

CWM TAF PUBLIC SERVICES BOARD JOINT OVERVIEW & SCRUTINY COMMITTEE



23 APRIL 2021

SCRUTINY OF THE CWM TAF PUBLIC SERVICES BOARD

REPORT OF RHONDDA CYNON TAF AND METHRY TYDFIL COUNTY BOROUGH COUNCILS

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1. PURPOSE OF THE REPORT

- 1.1. The purpose of this report is to provide a summary of the expenditure on 'goods works and services' that takes place locally by Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the contents of this report, in particular the financial values spent with local suppliers across both Councils.

3. REASON FOR RECOMMENDATIONS

- 3.1 To provide the Joint Overview and Scrutiny Committee with an update of the local spend that takes place.

4. BACKGROUND

- 4.1 In order to deliver the range of services that the Councils are responsible for, contracts are put in place with a large number of external organisations. In addition to delivering contracts that are compliant with the law, the Procurement Service(s) has a key role in supporting and enabling service areas to deliver economic, social, environmental and cultural outcomes through the contracting process.
- 4.2 This report provides a brief overview of the regulatory requirements that Contracting Authorities are legally obliged to follow and provides a summary of spend that has occurred for the financial year 2020/21.

5. REGULATORY REQUIREMENTS

- 5.1 Whilst the UK has left the EU, the Public Contract Regulations 2015 (PCR's) continue to apply in the UK. UK Government is currently reviewing the responses received from their consultation exercise in respect of a new set of Regulations. Once that exercise is complete a new set of Procurement

Regulations will be issued, and Welsh Government Ministers will decide whether to accept that version or to compile their own.

- 5.2 Councils have an obligation to comply with this Legal Framework.
- 5.3 The overriding aim of an effective procurement process is to deliver value for money with effective outcomes. Underpinning all our processes are the principles of non-discrimination, transparency and fairness.

6. HOW MUCH IS CURRENTLY SPENT WITHIN THE LOCAL AREA

- 6.1 Based on the financial year of 2020/21, a total of circa £274m was spent on goods, services and works by the two Councils. Of this, circa £71m was spent with organisations with a postcode based directly within the County Boroughs. This spend analysis is derived from using the postcode of each supplier.
- 6.2 Table 1 illustrates how and where the total spend is distributed (based on supplier postcode).

Table 1 – Summary of spend financial year 2020/21

	Total Spend	Wales	County Borough
MT	£94,689,186	£66,590,269	£23,672,296
RCT	£179,154,962	£117,022,595	£47,091,661

- 6.3 The exercise of utilising the postcode of suppliers provides useful indicative data in terms of mapping local spend, this however also provides the spend outside of those postcodes. A term that is often used by external consultants when referring to spend outside of the locality is known as 'spend leakage'. If spend takes place with a company based in England, for example, this would often be referred to as 'leakage'. Whilst reference to this term could imply that the direct benefits of the spend is leaving the region/Wales, there are many examples where the postcode of the supplier is outside of the local area but benefits of the contract such as direct 'local' employment are apparent.
- 6.4 The financial values shown in Table 1 provide a positive picture in terms of the money that is currently spent locally, however both Councils are keen to do more to support the local economy. Work is taking place that aims to identify those suitable local businesses that could potentially deliver work and/or provide services. Whilst not being able to show favour, Councils do have the ability to promote potential opportunities. For example:
- Provide opportunities for local businesses to come and 'meet the buyer';
 - Ensure that local businesses are aware of how to 'do business with the Council(s);

- Liaise with these local businesses in order to establish if they have any potential barriers to delivering contracts for us;
- Investigate the best method by which local businesses in the area receive notices that give details of tenders that are upcoming and also 'live' on our tendering portal.
- In order to submit bids for work, some local businesses may require upskilling in this area. We will work with our partners in Sell to Wales and Business Wales to ensure that they can provide the advice and support needed.

6.5 In addition to advertising and promoting opportunities better, in some instances there can be potential to split the works/supplies into specific lots rather than combine them all together into one whole contract. An example of this is a recent (RCT) tender 'Disabled Adaptation & Repair Framework'. The Framework was split into the lots shown in Table 2. The table also shows the number of tenders received along with the number of winning bidders for each lot:

LOT	Contractors Awarded	Reserve list	Estimated jobs per annum	Estimated total value per annum	Tenderers
LOT 1 - General Building Work (Below £25,000)	12	5	214	£2.4m	16 (16 sme's)
LOT 2 - General Building Work (Over £25,000)	8	3	9	£300k	13 (13 sme's)
LOT 3 - Plumbing Work Only	12	5	157	£1m	19 (19 sme's)
LOT 4 - Stair Lifts Only	3	2	185	£647k	5 (4 sme's)
LOT 5 - Vertical Lifts Only	3	2	16	£216k	3 (3 sme's)
LOT 6 - Minor Works of Adaption Up To a Value of £600	5	3	1487	£400k	11 (11 sme's)

- 6.6 Under this framework, tenderers were able to bid and be accepted for one or more lots. After award, work associated under each of the lots is allocated on an alphabetical rota basis. Due to the number of jobs, it continuously rotates resulting in regular allocation of work, whilst avoiding the risk of contractors taking on more than their capacity allows.
- 6.7 The lotting structure was attractive to SME's as the jobs are manageable and spread timing wise. The pricing strategy, with a fixed schedule of rates, means the contractors know before applying what they will be paid for the work, and that the job will be local.

Moving forwards, we will:

- Review each tender on its own merits to establish if it is suitable to be split / lotted.

7. EQUALITY OR DIVERSITY IMPLICATIONS

7.1 There are no quality or diversity implications as a result of this report.

8. CONSULTATION

8.1 There are no consultation implications as a result of this report.

9. FINANCIAL IMPLICATIONS

9.1 There are no financial implications as a result of this report.

10. LEGAL IMPLICATIONS

10.1 There are no legal implications as a result of this report

11. LINKS TO PSB'S WELL-BEING OBJECTIVES

- 11.1 Whilst procurement does not factor in the Cwm Taf Well-being Plan there are clear links to how public sector spend can impact on the Well-being Objectives:
- Thriving Communities (Community Zones): Work with our communities to provide consistent messages, links and signposting to community, public sector and business support within and close to communities. This also includes employability skills.
 - Healthy People: We know through our Assessments that employment positively impacts on physical and mental health so work to improve or secure local employment through procurement has a cross cutting well-being benefits, helping people live long and healthy lives and overcome any challenges.
 - Strong Economy: Stimulate and boost the aspirations and skills of our people to meet public and private sector career opportunities. Understanding tendering opportunities feeds into this.

12. CONCLUSION

12.1 In conclusion, our high level monitoring provides assurance that there is significant public spend directly with businesses within our local communities. Through active engagement and appropriate procurement practices, we believe there is scope to improve local spend levels further.

