

## Urban Agenda for the EU

### Innovative and Responsible Public Procurement Partnership

#### Action 2

#### A Guide to Measuring Spend and Wider Impact

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*Disclaimer*

*The Pact of Amsterdam states that the Action Plan "can be regarded as non-binding".  
Therefore, the actions presented in this Action Plan are not compulsory*



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# 1 A Guide to Measuring Spend and Wider Impact

## 1.1 Introduction

This Guide has been developed as part of the EU Urban Agenda Partnership for Innovative and Responsible Public Procurement. With a key synergy to Action 1 of the Partnership which is about Building Procurement Strategy, the Guide seeks to provide support to Cities and other Institutions as to how they can understand where their Procurement Spend goes and the process of measuring Wider Impact. It is targeted at the following groups:

- Public Procurement Practitioners;
- Economic Development Practitioners;
- Local and Regional Authorities;
- National Governments;
- European Commission.

The Guide has been developed by Tamar Reay from Preston City Council<sup>1</sup> and Matthew Baqueriza-Jackson representing the URBACT Programme<sup>2</sup>. The Guide is shaped by existing tools and the experience of the authors of undertaking Spend Analysis and wider impact work and seeks to provide a clear and concise document.

The Guide consists of the following sections:

- Section 2 describes a bespoke Spend Analysis Tool which has been developed by Preston City Council and Matthew to inform this and other projects;
- Section 3 provides guidance around how cities can measure Wider Impact, through a series of Steps, considerations and case studies;
- Section 4 provides a description of existing Spend Analysis and Wider Impact tools. The purpose of this is to set the context and highlight that there remains a lack of common approach across Europe;
- Section 5 provides conclusions and recommendations.

## 1.2 Context

Prior to that, this introduction focuses on why public procurement and Measuring Spend is important and discusses traditional approaches to Spend Analysis and Impact Measurement.

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<sup>1</sup> <https://www.preston.gov.uk/communitywealthbuilding>

<sup>2</sup> <https://urbact.eu/>; <https://urbact.eu/makingspendmatter>

### 1.2.1 Scale

The scale of public procurement is significant (14% of EU Gross Domestic Product) and the role buyers of public institutions play in ensuring that services are effective, efficient and provide value for money for the public purse, as well as providing a way to boost jobs, growth and investment, demonstrates the importance of procurement<sup>3</sup>.

Measuring Spend is important as it is a way of understanding how much organisations are spending on procurement, where the spend goes and who it is spent with. It is done through the process of collecting, cleansing, classifying and analysing the spend data through software or other tools.

### 1.2.2 Progressing Spend Analysis

Most organisations will analyse their procurement spend for profit and efficiency purposes, whether what they are buying provides value for money in terms of quality and price. It can also be used to identify savings opportunities, improve processes, ensure effective supplier relationships, manage risk, ensure compliance and identify spend which has occurred outside approved budgets.

However, Spend Analysis can be used in another way. It can provide an evidence base which enables places and organisations to better understand how they carry out public procurement and how their economy works. It acts as a demonstrator, using facts and data, to provide insights into a specific situation in time as well as trends and disruptive factors. Used like this, spend analysis can be a powerful tool for cities to deliver more for their communities, place and environment through the process of Procurement.

There are many tools available which can be utilised to undertake spend analysis. It can either be undertaken internally by public procurement officers or there are external consultancies which can undertake the analysis on behalf of organisations (for which there is usually a fee).

Many spend analysis tools use Microsoft Excel because of its ability to be able to make charts and be able to visualise data. Other tools, such as Microsoft Power BI (Business Intelligence), are cloud based and enable reporting and data analysis to be drawn from a wide range of data.

There are pros and cons to using Excel to analyse procurement spend. Pros include the fact that a spreadsheet is inexpensive to work with, it is easy to create data collection tools and simple to create charts in excel; and using excel, reporting is usually easier and more hassle free. However, spreadsheets can also be potentially time consuming and users can spend a significant amount of time collecting data, and they can become difficult to manage when multiple sets of data and multiple locations are involved.

The Spend Analysis tool and methodology described in this Guide is based on an excel spreadsheet because excel is accessible to all and is straightforward to use. It is acknowledged it is not the only tool, however, its simplicity means that it can easily be adapted by institutions and organisations for their own use and particular needs.

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<sup>3</sup> [https://ec.europa.eu/growth/single-market/public-procurement\\_en](https://ec.europa.eu/growth/single-market/public-procurement_en)

### 1.2.3 *Towards Impact Measurement*

As well as undertaking Spend Analysis, the European Commission, Member States and Cities are increasingly interested in the Wider Impact that procurement spend is bringing for a range of economic, social and environmental challenges. Through the EU Directives, Cities in particular are increasingly thinking about how considerations relating to social and environmental goals can be embedded at each of the stages of the procurement cycle of: strategy; commissioning; pre-procurement; procurement and decision-making; and monitoring.

Cities have started to think about which social and environmental outcomes are relevant to the types of goods and services they are procuring; they have started asking questions about social and environmental value in tender documents and evaluating against it during decision-making. However, very few (if any) Cities are going to the next level and actually monitoring the extent to which suppliers are delivering against these outputs and outcomes during delivery. This guide therefore provides a set of guidelines to undertaking impact measurement, recognising that the approach adopted will differ on a case by case and organisation by organisation basis.

## 2 Bespoke Spend Analysis Tool

This section of the Guide outlines a bespoke Spend Analysis Tool. It reflects upon the history of the tool, where it has been used previously, its relevance to this Partnership and step by step guidance on implementing it.

