

# Report

Report to:	<b>Community Wealth Building Commission</b>
Date of Meeting:	<b>6 September 2022</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Local Spend Update</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to: -

- ◆ update the Community Wealth Building Commission on the progress made in relation to analysis of local spend and the identification of further opportunities to increase current levels

## 2. Recommendation(s)

1.2. The Community Wealth Building Commission is asked to approve the following recommendations: -

- (1) note the contents of the report; and
- (2) agree the next steps as outlined in section 8

## 3. Background

3.1. A report to the Community Wealth Building Commission meeting on 7 February 2022 provided performance information on the level of local spend, a geographical analysis of the 2020/21 spend and wider analysis of the spend.

3.2. The report also identified the following actions to further understand the factors that influence the level of local spend and the identification of further opportunities for local spend:

- Analysis of the mix of South Lanarkshire businesses and how it compares to those in North Lanarkshire.
- Further analysis of council spend across the 5 levels comprising:
  - SLC
  - Pan-Lanarkshire
  - Glasgow City Region
  - Scotland
  - Outwith Scotland
- Analysis of the spend leakage report provided by Grow Local (a Scottish Government reporting tool). This details the areas where spend takes place outwith South Lanarkshire, highlights the availability of potential suppliers in South Lanarkshire and therefore where opportunities may exist to increase local spend with these businesses.
- Put in place the appropriate arrangements to be able quantify the level of sub-contracting spend with South Lanarkshire businesses.

- 3.3. The Council's performance in recent years, compared to the average position across Scotland is summarised below, now including the position for 2021/2022.

Year	SLC performance	Scottish average
2016/2017	13.3%	26.5%
2017/2018	15.5%	27.4%
2018/2019	18.1%	28.7%
2019/2020	18.0%	28.5%
2020/2021	17.0%	29.1%
2021/2022	17.9%	Not yet reported

- 3.4 The Council's 2021/2022 spend with local enterprises has returned to the pre-pandemic position: this is directly related to increased spend with local suppliers for works, good and services adversely impacted by Covid 19, including construction, furniture and transport.

#### 4. **Analysis of South Lanarkshire businesses**

- 4.1. The Improvement Service's Local Government Benchmarking Framework (LGBF) indicators have shown that South Lanarkshire has a lower proportion of procurement spend on local enterprises than North Lanarkshire and the Scottish average.
- 4.2. One of the highest areas of spend where there are clearly opportunities to improve local spend is in construction. As part of the further exploration into the apparent variance in spend on local SMEs in North and South Lanarkshire some high-level analysis of the construction sector has been undertaken.
- 4.3. The latest Enterprise Count data for 2021 complements the Scottish Government's Businesses in Scotland data by showing that there are more medium-to-large sized construction enterprises in North Lanarkshire than in South Lanarkshire.
- 4.4. The table below summarises the key statistics from the 2021 data for construction companies:-

Company Size	South Lanarkshire	North Lanarkshire	% Difference
Small (0-49 employees)	1,320	1,305	+11%
Medium 50-249 (50-249 employees)	30	45	-50%
Large (Over 250 employees)	20	45	-125%

