

**Manchester City Council  
Report for Resolution**

**Report to:** Economy Scrutiny Committee - 30 September 2015  
**Subject:** MCC's Procurement from Small and Medium Businesses  
**Report of:** City Treasurer

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**Summary**

To consider procurement policy and its impact on small businesses across the City and the steps taken by the City Council to increase procurement from small and medium enterprises (SMEs).

**Recommendations**

The Committee is invited to note and comment on the report.

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**Wards Affected:**

All

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**Contact Officers:**

Name: Ian Brown  
Position: Head of Corporate Procurement  
Telephone: 0161 234 3255  
E-mail: [i.brown@manchester.gov.uk](mailto:i.brown@manchester.gov.uk)

Name: Paul Murphy  
Position: Group Manager, Systems and Strategies  
Telephone: 0161 234 3591  
E-mail: [p.murphy@manchester.gov.uk](mailto:p.murphy@manchester.gov.uk)

Name: Angela Harrington  
Position: Head of Work & Skills, Growth & Neighbourhoods  
Telephone: 0161 234 3030  
E-mail: [a.harrington@manchester.gov.uk](mailto:a.harrington@manchester.gov.uk)

**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

## **1. Manchester's Procurement Policies**

- 1.1 In 2008 Manchester City Council introduced a sustainable procurement policy aimed at maximising the social, economic and environmental benefits to the City's local communities from Manchester's significant spend with external suppliers and contractors.
- 1.2 Since its introduction MCC has engaged The Centre for Local Economic Strategies (CLES), a Manchester based independent research company, to undertake annual reviews of the impact the sustainable procurement policy. The CLES research uses a number of indicators in their review which 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.
- 1.3 One of the indicators used in the CLES research is Manchester's spend with SMEs. Based on this independently verified information, in 2013 Manchester City Council was a winner of the 'Best Councils To Do Business With' Government award, putting the City Council in the top 10 Local Authorities in the country for SMEs to do business with. The submission was judged by a panel of industry experts from both large companies and SMEs, along with The Secretary of State for Communities and Local Government and was presented to Manchester by Lord Young an advisor to the Prime Minister on enterprise.
- 1.4 The CLES research showed that Manchester's direct spend with SME's in 2014/15 was 46.6% which equates to £189,905,801. In percentage terms, this significantly out performs the latest data published by Central Government which shows that Central Government Departments spent 10.3% directly with SME's and 15.8% indirectly in 2013/14. Central Government has set a spend target of 33% with SMEs by 2020.
- 1.5 There isn't currently comparable Greater Manchester data on Local Authority spend with SMEs, however, CLES has recently been commissioned by AGMA to undertake research, similar to that undertaken in Manchester, across AGMA's top 300 suppliers based on spend in 2014/15.

## **2. The Impact of Manchester's Procurement Policies in our Local Communities**

- 2.1 The introduction of the sustainable procurement policy in 2008 has had a positive impact on the City's economy with year on year increases in the percentage of spend retained within Manchester's boundaries (51% in 2008/09 to 68.9% in 2014/15) which supports jobs for over 5000 Manchester's residents through MCC's supply chain.

- 2.2 The research by CLES shows that Manchester's supply chain has a good mix of SMEs, voluntary and charitable organisation along with large multi national companies that have their bases within Manchester's boundaries. The companies and organisations on the supply chain continue to work with the City Council to achieve its key aims and objectives.
- 2.3 Since the work with CLES began the Council's budget has been subject to significant cuts which in turn reduces the amount of money the Council spends with its suppliers. Whilst this is mitigated to some extent by new services being put to the market, the overall impact is a reduction of around 30% in spend with suppliers.

### **3. Ongoing Support to SME's by MCC Procurement and Economic Development**

- 3.1 Since the introduction of its Sustainable Procurement Policy and following feedback through the evaluation process, the City Council has implemented a number of measures within its processes to increase the support for SMEs to secure business through its supply chain. These 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 (approx 83% of tenders do not have a PQQ stage).
  - 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.
  - Emphasis on whole supply chain approach through the North West Construction Hub including monitoring activity related to payment of sub-contractors.

- 3.2 MCC continues to adapt its processes to ensure that a diverse range of suppliers are able to participate in our tendering processes. Business support services provided by the Business Growth Hub and Blue Orchid have provided targeted business support services for potential SME suppliers and business networks. This has included: one to one advice; meet the buyer sessions; workshops providing networking opportunities and practical procurement skills to support tendering activity. Blue Orchid has also worked closely with Children's Services to support small providers and sole traders accessing the City Council's childcare framework contract.
- 3.3 The City Council offers free recruitment support to suppliers through the Employer Suite, by helping employers recruit apprentices including advice on financial incentives available and by signposting them to growth services delivered by the Business Growth Hub and the Library Business and IP Centre.
- 3.4 The positive impact of our procurement spend on the whole supply chain is actively promoted both internally to our staff and externally to our suppliers and potential suppliers, encouraging them to employ local people, have a base within Manchester and use local suppliers.

#### **4. Conclusion**

- 4.1 Manchester City Council continually strives to improve its spend profile and processes to do business with SMEs, particularly in the light of Government pledges to increase spend with businesses employing less than 250 people. Even where large organisations are utilised to deliver goods and services they are actively encouraged by the City Council to derive benefits for the local economy through their own supply chain and the use of micro and small enterprises.