### 2.1 The evolution of the Tool

This Tool was originally developed by the Centre for Local Economic Strategies (CLES<sup>4</sup>), a think-tank based in Manchester in the UK through their work to assist local authorities in the UK to progress their public procurement and practice. Prior to the start of their partnership with Preston City Council in 2013, CLES had worked with 10 other local authorities, undertaking Spend Analysis on their behalf.

What was different about Preston was the fact the analysis was undertaken on behalf of more than just the City Council, it also involved six other Anchor Institutions (public institutions with a stake in place) to understand procurement spend of a place not just a municipality. The analysis was first undertaken in 2013, covering the period 2012/2013 and then again for the period 2016/17 and measured the change in how procurement was undertaken.

From 2015-2018, Preston City Council was Lead Partner for an URBACT III Action Planning Network of 11 cities (called Procure) which focused on the cycle of strategic public procurement, including exploring the importance of Spend Analysis within the cycle.

In 2017, Preston successfully applied to become one of 97 URBACT Good Practice Cities on the topic of how to use Spend Analysis as an evidence base to deliver more for their communities, place and the environment. It then applied to lead Making Spend Matter, an URBACT Transfer Network of 7 cities, to test how this good practice can be shared, adapted and re-used in different European cities, in this case Pamplona (Spain), Vila Nova de Famalicão (Portugal), Schaerbeek (Belgium), Kavala (Greece), Bistrița (Romania) and Koszalin (Poland).

As part of improving the Good Practice, Preston and their anchor institutions have undertaken the spend analysis themselves rather than relying on external support and have developed and written a Spend Analysis Guide to support their partner cities (and other European cities in the future) with undertaking their own Spend Analysis.

At the same time, the Urban Agenda Partnership for Innovative and Responsible Public Procurement, of which Preston is a member, identified that analysing procurement spend and measuring wider impact was an important element of strategic public procurement. A specific action dedicated to this was included in the Partnership's Action Plan and as part of this action it has been possible to test the methodology further. A training session on this Spend Analysis Tool, and also measuring Wider Impact, was delivered by Tamar Reay and Matthew Baqueriza-Jackson to the Partnership in May 2019.

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<sup>4</sup> <https://cles.org.uk/>

## 2.2 About the Tool

The Tool and methodology are described briefly below<sup>5</sup>:

The tool is an excel spreadsheet into which the data is entered and organised in simple excel tabs or spreadsheets and uses simple excel formulas to generate the analysis results.

The analysis consists of four steps:

- Gathering the data;
- Checking the data;
- Entering the data;
- Analysing the data.

The most important of these steps, and the one that is likely to take the most time is the first step – gathering the data – as institutions will need to think about:

- The **scale of their analysis**, that is what number of suppliers will provide a representative sample of their procurement activities;
- What **timeframe** the analysis will cover – monthly, quarterly, half-yearly, or annually, depending on the individual institution's needs;
- What **geography** the analysis will cover, for example a municipality's administrative boundaries, functional economic area, or travel to work area;
- Which of their suppliers are **small and medium-sized enterprises (smes)**;
- How their **industrial sectors are defined**, whether this is broad or very specific.

Once the data has been defined, it can be collected. Where it is collected from will vary from one institution to another – it may be in a single database but is more likely to be spread across different departments within the institution, or may not even be currently collected at all.

For ease of use, a supplier data source file containing the list of the supplier sample to be analysed for a defined period, broken down by supplier name, geography, amount spent with supplier, supplier SME status and supplier industrial sector should be created.

Before being entered in the excel Tool, it will need to be uniformly formatted by checking for consistency, duplication, similarities and/or gaps in the data. Once this has been done, the data can be entered in the Spend Analysis Tool. The analysis is then generated by live formulas (e.g. SUMIF, COUNTIF) which are already pre-defined in the Tool.

The results of the analysis can then be used to inform policy and practice within the institution.

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<sup>5</sup>The Spend Analysis Tool and accompanying Guidance will be available from June 2020, following the end of the Making Spend Matter Transfer Network's exchange and learning period.



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Wider Impact**

**Figure 1 Spend analysis tool**

AutoSave Off | Spend Analysis Tool\_MakingSpendMatter - Excel | File Home Insert Draw Page Layout Formulas Data Review View Help | Search | Share | Comments

Logos: Preston City Council, MBJ, CLES, European Union, URBACT, URBAN AGENDA FOR THE EU

SUPPLIER NAME	GEOGRAPHY IDENTIFIER	SPEND	SME STATUS	INDUSTRIAL SECTOR	INCLUDED IN ANALYSIS	GEOGRAPHY ANALYSIS 1	GEOGRAPHY ANALYSIS 2	GEOGRAPHY ANALYSIS 3
			ADD WHETHER SME - YES/NO		Y	#N/A	#N/A	#N/A
			ADD WHETHER SME - YES/NO		Y	#N/A	#N/A	#N/A
			ADD WHETHER SME - YES/NO		Y	#N/A	#N/A	#N/A
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Summary | Spend Analysis | Sector Analysis | Source - Geography 1 | Source - Geography 2 | Source - Geography 3



## 3 Measuring Wider Impact

This section of the Guide provides advice as to how Cities and institutions can measure the impact of their Procurement Spend. As outlined earlier, this goes beyond the Spend Analysis Tool described in Section 2 and utilises the examples of wider impact tools as described in Section 4 as its basis. The below provides a step by step guide to undertaking impact measurement. It is important to re-iterate that this is not something that should be done at the end of a procurement process or during the delivery of a good or service – it needs to be linked to each of the stages of the cycle of procurement and linked to much wider global, national, regional, and local strategy and policy objectives.

