

Report

Report to:	Community Wealth Building Commission
Date of Meeting:	7 February 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Community Wealth Building – Local Spend
----------	--

1. Purpose of Report

1.1. The purpose of the report is to: -

- ◆ Update the Community Wealth Building Commission on the Council's current position on local spend to support the Community Wealth Building strategy.

2. Recommendation(s)

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

- (1) note the analysis of local spend and the wider context to interpret spend outlined in the report; and
- (2) note the next steps to progress further understanding of the factors that influence the level of local spend and the identification of further opportunities for local spend.

3. Background

- 3.1. Five pillars support the delivery of the Community Wealth Building Strategy with the spend pillar focussing on how more can be spent locally to support wealth creation and employment.
- 3.2. The Council is currently monitored on local spend performance through the Local Government Benchmarking Framework although a wider contextual analysis of the Council's spend profile can inform the impact of the Community Wealth Building Strategy.

4. Definition of local spend

- 4.1. The Local Government Benchmarking Framework (LGBF) reports annually on the measure of local spend through the Economic Development indicator "What proportion of my council's procurement is spend on local enterprises". The Council's total annual "core" spend on trade works, goods and services, was £346.5m in 2020/2021, of which £58.6m (17%) was spent with enterprises registered with a South Lanarkshire Council address. This measure is not limited to Small and Medium Enterprises (SMEs) but all enterprises, including large companies, registered in South Lanarkshire.
- 4.2. The Council's performance in recent years, compared to the average position across Scotland is summarised below.

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%	Not yet reported

- 4.3. 2019/2020 performance for this measure, which is the most recent year reported to date, ranges from 47.3% for Highland Council (who source many goods and services locally due to geographical constraints) to 8.2% in West Dunbartonshire. North Lanarkshire Council's local spend performance was 28.3%, in line with the Scottish average.

5. Geographical spend analysis

- 5.1 The Council has analysed 2020/2021 expenditure and the following diagram indicates the geographical profile of our core trade expenditure within South Lanarkshire, across Lanarkshire as a whole, Glasgow City Region and Scotland.

- 5.2. Spend with Lanarkshire enterprises totals £119m, representing 34% of spend. Spend in North Lanarkshire in 2020/2021 totalled £60m, £2m more than spend in South Lanarkshire due to several key suppliers being based in North Lanarkshire. 47% of spend was with companies within the Glasgow City Region and 60% retained in Scotland.



- 5.3. The Community Wealth Building Strategy sets out the commitment to increase local spend and this will prioritise the identification of opportunities to increase the level of spend within the South Lanarkshire boundary. However, council spend can also bring significant benefits to other local economies. The same can also be said of other councils who spend with South Lanarkshire based companies. It is therefore important to recognise inter authority spend is a necessary and valuable economic activity.
- 5.4. Future reporting on spend will include detail on the levels outwith South Lanarkshire. This will ensure changes in spend levels are tracked over time. Residents of South Lanarkshire will be employees of businesses in neighbouring authorities and therefore spend within the City Region will contribute indirectly to job retention and ultimately community wealth outcomes in South Lanarkshire.

6. Wider analysis of spend

- 6.1. The limited definition of local spend in the performance measure means that the following aspects of council spend are not categorised as local, although there are quantifiable economic benefits.
- 6.2. For the purposes of local spend, only companies registered within South Lanarkshire are included as local spend and this will not include companies who have a production or service base in South Lanarkshire but who are registered or owned elsewhere. Spend with these organisations is not included in the measure of local spend although this expenditure is supporting local economic activity and creating local employment opportunities. Examples include:
 - Residential Care Homes: annual spend on care homes within the council boundary is £40m, although only £22.8m (57%) of this spend is qualified as local due to the registration address of the owning companies. Given that approximately 80% of our spend with social care providers relates to employee costs, this spend supports a significant investment in local employment (at Real Living Wage level)
 - The Council's PPE contract with Bunzl Greenham (annual spend £2m) is serviced from the company base in Uddingston but the company are registered in England: this spend is not defined as local.
 - The Council's milk contract with Muller (annual spend £0.2m) is serviced from the company base in East Kilbride but Muller are registered in West Lothian: this spend is not defined as local.
- 6.3. The Council's spend with Scotland Excel frameworks in 2020/2021 totalled £35.4m, of which £4.9m (14%) was spent locally. However, spend across all organisations accessing Scotland Excel frameworks with South Lanarkshire based suppliers totalled £40m, a significant contribution to the South Lanarkshire economy resulting from collaborative procurement.
- 6.4. In 2020/2021, the Council spent £20.8m on construction projects through Hub South West, the Scottish Futures Trust construction alliance. Hub South West are registered in North Lanarkshire, so this spend does not qualify as local: however, £8.4m (40%) of our spend with Hub was sub-contracted to South Lanarkshire based contractors. Sub-contracted spend is not included in local spend analysis.
- 6.5. Finally, it should be noted that there are several commodities where there is very limited scope to source goods or services from South Lanarkshire enterprises, including financing and leasing contracts (annual spend £40m), much of our Information Technology spend (£20m) and Utility contracts (annual spend £9.3m).

7. Economic Backdrop

- 7.1. Procurement practices and engagement with local businesses can influence local spend levels and a wide range of actions have already been identified, and are being progressed, in the Spend pillar action plan to deliver improvements in these areas. However, the level of local spend is determined to a large extent by the availability of local businesses capable of meeting the procurement requirements of council services and those willing to participate in tendering opportunities.
- 7.2. From the analysis done to date, there are more businesses within North Lanarkshire that can secure high value contracts tendered by the council such as Wills Brothers and Hub SW. Both companies have benefitted from significant capital investment projects tendered by the council.

8. Next Steps

8.1. Set out below are the further actions that will be taken to progress further understanding of 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.

8.2. An update report on progress with the above actions will be provided to a future meeting of the Commission.

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 should support the Council's sustainability aims.

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

5 January 2021

Contact for Further Information

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

Craig Fergusson, Head of Finance (Transactions)

Ext: 4951 (Tel: 01698 454951)

E-mail: craig.fergusson@southlanarkshire.gov.uk