

# MAKING SPEND MATTER

## Frequently Asked Questions 4

### Implementing Strategic Procurement



# INTRODUCTION

## About Making Spend Matter

The **Making Spend Matter Transfer Network**<sup>1</sup> is one of 23 transfer networks funded through the **URBACT Programme**<sup>2</sup>. Generally, the transfer networks are seeking to transfer an **URBACT identified piece of Good Practice**<sup>3</sup> associated with integrated urban development to other cities across Europe.

In the case of Making Spend Matter, the identified good practice is around the process of public procurement, and in particular a methodology called spend analysis, which enables cities to measure where their procurement spend goes and subsequently work in cooperation with other partners and the market to progress the way in which they undertake procurement policy and practice.

The spend analysis good practice has been developed by the City of Preston in the United Kingdom over the course of the last seven years. Since 2018, Preston has sought to transfer the principles and practice of the methodology to six other cities: Pamplona (Spain), Vila Nova De Famalicão (Portugal), Schaerbeek (Belgium), Kavala (Greece), Bistrița (Romania), and Koszalin (Poland).

## About the Making Spend Matter Toolkit

The Making Spend Matter Toolkit ([www.preston.gov.uk/makingspendmattertoolkit](http://www.preston.gov.uk/makingspendmattertoolkit)) brings together guidance and learning from the network to enable other public organisations and cities to start / continue their own strategic procurement journey. The Toolkit comprises four parts:

- The first part explains how public organisations can take a more strategic approach to public procurement to help them deliver positive impact on their communities, economy and environment.
- The second part provides a spend analysis tool produced by CLES (a national organisation for local economies in the UK), and a guide (produced by Making Spend Matter partners) to help cities analyse their procurement spend in terms of

geography, sector and with different types of suppliers, and interpret their findings to help inform where changes can be made to procurement processes.

- The third part provides tips and guidance through a series of Frequently Asked Questions (FAQs) and infographics on a range of topics including from how to develop a strategic approach to public procurement, increase your engagement with Small and Medium-sized Enterprises (SMEs), embed social and environmental criteria and measure the wider impact of your procurement activities.
- The fourth part provides practical examples on the topics highlighted in parts two and three and other activities which partners engaged in during the lifetime of the Transfer Network.

## About Transnational Meetings, Bilateral Meetings, Bespoke Support and FAQs

As part of the activities of Making Spend Matter, each of the partners has had the opportunity to participate in a range of different types of meetings and exchange and learning activities. There have been transnational meetings which have largely focused on the core transfer of spend analysis. There have been bilateral meetings on the themes of advanced spend analysis, business database development and SME engagement, and social and environmental criteria. And there has been bespoke support provided by the Lead Partner and Lead Expert on issues such as creating a Strategic Procurement Plan and a Social Value Procurement Framework.

Each of the above activities form part of what we call the 'strategic approach to procurement'. In the previous three FAQ documents we have explored key questions about this 'strategic approach to procurement'. This fourth FAQ looks at implementation and particularly how the 'strategic approach to procurement' can be implemented as municipalities and other anchor institutions purchase goods, services and works. This FAQ therefore provides responses to common questions around the theme of 'implementing strategic procurement'.

<sup>1</sup> [www.urbact.eu/making-spend-matter](http://www.urbact.eu/making-spend-matter)

<sup>2</sup> [www.urbact.eu/](http://www.urbact.eu/)

<sup>3</sup> [www.urbact.eu/good-practices/home](http://www.urbact.eu/good-practices/home)

## Question 1

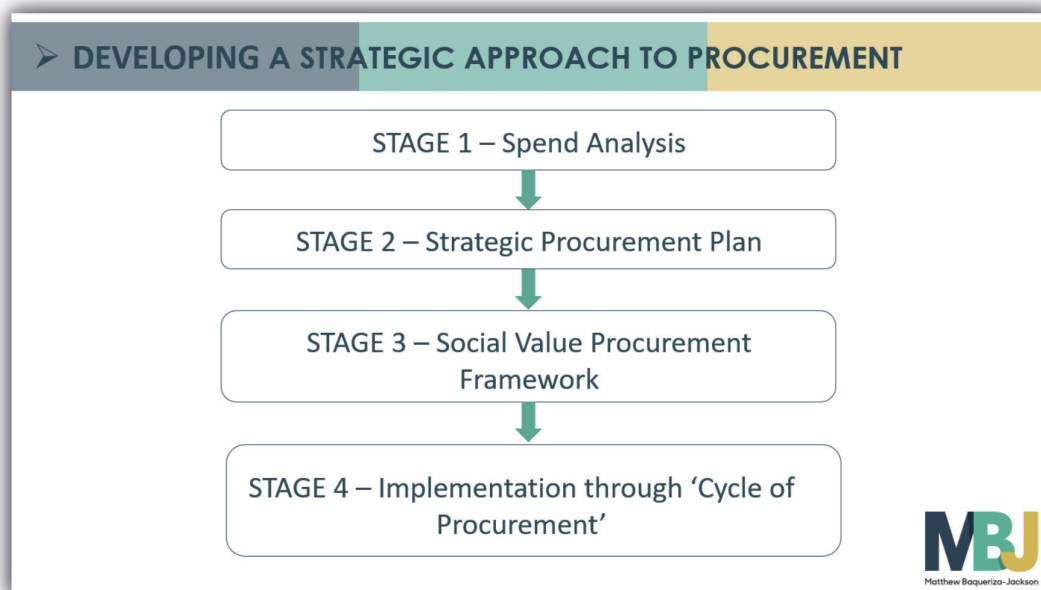
# What is the ‘Strategic Approach to Procurement’?