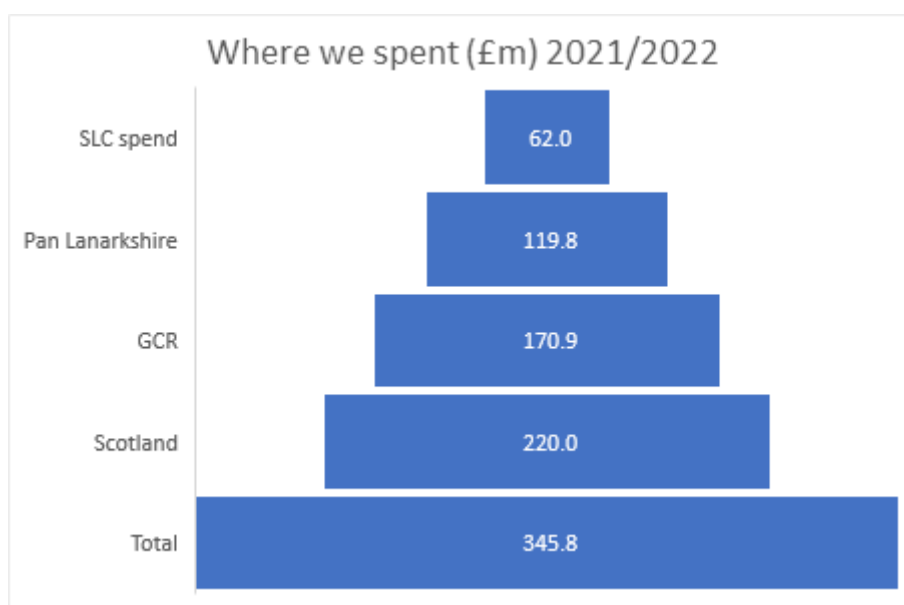
- 4.5. The differences in the number of medium and large companies are believed to be due to the traditionally higher proportion of heavy industry characteristics and industrial land supply in North Lanarkshire compared to the South Lanarkshire business base which has higher numbers of small businesses and the more diverse urban-rural nature of South Lanarkshire.
- 4.6. Additional information below on employees and turnover levels highlights the significance of the higher numbers of medium and large construction companies present in North Lanarkshire.

Measure	South Lanarkshire	North Lanarkshire	% Difference
% of Scottish employees	6.2%	10.3%	4.1%
% of Scottish turnover	5.6%	10.9%	5.3%

- 4.7. The improved scope of quick quote to facilitate more spend with local SMEs will provide opportunity to close this gap. However, further investigation shows there are low numbers of South Lanarkshire construction trades registered with Public Contracts Scotland and are therefore, not actively engaged in public sector procurement. This may be due to there being fewer medium and large companies that have the resources to participate in public sector procurement and/or they do not provide the type and scale of services required by the council.
- 4.8. Feedback through sector engagement tells us that the preferred route to gaining new business for small companies is via business-to-business referral and networking. The perceived complexity of public sector procurement and the required investment in completing tender submissions are potentially deterring some small businesses that may lack sufficient administrative resources.
- 4.9. Further supplier engagement and promotion of the free to access support together with a campaign to encourage businesses to register with PCS will be undertaken to encourage participation in tendering exercises.
- 4.10. A further route to promoting tender activity is through encouraging wider engagement with collaborative opportunities provided by HubSW through subcontracting and Scotland Excel to access wider public sector spend.

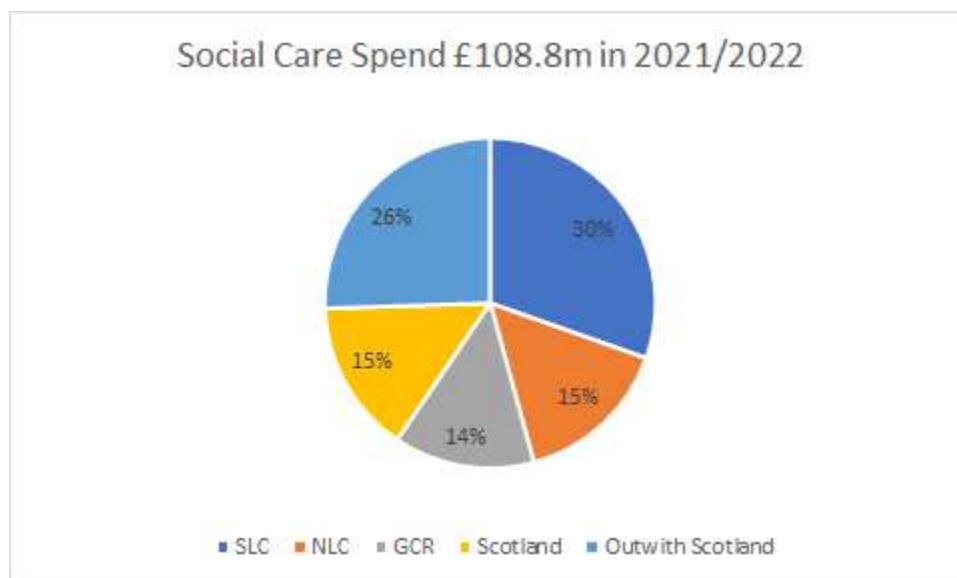
## 5. Further analysis of council spend

- 5.1 The analysis of Council geographical spend, updated for 2021/2022 spend, is provided in the infographic below with 35% within pan-Lanarkshire and 64% within Scotland.



