

THE ECONOMIC IMPACT OF BELFAST CITY COUNCIL'S SPEND

Introduction and context

Over the last six years, the Centre for Local Economic Strategies has undertaken a number of pieces of work around public procurement. Our emphasis has been upon three things. First, upon understanding and evidencing where public procurement monies go and the catalytic impact they have on local economies. Second, upon altering the culture of procurement officers (predominantly in local government) and the processes and practices they adopt to buy goods and services. Third, upon ensuring procurement is linked to and addresses issues around unemployment, business development and alleviating poverty.

In Northern Ireland, local government is in a period of reform as a result of the Review of Public Administration. From 2015, the number of local authorities will be streamlined and they will have new powers, including and most importantly around regeneration and local economic development. Belfast City Council has long recognised the importance of using their annual spend (including upon employee wages) to achieve wider societal outcomes. Indeed, and particularly in relation to procurement they have sought to reduce the bureaucracy associated with the process, provide tender support for small to medium sized enterprises, and use social clauses to create jobs and training opportunities.

RPA presents an opportunity for Belfast City Council to widen the geography of its local

economic impact and importantly utilise not only its own spending powers more effectively, but also influence the behaviour of the existing supplier base and other key purchasers based in the City (Anchor Institutions). To help realise this opportunity, Belfast City Council asked CLES to undertake a Local Multiplier 3 (LM3) study of their existing spending patterns and local economic impact and subsequently offer recommendations as to how this impact could be maximised in the future.

LM3 of Belfast City Council

LM3 assesses spend over three rounds of analysis. Round 1 explores the total spend of an authority (including on supplies, direct employee wages, and overheads). Round 2 explores the supply and employee chain of an authority and notably the amount which is spent with organisations and individuals in a defined local economy. Round 3 explores the re-spend of suppliers (upon their own suppliers and employees) and direct employees (in shops and upon services) back in the defined local economy.

In financial year 2012/13, Belfast City Council spent a total of nearly £141million upon suppliers, wages, grants, and overheads. Our study wanted to understand the flow of this spend and the subsequent catalytic impact at four geographical levels. We wanted to understand spend and impact in the Belfast City Council boundary, Post Reform Belfast (this will be the boundary following RPA), Greater Belfast (encompassing six local authority areas), and Northern Ireland.

Analysis was undertaken for round 2 by cross-referencing postcodes at each geographical level with those of suppliers and direct employees of Belfast City Council. For round 3 and to explore wider impact a survey was issued to a sample of suppliers and direct employees.

The quantitative findings of the work were designed to provide Belfast City Council with a baseline understanding of their impact against which they could measure progress in the future. We found that:

- 53% of spend with revenue focused suppliers was with organisations based in the Belfast City Council boundary, with 80% within Northern Ireland;
- 25% of spend with capital focused suppliers was with organisations based in the Belfast City Council boundary, with 90% within Northern Ireland;
- 49% of spend upon wages was with employees resident in the Belfast City Council boundary, with 76% within Greater Belfast;
- Suppliers to Belfast City Council re-spent 36p in every £1 back in the Belfast City Council boundary and 45p in every £1 back in Greater Belfast;
- Direct employees of Belfast City Council re-spent 29p in every £1 back in the Belfast City Council boundary and 42p in every £1 back in Greater Belfast;
- The LM3 ratio for the Belfast boundary was 1.76 meaning that for every £1 spent by Belfast City Council, 76pence is spent or re-spent in the Belfast boundary. The ratios for the other geographical levels is 1.80 (Post Reform Belfast), 2.02 (Greater Belfast), and 2.35 (Northern Ireland).

Maximising benefit

Whilst the above analysis is important in demonstrating the impact of Belfast City Council's spend; of more importance is understanding the gaps in spend in the local economy by sector, and means by which the local authority and the supply chain can further maximise the benefit spend brings in economic, social and environmental terms. The second part of the work therefore sought to assess the processes and practice of Belfast City Council against CLES' framework for progressive procurement.

We found that Belfast City Council were undertaking positive work around twinning procurement and economic development priorities, disaggregating contracts to encourage smaller business to bid, and providing pre-procurement support and capacity building activities. There were however key gaps in: recognising commissioning and design of services and purchasing through procurement were part of the same process; understanding the local business base and organisations based in specific sectors which could potentially provide goods and services; and in influencing the behaviour of suppliers and other anchor institutions to maximise benefit through procurement.

Using this positive work and the gaps in practice as a basis, CLES offered Belfast City a series of recommendations as to how they could maximise the impact of their spend. Whilst directly a result of a specific study, we also feel that these recommendations are applicable to other authorities and institutions.

- Where procurement and economic development strategy are aligned the principles and priorities should not just form the basis of procurement decisions.

They should also inform service design and commissioning, the behaviour of departments with spending responsibility and wider anchor institutions. Potential providers of goods and services should also be aware of priorities, promoted through business networks and voluntary and community sector infrastructure bodies;

- There should be scope for authorities and partners to develop electronic platforms where they can not only advertise their own contract opportunities; but which also enables core contractors to promote sub-contracting opportunities, and where information about the capabilities of the local business base can be gathered;
- Local authorities should identify the key areas of spend where there is leakage out of the local economy and where there is scope for small and local business to engage in the procurement process. In Belfast we identified that there was leakage in spend out of the Northern Ireland economy in sectors such as ICT; professional services; arts, sport and leisure activities; and food, beverages and catering. Yet there were organisations based in Belfast which could potentially deliver these services. These were therefore highlighted as recommended sectors for targeted capacity building work.
- Local authorities should have an ongoing relationship with organisations providing them with goods and services. Through supplier networks and targeting suppliers

based in areas of deprivation, authorities can look to influence the employment and supplier practices of the supply chain and also encourage wider social value such as the creation of apprenticeships.

Conclusion

Procurement is becoming an increasingly important tool for local authorities, other public sector bodies, and indeed private and social sector organisations to use in achieving wider outcomes. CLES work with Belfast City Council has highlighted the importance of gathering evidence and understanding the flow of spend in facilitating change in procurement processes and practices in local government. The challenge is making a progressive approach a reality across the totality of spend within place. Understanding the nuances of spend and the skills and capabilities of the local supply base can bring not only local economic and social benefits but also efficiencies.

CLES offer a range of services around procurement. These include:

- Spend analysis and demonstrating impact and gaps;
- Advice upon processes, strategy and practice and how spend can be maximised;
- Training around measuring impact and demonstrating social value.

To discuss any of these or the study in Belfast, please contact Matthew Jackson, Associate Director, CLES, 0161 236 7036 or matthewjackson@cles.org.uk

