

<b>COMMITTEE</b>	Education and Economy Scrutiny Committee
<b>TITLE</b>	Progress Report – Keeping the Benefit Local
<b>DATE</b>	8th December, 2022
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<b>CABINET MEMBER</b>	Councillor Menna Jones

This report is submitted following the Audit Committee's request for an update on the progress of one of the priority projects within the Council Plan, namely the **Keeping the Benefit Local Project**.

### **Purpose of the project:**

The Council is responsible for purchasing a broad range of goods and services and is eager to seek to ensure that local businesses are able to compete for and win those contracts. This in order to ensure that as much of the Council's expenditure as possible stays in Gwynedd for the benefit of the local economy.

To facilitate this we have introduced new procurement arrangements in the Council since April 2016 and have established specific Teams that are responsible for coordinating procurement activities. We call these procurement arrangements 'Category Management'. These Category Teams focus on Procurement activities in three specific areas, which are i) Environment, ii) People and iii) Corporate. These teams are located within the Highways and Municipal, Adults, and Environment Departments, but they are all supported by the central Procurement Service which is located within the Corporate Support Department.

Over the past two and a half years, in response to the challenges posed by the pandemic, the Category Teams and central Procurement Service have been involved in arrangements for securing supplies of Personal Protective Equipment (PPE). The three Category Teams have been a key part of these arrangements and continue to be involved with the purchasing, distribution and stock management aspects. The People Category Team also deals directly with older people's homes and wider social services. This has led to a reduction in the overall Procurement activity over that particular period, which will inevitably affect the project's progress in the short-term.

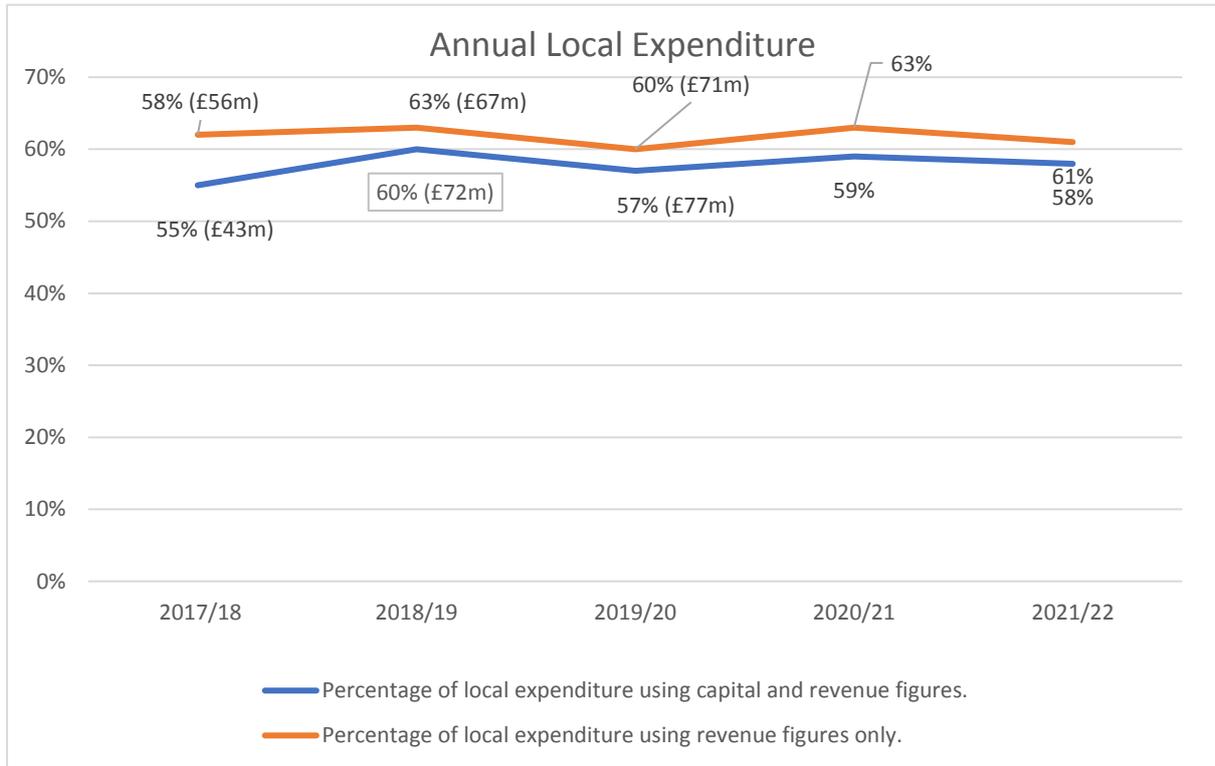
By now, the situation has calmed down, but the need to maintain and distribute PPE continues. The Category Team (H&M) continue to manage the PPE store in Cibyn.