### 3.1 Step by Step Guide

There are six steps to measuring wider impact which can be seen in the infographic below. Each step is explained in more detail in the paragraphs following:



### 3.1.1 Step 1 – Political and Strategic Buy-In

The first step in measuring the wider impact of Procurement Spend is to make sure you as a City or institution have the required political and strategic buy-in to undertake that analysis. It is a complex and timely process, so it needs to be part of a wider programme of activities seeking to progress the way in which procurement is undertaken.

Politicians need to be clear on what they are using procurement for – is it being used simply to make cost savings and purchase goods and services or is it being used for that AND to address economic, social and environmental challenges. Measuring the wider impact of Procurement Spend can be a key lever in realising political visions and priorities.

Procurement Directors and Heads also need to be clear on how they are undertaking procurement and why they are doing it in a particular way. If they want to use public procurement as a lever to achieving wider economic, social and environmental outcomes, then this needs to be detailed in a Procurement Strategy which focuses upon both legislation, compliance, risk AND wider economic, social and environmental considerations. In this there needs to be a link to wider Strategy including the Sustainable Development Goals and more national and localised policy priorities.

Step 1 is a pre-cursor to the proceeding steps and as such this guide should be read alongside that produced by Action Group 1 around Procurement Strategy.

#### Case Study – Preston City Council

Preston City Council has been working on progressing procurement processes and practices since 2011. Procurement is viewed as being a key component of the Community Wealth Building Initiative

which seeks to increase wealth within the Preston and Lancashire economies and create a more democratic economy through the growth of Worker Owned Cooperatives. Preston City Council recognised that its procurement spend was not of significant scale alone to realise its ambitions. Therefore, a key political priority has been to engage wider Anchor Institutions based within the City and to also influence their behaviour around procurement. There is strong political buy-in to progressing procurement as part of wider strategy.

### 3.1.2 Step 2 – Develop an Overarching Wider Impact Framework

The second step in measuring the wider impact of Procurement Spend is to develop an overarching Framework that enables the consideration of measurement to be built into each of the stages of the procurement cycle. These Frameworks will be called different things in different contexts – they could be called Social Value Procurement Frameworks or Environmental Frameworks or Triple Bottom Line Frameworks. The name is not important; however it is important that they outline the types of things which a city or institution wants to achieve through the process of procurement.

A Wider Impact Framework should consist of several sections and should be driven by an overarching vision – for example, ‘for a borough where everyone has the opportunity to live a good life and benefit from economic growth’. All the following sections of the Wider Impact Framework are effectively driven by that vision:

**Section 1** of any Framework associated with Procurement Spend Impact Measurement will be a series of key overarching **themes or domains**. These should link to the vision and are effectively key themes related to economic policy or the Sustainable Development Goals. They can often be quite broad and include words such as economy, employment, equity, education, health, and environment.

**Section 2** will detail a series of **outcomes** – these link to the key themes or domains described above and are effectively the key issues or things which a City or Institution wants to address through the process of Procurement. They will be derived from largely national, regional and local strategies and will include things like:

- To increase levels of sustainable employment in the Borough;
- To increase the skills levels of the population;
- To reduce health inequalities across the Borough;
- To mitigate the impacts of climate change.

**Section 3** will detail a series of **indicators or activities**. These are effectively a series of activities which suppliers to the City or Institution could potentially deliver through a procurement process, exercise and into delivery. They could include activities around, for example: flexible working amongst supplier workforces; the creation of jobs and apprenticeships; and policies and practices around green infrastructure. Each indicator or activity will link across and have synergy with the themes and outcomes described earlier.

**Section 4** will detail a series of measures. These are effectively ways in which the performance of suppliers against each of the indicators and outcomes can be measured both during procurement exercises and during delivery. In a UK context and as described earlier, the TOMs are an industry set of measures which are used for this purpose. They are exclusively quantitative in their nature and require suppliers to provide information about the number of jobs they are going to create or the

amount of carbon they are going to reduce, for example. Each TOMs indicator is accompanied by a proxy value which enables a City, Institution or Supplier to understand their wider impact. For example, to value of moving an unemployed person into work in a UK context is valued at £14,701 in terms of savings to the State in welfare benefits.

**Section 5** will detail a series of questions which could be asked as part of a procurement exercise in relation to each indicator and measure as described above. There are often three principles to such questions. The first is that it enables potential suppliers to detail what they are already doing as an organisation around aspects of wider impact; for example, 'What types of activities do you currently provide to support unemployed people into work?'. The second it enables potential suppliers to detail what value they will 'add' around wider impact directly related to the procurement opportunity; for example, what types of activities will you provide as part of the contract to support unemployed people into work?. The third is it seeks to identify a quantifiable number of outputs which will be achieved through the delivery of the good, service or works; for example, 'how many hours will be dedicated to supporting unemployed people into work as part of the contract?'

**Section 6** will detail suggested means of evaluating responses to each question. They will include a blend of qualitative and quantitative approaches and a blend between what a potential supplier is already doing in relation to a question or wider impact indicator and what they would look to deliver specifically in relation to the contract in question. On the whole, greater emphasis (or weighting) is often placed on the quantitative approaches and what the potential supplier is going to do as part of the contract. In relation to the example above: 12.5% is a qualitative assessment of what the potential supplier is already doing around supporting the unemployed; 12.5% is a qualitative assessment of what the potential supplier would undertake as part of the contract around supporting the unemployed; and 75% is a quantitative assessment of how much time the potential supplier would spend providing support to the unemployed as part of the contract.

