



REPORT TO: MORAY COUNCIL ON 28 OCTOBER 2020

SUBJECT: ECONOMIC RECOVERY PLAN – PROCUREMENT POST AND SMALL BUSINESS SUPPORT

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To provide Council with details of the temporary post relating to Community Wealth Building and growing the local economy with a focus on procurement, permanent procurement post to provide additional capacity to procurement team, and to enable the actions resulting from the temporary post activity, and business consultancy items which form part of the economic recovery plan.
- 1.2 This report is submitted to the Council in terms of Section III A (2) of the Council's Scheme of Administration relating to long-term financial plans.

2. RECOMMENDATION

- 2.1 It is recommended that Council agree the funding allocation as set out in the financial implications for the creation of the posts identified in the report to support economic recovery and growth in Moray.**

3. BACKGROUND

- 3.1 At its meeting on the 6 October 2020 the Economic Growth, Housing and Environmental Sustainability committee approved the high level action plan and recommended to council the approval in principle of the financial resources to deliver the plan, subject to detailed reports being provided for each action (para 8 of the draft minute refers).
- 3.2 The Economic Recovery Plan seeking that approval is on the agenda for today's meeting and this report provides further detail on the procurement and consultancy items included in the action plan.
- 3.3 These items will be described separately in sections 4, 5 and 6 of this report.

4. COMMUNITY WEALTH BUILDING DEVELOPMENT POST (2.5 YEARS)

- 4.1 Community Wealth Building (CWB) aims to keep wealth within the local economy and give the people within that economy more control and a greater

share of the benefit that arises from activity within their area. It was developed in the United States of America and developed in the United Kingdom by the Centre for Local Economic Strategies, a think tank.

4.2 The concept has gained the support of the Scottish Government and they have made a commitment to explore the potential of the concept. CWB has the potential to deliver most obviously for the inclusive growth agenda but has far reaching implications for policy that are not as obvious, such as climate change through reducing distances travelled by suppliers.

4.3 CWB is based around five core principles that are designed to enable and unleash the potential of the local economy. These are:

1. Progressive Procurement
2. Fair Employment and Just Labour Markets
3. Shared Ownership of the Local Economy
4. Socially Just Use of Land and Property
5. Making Financial Power work for Local Places.

4.4 While these items are not to be taken sequentially in order to deliver greater community wealth the post will focus initially on the first item, Progressive Procurement. This will involve working with the private sector, communities and public sector partners to develop supply chains and enable more economic activity to be retained locally.

4.5 Progressive Procurement is an extensive topic and will require a multifaceted approach to achieving the end objective, which is a more prosperous, growing economy with improved employment opportunities.

4.6 A metric for procurement that is reported on by all local authorities is the percentage of their spend which goes to local businesses and SMEs. The table at 4.7 shows how by this measure Moray compares to our near neighbours, Aberdeen, Aberdeen-shire and Highland. The data is for 2018.

4.7

<u>Local Authority</u>	<u>Percentage of Spend within Authority</u>
Moray	24.57%
Highland	41.57%
Aberdeen	28.84%
Aberdeenshire	32.78%

4.8 As can be seen from the table in 4.7 Moray spends considerably less than our neighbours within our own economy. It should be remembered that these local authorities are of a different scale and the scale of contracts available and the strengths of the local supply chain both impact on local spend.

4.9 To increase the amount of spend locally needs the co-operation of our public sector partners as anchor organisations and in depth work with the private sector to address the variety of issues that prevent organisations from firstly tendering for the works, winning the tender and being able to successfully

deliver. Community organisations will also be engaged to encourage them to both supply and buy locally.

- 4.10 The benefit to suppliers is not solely in winning local contracts. Developing businesses and supply chains in Moray allows them to undertake work in other regions and allows jobs to be created locally and help rebalance the flow of capital. There is also an inward investment requirement to get businesses to relocate or expand into Moray. To enable this there must be an appropriate provision of employment land which is a capital item in the action plan.
- 4.11 It should be noted that CWB, and the activities outlined above, does aim to create displacement in the national economy as some of the activity that will enable the medium and long term growth requires activity to be re-located. As it is acknowledged however that the national economy is not equal a degree of displacement can be acceptable to achieve inclusive growth and benefit people, as per the objectives of both inclusive growth and CWB.
- 4.12 Part of the role will be to also look at the criteria that are used to decide the tender process and how to better enable community benefit from contracts across the public sector.
- 4.13 Practical examples of where CWB has been implemented are in Preston where they have increased local spend by 15% which equates to around £70 million. The Scottish Government has provided £3 million to the Ayrshire Economic Partnership to further develop CWB. In other locations in England CWB principles are funding are being built into growth deals.
- 4.14 Approval is sought from Council to create a post to address all the issues described above.
- 4.15 The total cost of this action is £125,000 with Highlands and Islands Enterprise contributing £35,000 over 2 years. Council is therefore being asked to approve an allocation of £90,000 over 2.5 years. £20,000 in financial year 20/21 and £35,000 in financial years 21/22 and 22/23.
- 4.16 This is a complex piece of work, the 2 year temporary post (Grade 9) will allow the initiative to be developed and give an opportunity for review before deciding on any longer term need and staffing resource.