### **Measures of Success: Keeping the Benefit Local:**

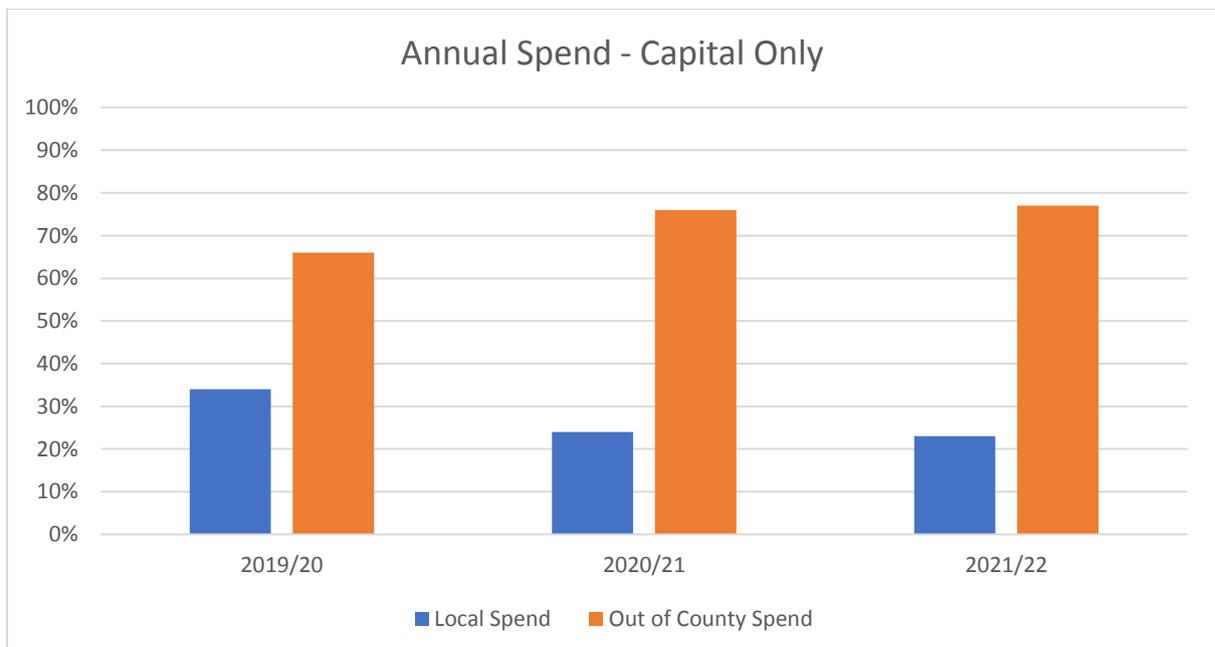
The main measure in order to measure the success of this project is:

- The percentage of local procurement expenditure with businesses within the County (Capital and Revenue Expenditure Plans)

The following graph shows the Council's performance over the last five years:



As can be seen from the above, the percentage has increased by 3% over the period and consequently, our local spending has increased from £56m in 2017/18 to £85m in 2021/22. This is also due to the fact that the total procurement spending has increased from £97m in 2017/18 to £140m in 2021/22.



We see capital spending leaving the County since the majority of local providers do not have the capacity to complete the projects. We see an increase and a reduction in the percentage associated with a competition for building and roads maintenance projects.