#### Case Study – Darlington and Mid and East Antrim Borough Councils

Both Darlington Borough Council (North East England) and Mid and East Antrim Borough Council (Northern Ireland) have recently developed and implemented Social Value Procurement Frameworks utilising the processes described above. They are utilising the Framework on a case by case basis and deploying different outcomes and indicators for different procurements. The Framework is important both strategically and politically in enabling the Councils to demonstrate the importance of their procurement function and wider challenges they are contributing towards addressing.

#### Case Study – In Spain, Portugal, Poland, Romania, Greece and Belgium

As part of the URBACT funded Making Spend Matter project referred to earlier, six cities across the EU countries detailed in the title will be creating a Network Wide Social Value Procurement Framework. This will identify common wider outcomes across each of the Cities that they would like Procurement to contribute towards delivering. This Framework will be the starting point to the measurement of the Wider Impact of such outcomes. it will be completed in May 2020.

#### *3.1.3 Step 3 – Embed Framework in Commissioning*

The third step in measuring the wider impact of Procurement Spend is to embed the Wider Impact Framework as described above into the procurement cycle. The best place to consider the themes, outcomes, and indicators is in the commissioning stage which is where the good or service is designed. This is often undertaken by Departments of a Municipality who will have the technical expertise as to what the good or service will look like. The type of wider impact sought in a

procurement exercise will vary significantly by good, service or department – for example the construction of a new school will have wider impact potential around job creation, for example; whereas the purchase of stationary will have wider impact potential around the distance the goods have travelled, for example.

Cities and Institutions therefore have two options when it comes to embedding Wider Impact Frameworks into commissioning. The first is to undertake a further piece of work to produce a general 'Matrix', which basically maps Department and or goods and services against the outcomes and indicators of the Framework. The second is to explore the outcomes on a case by case basis through dialogue between commissioners and procurement officers when a good or service is being designed.

#### Case Study – Pamplona City Council and the Region of Navarra

The City of Pamplona are seeking to embed social and environmental criteria into all of their good and service design activities. This is framed by regional level policy from the Region of Navarra. It seeks to ensure that commissioners consider social and environmental value as a matter of course when designing goods and services and writing specifications.

#### *3.1.4 Step 4 – Embed Framework in Tenders*

The fourth step in measuring the wider impact of Procurement Spend is to embed the Framework into tenders and procurement exercises. This can be simply done by adding the relevant questions from the Framework into the tender documentation in relation to the areas of wider impact which have been selected for the good or service during the commissioning stage.

In addition, it is at this point that the procurement officers will need to decide upon how they are going to 'weight' wider impact as part of the evaluation of tender responses. Traditionally, responses will be evaluated on two factors – cost and quality. However, where a Wider Impact Framework is in place, cities and institutions can add a wider impact weighting. Again, this can be done in two ways. First, a blanket 10% could be utilised across all procurements or second, the weighting could be amended on a case by case basis.

#### Case Study – Manchester City Council

Manchester City Council has been weighting against Social Value since 2012. Originally set at 10%, the weighting has subsequently increased to 20% and now stands at 30%. This weighting enables Social Value weightings to compete with those of cost and quality and potentially steer decisions towards more socially and environmentally responsible suppliers.

#### Case Study – The City of Koszalin

The City of Koszalin has been seeking to embed non-price criteria into procurement exercises since the transposition of the EU Directives in 2016. As opposed to purely seeking responses around price they now do the following:

- Full life cycle cost-analysis;
- Explore quality considerations in relation to the nature of the good or service;
- Include a growing number of environmental questions including around emissions and resources;
- Promote both qualitative and quantitative scoring on non-price questions.

### 3.1.5 Step 5 – Evaluate Tender Responses

The fifth step in measuring the wider impact of Procurement Spend is to evaluate the responses of individual potential suppliers utilising the means of evaluation described earlier. The approach to evaluation will be dependent on the question asked and the mean of evaluation. For example, if a question has been asked with a pass/fail mean of evaluation and a supplier has not met the requirement around evidencing a sustainable travel policy, for example, they would score 0% and would not have subsequent aspects relating to that measure evaluated.

Responses to qualitative questions would be explored in a subjective way, with decision-makers exploring the scale and breadth of existing training activities for employees, for example, and the proposed activities as part of the contract. A greater scale and breadth of response would score higher on the qualitative mean of evaluation, for example.

Responses to quantitative questions would be scored on a scale basis dependent on the number of outputs being proposed by suppliers. For example, using a question around training week: 1 point would be awarded for 6 weeks; 2 points for 12 weeks; 3 points for 18 weeks; 4 points for 24 weeks; 5 points for 30 weeks. All of the questions would utilise the above approach to evaluation, with scores summed to form the 10% weighting for wider impact.

#### Case Study – Government of Flanders

The Government of Flanders actively evaluates sustainability criteria during procurement decision-making. For example, in a recent tender for office supplies, 35 of the 105 points awarded were around responses to questions about sustainability.

### 3.1.6 Step 6 – Deliver, Monitor and Measure

The sixth step in measuring the wider impact of Procurement Spend is the first time Cities and institutions actually undertake any measurement. There are three elements to this step. Firstly, Cities and Institutions need embed the wider impact elements suggested by suppliers into the contracts of the chosen supplier. For example, if a supplier has stated they will create 5 jobs as part of the delivery of a construction project, then this needs to be detailed in the contract.

Secondly, Cities and Institutions then need to monitor and review performance against each indicator during the delivery of the good or service. So, contract managers need to be in a dialogue with suppliers as to their progress in creating the 5 jobs and gather accompanying evidence. Thirdly, Cities and Institutions need to use the evidence gathered to work out the value of the wider impact. For example in a UK context, if 5 jobs had been created for unemployed people as part of the contract, they would multiply the number of outputs (5) by the TOMs financial proxy detailed in the Framework (£14,701).

