

Institution: University of Cumbria
Unit of Assessment: 19 - Business and Management Studies
Title of case study: Influencing regional procurement in supply chains in the public and private sectors
<p>1. Summary of the impact</p> <p>Researchers within the University of Cumbria Centre for Regional Economic Development (CRED) have published work on themes relevant to local economic policy across the UK. The research has focused in particular on the ways in which local and regional policymakers can influence growth processes in local economies; both directly through public sector procurement, and indirectly by providing advice and support to small and medium-sized businesses (SMEs). This research has been funded by public sector bodies specifically to inform their strategies, and to provide a basis for local economic policies. The findings have impacted upon the procurement practices of local authorities by drawing attention to the barriers to SME involvement in public contracts. Research on the nuclear supply chain has also influenced the Business Plan of the Cumbria Local Economic Partnership (LEP), and has been used in evidence to the Public Accounts Committee, UK Parliament.</p>
<p>2. Underpinning research</p> <p>The Centre for Regional Economic Development (CRED) was established in 1996 (as part of Northumbria University) with the explicit purpose of conducting academic research that would inform policymaking and practice in local and regional economic development. Following a period of sponsorship, the Centre developed expertise in conducting applied research on a contract basis with external clients, alongside continued academic publication. CRED's research has had specific impacts on policy by providing a) quantitative data analysis on the scale of local retention of spend in the nuclear supply chain (as an important economic sector for North West England), b) qualitative analysis of the characteristics of inter-firm relations in the supply chain and c) understanding of the impacts of changes in procurement practice in the public and private sectors on SMEs in local economies.</p> <p>One major theme in this research has involved studies of the <i>direct impacts</i> of public sector bodies on local economies via their procurement practices. Early studies focused on developing methods to measure the total amount of public money entering specific local areas within Cumbria. This was followed by commissioned research to measure the levels of retention of local authority spending in the County as a whole, and to analyse the factors that influence these levels. It is widely recognised in the literature that public expenditure makes a significant contribution to the economy, and that spend by local authorities and regionally-based public sector bodies can have considerable impact on businesses in local areas. It has also been recognised that the procurement practices adopted in the public sector, and changes in such practices over time, can affect the extent to which spend is retained in local economies for the benefit of local SMEs. It has been suggested that a trend towards greater "professionalisation" in procurement, and associated attempts to improve efficiency of practices, may have created barriers for SMEs in accessing public contracts. The research aimed to document these barriers by gathering survey data and interview evidence from businesses.</p> <p>Testing these assertions has been a core objective of research in CRED. Research conducted in Cumbria (CRED Report completed in 2008 and key findings subsequently published in Peck and Cabras, 2011) confirmed that many SMEs in the County rely upon local authority contracts for business stability. However, the research also generated intelligence on the perceptions of</p>

business related to change over time, and the different approach and expectation when working with public as opposed to private sector clients. As one example, interviewees noted that the drive for greater efficiency in public sector contracting often leads to ineffectiveness because firms have much less contact with the actual users of products and services: procurement professionals lack the knowledge to understand what is needed. Also, public sector organisations may streamline their own procurement system, but this is achieved, in part, by externalising bureaucratic processes which are imposed on bidders. The types of businesses considered include providers of transport services, construction, maintenance, business services and care providers. The interviews confirmed the vulnerability of SMEs to the current trend towards more formal approaches to public procurement and the use of a narrow definition of 'value for money'. The article concludes by considering the implications of the findings for understanding the extent to which local authorities have retained a capacity to act to support local economic development. These research findings stimulated considerable interest and the scope of the study was subsequently extended to cover the whole of the North West region, as well as a wider range of public services (health, police, fire). The extended study was funded by North West Development Agency (CRED 2008: £77,800) due to their interest in the data, which can be used as a means of monitoring the impacts of procurement on SMEs in the region. On the basis of survey data, the level of retention of spend associated with public sector contracts in the North West Region was estimated at 36 percent in 2008. Considerable "leakage" of spend was found to be associated with large construction projects. The findings of this research have subsequently been used to inform the activities of the EPIC (Effective Procurement in Cumbria) Partnership, particularly with regard to provision of advice to potential local suppliers of goods and services to the local authorities in Cumbria.

Research has also been published on ways in which public bodies can influence the local economy *indirectly*, by providing advice and support to SMEs in the local area. A significant amount of this work has involved research on the changing characteristics of the nuclear supply chain surrounding the Sellafield Site in West Cumbria. A series of reports were prepared for the West Cumbria Development Agency (CRED 2008, 2010, 2011) and the Nuclear Industry Association (NIA 2011), to assess the impact of spend in the local supply chain and to assess business needs. The quantitative findings of this work have subsequently been published in Cabras and Mulvey (2012). This research also included qualitative information to evaluate business needs as a basis for improving public sector support to smaller businesses operating in the Sellafield nuclear supply chain. The findings of this research have been used to inform the policy interventions of the Energy Opportunities Supply Chain Project (EOSCP).

The research has been led at CRED by Dr Frank Peck, who was appointed to a Professorship in 1996 as Research Director of CRED based at the Carlisle Campus of Northumbria University. CRED was subsequently transferred to the University of Central Lancashire (2004), and then became part of the University of Cumbria on its formation in 2007 (both institutions confirmed the professorial title on the basis of ongoing research output). Other contributors to the research include Dr Gail Mulvey, an economist who joined CRED in 2005 as Research Assistant, later a Research Fellow. Keith Jackson was appointed as Research Assistant in CRED in 2007. Prior to joining academia, Keith has over 20 years' experience as owner-manager in convenience retailing. Several publications in CRED have been co-authored by Dr Ignazio Cabras, Research Assistant in CRED from 2005 to 2010, and subsequently Research Fellow at Edinburgh Napier University and Lecturer in Economics at the University of York.