In terms of the distribution across the Category Teams, this is illustrated in the following table:

		<b>Local Percentage - Revenue Expenditure only</b>			
<b>Category Team</b>		<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Corporate</b>		59% (£22.8m)	55% (£23.3m)	55% (£24.18m)	57% (£26m)
<b>Environment</b>		40% (£6m)	35% (£5.5m)	38% (£5.46m)	35% (£6.4m)
<b>People</b>		74% (£38.2m)	72% (£42.1m)	71% (£48.36m)	69% (£52.5m)
<b>Total</b>	<b>Local</b>	£67m	£71m	£78m	£85m

As can be seen from the table, the performance varies according to Category Team, but this is because of the nature of the relevant purchasing categories. For example, the majority of the spending within the People Category Team relates to commissioning a care provision and the majority of the providers are based in Gwynedd. But in the Environment Category Team, there are no local suppliers available of core materials for the Highways and Municipal area of work, therefore the local expenditure is lower as a result.

In order to increase this percentage as high as practically possible, the Department has a range of specific work-streams which, on the whole, contribute towards improving the percentage of procurement local spending.

Below is a summary of these work streams:

### **Market Support Schemes**

There are a range of plans being implemented with the aim of supporting the market to submit tenders for work. These include working alongside the Economy and Community Department to identify what support is needed by local suppliers. At present, the teams provide support by:

- Preparing the market by arranging and holding 'meet the buyer' sessions with a variety of construction, highways, transport and care field contracts.
- Supporting businesses to respond to requirements in tenders as a result of any developments in the field, such as gaining accreditations or responding to the requirements of the Well-being Act, such as reducing its carbon footprint and promoting ethical employment and tendering best practice.
- Raising the market's awareness and understanding of the social value procurement method that the Council is currently developing.

Market participation varies from scheme to scheme, but it is generally very difficult to get the market to commit to taking advantage of all the support that is available.

The local market's frustrations to increase the local percentage is mainly due to the lack of desire, expertise and resource to apply for and deliver the Council's contracts.

## **An illustration of the local market**

We have been able to complete an analysis of the type of businesses that exist within the County.

Our main employers include:

- Public Sector (Council, Health Board, Further Education)
- Supermarket and Food Sector
- Tourism Sector

The sectors with the highest number of local businesses include:

- Agriculture
- Construction
- Accommodation and Food

Our intention is to undertake this type of analysis to see whether a pattern emerges over a period of time and whether this endangers the supply risk or identifies further opportunities to buy more locally.

## **Expenditure that leaves the County**

From our analysis of the Council's procurement revenue spending, here is an example of the main fields where procurement spending leaves the County.

<b>Category Name</b>	<b>Total Expenditure</b>	<b>Local Percentage</b>	<b>Expenditure that leaves the County</b>
Adult Residential Care	£32,328,608	62%	<b>£12,303,927</b>
IT Equipment - Software, Hardware, Telecommunications and Repographics	£4,786,740	0.1%	<b>£4,784,125</b>
Children's Residential Care	£ 2,958,533	0%	<b>£2,958,533</b>
Building Maintenance	£6,579,004	70%	<b>£1,939,671</b>
Environment	£2,054,999	12%	<b>£1,807,772</b>
Vehicle Parts	£1,428,219	4%	<b>£1,364,472</b>
Domiciliary Care	£9,787,793	88%	<b>£1,161,843</b>
Road Maintenance	£1,704,474	36%	<b>£1,087,316</b>
Vehicle Fuel	£2,076,238	53%	<b>£966,609</b>
Engineering Consultants	£709,500	14%	<b>£610,833</b>
Civil Engineering	£2,844,435	80%	<b>£575,469</b>
Buildings and Catering	£2,335,073	76%	<b>£571,068</b>
Waste Management - Recycling	£1,246,506	60%	<b>£497,558</b>
Street and Highway Lighting	£ 451,780	0%	<b>£451,780</b>
Equipment Hire	£1,198,279	69%	<b>£368,790</b>

## **Innovative Procurement - Social Value Procurement Model**

This work stream is new and is currently being piloted. The aim is to introduce a new tender assessment methodology throughout the Council in future that will enable the Council to include social benefit for Gwynedd measures as a basis for assessing the tenders.