#### Case Study – Finnish National Institute for Health and Welfare, and Cities of Helsinki, Vantaa, Espoo and Oulu

This Finnish project looked to encourage the creation of jobs for people in disadvantaged labour market position through the process of public procurement. The aim of the initiative was to develop an operating model applicable to public procurement that would ease disadvantaged labour towards employment. The implementation of the model relied on supporting measures such as enhanced

cooperation, capacity and knowledge training for participating Finnish cities, employment services and suppliers.

A strong part of the project was dedicated to the development of a monitoring system helping public authorities track contract compliances. The monitoring looked at analysing work contracts and pay slips of workers, focusing on the workers integrated back into work from a vulnerable community through the procurement process.

Over the life of the project, more than 20 procurement processes were carried out and monitored. Whilst this was a success in itself, it was found monitoring activities should also be extended to the whole-life cost of Socially Responsible Public Procurement as there was a lack of proof in the cost-effectiveness of the scheme. From a stakeholders' perspective, the project highlighted the difficulty to match job seekers to companies. Although the initiative introduced a stronger cooperation between suppliers and public employment services, opportunities of match arise more naturally from within established networks.

Following the end of the project, participating cities have embedded the innovative principles into their public procurement strategy. The city of Helsinki also now provides clear information for potential suppliers on its website explaining the values it seeks to promote through its public procurement process.



## 4 Existing Spend Analysis and Wider Impact Tools

The Spend Analysis Tool and Impact Measurement process described in the above sections are not the only available options. This section of the paper describes a series of existing Spend Analysis and Wider Impact Tools. Each tool follows the same approach with a brief description, followed by an assessment of strengths and weaknesses. The tools are as follows:

Table 1 Overview of existing spend analysis and wider impact tools

Type of Tool	Name of Tool
Spend Analysis	Local Multiplier 3 (LM3)
Spend Analysis	Centre for Local Economic Strategies (CLES) Spend Analysis Approach
Spend Analysis	Spend Pro
Spend Analysis	Municipal Year Book Public Spend
Spend Analysis	Atamis
Spend Analysis	The Institute for Public Procurement and Spikes Cavell
Spend Analysis	SMART by GEP
Spend Analysis	Grant Thornton Supply Chain Insights
Wider Impact	Tenders Electronic Daily (TED)
Wider Impact	Themes Outcomes and Measures Framework (TOMS)
Wider Impact	Manchester City Council Toolkit for Suppliers 2017
Wider Impact	Lancashire Enterprise Partnership Social Value Toolkit
Wider Impact	New Economics Foundation (NEF) – Prove and Improve Toolkits

### 4.1 Local Multiplier 3 (LM3)

Local Multiplier 3 (LM3) was developed by the UK based New Economics Foundation (NEF) in 2002. Its purpose was to enable local authorities and voluntary and community sector organisations primarily to understand the local economic impact of relatively small-scale regeneration initiatives. The tool has evolved from being excel based to becoming more digital based. LM3 is a ratio-based methodology which explores the extent to which an initiative brings local economic benefit in relation to its initial funding.

It explores benefit across 4 levels. First, it explores the extent to which spend with suppliers through procurement is with organisations based in a defined local area. Second, it explores the extent to which spend with direct employees working on the initiative is with people which live in that defined local area. Third, it explores the extent to which suppliers re-spend back in the defined local economy

upon suppliers and employees of their own. And fourth, it explores the extent to which direct employees re-spend their incomes in the defined local economy in shops and upon services.

The outcome of the analysis is a ratio such as 1:64 which means for every Euro spent, 64 Cents circulates in the defined local economy through spend with suppliers and employees and their subsequent re-spend.

LM3 has been widely used in the UK with further reading, examples, and platforms detailed below:

- <http://nefconsulting.com/wp-content/uploads/2017/05/TheMoneyTrail.pdf>
- <https://www.nefconsulting.com/wp-content/uploads/2015/09/Case-Study-LM3.pdf>
- <http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/creating-the-resilient-local-economies-exploring-economic-footprint-of-public-services/creating-the-resilient-local-economies-exploring-economic-footprint-of-public-services/>
- <https://www.lm3online.com/>

LM3 has a number of key strengths:

- It uses real data and spend as its starting point;
- It enables the deliverers of projects to gain a robust understanding of the wider benefit they are bring for the local economy in which the project is being undertaken;
- There is an existing platform that enables data to be inputted .

LM3 also has a number of weaknesses:

- It is resource intensive, particularly around re-spend analysis, which requires significant survey work with suppliers and direct employees;
- The core outcome is a ratio; of more interest is the process and decision -making that went into defining that ratio;
- It can provide a misconception that only local spend is important;
- It requires significant expertise and time in its implementation and is largely retrospective.

## 4.2 Centre for Local Economic Strategies (CLES) Spend Analysis Approach

The Centre for Local Economic Strategies (CLES) started using the principles of LM3 as described above to develop a bespoke Spend Analysis tool in 2007. The tool was largely designed for local authorities and other 'anchor institutions' to understand in more detail their suppliers and supply chains, together with the benefit procurement spend brought across a number of indicators.

The CLES spend analysis tool looks at the top 300 suppliers of a local authority or anchor institution for a designated financial year and explores procurement spend across four themes. It explores spend by geography, exploring the extent to which suppliers and spend is within particular local authority areas or regions –it also breaks spend down by ward boundaries and areas of deprivation. It explores spend by industrial sector, exploring the extent to which spend is with suppliers in particular industrial sectors such as construction. It explores spend by type of business, exploring the extent to which spend is with Small to Medium Sized Enterprises (SMEs), for example. And it explores

'leakage', procurement spend which is leaking from a defined geographical area, and which can be potentially influenced.