- 5.2. A further analysis of the Council's highest spend areas, Social Care and Construction, which together represent over 50% of our procured spend in 2021/2022, is below.

5.2.1. Social Care spend accounts for 31% of council spend (£108.8m). Although only 30% of this spend is with local enterprises, the vast majority of this spend is for care delivered within the council area on residential and community services, supporting local employment at a living wage level. Spend outwith the local area will indicate the registration of the company is not in South Lanarkshire, although the care is being delivered, and supported by employment, in the local area.

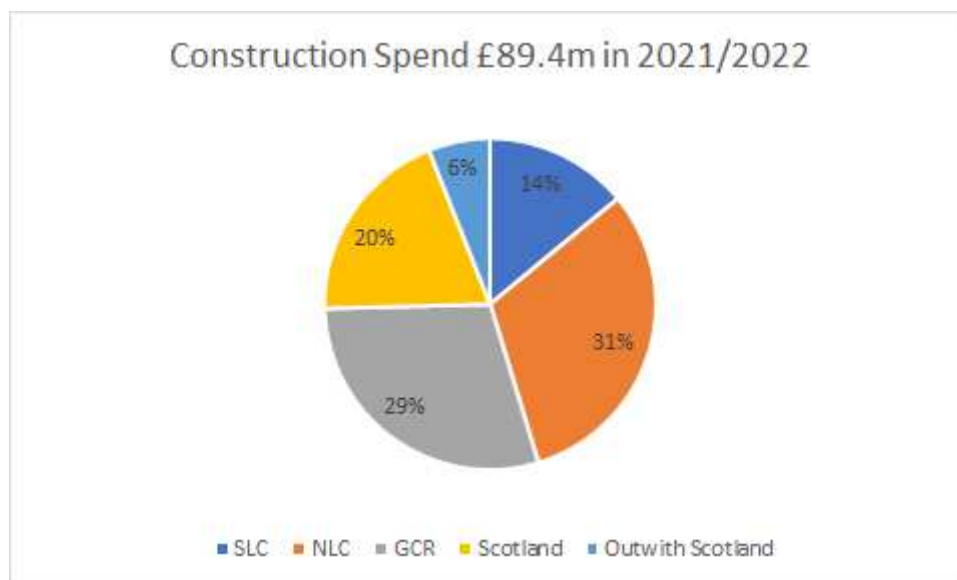


5.2.2. Construction accounts for 25% of council spend (£89.4m) and although only 17% of construction spend is local, there are higher levels of spend retained within Glasgow City Region (75% overall).

5.2.3. Spend for major infrastructure projects with Tier 1 contractors (Cruden, CCG, Wimpey) and Hub South West, based outwith South Lanarkshire, account for a significant proportion of spend leakage. However, as detailed below, South Lanarkshire enterprises benefit from subcontracting opportunities, demonstrating the importance of developing South Lanarkshire SMEs not only to bid for local Council contracts but to access wider opportunities.

- SLC spend with Hub South West 2021/2022: £17.6m
- Subcontracting spend in South Lanarkshire from SLC spend: £7.2m (40%)
- Subcontracting spend in South Lanarkshire from all Hub SW projects: £76m

5.2.4. Improving access for local construction companies to works contracts under £2m and subcontracting opportunities is a key area of focus in the local spend pillar with 14% of construction spend in South Lanarkshire.



- 5.3 Of the £62m spent in South Lanarkshire in 2021/2022 across all spend types, the table below provides a further analysis by locality: this indicates that 70% of our spend is within the larger and industrial areas of Hamilton, East Kilbride and Blantyre.

