



Belfast City Council

Report to: Development Committee

Subject: **Procurement Update**

Date: 4 September 2012

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1	Relevant Background Information
1.1	<p>On 22 June 2012, the Strategic Policy and Resources Committee approved project briefs aimed at delivering the local spend and social clause targets outlined within the Investment Programme. This is in recognition of the fact that Belfast is predominantly a micro-business economy with 96% of our businesses employing 50 people or less. Consequently through the Investment Programme, the Council has committed to increasing the amount that the Council procures locally from 50% to 60%.</p>
1.2	<p>In researching best practice approaches, the work of CLES (Centre for Local Economic Strategies) was identified. CLES have carried out a range of action research projects on behalf of a number of local authorities. One of their key clients has been Manchester City Council (MCC) and they have presented reports outlining the procurement approaches; how these changed over time and the outcomes of this development.</p>
1.3	<p>Following an overview of the process presented by CLES at a seminar in the Council offices in late May 2012, a follow-up visit to MCC was arranged for June 2012. Meetings took place with the Heads of Procurement and Economic Development and these presented an opportunity for exchange and discussion as to what worked well; what they would change; what drove them to undertake this work; what the achievements have been and what the next steps are likely to be.</p>
1.4	<p>As part of the £150 million capital investment within the Investment Programme, Members have also requested that consideration be given to introducing, where appropriate, social and community benefits clauses into council tenders. On 4 July, the Minister of Environment Alex Attwood MLA presented to the Assembly legislation to enable Councils to incorporate social clauses in their contracts. Consideration is currently being given to the outworking of this legislation and the Department of Environment (DoE) is working on accompanying guidance.</p>

1.5	Work is currently under way to develop a range of actions to raise awareness of how the Council procures goods and to consider how we can maximise the local impact of procurement, while maintaining a focus on efficiencies and best value.
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2	Key Issues
2.1	<u>Increasing local spend – update on activities underway</u>
	The project brief identifies a series of actions to be taken which will deliver on the objectives around increased access to procurement opportunities for local companies.
2.2	The Economic Development Unit is currently operating a range of initiatives to improve the capacity of local companies to win business from public procurement – both with Belfast City Council and with other public bodies.
2.3	Fifty local construction companies are currently being supported through the Construction Sales Growth Programme (CSGP) to access sub contracting opportunities arising from regeneration initiatives across the city, including council capital build schemes. To date meetings have been held with contractors appointed for the Woodvale and Dunville Park development schemes to promote companies on the programme and to encourage the main contractors to involve them in supply chain opportunities
2.4	In addition to the Council projects, companies have been looking at a range of additional procurement opportunities. Some of the key programme achievements to date include:
	<ul style="list-style-type: none"> – Companies being “matched” are being helped to tender for over £15million worth of contracts (outcomes of tenders pending) – 6 companies have had visits to potential clients in Scotland and England and are following up on potential leads – One company has won a contract for a new shop fitting job valued at £400,000 – Three companies have become Invest NI client businesses
2.5	33 local companies have been supported through the Smarter Procurement Programme to help them to identify procurement opportunities and equip them with the skills to tender effectively. The most recent wave of this programme has identified contracts wins to the value of approximately £1.1 million. This programme is scheduled to open for recruitment in October 2012 with ten places available for local companies.
2.6	Information sessions are to take place in the Ulster Hall on 11 and 12 September for companies interested in tendering for the upcoming work on the city-wide alleygating scheme. These will provide an opportunity for local construction and engineering companies to find out more about the opportunity and to build partnerships with other organisations. The tender is to be issued at the end of September.
2.7	<u>Feedback from Manchester study visit</u>
	As outlined above, in order to learn from best practice, a cross departmental group of council officers undertook a visit to MCC in June 2012. The purpose of this visit was to learn firsthand what the key drivers behind the Manchester experience were and how the council has maintained momentum in its efforts to improve its procurement practices.

2.8	Critically for MCC a key driver was a research project undertaken on their behalf by CLES. The project tasked CLES to measure the economic impact of the council's spend and to recommend how MCC could move towards more progressive procurement practices.
2.9	The CLES research measured MCC's spend with local suppliers, the number of jobs supported locally through council spend and the re-spend in the local economy by suppliers. This data informed the development of MCC's procurement practices and allowed for a more targeted approach to improving local spend targets, resulting in an increase of supplier re-spend in the local economy from 23p to 43p in every £1 over a three year period.
2.10	Facilitating linkages between suppliers and the local Job Centre Plus offices was a key task as part of the MCC improvement project. One example of the practical applications of this linkage was that the security contractor appointed by the Council has committed to working with the Job Centre Plus and other local employment and training organisations in order to ensure that long-term unemployed people are given an opportunity to apply for these jobs. The Council has committed to providing additional pre-employment support for these individuals in order to ensure that they are prepared for the recruitment process.
2.11	Overall the visit reassured officers that the approach we are taking will lead to an increase in the local economic impact of council expenditure. Council already has in place many of the fundamentals evidenced in Manchester such as the electronic tender portal, and have been exploring other support initiatives such as targeted information events; business support programmes to improve tendering skills and changes to our communication with businesses e.g. improving our website; making information on tenders more accessible.
2.12	Further opportunity for learning exists through the Manchester experience. It is proposed to undertake a further visit to Manchester focusing upon the Manchester into Construction Scheme and the work undertaken to engage with existing suppliers such as G4S. It was proposed and agreed at the meeting of Strategic Policy and Resources Committee on 24 August 2012 that the Chairperson of the SP&R and Development Committees and all Party Group Leaders or their nominees should participate on a future visit to the city.
2.13	<u>Update on change to legislation</u> On 4 July 2012, the Northern Ireland Assembly passed the Local Government Best Value (Exclusion of Non –commercial Considerations) Order (NI) 2012. This legislation seeks to relax the restrictions on councils to consider certain non-commercial matters as part of its procurement processes.
2.14	Of the most direct relevance to the Council is the removal of the restriction on considering the terms of employment of individuals, as this restriction prevented the use of clauses providing opportunities for the long-term unemployed.
2.15	The legislation enables councils to consider the use of social clauses as contractual conditions, for instance, requiring contractors to provide employment opportunities to the unemployed. Such conditions must not infringe the general principles of EU law and must be introduced in such a way that they do not discriminate.
2.16	Furthermore, the Council can only use social clauses insofar as they relate to the functions of the Council. Given the Council's powers in relation to economic

	development, it may be possible to consider inclusion of social clauses which aim to provide job opportunities for the long-term unemployed.
2.17	This legislation comes at a time when the Council has been actively reviewing the measures which it can put in place by way of “social clauses” in its procurement contracts for the purpose of stimulating local employment and skills opportunities, and promoting better opportunities for local small businesses by way of better procurement support initiatives
2.18	Through the Local Government Procurement Officer group, Belfast Council Officers will continue to work with the DoE in order to develop guidance on how best to implement the opportunities created by the new legislation.

3	Resource Implications
3.1	<u>Financial</u> The costs associated with the study visits and the use of CLES can be met from within existing budgets.
3.2	<u>Human Resources</u> Resources to deliver the proposed actions will be made available from cross departmental units including Democratic Services, Economic Initiatives and Procurement Units.

4	Equality and Good Relations Considerations
4.1	There are no specific equality and good relations considerations attached to this report.

5	Recommendations
5.1	Members are asked to: 1. Note the contents of this report

6	Decision Tracking
Further updates will be provided as and when dates and itineraries are confirmed by the Director of Development.	

7	Abbreviations
MCC - Manchester City Council CLES - Centre for Local Economic Strategies CSGP - Construction Sales Growth Programme	