

MAKING SPEND MATTER

SME Engagement Case Study

Preston

Preston



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 particularly 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. Over the course of the last two and a half years as part of the transfer network, 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, the Centre for Local Economic Strategies in the UK) and 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.

¹ www.urbact.eu/making-spend-matter

² www.urbact.eu/

³ www.urbact.eu/good-practices/home

- The third part provides tips and guidance through a series of Frequently Asked Questions (FAQs) and infographics on a range of topics from how to develop a strategic approach to public procurement, increase your engagement with 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 has had the opportunity to participate in optional transfer activities in relation to the topics of advanced spend analysis, developing strategic procurement plans, business database development and SME engagement, and social and environmental criteria. These activities were either delivered through bilateral meetings between smaller groups of partners with the support of a Lead or Ad Hoc Expert, or bespoke one-to-one individual partner meetings with the support of the Lead Partner, Preston, and the Lead Expert. After these meetings each of the partners undertook further activities to implement what they had learned.

Each case study which follows here, covers one of the elements of the optional transfer which partners participated in according to their own contexts and needs. Engaging with Anchor Institutions⁴, the topic of one of the case studies, was not a separate activity in its own right, rather it was a golden thread running through the Transfer Network around the importance of engaging more widely with other institutions in order to maximise the impact of public procurement on place.

The case studies are designed to be practical in nature for cities who are undertaking their own procurement journey, whether they are just starting out or have already embarked on it. The case studies follow the same format, outlining the context of each city, why the activity is important to them, the barriers they faced, the activities they undertook, what worked well, what did not work so well, and lessons learned.

⁴ These are large, often public sector institutions, that are important because they spend a great deal of money buying goods and services, they employ lots of people, they own lots of land and assets, they often have democratic mandate, and they are unlikely to go anywhere.

Preston Context:

Preston is a medium-sized city located in the county of Lancashire, North West England, and has a population of 141,800. It is part of a larger Functional Urban Area (FUA) which is often referred to as Central Lancashire covering the local authority areas of Preston, Chorley and South Ribble, and which has a combined population of 365,000 people.

Preston's primary sectors of employment are public administration, professional and financial services, manufacturing, logistics, construction and retail.

Preston has a sizeable local small and medium-sized business base - 5,425 active business enterprises in 2020, of which 4,750 are classed as micro (0-9 employees), 550 are classed as small (10-49 employees), and 95 are classed as medium (50-249 employees).

However, Preston also has a relatively low wage economy and a growing mismatch of skills between higher and lower level which needs to be resolved;

Public procurement is an important priority within Preston's Community Wealth Building Strategy 2.0. This Strategy has at its heart the concept of the creation of "social value" that is outcomes that improve the wellbeing of communities, the resilience of the local economy and the sustainability of the environment.



Why Engage with SMEs:

With almost 98% of Preston's businesses being micro or small, engaging with this business base is really important for the economy of the City both in terms of direct spend through the public procurement contracts, or indirect, through the supply chain, and / or employee spend.

Spend analysis results over the last seven years have shown that the number of SMEs based within the Preston district who win public procurement contracts from the City Council and the Anchor Institutions has remained broadly stable, however the number of those based within the wider Lancashire boundaries has increased.

The question is whether there is scope to further increase the number and type of different businesses participating engagement in public procurement opportunities both in terms of locality and / or sectorally (i.e. diversification of the market), or whether the business base is simply not supplying what the Anchor Institutions are buying. To understand this better, Preston needs to know more about what businesses are out there.

Barriers / Challenges:

Preston has faced a number of barriers over the years when it comes to engaging with SMEs. These include:

- How to raise awareness and visibility of opportunities, particularly smaller ones, so that SMEs know where and how to access them, and more importantly when to look for them, thereby increasing the diversity of potential suppliers – both numerically and by type;
- How to reduce public procurement bureaucracy, particularly in relation to complex documentation or procedures;
- How to engage more directly with SMEs within the existing constraints of public procurement processes (pre-market engagement);
- How to improve buyers' understanding of SMEs with regards to the type of services and the level of skills and added value which smaller suppliers can deliver, which in turn will have a positive influence on how public tenders are designed and enable SMEs to better express their specialisms, added value and competitiveness during the tender process;
- How to improve SME capacity to bid for tenders.

Actions taken / changes made:

Preston has undertaken a number of actions in relation to better engaging with SMEs and raising awareness of procurement opportunities. These include:

- Holding an SME engagement workshop with the local procurement practitioners' group (Making Spend Matter URBACT Local Group) to discuss barriers (described above) and possible solutions and how these could be implemented;



- Reducing bureaucracy by simplifying tender documentation where possible;
- Raising awareness amongst suppliers of public procurement opportunities, particularly those of lower value which may not be advertised on procurement portals, using the North and West Lancashire Chamber of Commerce and Federation of Small Businesses Newsletters;
- Considering how gaps in the market can be filled, for example through other types of businesses such as co-operatives or social enterprises;
- Undertaking a business survey to understand better the challenges facing SMEs – these confirmed that those challenges already identified above were correct;
- Participating in / planning for Meet the Buyer events and other ways of engaging the market;
- Exploring what type of economic, social and environmental considerations are currently included in public procurement opportunities, e.g. through the use of Social Value Procurement Frameworks, and how these can be used to support the SME base;
- Providing training for SMEs on tender and bidding processes;
- Exploring the feasibility of establishing a single business database of potential suppliers which is accessible to all Anchor Institutions.

What worked well:

Activities which have proved successful include:

- Supplier survey to better understand what types of businesses bid for procurements and who with, and where they look for these opportunities to be advertised;
- Sharing of low value procurement opportunities by business support organisations to promote market diversification;
- Training SMEs on tender and bidding process;
- Sharing knowledge and experience amongst public buyers of the use of social and environmental considerations in tenders;
- The publication of institutions' guides on "How to do business with us".

What didn't work so well:

There are things which have been tried which have worked less well:

- General supplier days and Meet the Buyers are a less efficient use of time for public buyers as well as potentially for suppliers;
- A lack of feedback/evidence regarding supplier training / awareness raising has made it difficult to assess whether the training has made a difference;
- Despite the simplification of documentation where possible, there have still been occasions where the simplified documentation is incomplete / not completed correctly, revealing an ongoing training need;
- Data protection rules (GDPR), and the cost of building and maintaining a single business database has proved prohibitive.

Lessons learned:

Through the actions they have taken Preston has learned the following:

- There is no right or wrong way to engage with SMEs – what is key is communicating with them in the first place;
- Change takes time - it is an ongoing process;
- There is a continued mismatch between buyers and suppliers between what the buyers are buying and suppliers are selling which is proving difficult to resolve;
- Business support organisations can play an important brokerage role, sharing procurement opportunities and supporting capacity building through training;
- Engaging with different types of business, for example private, community, social enterprise, co-operative, is important but also understanding their different unique contexts and what they can bring to the table, in order to collaborate well through public procurement is key;
- Collaboration between anchor institutions and taking a strategic approach is vital to a place-based approach, to avoid re-inventing the wheel due to working in silos.



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.