

# Briefing Note

CITY OF  
WOLVERHAMPTON  
COUNCIL

**Title:** Strategic Procurement Update

**Date:** 28 November 2018

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**Job Title:** Head of Procurement

**Intended Audience:**

Internal

Partner organisation

Public

Confidential

## 1.0 Purpose

1.1 This briefing note provides an update on the work that the Procurement team have undertaken and also provides information on the potential procurement related impact and risks of Brexit.

## 2.0 Overview

2.1 The following three items are included within this briefing note:

- Local spend
- Social Value
- Brexit

## 3.0 How much is the Council Spending Locally?

3.1 The Council's Procurement Strategy sets out that the Council's focus will be on ensuring that our spend with third parties maximises the impact of each pound on the local economy and we support the creation of opportunities for high quality sustainable employment for local people.

3.2 The Council's measures local spend in three ways:

- Providers with a Wolverhampton payment address
- Providers with a Wolverhampton office / branch
- Providers in Wolverhampton and surrounding area

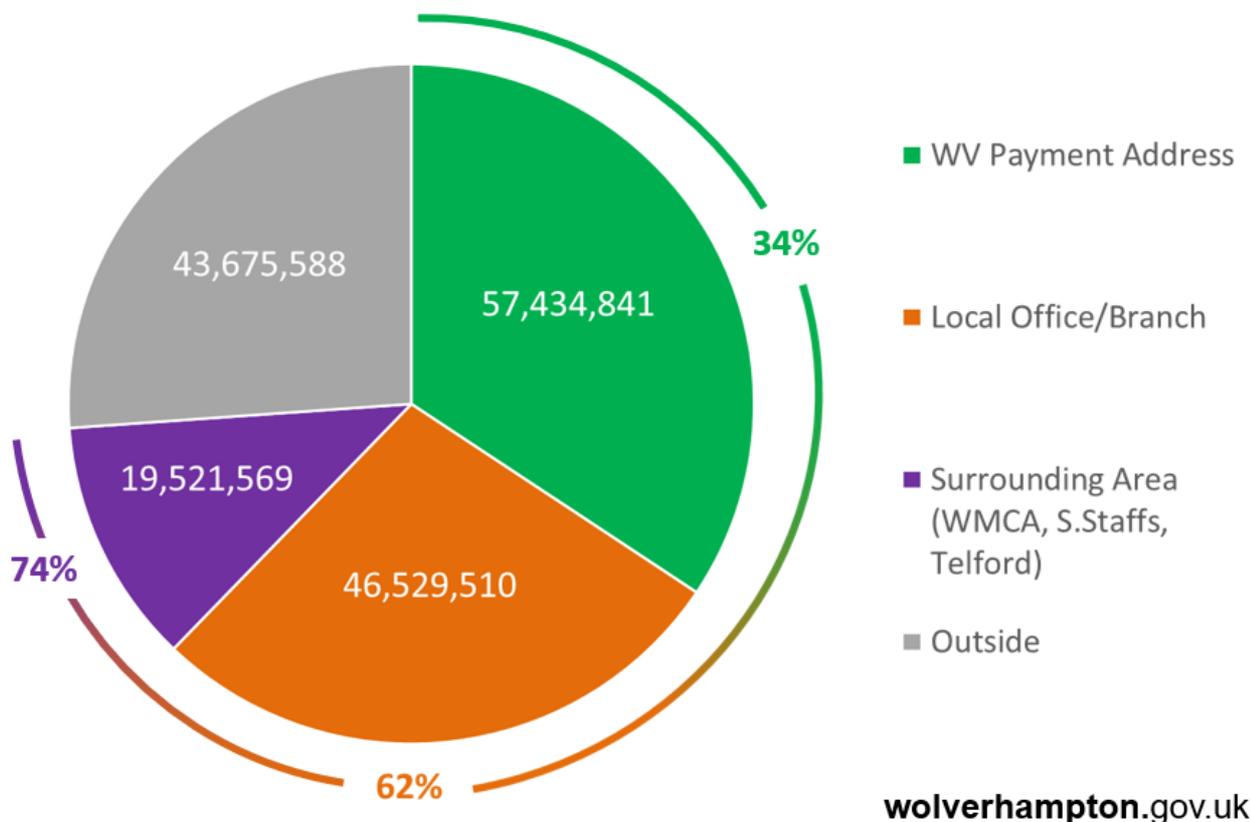
3.3 Solely relying on the payment address as a measure of local spend does not provide a complete understanding as some organisations have centralised finance offices or use third party companies to issue invoices and receive payments.

