

# MAKING SPEND MATTER

Basic Spend Analysis Case Study

Koszalin

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# INTRODUCTION

## About Making Spend Matter

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

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

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

## About the Making Spend Matter Toolkit

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

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

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

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

## About 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).

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

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

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

# CASE STUDY

## Understanding of good practice:

Koszalin is based in North West Poland and has been looking to change the way in which it undertakes procurement for the last five years. As a partner of the Procure Action Planning Network, Koszalin understood the basic principles of spend analysis; however, Making Spend Matter has been an opportunity to explore the methodology further and practically implement it. Koszalin recognises that the true value of spend analysis is as an evidence-based tool that can enable both changes in procurement cultures, and in the realisation of wider economic, social and environmental benefits for the City.

Koszalin has made a particularly strong link between spend analysis and economic development. They recognise that understanding their procurement spend in more detail gives them a more in-depth understanding of how much is spent with SMEs, who can then subsequently be engaged with through economic development to develop their knowledge of procurement processes and their capacity to bid. Linked to this, Koszalin has recognised that spend analysis and procurement cannot just be about the Municipality; indeed, there are several anchor institutions which are also based in Koszalin that are significant spenders through procurement.

Finally, Koszalin has understood that spend analysis should not be a one-off activity but rather it should be undertaken on an ongoing basis and be used as a means of shifting the way in which procurement is undertaken, notably in terms of SME engagement, the inclusion of social and environmental considerations and wider impact monitoring.

## Adapting the Methodology:

Koszalin made some changes to the good practice to adapt it to local circumstances and contexts:

- First, they only looked at one geographical area for their spend analysis, namely the Koszalin Functional Urban Area (FUA);
- Second, they had to develop a mechanism to collect data on the size of businesses (i.e. Small, Medium-sized, Large business), as there is not straightforward way of accessing this type of data in Poland. Koszalin asked suppliers to provide this information through a survey.
- Third, rather than focusing its top 300 suppliers, Koszalin analysed all expenditure to provide a fuller, more robust picture of spend;

*“After series of discussions with partner cities on transferring the Good Practice methodology, we realized that despite the fact there are some differences between us e.g. different locality definitions, industrial classification and legal environment, we in fact face very similar challenges and barriers in our cities, among which are limited human and time resources (lots of data needs to be gathered and processed manually), engaging other departments and anchor institutions, collecting the required data from finance and procurement departments and filling the data gaps.”*

Adam Sawicki, Koszalin Project Coordinator

## The Spend Analysis Findings:

Simply by undertaking the spend analysis and by transferring the good practice, Koszalin has recognised the scale of procurement spend in the city. Across all procurers and including anchor institutions, there is an annual spend of over 100 Million Euros: making procurement a significant contributor to Gross Domestic Product (GDP). In terms of the City Council, there was a surprise as to the extent to which procurement spend was already with organisations in the Koszalin Functional Urban Area (FUA) (83%) and with SMEs (91%).

The City Council also transferred the good practice to other anchor institutions through their URBACT Local [stakeholder] Group (ULG), with the Regional Hospital, Technical University of Koszalin, and Koszalin District Administration also exploring how much they spend in total, and where that money goes geographically. There were key differences in the extent to which the Regional Hospital were spending with local SMEs when compared to the City Council, for example, largely due to the very specialist nature of the goods and services being procured.

## Interpreting the findings:

Koszalin has used the findings of their spend analysis to inform other aspects of their procurement processes, both from the perspective of procurers and the market. In terms of procurers, and, recognising the relatively high proportion of existing spend with Koszalin FUA based organisations, they have sought to strengthen competences around the inclusion of adequate social and environmental considerations in the process of procurement. In terms of the market, they have sought to strengthen the capacity and capability of entrepreneurs to participate in the procurement process.

## Re-using the transfer:

Koszalin will continue to utilise spend analysis to inform procurement processes following the completion of Making Spend Matter. There are three things that they would like to improve at the local level to facilitate this:

- First, they would like to improve the way in which businesses are categorised – currently this is as part of seven relatively narrow sectors. Koszalin recognises for more advanced spend analysis to be undertaken that needs to be investigated further, for example by breaking it down into sub-categories.
- Second, the implementation of the spend analysis tool and particularly the manual data gathering around SMEs takes a lot of time – Koszalin will look to automate and customise this in the future.
- Finally, Koszalin will look to include indicators associated with spend analysis in their City Policy, together with indicators which are more focused upon demonstrating social and environmental benefits through procurement.



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.