

Appendix 2a – April SP&R Report on Economic Impact



Belfast
City Council

STRATEGIC POLICY AND RESOURCES COMMITTEE

Subject:	Economic Impact of Council Procurement and Other Expenditure
Date:	24 April 2015
Reporting Officers:	John McGrillen, Director of Development Ext 6184 Gerry Millar, Director of Property of Projects Ext 6217
Contact Officer:	Lisa Toland, Head of Economic Initiatives Ext 3427 Donal Rogan, Head of Contracts Ext 2460

Is this report restricted?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

1.0	Purpose of Report
1.1	The purpose of this report is to: <ul style="list-style-type: none"> – Provide members with an overview of the results of the recent Local Multiplier Model (“LM3”) that has been used to measure the impact of council spend on staffing as well as goods and services
1.2	<ul style="list-style-type: none"> – Seek elected member agreement on priority actions for the coming year which will seek to enhance the amount being spent and re-spent within the council area,
2.0	Recommendations
2.1	It is recommended that members: <ol style="list-style-type: none"> 1. Note the work undertaken and the impact to date on improving the value of council spend and re-spend within the local area 2. Endorse the series of activities that are planned to increase the volume of council spend within the current boundary. 3. Adopt the Local Multiplier Model as the council’s performance indicator in measuring the council’s economic impact
3.0	Main report
3.1	<u>Key Issues</u> A key strand of Council’s Efficiency and Investment Programmes is the effective procurement of supplies, works and services. Procurement is a significant efficiency driver and can act as economic stimulus for the local economy. As part of the Investment Plan targets were set to increase local spend by 10% to 60% by 2015 through a range of

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	initiatives.
3.2	<p>The Centre for Local Economic Strategies (CLES) was commissioned in 2013 to undertake a study of council's expenditure in order to measure its economic impact and identify how the council could further maximise the economic social and environmental benefit derived from its spending. The CLES work involved the following elements:</p> <ol style="list-style-type: none">1. Measuring the economic impact of the council's expenditure using an economic multiplier model. This involved analysing employee, supplier and grant expenditure and also incorporated a survey amongst each of these groups to understand how they further impacted the local economy through their spending decisions.2. Review of the council's existing procurement practices to build on the positive work already being undertaken by the council to align procurement and economic priorities in order to increase Belfast based companies to respond to procurement opportunities.
3.3	<p>Since the completion of this work officers have been implementing many of the recommendations. This incorporated the delivery of a programme of activity focused upon a number of key areas including; strategic development, information and capacity building for suppliers and employees, targeted business development support for small companies and social enterprises and supplier engagement.</p>
3.4	<p>The initial CLES study created a baseline against which to measure expenditure across four geographic levels: Pre-April 2015 Belfast City Council boundary; Post-April 2015 Belfast City Council boundary, Belfast Metropolitan Area and Northern Ireland-wide. The model is called LM3 as it involves a calculation of:</p> <ol style="list-style-type: none">1. First round: total Belfast City Council spend2. Second round: the council's spend on suppliers, grant recipients and employees3. Third round: money spent by the suppliers, grant recipients and employees themselves.
3.5	<p>The base expenditure data was drawn from the council's HR and procurement teams. Information for the second and third round was gathered by means of a survey to build up a picture of spend and re-spend.</p>
3.6	<p>The CLES methodology is considered to present a more realistic picture of the impact of council spend than simply measuring the percentage of transactions by value within a given area. There are a number of reasons for this:</p> <ul style="list-style-type: none">• Using contract value alone – and measuring increases or decreases from that – can

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lead to distortions as the postcode/area information used is the billing address of the supplier. However, while the head office may be in England, all employees could be based in Belfast and therefore spending money in the local economy.

- Capital and revenue spend is only part of the picture: The research shows that suppliers re-spend 36p in the £1 within the Belfast area (on other suppliers or service providers) while employees re-spend around 29p in the £ in Belfast. Ignoring this re-spend means that the council is overlooking a significant proportion of its investment in the city.

3.7 The initial results of the CLES work were presented in November 2013, using 2012/2013 financial data and identified that for every £1 of council expenditure:

- 76 pence was spent or re-spent in the pre-April 2015 Belfast boundary
- 80 pence was spent or re-spent in the post-April 2015 Belfast boundary
- £1.02 was spent or re-spent in the Greater Belfast Area
- £1.35 was spent or re-spent in the regional economy.

3.8 These findings have now been updated using 13/14 financial spend data, the key findings have identified that, for every £1 of council expenditure:

- 83 pence was spent or re-spent in the pre-April 2015 Belfast boundary
- 90 pence was spent or re-spent in the post-April 2015 Belfast boundary
- £1.13 was spent or re-spent in the Greater Belfast Area
- £1.55 was spent or re-spent in the regional economy.

A more detailed analysis of the 2013/2014 expenditure is attached as **Appendix 1**.

3.9 Since the completion of the initial report, officers have been implementing a number of the recommendations contained within the study. Activities delivered to date have included:

- Local economic priorities have been embedded within the council's draft Procurement Strategy, e.g. lotting strategies, clearly communicating the importance of increasing the value of local spend.
- Contract management, commercial awareness and specification writing training has been rolled out to 162 officers in 2014.
- A 'Buy Local First' campaign has been launched, to ensure, where possible, to include Belfast based companies for quotation opportunities.

3.10 There are a range of further initiatives under way to improve the capacity of local companies to win business from public procurement both within Belfast City Council and with other public bodies. These include the following:

- Information awareness raising and capacity building workshops have been delivered targeting Belfast-based, including those businesses within the new boundaries, small businesses, social enterprises and community and voluntary sector organisations.

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	<p>Over the last year, almost 200 companies took part in these</p> <ul style="list-style-type: none"> • Meet the Buyer events have been held to enable businesses to access the supply chain opportunities from council construction projects with almost 400 businesses accessing these events. Sector specific events have also been aimed at the tourism, food and hospitality industry and events have been aligned to some of the major capital schemes e.g. Waterfront Hall, Girdwood, Connswater Greenway. • Almost 60 organisations have participated over the last year in the council’s Smarter Procurement Programme, which supports small businesses and social enterprises to build their capacity to respond to procurement opportunities from the council and across the public sector.
3.11	<p>Central to this is the need to consider an optimal balance between the desire to increase the number of local businesses accessing council procurement opportunities with the desire to create ever more efficiencies. In this regard each procurement opportunity is considered on its merits.</p>
3.12	<p>In order to continue to make progress in increasing the impact of council spend within the local area, members are asked to consider and approve the following;</p> <ul style="list-style-type: none"> • Increase the awareness of ‘Buy Local First’ campaign for quotations through an ongoing internal marketing campaign. • Embedding local economic considerations as part of the contract management training, specifically targeting key buyers within the council. • Create a network of key suppliers to communicate the council’s economic priorities and to ensure that they understand the rationale to maximise the local impact of our spend • Analyse expenditure data to identify additional opportunities for local spend, utilising this information for targeted business development support engaging with key sectors. • Explore opportunities for increasing the economic and social value from procurement created by recent changes to the procurement legislation.
3.13	<p><u>Financial & Resource Implications</u></p> <p>The priority activities identified will be undertaken within approved budgets, from Economic Development Unit and Corporate Procurement Service.</p>
3.14	<p><u>Equality or Good Relations Implications</u></p> <p>No specific equality or good relations implications.</p>
4.0	Appendices
	Appendix 1 – Detailed analysis of 2013/2014 spend, using LM3 model