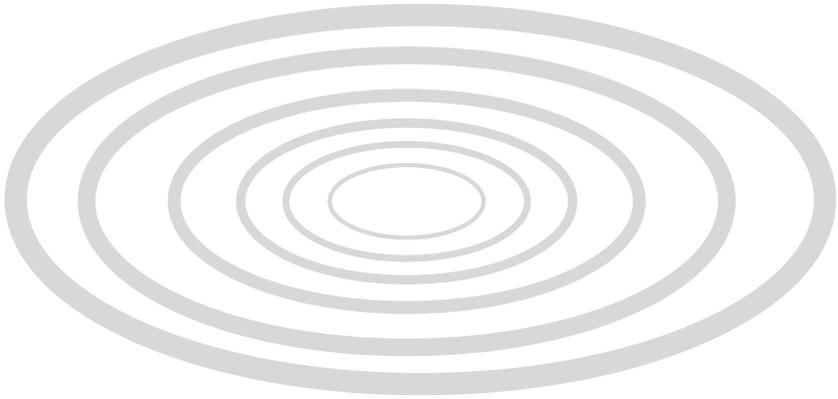
## **What do other local authorities need to do?**

Manchester is relatively unique in undertaking the detailed supply chain analysis and local economic, social and environmental benefit assessment explored earlier in this publication. The analysis has proved useful for Manchester City Council in further developing their sustainable procurement policies and practices. As such, other local authorities should look to undertake the following:

- Quantitatively assess current spend and its local economic impact;
- Qualitatively explore the practices of the supply chain and their social and environmental impacts;
- Identify gaps in provision and target support accordingly;
- Set long term sustainable procurement policy aims and objectives;
- Work with the supply chain to develop policy and enable benefit.

In order for them to do this Government needs to give local authorities the required flexibility to shape progressive procurement policy and practice. They need to: allow local government the flexibility to undertake supply chain analysis and use an innovative model to do this; support the more effective use of the Power of Well-Being and the principles of the Sustainable Communities Act; challenge perceptions and cultures around European

Procurement Law being a core barrier to benefit; and promote methods of good practice in supplier engagement.



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