

## **Procurement Best Practice Visit Manchester City Council 19 June 2012**

### **Background:**

The Centre for Local Economic Strategies (CLES) completed a research project in 2010, on behalf of Manchester City Council. The purpose of which was to demonstrate the value of procurement to the local Manchester economy. CLES were also asked to outline key actions addressing how sustainable procurement policies and practices could be improved in the city. This best practice approach identified how Manchester could:

- Become innovative with public spend and supply choices
- Promote the value of procurement spend to local economies
- Work cross departmentally to understand economic conditions.

Utilising the Manchester approach as an example of best practice, a workshop was held within Belfast City Council (BCC) on 23 May 2012, facilitated by Matthew Jackson, Head of Research at CLES. The purpose of the workshop was to consider how a similar Local Multiplier Model could assist in a BCC approach to procurement and subsequently influence a sustainable, progressive procurement strategy. The workshop focused upon the following:

- Mechanisms for measuring the benefits of procurement spend;
- Approaches to supplier engagement;
- Mechanisms of maximising economic impact.

Following this session it was agreed to undertake a best practice visit to Manchester City Council to learn at firsthand what the key drivers behind the Manchester experience were and how the council has maintained momentum in its efforts to improve its procurement practices.

### **Manchester Visit:**

Procurement in MCC has been developed as part of the Manchester Improvement Programme (MIP) which outlined 65 improvement projects for the council. In October 2005 a project mandate was approved for the procurement service improvement project. Research undertaken as part of this identified two core priorities for the project, outlined below.

#### **1. Centralised Procurement Function**

Prior to the improvement project procurement in MCC was devolved, research identified the equivalent of 40 full time staff members were directly involved in procurement. By centralising procurement staff efficiencies were achieved resulting in a reduction to 26 full time posts.

In addition to centralisation of procurement, a new structure was also created involving three distinct teams, as follows:

- a. Systems and Strategies Group
- b. Procurement Operations Team
- c. Contracts Management and Benefits Realisation Team

This approach allowed for dedicated staff to develop procurement strategies and systems, deliver the day to day procurement activities whilst ensuring a robust contracts management is in place. The operational structure of procurement is mirrored for revenue and capital spend with separate team responsible for the different types of spend.

#### **2. Best Practice Procurement Model**

The Centre for Local Economic Strategies (CLES) were commissioned to undertake a review of MCC spend, the purpose of which was to determine the councils current economic impact and to recommend improvements aimed at increasing this in the future. This research provided MCC with data, to inform improvements to its procurement policies and practices, demonstrate the reason for intervention amongst elected members and create a baseline for future measurement.

The following building blocks were identified by MCC as critical to the improvements to their procurement:

1. Simplification of tender documentation.
2. Development of linkages between Economic Development and Procurement
3. Development of supplier network for engagement with local suppliers
4. Development of a online regional procurement portal
5. Development of a Sustainable Procurement Policy

Of these the largest impact was made by the online regional portal, titled 'The Chest' (<https://www.the-chest.org.uk/cms/cms.nsf/vHomePage/fSection?OpenDocument>). The Northern Ireland equivalent is the "eSourcingni" system which we currently publish all tenders through. The Chest is the procurement portal for the North West of England which includes Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside. Cumbria is the lead council and the procuring authority.

The key benefits of this system for MCC and local businesses include:

- Simple and free registration.
- All procurement opportunities, above £30,000, for the NW region are accessed through one portal.
- An automated tender alert service is available through the site
- Businesses only submit their data once and have the option of updating registration/PQQ information for individual tenders.

### **Sustainable Procurement Policy**

A key stage for improving MCC's procurement was the development of a sustainable procurement policy encompassing a statement of intent. In the development of both engagement of the local business community including social enterprises and community and voluntary organisations took place. The policies also addressed key priorities such as the green agenda but were focused more on economic and social drivers such as local economic impact.

For MCC the statement of intent was particularly important, to communicate the councils priorities internally but also externally to ensure suppliers were aware of and committed to supporting the council deliver against its priorities. To some extent, this created the "ethos" of what it meant to work with and for MCC and companies bought into this and delivered not only on the written contractual obligations but also took measures over and above, particularly around access to employment, apprentices etc.

### **Construction**

In MCC's experience construction suppliers have tended to be more advanced than revenue suppliers on delivering against council priorities. It was reported up to 200 apprenticeships have been working across the partners connected with the Manchester in Construction Project delivered by Aspire, all of which have found employment to date (<http://www.gmchamber.co.uk/services/temporary-staff-recruitment-aspire>).