3.4 The more reliable measure is to determine if the service or activity is being undertaken in the City. This can be done by identifying the actual address of provider as many organisations have local offices and branches in Wolverhampton and therefore contribute to the local economy.

3.5 The reason for measuring spend with providers in the surrounding area (West Midlands Combined Authority, South Staffordshire and Telford) is that this is the local "travel to work" area.

3.6 An analysis of the spend in these three categories is shown in the following diagram

## Local Spend



3.7 This analysis was for the first seven months of the year which was with providers based in Wolverhampton. If the 62% is calculated for a full year this equates to over £177 million being spent each year in Wolverhampton.

3.8 The remaining 26% that is spent outside of the City and surrounding area is primarily goods and services which cannot be purchased locally, e.g. insurance, ICT equipment, out of area social care placements etc. The Procurement team however continue to review each contract as it is procured.

### 4.0 What is the Approach to Social Value?

4.1 In 2015 the Council, University of Wolverhampton, Royal Wolverhampton NHS Trust and Wolverhampton Voluntary Sector Council developed The City of Wolverhampton Charter which sets out five key principles that will underpin the commissioning and procurement activities of key partners in the City.

- 1) Develop and grow a skilled workforce through - Creating employment and training opportunities for local residents including supporting people into work and providing work experience placements; mentoring and supporting personal development and, where appropriate incorporating provision

- 2) Encourage healthy lifestyles and independence by - Encouraging the adoption of workplace health initiatives which keep people in work, reduce sickness and also create a workplace that is more conducive to good health. Promoting active travel such as walking, cycling and public transport use
- 3) Support more people to be active within their communities by - Building the capacity of local voluntary and community organisations and schools through the provision of resources and expertise in areas with the greatest need e.g. mentoring and the provision of meeting facilities etc.
- 4) Support business to develop and grow by - Having a preference to buy locally on the condition that a suitable supplier exists and that this provides value for money.
- 5) Support the reduction to the carbon footprint and eliminate unnecessary waste by - Specifying good and services on the basis of whole life costing and which minimise the use of resources and the creation of pollution and greenhouse gases.

4.2 The Charter is included as part of the invitation to tender documents which I sent to bidders and a minimum of 10% of the evaluation criteria is allocated to their response to the five principles.

## **5.0 How is Social Value Being Realised?**

5.1 The Council's Enterprise team have implemented the Charter to a number of key developments taking place across our city. The team have developed a close working relationship with developers and construction-based businesses delivering both public and privately funded schemes in the City. A cross service approach with Planning, Procurement, Housing and Skills has enabled a early stage engagement with contractors board members and senior management. As a result, the team have identified:

- A resurgence of the construction sector which is creating a demand in recruitment and up skilling of their workforce
- A strong desire to have a locally based supply chain
- An appetite to work with the Council to engage and support other social and community- based activities.

5.2 In response, the team have:

- Designed a new skills and employment plan, aligned to the Councils corporate objectives that includes both pre- apprenticeships and pre- recruitment offer, linked to the Wolves@work programme
- Created Contract opportunities for the small business local supply chain, along with skills and recruitment.

