

**Manchester City Council  
Report for Information**

**Report to:** Economy Scrutiny Committee – 6 March 2019

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

**Report of:** The City Treasurer

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**Summary**

To provide an update on the impact of the Council's procurement policies on small and medium businesses in the City and to consider challenges and what more can be done in the future to enable SMEs in the City to compete for City Council contracts and commissioned services.

**Recommendations**

Members are asked to note and comment on the report.

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**Wards Affected: All**

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**Alignment to the Our Manchester Strategy Outcomes (if applicable)**

<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Council is committed to improving engagement with Small – Medium organisations, voluntary sector and charitable organisations, and where appropriate tenders will be adapted to their needs, particularly with regard to dividing large contracts into lots, in accordance with the Public Contract Regulations 2015
A highly skilled city: world class and home grown talent sustaining the city's economic success	Provide better Health and Wellbeing for Manchester residents through promotion of fair working conditions, better training opportunities and sustainable economic growth.

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The Council favours an asset based approach which looks at the uniqueness of people, their potential skills, assets, relationships and community resources. This approach concentrates primarily on what is important to people, what they want to do, and the strengths and nature of their social networks. This underpins wider Council priorities of building self reliance and strengthening communities.
A liveable and low carbon city: a destination of choice to live, visit, work	The supplier, service provider and contractor endeavour to purchase through suppliers and contractors who are continuously working at improving labour and environmental standards in the supply chain.
A connected city: world class infrastructure and connectivity to drive growth	Through commissioning and procurement activities this will promote Manchester as an attractive place to work by securing wider benefits and improvement to the lives of people in Manchester and the environment.

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#### **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.

## **1.0 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 organisations 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 the resulting performance data.
- 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 Council tenders advertised are as an Open Procedure which allows all potential bidders to submit a full tender for our consideration.

2.4 In addition, the Council has taken action in the following areas to support a diverse supply chain:-

- 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 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 subcontractors.
- 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.
- Provision of supplier briefings to promote understanding of Council tendering processes.
- Promotion of social value and inclusive procurement procedures within the Council to improve staff understanding of processes and how they might enable wider participation.

### **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 part of the GM Centre of Regulatory Excellence (GMRCE) and 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.  
<https://www.businessgrowthhub.com/services/business-regulation>

3.3 The End Use Experience Programme is the replacement of the Council's CRM system. This programme will aim to improve how the Council manages its relationship with businesses as well as individual residents as part of the roll out.

3.4 The Work and Skills Team works with the Business Growth Hub to deliver start up and business support services.

Services include Text Book Tendering workshops which 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.

- 3.5 Start Smart programme ERDF funding delivers pre and post start up support to residents and businesses across Manchester. Since March 2018 post start delivery has engaged with 30 businesses and 25 have signed onto the programme.

3.6 Central Library's Business and Intellectual Property Centre (BIPC)

BIPC 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 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.

3.7 Mi-Ventures

MiVentures is an online business advice and information service for all SME's and Manchester residents who can benefit from access to one-to-one advice at a time and place that suits their needs, complimenting the offer from the Business Growth Hub and the BIPC. [www.manchester.gov.uk/businessadvice](http://www.manchester.gov.uk/businessadvice)

3.8 50+ Enterprise Pilot

The Work and Skills Team is piloting a bespoke enterprise programme targeting 50+ adults in South Manchester. The scheme will complement existing enterprise support activities across Greater Manchester. The aim is to work solely with 50+ residents to enable us to:

- Raise awareness and promote self-employment as a viable option to 50+ residents
- Evaluate if current enterprise support methods are fit for purpose for this priority group
- Develop a better understanding of the support requirements of this group
- Gather knowledge around the barriers to self-employment for over 50's, particularly in key sectors

3.9 SME Corridor SME Procurement Session.

The work and skills team have delivered a procurement awareness session for SME's based at the Carrioca Business Park. Procurement leads within the Oxford Road Corridor partnership, including University of Manchester, Manchester Metropolitan University, Central Manchester Foundation Trust and

Manchester City Council provided information and advice about each of their respective procurement approaches.

The event was attended by 50 of the Carrioca Business Park tenants from both the Ardwick and Miles Platting business sites. The Corridor partners provided a detailed overview on how they procure goods and services which included updates on how partners have simplified the system which has made the process more user friendly for small businesses. SME's were encouraged to consider bidding for contracts with the aim of increasing the number of local suppliers and were given the opportunity to speak to the partners on a one to one basis. The Growth company also provided details of free workshops and support sessions to help businesses to become tender ready for which they could sign up to on the day.

### 3.10 Business Networks

The Work and skills team is continuing to develop the priorities and support SME's through our business networks - these include The City wide Our Manchester Business Forum; North Manchester Business Network; South Manchester Enterprise Network and Wythenshawe focused BW3 Network.

## 4.0 **Measuring the Impact of Manchester's Procurement Policies.**

4.1 Since 2009 the Council has engaged CLES (Centre for Local Economic Strategies) to undertake annual reviews of the impact the sustainable procurement policy with our top 300 suppliers and contractors.

4.2 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.

4.3 The Council held its third annual social value event on 12th February 2019 to promote social value and to report survey figures back to contributing suppliers including SME's and a wider audience. The attached appendix is the spend analysis presented at the event.

4.3 The table below sets out the CLES data in relation to SME's.

	2014/15	2015/16	2016/17	2017/18
Spend with SME's £million	£189.9m	£246.4m	£264.7m	£265.6m
Spend with SME's %	46.6%	53.3%	59.4%	61.7%
Spend with SME's within the boundaries of Manchester £million	£148.2m	£199.2m	£197.4m	£196.3m

Spend with SME's in the Greater Manchester Area £million	£173.4m	£220.7m	£218.3m	£232.8m
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- 4.4 In 2014/15, 154 of the top 300 suppliers were SME's. In 2017/18 that figure was 188.

## **5.0 Next Steps**

- 5.1 Further develop links with the University, MMU and NHS procurement teams, working with the Work and Skills teams to identify how best to promote opportunities and support SME's.
- 5.2 Continue to engage with Greater Manchester colleagues as part of the refresh of the GMCA Social Value Policy to ensure the new policy meets the requirements in this area.
- 5.3 Further promotion of social value and procurement processes within the Council to increase understanding as to how the correct application of existing policies and procedures can maximise the positive impacts of procurement spend.
- 5.4 Continue to monitor the performance in this area.

## **6.0 Recommendations**

- 6.1 Members are asked to note and comment on the contents of the report.