

MAKING SPEND MATTER

Basic Spend Analysis Case Study

Preston

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INTRODUCTION

About Making Spend Matter

The **Making Spend Matter Transfer Network**¹ is one of 23 transfer networks funded through the **URBACT Programme**². Generally, the transfer networks are seeking to transfer an **URBACT identified piece of Good Practice**³ 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) 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 these Case Studies

Each partner city participated in the core transfer activities which were delivered through a series of transnational meetings of all partners, led by the Lead Partner, Preston and Lead Expert. After each transnational meeting, each partner undertook further activities to implement what they had learned. This learning was then shared with partners at the following transnational meeting.

These case studies show how each partner has taken the basic spend analysis based on Preston's Good Practice, adapted it to their own contexts and interpreted the results to progress public procurement processes and practices in their cities. They have also sought to define how they would re-use the analysis in the future.

The case studies are designed to be practical in nature for cities who are undertaking their own procurement journey, whether they have analysed their procurement spend, or are planning to for the first time. The case studies follow the same format, outlining how each partner understood the basic spend analysis, how they adapted it, how they interpreted the findings and how they plan to re-use the transfer in the future.

In order to understand the background and the methodology, interested cities should also refer to the spend analysis tool and guide (Part 2 of the Toolkit).

¹ www.urbact.eu/making-spend-matter

² www.urbact.eu/

³ www.urbact.eu/good-practices/home

CASE STUDY

Purpose of activities:

At the outset of the transfer activities, Preston set out three key purposes for activities associated with basic spend analysis at the local level.

- First, they wanted to use the URBACT Local [stakeholder] Group (ULG) process to build capacity amongst the anchor institutions involved (UCLan, Preston's College, Lancashire Constabulary, Community Gateway Association, Preston City Council) to undertake the spend analysis themselves, and to take ownership of the process and the findings. This is because previously the analysis had not been undertaken directly by them but rather by CLES. Therefore, the process was that CLES provided training to PCC in the use of the tool, who in turn provided training to ULG members, thereby transferring the skills to them. Alongside this, a collective term of reference was developed to set out the methodology and scope of the collective spend analysis to be undertaken.
- Second, they wanted to further explore the quality of the data held by anchor institutions and the barriers associated with the anchors undertaking the analysis themselves, in order to improve the spend analysis process;
- Third, and related to interpretation of spend analysis and wider aspects of being more strategic in procurement, they wanted to use spend analysis to build a stronger evidence base for organisational and place-based objectives for Preston and Lancashire.

BB Taking part in the ULG has enhanced our understanding relating to the why and how we could improve our procurement practices – in particular, around trying to improve on and further embed social value in procurement. The ULG has helped identify the challenges that are being faced collectively and how we can come up with solutions that work for us as a group and as a place. At UCLan we had undertaken Social Value in the past, the work of the ULG has impacted on our development of Social Value leading us to do more; building a process around Social Value, creating a less ad hoc approach, maximising the benefits to UCLan and using the continual loop feeding back to further embed any learnings into our future work.

Brett Dixon, URBACT Local Group member, UCLan, Diary Entry

The spend analysis findings: Interpreting the findings:

Preston, like their partners undertook spend analysis in relation to geography, sectors and SMEs. They also included a very relevant local factor, which is around exploring levels of procurement spend with businesses and other organisations in areas of deprivation. The spend analysis was undertaken across five anchor institutions (see above), with the findings for each institution collated to provide the following collective findings:

- The percentage of spend with Preston based suppliers had remained broadly stable when looking at the trend of spend over the seven years. There had also been an increase of spend within Lancashire over the same period. Spend within two new areas of geography had also been explored for the first time – the Functional Economic area of Central Lancashire (comprising the three neighbouring authorities of Preston, Chorley and South Ribble) and the North West (comprising Lancashire, Cumbria, Cheshire, Greater Manchester and Liverpool)
- Approximately half of the spend of the anchor institutions in Preston was with suppliers based in the 20% most deprived wards nationally, as identified through the Index of Multiple Deprivation;
- A third of spend was with SMEs, with SMEs forming just under two thirds of the supplier base of the anchor institutions;
- The two sectors with the highest levels of spend were works (construction) and ICT.

This was work undertaken with the anchor institutions. There was added value in this process because the spend analysis methodology and tool was presented to all the ULG members and not just the anchor institutions involved. As a result, other ULG members built on this learning to shape their own approach to undertake spend analysis in their institutions.

Preston adopted a very data and evidence-based approach to interpreting their spend analysis findings. Given this was the third time that anchor institutions have undertaken the analysis, this enabled a deeper assessment of change and trends to be explored. A number of findings were identified.

- First, that in comparison to previous rounds of analysis, there was an increase in spend in Lancashire – this suggests that previous work around supplier engagement, breaking contracts into smaller lots, and embedding social value have had an impact.
- Second, the findings suggest the influence that works (construction) spend has across the five anchor institutions, with there being significant spend with this sector in the financial year analysed.
- Third, the findings highlight the growing strength, diversity and resilience of the Lancashire business base and economy – organisations based in the Lancashire region are now more skilled and capable when it comes to procurement and have the required capacity to bid for opportunities.
- Fourth, there remains a key proportion of procurement spend which is outside of the North West Region, reflecting the specialist nature of some of the good, services and works which the anchor institutions procure.

Re-using the transfer:

Preston will continue to look to become more strategic in its approach to procurement and will seek to continue to engage with other local authorities and organisations in Lancashire as part of this journey. Preston City Council, in particular, will look to further embed social value into procurement, with spend analysis findings being just one indicator or outcome associated with the development of a Social Value Procurement Framework.



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.