Through this project apprenticeships are offered for a three year period. MCC expects every construction contract to take on apprenticeships. To facilitate this and mitigate against difficulties against apprenticeship duration against specific contracts, Aspire directly employ each apprentice. Through this approach they can rotate apprentices between construction contracts and thereby accumulate the three years duration required. This approach allows contractors and councils to achieve their apprenticeship

targets. The success of this approach for MCC is demonstrated by their return on investment which resulted in a return of 43p for every £1 invested by MCC.

In addition MCC are engaging with existing suppliers to deliver added benefits outside of the contracts already in place. An example of this approach has been taken place with G4S, currently in a 7 year contract with MCC. Links have been established by the council between G4S and Job Centre Plus to encourage accessibility of employment opportunities for MCC residents.

MCC have undertaken this approach as they believe in order to deliver against the council's social and economic objectives written clauses in contracts and encouragement/influencing suppliers to enter into the spirit of working with council to deliver their objectives needs to take place.

### **Frameworks**

MCC continue to use frameworks and specifically referenced examples for construction and printing services. By dividing the frameworks into lots MCC were able to ensure opportunities were still accessible for small businesses. Their construction framework was issued in 21 lots, 90% of suppliers are located in the Greater Manchester area, resulting in less than 10% leakage from the local economy. Their print framework was also divided into lots with 80% being local suppliers and 20% leakage. Note – MCC indicated that there are a lot of major consulting companies that have a base in the city and this would account for the figure being so high.

### **Procurement Spend Analysis**

Of MCC's total spend, 80% is above £30,000 and therefore publically tendered, the remaining 20% will be delivered via a quotation system. Quotation opportunities are currently not available through the 'Chest' portal. MCC also confirmed financial checks against suppliers are assessed based upon the businesses turnover levels against the value of the contract. The financial standing of suppliers is not a critical consideration for MCC for contracts valued at less than £100,000 and that they risk assess these tenders above the £100K demarcation.

### **Collaborative buying**

MCC are engaged in collaborative buying for a number of goods/services. This is limited to other Local Authorities. Regionally contracts are in place for foster care and residential services and IT, with up to 47 authorities involved. Collaborative buying also takes place with the Greater Manchester authorities. This collaboration has existed for the past 10 years and includes 10 authorities and around 50 contracts. A core administration hub manages this arrangement and management of contracts is shared amongst members. MCC believe that this system generally favours the smaller authorities and has little added benefit for them.

### **Progressive Approach**

Based on their experience MCC would recommend the following for any authority wishing to have a progressive procurement approach:

1. Develop a baseline of the impact of council procurement spend through a Local Multiplier Model.
2. Introduce a fully functional procurement portal for suppliers - promote this to all local businesses and consider supporting them in using this
3. Develop a Sustainable Procurement Policy & Statement of Intent focusing upon the key priorities of the council - this can complement the precise stipulations in tenders and quotations
4. Engage in wider collaborative buying where appropriate
5. Introduce robust contracts management approach to all contracts to maximise the return – potentially above the direct service delivery (e.g. G4S example where they were providing security services but committed to working with Aspire to recruit local LTU for those posts)

In relation to the contracts management MCC plan to work with suppliers to achieve efficiencies within the contract term. Ernst & Young and KPMG have developed 10 point plan on managing contracts for the council to adopt. Through this approach a saving of £1.5 million has already been achieved in their street lighting contract.

### **Member engagement**

Manchester's elected members were brought into the process early, the existence of the CLES research created the economic rationale for the project. This was communicated to members, who were also invited to the CLES launch event. Throughout the duration of the project the use of case studies helped to reinforce the need for and benefits of the project for MCC.

### **Economic Development and procurement Integration**

Economic Development is located within the regeneration division of MCC. Their work focuses upon 5 regeneration areas each of which have their own Strategic Regeneration Framework. Each ward are also assigned ward co-ordinators whose responsibility is to bring updates to elected members and update the action plan for the area.

The work of Economic Development is structured within a Manchester Work and Skills Plan 2012/13 which has the following strategic objectives:

1. Increase the number of Manchester residents who are working
2. Increase the competitiveness of Manchester residents by enhancing skills
3. Support business growth and maximise local economic benefit from business growth

Linkages with the council's procurement division specifically target the third strategic objective.

