



<b>Report to:</b>	Development Committee
<b>Subject:</b>	Economic Impact Study Update
<b>Date:</b>	14 January 2014
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<b>1</b>	<b>Relevant Background Information</b>
1.1	As Members will be aware, within the Investment Programme, Belfast City Council has committed to maximising the impact of procurement spend and supporting local procurement with the aim of increasing local spend by 10% to 60% by 2015.
1.2	Members will be also aware that, at the 20 November 2012 meeting of the Development Committee, approval was given to deliver a programme of activities aimed at increasing the value of local spend and supporting local businesses to improve their opportunities of winning public sector contracts – including contracts from Belfast City Council.
1.3	This multi-layered programme of activity focused upon a number of key areas including; information and capacity building, maximising and measuring the impact of Council's procurement spend and improving access to Council opportunities for small companies.
1.4	As part of the work under "measuring and maximising the impact of the Council's procurement spend", an economic impact study of the Council's expenditure has recently been undertaken.

<b>2</b>	<b>Key Issues</b>
2.1	In July 2013, the Centre for Local Economic Strategies (CLES) was commissioned, following a competitive procurement process, to undertake a study on the economic impact of the Council's 2012/13 expenditure and to identify means through which the Council could further maximise the economic, social and environmental benefit derived from its spending.

2.2	The first stage of this study analysed 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. Through this research a baseline has been created identifying where the Council's spend is going and how this expenditure is being spent within the existing and new Belfast City Council boundaries, Belfast Metropolitan area and regional economy.
2.3	Key findings from this research have identified that, for every £1 of Council expenditure; <ul style="list-style-type: none"> <li>- 76 pence is spent or re-spent in the Belfast economy</li> <li>- 80 pence is spent or re-spent in the post LGR boundary</li> <li>- £1.02 is spent or re-spent in the Greater Belfast Area</li> <li>- £1.35 is spent or re-spent in the regional economy.</li> </ul>
2.4	This means that, for example, for every £1 of the Council's expenditure budget, 76 pence of that pound is spent or re-spent in the Belfast City Council area. This figure compares favourably when compared to other localities, for example in Swindon the multiplier figure was 64 pence for every £1.
2.5	These findings have been calculated using an economic multiplier model, which measures how money flows into the economy through the Council's suppliers and employees, who in turn may spend a portion of that money locally as well. This effectively multiplies the value of the money to the local economy because it is spent multiple times locally rather than being lost to another region where it is much less likely to be re-distributed to local businesses.
2.6	The final stage of this study involved a review of the Council's existing procurement practices. The study recognised the positive work already being undertaken by Council to align procurement and economic priorities, disaggregate contracts; standardise tender documentation and business development activities targeting Belfast based small businesses to increase their ability to respond to procurement opportunities.
2.7	Whilst this study supports the continuation of these activities, additional areas of development have been recommended by CLES as a means of enhancing the Council's efforts to increase local spend and maximise economic impact. The full list of recommendations has been included in the report's executive summary which is attached as Appendix 1 for Members' consideration. Some of the key themes emerging from this study include:
2.8	<u>Strategic Direction of the procurement approach</u> <ul style="list-style-type: none"> <li>- This focuses on embedding local economic priorities within the council's draft Procurement Strategy to highlight the strategic importance of improving local spend and economic impact. In practice, this means that the council should be explicit and clear about its ambitions to increase the value of local spend and should also communicate these priorities internally amongst purchasing officers and externally through local business networks and suppliers.</li> </ul>
2.9	<u>Community &amp; Voluntary Sector Engagement</u> <ul style="list-style-type: none"> <li>- The study has highlighted an opportunity to investigate innovative approaches to engaging third sector organisations in the design of local services and developing their ability to respond to upcoming opportunities.</li> </ul>

2.10	<p><u>Targeted business development support</u></p> <ul style="list-style-type: none"> <li>- The study identifies the potential of delivering of targeted capacity building amongst key sectors or in defined areas in advance of specific tender opportunities arising. Practically this could involved identifying sectors where spend on local suppliers is currently identified as being proportionately low, but there is a local supply base that could supply these goods/services. Potential also exists to target businesses located in areas of deprivation to encourage them to engage in the public sector supply chain, including Council, by developing their capacity to respond to procurement opportunities.</li> </ul>
2.11	<p><u>Supplier engagement</u></p> <ul style="list-style-type: none"> <li>- Findings suggest that the economic impact could be improved by engaging with suppliers post the award of contract to communicate council priorities and encourage suppliers to support priority activities, for example through their employment and supply chain activities, on a voluntary basis.</li> </ul>
2.12	<p>Recommendations from the Economic Impact Study will be used to inform ongoing work to encourage local businesses to engage with the public sector procurement process. This will include the series of monthly procurement workshops currently being delivered which focus upon educating local businesses on the Council's procurement process and on forming consortia for tendering purposes. In addition the study findings will also inform the promotion for the recently launched wave of the Smarter Procurement Programme which supports Belfast based small businesses with limited experience of public sector tendering. This initiative has supported over forty businesses to date, with a further 70 expected to participate by June 2015. Typical areas of support provided through this programme include supporting businesses to identify sales opportunities in the public sector, engage with buyers and developing bids for live tender opportunities.</p>
2.13	<p>To facilitate the future measurement of the Council's economic impact, a toolkit has also been developed through this study. This will enable officers to continue calculating the economic impact against the geographies earlier identified for the current and future financial years, in order to ensure that the activities being undertaken are making an impact.</p>

<b>3.</b>	<b>Resource implications</b>
3.1	Officers from the Economic Development Unit and Corporate Procurement Service will be required to recalculate the economic impact for future financial years.

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

<b>5</b>	<b>Recommendations</b>
5.1	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>- Note the key findings of the economic impact study</li> <li>- Note the recommendations identified in Appendix 1.</li> </ul>

<b>6</b>	<b>Decision Tracking</b>
Regular reports on the impact of the support activities will be brought to future meetings of the Development Committee.	

<b>7</b>	<b>Documents Attached</b>
Appendix 1 – Executive Summary	