
**Manchester City Council
Report for Resolution**

Report to: Economy Scrutiny Committee – 12 October 2016

Subject: The Impact of Procurement Policies on Small and Medium Businesses

Report of: Head of Corporate Procurement

Summary

The purpose of this report is to update members on the impact of the Council's procurement policies on small and medium businesses including comparable data across Greater Manchester authorities and Central Government.

Recommendations

Members are asked to note and comment on the contents of the report and consider areas that may need further action to improve Manchester's performance in relation to spend with SME's.

Wards Affected: All

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Background documents (available for public inspection):

None

1.0 Introduction

1.1 Since the introduction of the Council's Sustainable Procurement Policy in 2008 the Council has sought to maximise the social, economic and environmental benefits of its significant procurement spend with supplies and contractors.

1.2 An integral part of this work has been to ensure that our processes and procedures are open and equitable and enable participation of diverse organisation including SME's (Small and Medium-sized Enterprises).

1.3 Over the years, policy has developed in this area and this report sets out the measures taken and resulting performance data at both the Manchester and Greater Manchester level.

1.4 The definition of SME's used within this report is as follows:-

An SME must meet two of the following criteria:

- It has a turnover of less than £25M
- It has gross assets of less than £12.5M
- It has less than 250 employees

2.0 Manchester's Work with SME's Through Policies and Procedures

2.1 In 2008 Manchester City Council introduced its Sustainable Procurement Policy with the aim of maximising the social, economic and environmental benefits to the City's local communities from Manchester's significant spend with external suppliers and contractors.

2.2 The policy was informed by working with stakeholders across supply sectors including representative organisations and the Chamber of Commerce. The work identified issues and barriers for SME's and the Council has implemented a number of measures within its processes to address these and increase the support for SME's to secure business through its supply chain.

2.3 These measures include the following:-

- Introduction of the Chest e-procurement portal to make our opportunities more accessible.
- Simplification of documentation.
- Use of procedures that are proportionate and appropriate to the procurement in hand.
- Dividing contracts into lots to attract bids from smaller organisations.
- Evaluation of all contracts on a combination of price, quality and social value.
- Removal of the need to pre-qualify for contracts below £100k and wherever practicable otherwise. The majority of tenders do not have a PQQ stage.

2.4 The Council has focussed more closely on the following areas in the last two years:-

- Promotion within contract documents of prompt payment to sub-contractors.
- Incorporation of GMCA Social Value Policy into MCC's policies and procedures - this includes "thriving local business" as an outcome.
- Introduction of a social fund to help smaller suppliers that may find it difficult to demonstrate "in kind" social value in the tender process but may be able to pay of a small percentage of the contract value into the social fund as an alternative.
- Emphasis on whole supply chain approach through the North West Construction Hub including monitoring activity related to payment of sub-contractors.
- Involvement of SME's in soft market testing to inform specifications and the route to market.
- Working with members on the development of the Ethical Procurement Policy through the Ethical Procurement Task and Finish Group. The Policy was approved in March 2016.

3.0 Business Support for SME's

3.1 In addition to the measures introduced through policies and procedures, the City Council supports businesses in a variety of ways: as a strategic enabler, a regulator and as a provider and commissioner of services to help businesses start and grow.

3.2 Under the banner of Better Business for All the Council's regulatory services are developing a more pro-active and supportive approach to their work with SMEs, coordinating information, providing guidance and signposting companies to support that is available in addition to carrying out regulatory duties.

3.3 The Work & Skills Team facilitates the Optimising Business Relationships Board which was established to improve how the Council manages its relationship with employers. A number of works streams are underway and a network has been set up to drive collaboration between Council Services with representatives from across Council services including Procurement, Business Rates and Licensing.

3.4 In addition, the Work and Skills Team co-funds the Business Growth Hub to deliver start up and business support services. Services include Text Book Tendering workshops to provide practical skills to companies to support them through the tendering process, the Recipe for Success programme which includes a meet the buyer section for those in the food/drink industry. This has resulted in a small Manchester food producer securing a significant contract with a major retailer.

3.5 Central Library’s Business and Intellectual Property Centre offers a suite of business resources and delivers a monthly programme of events to support local business. Businesses can undertake market research, find out about the latest technologies, and receive support to trade online, improve their marketing, produce videos for their web sites and develop proto-types using 3D printing.

The Library also hosts Intellectual Property and Patent Clinics and organisations such as the Business Growth Hub, Prince’s Trust and Franchising Works who use the Library to run drop in sessions for residents and businesses.

4.0 Comparable SME Spend Data from the Association of Greater Manchester Authorities (AGMA)

4.1 In 2015 AGMA commissioned the Centre for Local Economic Strategies (CLES), a Manchester based independent research company, to undertake a survey and analysis of procurement spend for the year 2014/15. AGMA spent a total of £1.003 billion during this period. This research was based on the top 30 companies for each Authority (total 300 companies).

4.2 The following table shows the comparable results of the AGMA survey using indicators relating to SME’s and how these compare with Manchester’s top 30 suppliers for 2014/15 and top 300 suppliers for 2015/16. There is no comparable AGMA data for 2015/16.

	AGMA TOP 30 SUPPLIERS PER AUTHORITY 2014/15	MANCHESTER TOP 30 SUPPLIERS 2014/15	MANCHESTER TOP 300 SUPPLIERS 2015/16
Spend with SME’s	48.5%	46.8%	53.3%
Spend with SME’s in the Greater Manchester Area	48.5%	42.9%	53.2%

Please Note the figures are not broken down by each authority in the CLES report.

5.0 Comparable SME Spend Data from Central Government

5.1 In comparison with the Council’s 46.6% spend with SME’s from its top 300 suppliers in 2014/15, the National Audit Office has recently published that a 27% proportion of the government’s reported procurement spending reached SME’s in 2014/15 (Cabinet Office estimate) and has targeted 33% by 2020.

6.0 Measuring the Impact of Manchester's Procurement Policies.

- 6.1 Since 2009 the Council has engaged CLES to undertake annual reviews of the impact the sustainable procurement policy with our top 300 suppliers and contractors.
- 6.2 The CLES research is based on detailed surveys and sample interviews with our top 300 suppliers and contractors. The approach taken is consistent enabling the City Council to track progress from year to year. A number of the indicators used within the CLES research relate to the Council's spend with SME's.
- 6.3 The last two years of data presented in the table below show the progress that has been made in all of the areas measured.

	MANCHESTER TOP 300 SUPPLIERS 2014/15	MANCHESTER TOP 300 SUPPLIERS 2015/16	
Spend with SME's £million	£189.9m	£246.4m	 £56.5m
Spend with SME's %	46.6%	53.3%	 6.7%
Spend with SME's within the boundaries of Manchester £million	£148.2m	£199.2m	 £51m
Spend with SME's in the Greater Manchester Area £million	£173.4m	£220.7m	 £47.3m

7.0 Next Steps

- 7.1 The Procurement and the Work and Skills teams will be working with the Chamber of Commerce and MACC to promote Social Value and Ethical policies with SME's and the Voluntary and Community Sector.

A launch event is scheduled for 28th February 2017 to promote the Ethical Procurement and Social Value policies.

8.0 Recommendations

- 8.1 Members are asked to note and comment on the contents of the report and consider areas that may need further action to improve Manchester's performance in relation to spend with SME's.