The core purpose of Making Spend Matter has been to transfer a spend analysis methodology to six cities, and to use the evidence derived from it to adopt a more ‘strategic’ approach to procurement. By ‘strategic’, we largely mean using procurement as a means of addressing wider economic, social and environmental challenges.

Since the amendments to the EU Procurement Directives in 2014 Member States, regions, and cities have been encouraged not to just use procurement as a mechanism for buying goods and services, but instead use it as a lever to address wider economic, social and environmental challenges. A ‘strategic’ approach is the realism of such encouragement, so using procurement as a means of creating jobs or mitigating environmental concerns, for example. It means using procurement to address the challenges a city may face.

Diagram 1 details the key stages to cities developing a ‘strategic approach to procurement’. The first three stages of the ‘approach’ are largely about governance and strategy and developing the evidence base through spend analysis and advanced spend analysis (see FAQ 1), and through developing a Strategic Procurement Plan (see FAQ 2) and a Social Value Procurement Framework (see FAQ 3). Stage 4 is more about how that strategy is realised and implemented practically on individual purchases of goods, services and works through the ‘cycle of procurement’.

Diagram 1



## Question 2

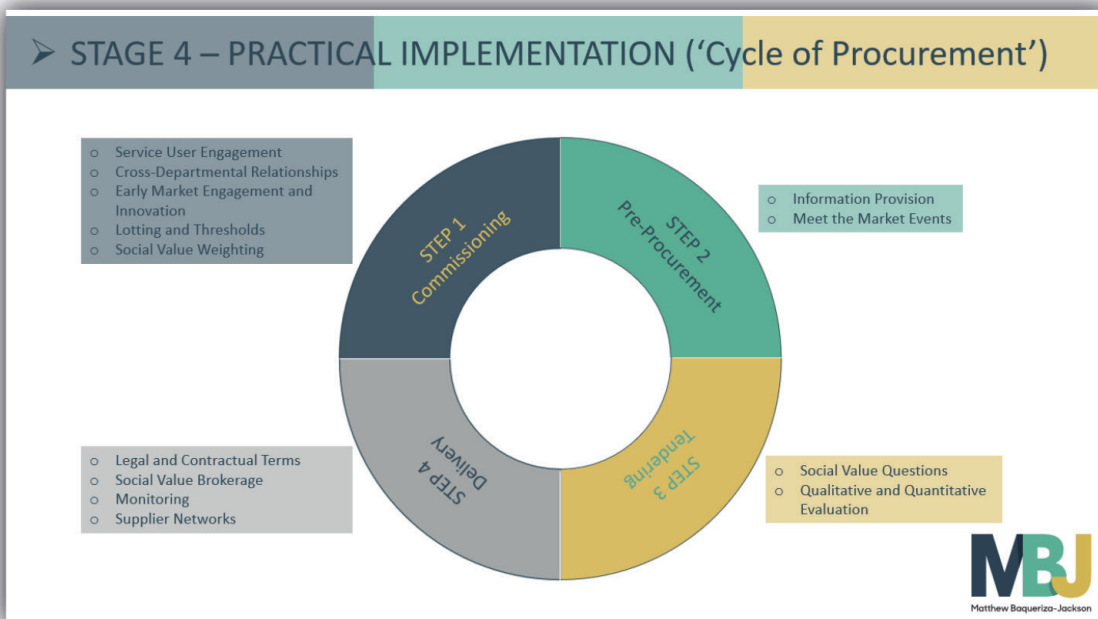
# What is the ‘Cycle of Procurement’?

Traditionally the process of procurement has often been viewed as a transaction. A municipality will want to buy a good, service or work and a business provides responses to questions around how they would deliver that good, service, or work and how much it will cost. The business providing the best price and quality will then be procured to deliver it. However, in order for the ‘strategic approach to procurement’ to be effective, the process needs to shift from one of a transaction to a relationship, with practical implementation of Stage 4 (as detailed above) of the ‘strategic approach’ throughout the ‘cycle of procurement’.