Further reading, examples and platforms can be viewed here:

- <https://www.youtube.com/watch?v=XSGQAKlGeNM>
- <http://www.cles.org.uk/wp-content/uploads/2011/01/The-power-of-procurement.pdf>
- [https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on\\_web-version.pdf](https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on_web-version.pdf)

The CLES Spend Analysis Approach has a number of key strengths:

- It uses real data and spend as its starting point;
- It can be used to justify and evidence particular political and policy objectives;
- It is based around an easy to use spreadsheet;
- It can enable local authorities and others to challenge the way in which procurement is undertaken and bring greater benefits to a defined local economy.

The CLES Spend Analysis Approach also has a number of weaknesses:

- It is retrospective;
- It can open up arguments around the protectionism of local economies;
- It relies upon local authorities and other anchor institutions to provide the required data.

### 4.3 Spend Pro

Spend Pro was developed by the Greater Manchester authorities in the United Kingdom in the late 2000s. It designed to be used by local authorities and other public services such as Police and Fire and Rescue to track their procurement spend. Spend Pro is a paid for service and is largely focused upon exploring the geographical location of suppliers (on an administrative invoicing basis) and the sectors of suppliers. For the latter, Spend Pro is accompanied by its own classification system, which breaks down the activities of suppliers beyond broad Standard Industrial Classification (SIC) categories.

Spend Pro is currently used by local authorities and other public sector organisations in the North West of England. Spend Pro, through a direct linkage to the MINT Database also enables suppliers to be categorised by their size, such as Small to Medium Sized Enterprises (SMEs).

Further reading can be viewed here:

- <https://uk.linkedin.com/in/spend-pro-1291abaa>

Spend Pro has a number of key strengths:

- It uses real data and spend as its starting point;
- It is based upon a licensing and cloud based system which makes it straightforward to use;
- Its categorisation system provides a more robust understanding of the types of goods and services which are being purchased.

Spend Pro also has a number of weaknesses:



- The categorisation system does not easily mirror SIC systems of classification which makes comparison of data difficult;
- It costs money to purchase a license;
- Administrative invoicing postcodes do not always truly reflect the geographical location in which a good or service is being delivered.

#### 4.4 Municipal Year Book Public Spend

MYB Public Spend was developed by the Municipal Year Book (a magazine for senior management in Local Government) in 2018. It is designed to enable all local authorities in the UK to understand their budgets, particularly important in times of budget reduction. The platform is cloud based and enables users to do three things: first, it enables them to understand the budgets of other local authorities and what they are spending money on; second, it enables procurement professionals to understand which suppliers bring risk and also best value; and third it enables them to boost their negotiating power and save money so that budgets go further.

The tool has six core features:

- Search and compare;
- Constantly updated content;
- Extra insights;
- Collaboration with other councils;
- A shared multi-user resource;
- A personalised dashboard.

Further reading can be viewed here:

- <https://www.mybpublicspend.com/>

MYB Public Spend has a number of key strengths:

- It has information on suppliers which is not available through other resources, such as around the risk associated with them.

MYB Public Spend also has a number of weaknesses:

- It is unclear from the website as to whether other forms of Spend Analysis can be undertaken, such as geographical and sectoral analysis;
- It is a paid for service, with a lack of testimonials to date and a lack of real evidence of comparisons across authorities;
- It is not clear how it links to procurement policy, strategy and practice.

#### 4.5 Atamis

Atamis is a leading provider of Contract Lifecycle Management (CLM) and Spend Analysis solutions in the UK. The software enables those in both public and private sectors to manage procurement processes, reduce supply-side risk and realise savings.

Atamis is a paid for service and cloud based, with Atamis 3.0 being a modular application that supports strategic procurement operations: from planning and e-sourcing through to the management of contracts and key supplier relationships. The core focus of Atamis is upon efficiency in procurement.

Atamis SA (also known as ProSpend) provides a secure web-based interface to improve visibility of procurement spend. Spend data is automatically loaded and classified, and pre-configured reports and dashboards are automatically generated, with full drill-down capability provided to invoice line-level data that will easily enable anomalous spend behaviour savings opportunities to be identified.

Further reading can be viewed here:

- <https://www.atamis.co.uk/>

Atamis has a number of key strengths:

- It is cloud based and intelligent, requiring little information apart from the input of direct data about procurement;
- It seems to collect a range of data about procurement spend and also information about procurement processes;
- Individual users have control over the type of data and information they wish to analyse.

Atamis also has a number of weaknesses:

- It is a paid for service;
- It is largely focused upon using procurement to make efficiency savings as opposed to being strategic;
- As individual users have control over analysis, there is little scope for robust comparison across authorities and institutions.

#### 4.6 The Institute for Public Procurement and Spikes Cavell

The Institute for Public Procurement has been operating in partnership with Spikes Cavell on a Spend Analysis tool since 2003. It is linked to the Gershon Review of efficiency savings in procurement from the same year, and focuses upon providing public authorities with the tools, data and insight they need to find savings, become more transparent, drive economic growth, and benchmark their performance. The tool has been used in both the UK and the United States of America.

The tool recognises one of the core gaps in spend analysis, which is around incomplete data being provided by public authorities – this restricts the ability of public authorities to make effective strategic procurement choices. The IfPP and Spikes Cavell tool looks to overcome this by rapidly transforming spend, supplier and contract data into actionable business intelligence regardless of the completeness, accuracy or fitness for purpose of the source.