5.3 To date, the team have identified and engaged with 21 construction projects and of these six have come forward with proposed outputs as follows:

- Support for 126 unemployed adults back in to work
- 32 pre apprenticeship opportunities
- 52 apprentices
- Offer 244 people career advice and pathways in to the sector

- 76 site visits for the community and those considering a career
- 44 school visits
- 46 mentoring placements
- 21 enterprise activities
- 7 Graduate placements
- 82 weeks of Leadership training
- 4 Meet the Buyer events for local small businesses

- 5.4 The Council's management partner for Yoo Recruit is Adecco. As part of the contract Adecco committed to delivering a employment and training programme for local people. The main activity is Employability workshops which consist of CV writing, interview skills, etc. To date 493 people have attended these workshops.
- 5.5 The Charter and Social Value programme are now embedded as Council business as usual and is delivering training, work opportunities and sustainable jobs for local people.
- 5.6 A recent example is the Council's corporate insurance procurement which was awarded to Zurich Municipal. The inclusion of social value commitments had not been included in previous contracts for insurance. For this contract 10% of the evaluation criteria was allocated to social value and in particular work opportunities for care leavers.
- 5.7 Following the award of the contract the Council's Procurement team and Skills team worked with Zurich Municipal to develop work placements for two care leavers in their office in Birmingham. We have been advised that the two people who did the work placements have been permanently employed. Also recently they were nominated by their colleagues and won employee awards for their enthusiasm and working with stakeholders.
- 5.8 There are a number of other examples which can be provided if requested.

## **6.0 What are the Implications and Risks of Brexit for Procurement?**

6.1 There are three main procurement related concerns:

- a) Changes to legislation
- b) Short term shortages of goods and potential price increases
- c) Longer term price increases in services due to wage increases

## **6.2 Changes in legislation**

6.3 Public procurement is a fundamental part of World Trade Organisation (WTO) agreement and individual trade agreements between the EU and other countries. The current EU directives take these agreements into account and are incorporated into UK law through the Public Contracts Regulations.

6.4 Dependent on the final detail of the Brexit withdrawal agreement it is likely that UK public sector bodies will be required to continue to comply with the EU directive requirements and publish contract notices in OJEU for at least the two year

transition period. At this time there does not appear to be any changes to the Public Contracts Regulations being proposed.

- 6.5 In the event of a “no-deal” Brexit the Public Contracts Regulations will still apply however there would no longer be a requirement to publish contract notices in OJEU. Central government have advised they are developing an alternative advertising website as the UK will need to seek access to the WTO Agreement on Government Procurement (GPA). The UK currently participates in the GPA by virtue of its EU membership which would no longer be valid. Further information can be found at:

<https://www.gov.uk/government/publications/accessing-public-sector-contracts-if-theres-no-brex-it-deal/accessing-public-sector-contracts-if-theres-no-brex-it-deal>

**6.6 Short term shortages of goods**

- 6.7 As the date of Brexit approaches, 29 March 2019, there maybe shortages of goods due to disruption at ports and organisations stockpiling goods. The Procurement team is undertaking a review of potential supplies that could be affected and are critical. The main area identified is food for school meals and Meals on Wheels however it is difficult to predict what may be affected as there maybe products needed for manufacturing that could be affected, e.g. shortage of carbon dioxide that affected food and drink production in summer of 2018.

**6.8 Potential price increases**

- 6.9 There is a risk of price increases due shortages as stated above. Additionally, there may be a decrease in the value of the GB pound to the US dollar which would increase prices of imported goods that are manufactured outside of EU such as food, ICT equipment, software. Fuel may increase in price which affects energy and manufacturing.

**6.10 Longer term price increases due to wage increases**

- 6.11 A reduction in the people coming to work in the UK may increase the result wage increases and resulting price inflation.

- 6.12 It is difficult to predict the risk of Brexit on public procurement and the direct impact on the provision of goods and services until the final conditions of the withdrawal are known. The Council’s Head of Procurement is a member of a number of sector groups including West Midlands Procurement Group and Crown Commercial Service Public Sector Policy Group and will continue to monitor and review the situation.