5. PROCUREMENT OFFICER (PERMANENT)

- 5.1 The Moray Council procurement team are currently facing severe capacity issues and require an additional member of staff to alleviate this particularly with additional procurement work associated with the Growth Deal.
- 5.2 Without this member of staff the procurement team will be unable to act on the CWB actions and recommendations that will arise from section 4 of this report. These actions and recommendations will undoubtedly lead to more time being dedicated to each contract to tailor and adapt the appropriate level of community benefit.

- 5.3 This member of staff will also enable effective communication and liaison with the Community Wealth Building Development post.
- 5.4 This is a permanent grade 9 post with a revenue cost of £25,000 in the 20/21 financial year and £53,000 thereafter.

6. SMALL BUSINESS CONSULTANCY

- 6.1 As outlined in table 4.7 Moray has a comparatively low rate of procurement contracts being awarded locally and an output from the role described in section 4 would be to increase the award of contracts locally.
- 6.2 As detailed in the Supplier Development Programme update report submitted to the Economic Growth, Housing and Environmental Sustainability Committee on 06 October 2020 (para 11 of the draft minute refers), attendance at events and surveys on intention to bid for contracts has been positive. These positive intentions do not appear to be translating into an increase in local spend however.
- 6.3 A possible explanation for this is the nature of the tendering process, which may be either too onerous or technical for some businesses who would be able to undertake the work should they be awarded the contract.
- 6.4 To overcome this obstacle Moray Council and Highlands and Islands Enterprise are proposing a joint fund, split 50/50 to allow local businesses to receive expert advice on tendering for public sector contracts through professional consultants.
- 6.5 This fund would link with the post described in section 4 and be used to achieve the CWB aims.
- 6.6 In addition to the procurement consultancy a joint fund between Moray Council and Highlands and Islands Enterprise, again 50/50, is proposed to deliver professional import and export advice.
- 6.7 The objective of this is twofold. Firstly to provide advice and expertise to businesses to help access and enter new markets. Secondly, with some risk existing around Brexit this fund could be used to assist businesses with high exposure to EU markets.
- 6.8 The combined financial implications to the Council of these 2 support schemes is £35,000 with an additional £35,000 provided by Highlands and Islands Enterprise. Take up of the scheme will be monitored and reported together with outcomes experienced by business such as procurement success.

7. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The proposals will contribute to achieve the corporate plan priority to promote economic development and growth, also the LOIP priority of a growing and sustainable economy.

(b) Policy and Legal

The Council considers support for economic development issues on their merits, against the objective to facilitate sustainable economic growth and the desired outcomes of the Ten Year Plan and Corporate Plan.

(c) Financial implications

The financial implications of these support actions are detailed in the main report and duplicated here. The funding for consultancy and the temporary procurement post will be met from earmarked reserves. The permanent procurement officer post will be a budget pressure.

Action	2020/21	2021/22	2022/23	2023/24
Revenue				
Procurement (temporary post 2.5 year contract and budget HIE contributing 35k in years 21/22 and 22/23 subject to due diligence Potential extension if successful(Budget pressure in future years, subject to 2 year contract to prove concept and opportunity to review)	£20k	£35k	£35k	
Small Business Support consultancy service (70k across two years)35K from HIE in 21/22 subject to due diligence	£30K	£5K		

Procurement Officer post (Budget Pressure in future years)	25k	53K	53K	53K
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(d) Risk Implications

The main risk is that the desired results as detailed in sections 4, 5 and 6 are not realised. To mitigate this a detailed monitoring and reporting process will be in place during the life of the actions to enable flexibility and responsiveness

(e) Staffing Implications

The actions detailed in sections 4, 5 will result in 2 new additional Full time members of staff, one on a 2.5 year contract and one permanent. Consultancy support will be through external consultants with existing staff providing the referrals.

(f) Property

N/A

(g) Equalities/Socio Economic Impact

The actions detailed in sections 4, 5 aim to improve equality in Moray through the objectives of Community Wealth Building and Inclusive growth. Actions in section 6 aim to support and grow the local economy.

(h) Consultations

Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Legal Services Manager, the Payments Manager, the Equal Opportunities Officer, the Head of Financial Services and the Democratic Services Manager

8. CONCLUSION

8.1 This report provides greater detail on the actions listed in the main economic recovery strategy relating to procurement and small business consultancy.

8.2 Enabling Community Wealth Building is seen as a key part in the economic recovery of Moray.

8.3 These actions should be viewed as part of the wider recovery strategy and actions as they are designed to complement and enable each other.

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