Further reading can be viewed here:

- <http://www.nigp.org/home/find-procurement-resources/tools/spending-management>

The IfPP and Spikes Cavell tool has a number of key strengths:

- It has been operating for a long time and hence has a significant catalogue of data and information;
- It collects data across a range of indicators, including geographical and SME analysis.

The IfPP and Spikes Cavell tool also has a number of weaknesses:

- It is largely focused upon efficiency and economic growth, and therefore does not enable reflection upon more social and environmental issues to be identified;
- It is a paid for and commissioned service;
- It has questions over its current fitness for purpose, in relation to social value legislation and associated data requirements.

#### 4.7 SMART by GEP

SMART by GEP® is an American procurement tool, with SMART by GEP its spend analysis function, with its website describing it as a powerful, expertly engineered procurement software. As a full spend analysis platform, SMART by GEP cleanses, validates, classifies and reports spend data from all source systems to provide accurate, actionable information, with granular, item-level visibility across the enterprise. The tool appears to be largely focused upon the private sector.

Spend analysis technology in SMART by GEP® helps organisations to understand what they really spend on, who's doing the spending and where, and most importantly, if organisations are getting value for money. The benefits effectively pay for themselves: reduced maverick buying, lower procurement costs, improved efficiency, better compliance and higher realised savings

Further reading can be viewed here:

- <https://www.smartbygep.com/>

SMART by GEP has a number of key strengths:

- It enables business efficiency in procurement to be understood;

SMART by GEP also has a number of weaknesses:

- It is an American based system, with different approaches to procurement policies and practice;
- It is not clear whether geographical and industrial considerations are components of the model;
- It is private sector focused rather than public sector.

#### 4.8 Grant Thornton Supply Chain Insights

Part of Grant Thornton's suite of public sector insight tools, Supply Chain Insights gives procurement and finance professionals unique insight into local government, NHS, central government and emergency services spend to assure its supply chain arrangements. It also provides robust evidence to support finding the right suppliers at the right price. For suppliers, it provides an invaluable resource to access competitive intelligence and formulate market and bid strategies.

It is different to some of the other tools explored in this guide in that it is for both commissioners in the public sector, and also existing and potential suppliers. Real-time intelligence based on actual invoices paid, combined with Grant Thornton's assurance and analytic expertise, gives an unrivalled view on the public sector supply chain (their website perspective). This information is presented through an intuitive user interface and suite of visualisation tools to provide a rapid and robust analytical evidence base. It is supplemented by bespoke consultancy services.

Further reading can be viewed here:

[http://supplychaininsights.grantthornton.co.uk/?\\_ga=2.88354201.384138566.1541498540-1511844935.1541498540](http://supplychaininsights.grantthornton.co.uk/?_ga=2.88354201.384138566.1541498540-1511844935.1541498540)

Supply Chain Insights has a number of key strengths:

- It comes from both a public and commercial sector perspective;
- It is web and cloud based.

Supply Chain Insights also has a number of weaknesses:

- It appears overly focused upon efficiency as a core decision-making factor in procurement;
- It is a paid for service with links to consultancy support.

#### 4.9 Tenders Electronic Daily (TED)

TED (Tenders Electronic Daily) is the online version of the 'Supplement to the Official Journal' of the EU, dedicated to European public procurement. TED publishes 520 thousand procurement notices a year, including 210 thousand calls for tenders which are worth approximately €420 billion.

TED provides free access to business opportunities from the European Union, the European Economic Area and beyond. Every day, from Tuesday to Saturday, a further 2,000 public procurement notices are published on TED. Users can browse, search and sort procurement notices by country, region, business sector and more.

Information about every procurement document is published in the 24 official EU languages. All notices from the EU's institutions are published in full in these languages

Further reading can be viewed here:

<https://ted.europa.eu/TED/main/HomePage.do>

Tenders Electronic Daily has a number of key strengths:

- It provides a comprehensive knowledge base of contracts which are being procured across Europe;
- It provides a geographical and sectoral understanding of who is buying goods and services;
- It operates on an electronic platform basis which makes it easy in theory for SMEs to bid.

Supply Chain Insights also has a number of weaknesses:

- It is focused upon advertising opportunities and does not necessarily identify the types of organisations which win tender, nor their geography or sector;
- It only provides opportunities above the OJEU thresholds.

#### 4.10 Themes Outcomes and Measures (TOMs) Framework

The Themes Outcomes and Measures (TOMs) Framework was developed by the National Social Value Taskforce (in the UK), a network of (currently) 35 organisations. Its aim is to provide a minimum reporting standard for measuring social value. It aims to provide an easy to use solution which enables social value to be more widely adopted across all sectors and organisations.

The TOMs Framework also has a set of "proxy values" that allow users to measure the financial scale and breadth of impact any measure will make. It also enables procuring organisations to compare tenders in a way that is proportional and relevant to the bid and to better justify a procurement decision.

The Framework looks to go beyond measuring what has been delivered but also deliver the change that organisations want to see. Therefore, each outcome and measure has been developed to reflect a need and to encourage businesses to become involved in supporting fulfilment of that need.

TOMs has been designed around 5 Themes (the overarching strategic themes that an organisation is looking to pursue); 18 Outcomes (the objectives or goals that an organisation is looking to achieve that will contribute to the theme) and 35 Measures (action based activities that a supplier could complete to support a particular outcome).