3. References to the research

Peck F, Connolly S, Durnin J, Jackson K (2013) Prospects for “place-based” industrial policy in England: The Role of Local Enterprise Partnerships (LEPs) *Local Economy* Published on-line August 27th 2013, DOI 10.1177/0269094213498470

Cabras I. and Mulvey G.C. (2012) 'Nuclear Economies and Local Supply Chains in Peripheral Areas: the case of West Cumbria,' *European Planning Studies* Vol. 20(4), pp. 707-724

Peck F. and Cabras I. (2011) Public Procurement and Regional Development: The Impact of Local Authority Expenditure on Local Economies' *Public Policy and Administration* Vol 26; p.307-331

4. Details of the impact

CRED was established in 1996 through external sponsorship from a range of local partners (including Carlisle City Council, Cumbria County Council, Westlakes Properties, Cumbria Training Enterprise Council, and Barclays Bank) and hence the ethos of research in the Centre has always been applied to issues of relevance to the economy of the County. CRED's research has been used as reference point for informing the **role of public procurement in local economic policy**. Examples of this include the impacts of research outputs on local and regional procurement practices. CRED's work in Cumbria has been used by the EPIC partnerships (Effective Procurement in Cumbria) to justify expenditure on a programme of events aimed at giving advice and providing support for SMEs with interest in bidding for public sector contracts. EPIC involves a collaboration between Cumbria County Council, Allerdale Borough Council, Barrow-in-Furness Borough Council, Carlisle City Council, Copeland Borough Council, Eden District Council and South Lakeland District Council. Its remit was to secure efficiency savings in procurement, and joint savings of over £2m have been reported. However, there were concerns that the means by which such savings have been secured (consolidation of contracts, lengthening of contracts, changes in criteria for award) may have created barriers for SME. The research findings drew attention to these issues and caused EPIC to divert resource to provide support for SMEs, as indicated in the following reference:

“EPiC commissioned the Centre for Regional Economic Development (CRED) to undertake research into the impact of Local Authority procurement on the Cumbrian economy. This has initiated a programme of events aimed at advising suppliers how the local authorities via EPiC intend to do business in the future”.

(Minutes of the Carlisle City Council Corporate Resources Overview and Scrutiny Committee, October 2008).

Subsequent to this work, CRED was commissioned by the North West Development Agency to repeat the exercise conducted in Cumbria across the whole of the North-West Region (Peck, Bell and Cabras, 2008). This study analysed the spatial pattern of public expenditure on goods and services by sub-region, local authority, sector and size of business. The project combined a quantitative approach to measuring the level of expenditure retained within the region with a review of policy on public procurement and the principles behind “sustainable procurement”.

CRED research on **supply chain development in the nuclear industry** in West Cumbria has had a similar application. The findings of the research have been used to inform the programmes delivered by the Energy Opportunities Supply Chain Project (<http://www.eoscp.co.uk/>), in particular focusing on the topics covered in the events aimed at improving success in bidding for nuclear

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contracts. These include provision of advice on quality standards in the industry, improving commercial practices of firms in bidding for new contracts, improving marketing and networking skills as well as more direct impacts through “meet the buyer” events. This work has involved tracking the value of Sellafield contracts and the extent to which these affect the local economy. The EOSCP exists to maximise opportunities for local SMEs in the Supply chain. The research has provided intelligence to guide the range of supports provided by EOSCP including “meet-the-buyer” events, training needs, information availability and facilitation of partnership arrangements in consortia.

The Sellafield research was also fed into the House of Commons Committee of Public Accounts report on *Nuclear Decommissioning Authority: managing risk at Sellafield* (January 2013), relating to the decommissioning programme at Sellafield. This debate was wide-ranging and focused in particular on concerns of budget overrun and slow progress in implementing plans for decommissioning. As part of this debate, the issue of local socio-economic impacts became relevant as part of the overall assessment of “value for money”. In the course of this debate, the research was cited in an information session in November 2012 by a representative of Sellafield to evidence the significance of Sellafield’s expenditure in the local economy.

5. Sources to corroborate the impact

Research on behalf of the EPiC Partnership was initially presented in a client report authored by Peck and Cabras (2007) “Impacts of Local Authority procurement on the Cumbrian Economy” prepared for Cumbria Procurement Initiative / Cumbria County Council. Part of this work was subsequently published in the Journal *Public Policy and Administration*.

In recognition of the potential impact of this data, NWDA approached CRED about the possibility of extending this work to cover the whole NW region. A contract (£77k) was awarded and work carried out and reported in Peck F, Bell F, Cabras I (2008) “*Impact of Public Sector Procurement on the North West Economy*” report commissioned by the North West Development Agency; Centre for Regional Economic Development, University of Cumbria Business School.

These impacts began to filter through after 2008, in particular in raising awareness in public authorities of the need to take into account SME perceptions of change and to engage more actively in supplier development. As an example:

Carlisle City Council (2008) Corporate Resources Overview and Scrutiny Committee, 16th October. Item: Procurement Activity Report. Parag 3.4.1 (p.4)

Full minutes of the Carlisle City Council Corporate Resources Overview and Scrutiny Committee, October 2008, citing influence of the research on resources to support SMEs in procurement processes, available on request.

Corroborating contacts:

- To corroborate impact on Public Procurement policy: Head of Commercial Partnerships, Cumbria County Council.
- To corroborate impact on nuclear supply chain: Energy Opportunities Supply Chain Project Manager, Britain’s Energy Coast.