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CREATING A GOOD LOCAL ECONOMY THROUGH PROCUREMENT

Case Study 2 - Preston prepared by

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Presented to

Procure network partners and URBACT



1 CASE STUDY 1 – SPEND ANALYSIS AND DEVELOPING A PROCUREMENT STRATEGY: THE EXAMPLE OF PRESTON

1.1 Introduction

The second transnational meeting of the Procure network took place in [Nagykálló, Hungary](https://en.wikipedia.org/wiki/Nagyk%C3%A1ll%C3%B3)¹ and [Satu Mare, Romania](https://en.wikipedia.org/wiki/Satu_Mare_County)² on Tuesday 20th, Wednesday 21st and Thursday 22nd September 2016. The focus was on two themes. The first was spend analysis which looked to address three key questions (these have been previously identified by the partners during the baseline stage):

- What should be measured as part of spend analysis?
- What spend analysis tools are other cities using?
- How can evidence be used to strengthen the local economy?

The second was developing a procurement strategy which looked to address four key questions:

- Is there a need for a local procurement strategy?
- What steps are needed to produce a procurement strategy?
- How does procurement strategy subsequently link to procurement processes?
- How can political buy in be secured and how can the cities priorities be linked to procurement?

The findings of this have been written up into a post meeting briefing note. To supplement the briefing note, this case study looks specifically at the example of Preston in the United Kingdom and how they have undertaken spend analysis and developed procurement strategy.

1.2 A reminder about spend analysis and developing procurement strategy

Municipalities and other anchor institutions spend billions of euros each year purchasing a range of goods and services through procurement. These procurement activities will relate to the purchase of goods (for example, stationary); services (for example, waste disposal); and works (for example, construction). Most institutions will keep a log or record by supplier of what they are purchasing, when they are purchasing, how much it is costing, and who they are purchasing it from, with this largely done for accounting, budgeting, and transparency purposes. There is however much more that can be done, and this is where the process of spend analysis comes in.

Evidence is crucial to the development of any strategy and if places are serious about progressing the way in which they undertake procurement and they want it to reap more benefits in local economic, social and environmental terms then they need to understand the existing nature of their spend and where it goes. Spend analysis is best undertaken at the end of a financial year and existing data can be used and added to in order to identify: where spend goes geographically; which sectors of business it goes to; the types of business spend goes to; and the amount of spend which leaks out of a particular local economy.

Undertaking spend analysis is also an integral part of developing a procurement strategy. Procurement strategies can take many forms and focuses, involve an

¹ <https://en.wikipedia.org/wiki/Nagyk%C3%A1ll%C3%B3>

² https://en.wikipedia.org/wiki/Satu_Mare_County

array of stakeholders, and take various structures. They do however predominantly involve consideration of the following:

- ❑ Setting the context – this includes the consideration of the legal framework to procurement, key stakeholders at the local level, and wider corporate priorities;
- ❑ Gathering evidence – this includes spend and wider impact analysis and assessment of challenges facing place;
- ❑ Developing aims and objectives – these are informed by the context and evidence;
- ❑ Developing actions – these are shaped by the aims and objectives;
- ❑ Implementing the strategy – this includes considerations of timeframes, partners, resources and measures.

1.3 Spend analysis and procurement strategy in Preston

Harnessing the potential of procurement spend forms part of a much wider initiative in Preston called 'community wealth building'. Since 2011, the City Council and other institutions, including the commercial sector have been seeking to identify ways in which more wealth can be generated for the Preston economy and its residents. This initiative has included a campaign to promote the importance of the Living Wage and research exploring the nature of cooperatives based in the city.

In regards to procurement, Preston City Council recognised that there were a range of other institutions based in the city which had significant levels of procurement spend and where there was real scope to bring greater benefits for the Preston economy. These included anchor institutions such as local authorities, the university, hospitals, the police, and housing organisations.

In 2013, Preston City Council and six of these other anchor institutions started to undertake spend analysis as a starting point to answer the following questions:

- ❑ Where spend went – how much was spent with organisations based in Preston and the wider area of Lancashire?
- ❑ Which sectors spend went to – how much was spent with organisations in specific sectors?
- ❑ The nature of businesses spend went to – how much was spent with SMEs?
- ❑ How much spend was leaking out of the Lancashire economy and in which sectors?
- ❑ How procurement processes and practices could be amended to bring greater benefits for the Preston and Lancashire economies.

The spend analysis undertaken in 2013 looked at a total procurement spend across the anchor institutions of around one billion euros. The analysis revealed that 5% of this was spent with organisations based in Preston and 39% in wider Lancashire. This meant that 61% or some near 600 million euros leaked out of the Lancashire economy. It should however be noted that not all of this resource will be 'influenceable'. Some goods and services will not be available in the Preston and Lancashire economies and others might be tied up in national framework agreements.

The anchor institutions have therefore utilised spend analysis as a way of developing strategic activities which seek to increase the benefit procurement spend brings for Preston. These activities have included:

- ❑ The development of a statement of intent across the anchor institutions to increase benefit for the local economy through procurement;
- ❑ The undertaking of further analysis to understand the sectors where there is greatest leakage of spend out of Lancashire;
- ❑ The development of a database of Preston based businesses who can potentially fill some of these gaps;
- ❑ The development of a procurement practitioners group which brings together representatives of each of the anchor institutions and discusses how behaviour can be changed in procurement so that more benefit is brought for the local economy;
- ❑ The undertaking of wider research to understand the wider impact the supply chain of institutions has upon the local economy through their practices.

The work around this has had a number of key impacts, shaped by the initial spend analysis. The proportion of spend by Preston City Council with Preston based organisations has increased from 14% to 28%; with increases in local spend also identified across the other anchor institutions. The anchor institutions are now working more cooperatively around procurement and have a common objective around utilising procurement to harness more wealth for the Preston economy and people; with this being continued through the activities of the URBACT Local Group.

There have been evidenced changes in the behaviour of anchor institutions as a result of the spend analysis. For example, Lancashire County Council has developed a new procurement strategy and social value framework, which as well as being about compliance to legislation is also about using procurement to maximise economic, social and environmental benefits. Lancashire Constabulary have also sought to actively involve local firms in procurement exercises through pre-market engagement, with a number of these subsequently successful.

Additionally, Preston City Council have actively sought to understand what happens to their spend once it reaches the supply chain and what wider contribution they make to the Preston economy. For example, in the last year suppliers to Preston City Council created an estimated 801 jobs in Preston and 483 apprenticeships in Preston. Finally, the spend analysis and the wider community wealth building project has enabled Preston to develop a national and international profile as reflected in this [article](#).

Running alongside, the spend analysis and community wealth building activity in Preston has been the development of the Preston City Council Procurement Strategy for 2016-2019. Spend analysis is just one of the drivers of the strategy, which has replaced a previous version from 2012 to 2015. The new procurement strategy is framed by both the priorities of the [National Procurement Strategy](#) and those of [Preston City Council](#), with these effectively mirroring each other.

In terms of the National Procurement Strategy, the Preston Strategy seeks to: make savings; support local economies and community wealth building; lead the way in innovation in procurement; and modernise the process of procurement. And locally, the Strategy is intrinsically linked to the three

Preston City Council priorities of: fairness for you; your council; and your city. Spend analysis will be the means by which Preston City Council monitors progress against these priorities in relation to procurement.