Further reading can be found here - <http://socialvalueportal.com/national-toms/>

The National TOMs Framework has a number of key strengths:

- It provides a consistent approach to measuring and reporting social value;
- It provides a robust, transparent and defensible solution for assessing and awarding tenders;
- It allows organisations to compare their own performance by sector and industry benchmarks and understand what good looks like;
- It reduces the uncertainty surrounding social value measurement for businesses, allowing them to make informed decisions based on robust quantitative assessments and embed social value into their corporate strategies;
- It is a national free to use tool;
- It is updated annually.

The TOMs Framework has a number of key weaknesses:

- It only covers the measures that are common to most parties and does not cover all sectors
- The proxy values have only been developed and validated to a relatively limited extent because these will be reviewed on an annual basis;
- It can seem quite daunting to an organisation starting out on the journey of embedding social value into their organisation;
- Appropriateness of thresholds to which the TOMs Framework is applied.

#### 4.11 Manchester City Council Social Value Toolkit for Suppliers 2017

The Manchester City Council Social Value Toolkit for Suppliers document outlines what the Council is seeking to achieve for Manchester's residents and neighbourhoods through Social Value.

The toolkit provides guidance, information and contact details as a support to suppliers when considering their "offer" and delivery of social value when engaging in a Manchester procurement tenders and the successful award of a contract.



The toolkit sets out the “Manchester Strategy”, along with various other policies, and also details the Social Value Framework objectives (along with suggested examples) which suppliers can contribute to.

The toolkit also informs suppliers of the weighting applied to social value criteria in Manchester’s tenders. Previously this was 20%, it has recently been raised to 30%.

The Social Value Toolkit can be downloaded here:

[https://www.manchester.gov.uk/downloads/download/6648/social\\_value\\_toolkit](https://www.manchester.gov.uk/downloads/download/6648/social_value_toolkit)

The Manchester City Council Social Value Toolkit for Suppliers 2017 has a number of key strengths:

- It is clearly linked to Manchester City Council’s wider priorities and objectives;
- It shows the importance that the Council places on Social Value in procurement;
- It is short, clearly laid out and easy to follow;
- It provides a list of useful contacts suppliers can consult when putting together their bids and considering social value.

The toolkit has a key weakness:

- The level of social value required when tendering may be off-putting to new entrants to procurement/smaller suppliers.

#### 4.12 Lancashire Enterprise Partnership Social Value Toolkit

The Lancashire Enterprise Partnership Social Value Toolkit aims to maximise the social value (or social benefit) available through the procurement and commissioning of Lancashire Enterprise Partnership (LEP) programmes. Its aim is to ensure that public money delivers better outcomes, be they social, environmental or economic.

The toolkit is designed to encourage project applicants to consider social value during project planning stage and ensure that every opportunity is taken to deliver on those outcomes during project delivery, in particular as part of their procurement activities.

The toolkit, much like the Manchester City Council one, provides practical guidance, a framework of indicative activities, some good practice case studies and signposts project applicants to potential sources of support.

Further details of the Toolkit can be found here: <http://www.lancashirelep.co.uk/lep-priorities/growth-deal/social-value.aspx>

The LEP Social Value Toolkit has a number of key strengths:

- It ensures that opportunities for social value are integrated into projects;
- It is clearly linked to the LEP’s Lancashire Skills and Employment Strategic Framework and is simple to use;
- It recognises that no “one size fits all” and allows for a tailored approach.

The LEP Social Value Toolkit has a number of key weaknesses:



- It is focused solely on employment and skills and does not include environmental aspects;
- It is quantitative (numerically based) and does not allow for the measurement of qualitative outcomes.

(It should be noted that this Toolkit is currently being reviewed).

#### *4.12.1 New Economics Foundation (NEF) Consulting – Prove and Improve Toolkits*

NEF Consulting have pulled together a large number of tools and resources to measure impact which are available on their website. The purpose of these tools is to enable organisations to develop and understanding of value for money that includes social and environmental outcomes alongside the economic costs and benefits; integrate social, economic and environmental measurement into their culture to support the long term sustainability of their activities and investments; and help organisations to prove the value and improve the effectiveness of what they do.

These tools are primarily aimed at social enterprises, charities and other mission-driven organisations and projects. However, it could also be used by public sector organisations to assist them when considering how to measure and monitor impact. Alongside the toolkits, NEF offer training courses which can be tailored to individual organisational needs.

More information on measuring impact and the NEF platform can be found here: <https://www.nefconsulting.com/our-services/evaluation-impact-assessment/prove-and-improve-toolkits/>

The key strengths of the Toolkits are:

- The information on the website and the toolkits are free to use;
- They are useful for potential suppliers (particularly social/voluntary sector organisations) as well as organisations generally to understand how to measure impact.

The key weaknesses of the Toolkits are:

- They are not public procurement specific;
- There is a lot of information available and it can be time consuming to work through to find the relevant and appropriate information;
- Bespoke support is available but chargeable.

## 5 Conclusion and Recommendations

This Guide has sought to primarily do two things. First, it has sought to introduce a methodology for Cities and other institutions wishing to undertake Spend Analysis, and has in particular detailed the types of data that needs to be collected and how it can be analysed. Second, it has sought to provide advice as to the steps Cities and other institutions need to go through to measure the Wider Impact of procurement and its contribution to economic, social and environmental outcomes. We conclude the Guide with three key recommendations.

1. The Spend Analysis Methodology and Tool should be rolled out across a wider range of Cities during the URBACT Transfer Network Sharing Period from June 2020;
2. Cities, utilising the EU Urban Agenda as the frame, should be encouraged to create Wider Impact Procurement Frameworks – shaped by their own Priorities;
3. The Guide should be hosted and promoted through various sources including: Preston City Council, CLES, URBACT, Urban Agenda, and the Commission.