There are four steps to the ‘cycle of procurement’:

- **Step 1 is commissioning** – this is where municipalities design the good, service or work they are looking to procure. Here they should be thinking about how the outcomes of the Social Value Procurement Framework are potentially linked to what they are looking to purchase and also how the process can be adapted to support SMEs to bid, for example.
- **Step 2 is pre-procurement** – this is where municipalities make the market aware of the good, service or work they are looking to purchase and any wider outcomes they are looking to achieve through the process. It may also include direct engagement with the market.
- **Step 3 is tendering** – this is the actual procurement process itself, where potential suppliers are asked to demonstrate how they will deliver the good, service, or work, how much it will cost, and how they will contribute towards wider outcomes. This is also where bids are evaluated.
- **Step 4 is delivery** – this is where the successful supplier delivers the good, service or work contract, and also delivers and monitors against the agreed wider outcomes.

Diagram 2



### Question 3

## How can the Strategic Approach be Implemented in (Step 1) Commissioning?

There are five ways in which the ‘strategic approach to procurement’ can be implemented during Commissioning:

**Way 1 is service user engagement**, which can be implemented through actively engaging citizens and service users in the design of goods and services, for example through public consultation or engaging with users on the design of a service that they are going to benefit from. This activity can be particularly prevalent in the provision of health and well-being services.

**Way 2 is cross-departmental relationships**, which can be implemented through making the responsibility for the process go beyond procurement officers. There needs to be active engagement of those who are designing the good or service (commissioners) and those who have knowledge of local economies, the market, and the challenges facing localities (those working in economic development for example).

**Way 3 is early market engagement and innovation**, which can be implemented through developing more effective relationships with the market prior to a tender process. Municipalities can, for example, use the expertise and knowledge of the market to support

the design of the good or service. In addition, local authorities can also seek innovation from the market through pre-procurement engagement and through buying for outcomes rather than a specific product.

**Way 4 is lotting and thresholds**, which can be implemented through adopting practices which enable a greater diversity of organisations to bid. Municipalities can, for example, break large contracts down into smaller lots which opens the market up to SMEs and social enterprises, in particular. Municipalities can also introduce specific conditions for contracts below specific thresholds, for example making it a requirement that three SMEs have to bid for opportunities below €50,000. There is more information on this in FAQ 5 on SME engagement.

**Way 5 is social value weighting**, which can be implemented through introducing weightings into decision making criteria that go beyond cost and quality. For example, Municipalities can weight responses around social value as 20% of the overall decision. There is more information on this in FAQ 6 on social and environmental criteria.

### Question 4

## How can the Strategic Approach be Implemented in (Step 2) Pre-Procurement?

There are two ways in which the ‘strategic approach to procurement’ can be implemented during pre-procurement:

**Way 1 is information provision**, which can be implemented through effectively communicating the process and opportunities to the market. Municipalities can set up portals which enable organisations to be alerted to relevant opportunities and which make them aware of how procurement is undertaken, with a particular emphasis on social value requirements. There is more information on this in FAQ 5 on SME engagement.

**Way 2 is meet the market events**, which can be implemented through engaging with the market as part of the process. Municipalities can arrange events, for example, where interested organisations come together to discuss a specific opportunity. This can also be effective in developing relationships across organisations which are important for sub-contracting arrangements. There is more information on this in FAQ 5 on SME Engagement.

## Question 5

### How can the Strategic Approach be Implemented in (Step 3) Tendering?

There are two ways in which the ‘strategic approach to procurement’ can be implemented during tendering:

**Way 1 is social value questions**, which can be implemented through asking specific questions as part of the tender process around social value. These questions can link to the types of social value activities which an organisation is already undertaking and activities that they will undertake specifically in relation to the opportunity they are tendering for. There is more information on this in FAQ 6 on social and environmental criteria.

**Way 2 is qualitative and quantitative evaluation**, which can be implemented through adopting innovative approaches to evaluating tender responses. This can include the utilisation of quantitative metrics to explore the potential impact of social value activities, for example. There is more information on this in FAQ 6 on social and environmental criteria.

## Question 6

### How can the Strategic Approach be Implemented in (Step 4) Delivery?

There are four ways in which the ‘strategic approach to procurement’ can be implemented during delivery:

**Way 1 is legal and contractual terms**, which can be implemented through being more robust about how social value commitments are detailed in contracts. They should be a condition of the contract, with suppliers expected to deliver against them, and monitor against them, with penalties for non-compliance.

**Way 2 is social value brokerage**, which can be implemented through supporting suppliers to deliver social value commitments. In this, they can broker relationships with employment and apprenticeship providers, for example and with voluntary and community sector organisations.

**Way 3 is monitoring**, which can be implemented through actively monitoring the outputs delivered by suppliers. This can include exploring the extent to which social value commitments have been delivered, and the wider impact of such activities on beneficiaries and wider economic, social and environmental outcomes. There is more information on this in FAQ 1 on advanced spend analysis.

**Way 4 is supplier networks**, which can be implemented through developing relationships across suppliers delivering goods and services. Networks can be set up that enable suppliers to share practice and learn from each other. The focus of such networks could be around social value, for example.



Making Spend Matter is a network of 7 European cities, funded through the URBACT III Programme and the European Regional Development Fund, exploring how spend analysis can be used as an evidence base to improve public procurement and deliver wider benefits to communities and places.