**Analysis of South Lanarkshire spend by locality 2021/2022**

Locality	Spend £m	%
Hamilton	£18.560 m	30%
East Kilbride	£16.716 m	27%
Blantyre	£8.256 m	13%
Lanark	£6.614 m	11%
Larkhall	£3.819 m	6%
Rutherglen/Cambuslang	£2.817 m	5%
Carluke	£2.168 m	3%
Bothwell/Uddingston	£2.101 m	3%
Strathaven	£0.996 m	2%
<b>Grand Total</b>	<b>£62.048 m</b>	<b>100%</b>

- 5.4. Spend outwith Scotland in 2021/2022 totalled £125.7m, of which 65% was spent in the South of England or London. Highest categories of spend by business area were Financial Services (PPP contract), Social Care, Waste and ICT. It should be noted that, although spend on Social Care and Waste services were to companies registered outwith Scotland, these contracts are delivered within South Lanarkshire in local care homes and waste facilities and make a significant contribution to local employment.

**6. Grow Local Report**

- 6.1. The Grow Local tool provides management information to inform initiatives to support development of supply chain activity and encourage local companies to bid for an increased share of the Council's procurement spend.

6.2. The analysis of existing suppliers by the largest active spend categories has indicated that there are SMEs within South Lanarkshire in categories of spend which are largely going out with South Lanarkshire. Discussions are taking place with services, in particular Roads and Transportation and Housing and Technical, to identify the opportunities presented from the review of the management information that should allow more local business to bid for prospective work on a competitive basis.

6.3. A series of buyer and contractor engagement events will require to be arranged to match forthcoming tender opportunities with local contractors and will also involve support from Supplier Development Programme to assist SMEs to develop the required suite of supporting policy and practical documentation to submit bids for council works contracts.

## **7. Sub-contracting spend with South Lanarkshire businesses**

7.1 To ensure the benefits of sub-contracting spend with South Lanarkshire businesses can be measured in a reliable and consistent way, contractors will be asked to quantify the level of subcontracting spend. This will be done by making this a contract requirement and allow the information to be gathered as part of the contract management process.

7.2 The changes required to the contract terms and conditions will be implemented as part of the work currently being carried out by Legal Services and Procurement Services to implement the requirements of Scottish Procurement Policy Note ("SPPN") 2/2022 - 'Prompt Payment in the Supply Chain'. SPPN 2/2022 requires the Council to make changes as to how it currently deals with ensuring prompt payment by suppliers to further embed prompt payment performance for sub-contractors and in the supply chain. The aim is for this work to be completed to allow roll out in procurement exercises from 1 October 2022.

## **8. Next Steps**

8.1. The report identifies several actions to support the objective of increasing local spend levels and capturing of spend information:

- Further supplier engagement and promotion of the free to access support together with a campaign to encourage businesses to register with PCS
- Promote collaborative opportunities provided by HubSW through subcontracting and Scotland Excel to access wider public sector spend
- Identify the opportunities presented from the review of the Grow Local management information that should allow more local business to bid for prospective work
- Supplier Development Programme to assist SMEs to develop the required suite of supporting policy and practical documentation to submit bids for council works contracts
- Enact the changes necessary to the council contract terms and conditions to capture levels of sub-contracting spend

## **9. Employee Implications**

9.1. There are no employee implications arising from the recommendations of this report.

## **10. Financial Implications**

10.1. There are no financial implications arising from the recommendations of this report.

## **11. Climate Change, Sustainability and Environmental Implications**

- 11.1. An increase in local procurement will support the Council's sustainability aims. The Council is working with the Scottish Government's Sustainable Procurement Toolkit, which focuses on the Sustainable Procurement Duty: to improve the social, environmental and economic wellbeing of the local area through contractual spend. Proposals currently being considered include a revised approach to sustainability scoring in contracts.

## **12. Other Implications**

- 12.1. There are no other implications arising from the recommendations of this report.

## **13. Equality Impact Assessment and Consultation Arrangements**

- 13.1. There are no Equality Impact Assessment or consultation arrangement implications associated with this report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

**South Lanarkshire Council**

14 July 2022

### **Link(s) to Council Values/Priorities/Outcomes**

- Accountable, efficient, effective and Transparent

### **Previous References**

- None

### **List of Background Papers**

- None

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact: -

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