In practice, this will involve assessing tenders using a combination of price, quality and social benefits. This introduces a new scoring aspect which means that companies are required to identify what benefits they can deliver to the County beyond achieving the core requirements of the contract e.g. companies can offer employment to staff, provide an apprenticeships scheme or provide work experience opportunities etc. It can also include aspects such as a commitment to reduce the environmental impact of the supplied product.

Using the social benefit clause will mean that local companies will have new opportunities to demonstrate their contribution to the local economy if they are awarded a contract by the Council.

The pilot referred to above has now reached a situation where two contracts have been published and awarded. The first contract has been offered to a supplier by using the new methodology. In this case, the value of the contract was calculated as £181k, but the social benefit to Gwynedd was calculated as being £105k.

As a result, the successful company is committed to:

- employ 3 officers who live in Gwynedd,
- hold 4 training sessions for social care students,
- provide 4 weeks of work experience for 2 students,
- offer 20 hours of voluntary time to support local charities,
- commit 2.5 hours per week to further develop the Welsh language skills of the workforce.

The second pilot contract has been completed but the market's response has not been as good as it was with the first pilot. Nevertheless, the successful company has offered a donation of £1,000 to be shared amongst two Food Banks in the County. This has highlighted the need to do further work to encourage and support the market.

The third and final pilot has been published and is currently being evaluated.

Without a doubt, had the Council not included the Social Benefit clause in the tender, these benefits would not have been available for Gwynedd. This is therefore a sign of the possible potential from applying the new methodology across the Council.

We now intend to continue to run the pilot and identify opportunities across the three Procurement Category Teams.

## **Developing New Measures**

We are attempting to expand upon the performance measures to have a comprehensive picture of the impact of our procurement activity. As well as measuring value for money and the local percentage, we have carried out an analysis in accordance with the national formula. Although the formula is based on expenditure, it highlights where the Council is likely to produce the largest amount of carbon as a result of our procurement activities.

Here is the analysis over the past three years:

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Total CO2</b>	40,639 Tonnes	39,959 Tonnes	49,246 Tonnes

<b>Categories with the highest carbon footprint</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Domiciliary Care	14,930 Tonnes	17,033 Tonnes	20,771 Tonnes
Transportation (Taxis and Buses)	6,591 Tonnes	5,130 Tonnes	6,431 Tonnes
Maintenance of Buildings and Landscape	4,125 Tonnes	4,050 Tonnes	4,032 Tonnes

The main increase in the CO2 figures in 2021/22 is due to:

- An increase in the costs of the Care services which loads the carbon total. The fields of Residential Care, Nursing Care and Supported Housing have seen the biggest increase.
- An increase in the purchase of public transport and taxis (school transport) and food purchases. These are fields where the Council spent less over the COVID period due to social distancing rules. The increase is also associated with increasing costs.

Other categories with a substantial carbon footprint include Food (2,288 tonnes) and Information Technology Equipment (1,854 tonnes) a year.

### **The next steps**

#### *Market Support Schemes*

- Continue with the range of plans to support local businesses, seeking to assess the impact of this support.
- Analyse the type of businesses that exist within the County and seek to identify opportunities to buy local.

#### *Innovative Procurement - Social Value Procurement Model*

- Complete the third pilot scheme over the winter and note and consider the lessons learnt.
- Present a recommendation to introduce the procedure and operational steps in order to do this in the new year.
- Carry out an assessment of spending fields in order to attempt to identify opportunities to include social measures.

### *Procurement Performance Measures*

- Develop our procurement measures to include economic, environmental and social matters.

### **Conclusion**

Therefore, to summarise, good progress has been made over the past five years in order to increase the percentage of the Council's spending which stays local. However, the last two years have been very challenging and have hindered the Council's ability to further improve that percentage. The work afoot to recover the economy and day-to-day activities means that opportunities will emerge to improve the situation but taking advantage of that will be subject to the Council's ability to offer those opportunities and whether Gwynedd local businesses will be in a position to respond.