Maximising local benefit from procurement and the supply chains of MCC and partners is one of priorities of the unit. To achieve they have identified the following actions:

- Ensure procurement processes are not restrictive or unnecessarily onerous, to encourage Manchester businesses, particularly those in poorly represented areas to sign up to the 'Chest' e-procurement portal.
- Influence supplier's recruitment processes, opening them up to local residents and encourage Corporate Social Responsibility.
- Monitor capital and other large contracts and facilitate meetings between employers and employment brokers, to ensure maximum local economic benefit is derived from each contract.

To deliver against these actions MCC have delivered regular supplier events focusing on key issues such as apprenticeships and selling to the public sector. Over 45,000 businesses are registered on the 'Chest' across the North West of which 10% are local Manchester suppliers. Economic Development has also been working closely with the councils Capital programme to deliver apprenticeships and employment opportunities for local residents. Promotion of these activities has included social media marketing through Linked In.

### **Key examples of the work:**

1. The focus of Economic Development (ED) work is about influencing and working with other people an example of which is the work undertaken with Job Centre Plus and G4S. ED provided a link between G4S (supplier), Job Centre Plus and the local FE College. The collaboration built upon the existing job club through which local Manchester residents were trained in the skills required by G4S, the purpose of which was to develop their skills linked to upcoming employment opportunities.
2. MCC was also involved in the Future Jobs Fund, this was an initiative aimed at individuals living in areas with high levels of unemployment within Manchester. Participants received 25 hours of work

a week, for a 6 month duration, at least the national minimum wage. The focus of this project was to give individuals work experience thereby placing them in a better position to secure a job.

3. Young People into Construction Scheme, delivered by Aspire, this project links apprenticeship opportunities arising through the council's capital build projects and the suppliers who deliver these. To date 200 apprenticeships have taken place and a good track record of engaging individuals in TSN areas has occurred.
4. In partnership with Job Centre Plus MCC have established an Employers Suite located in Manchester city centre. The purpose this facility is to give employers who are looking to recruit a shop front to attract potential staff. Staffed by Job Centres Plus the facility also offers individuals the opportunity to discover what employment support can be accessed from local and national suppliers.
5. As part of the Manchester City Hall development MCC will be creating an employment zone, this will offer onsite support to help people into employment, address lack of skills etc. It will also be made available to employers wishing to avail of facilities for interview etc (offers a neutral, accessible city centre location)

The ED unit uses a Total Place approach to the provision of its services. This includes management of the supply chain for outsourced services in the 5 different regeneration areas. They highlighted the use of the frameworks to understand what influences the demographic of the regions and consequently use these to bring influence on town planning determinations as well as the delivery of the wide variety of services.

### **Summary**

The Manchester experience mirrors many of the drivers behind BCCs review of procurement and its commitment to increasing local procurement spend. Key projects such as the Manchester into Construction Scheme and the work undertaken to engage with existing suppliers offers further opportunity of learning for BCC. MCC have identified both the Aspire project and the work undertaken with G4S as two areas which may prove to be beneficial for a future best practice visit for elected members.

BCC has already some of the fundamentals which MCC recommend including an electronic portal in which all tenders are advertised. Also they have;

- strong linkages with ED in reaching out to the local supply base
- developed a comprehensive knowledge of the baseline of the procurement function
- carried out a review of strategic procurement and are in the process of executing this
- collocated the physical build aspects of the capital programme and procurement function
- begun a process of introducing robust contracts management in areas other than the capital programme

The key item that is missing in the analysis for BCC is the knowledge of the impact of the council's procurement and other spend within the Belfast, greater Belfast and regional area. If we are to do this we would need to develop a local economic multiplier model similar to that deployed by MCC. Given the difference in the Local Authority functions we do not believe it appropriate just to replicate this model. In open forum discussion with the Local Government Procurement Officer's Group there is the possibility of developing this in partnership with others. Once the baseline is undertaken, it will be important to consider what the objectives of the LMI exercise are so that the targets set are appropriate (additional companies/additional companies from specific locations/additional value for existing contractors/added value to be derived from existing contractors).

Overall the view that the officers took away from the Manchester trip is one of reassurance.

## **Next Steps**

The proposed next steps;

1. Continue with the procurement review as planned including strategy and policy development
2. Use the quotation approach to increase the amount of local spend
3. Arrange a visit of members to MCC and CLES to increase their understanding and use of a spend modelling in their decision making process
4. Seek approval from council to develop an economic impact model
5. Continue to build and segment the supplier base network within Belfast
6. Build social and community benefit clauses into contracts where legally possible