

	Social Value Progress and Future Strategy
	<u>Appendix 1 Procurement and market research</u>
1.	The initial analysis undertaken by CLES looked at the top 300 companies within the Council's spend. This approach is effective in measuring social value, as the social value policy applies to contracts with a value over £100,000. In 2019/20 spend in excess of £100k was made with 327 suppliers. This spend could have been on 2 individual contracts each of £60k – therefore social value wouldn't have applied.
2.	Analysing the top 300 companies has its advantages, however analysing all suppliers will help build an accurate depiction of the Council's utilisation of local companies. 3,766 suppliers appeared in the Council's 2019/20 spend meaning the top 300 includes less than 8% of suppliers. Moving forward key recommendations are to: <ul style="list-style-type: none"> • Use the Top 300 to analyse spend relating to social value • Analyse RMBC's entire spend to understand and gain rich insights into the local market
3.	Additionally, the CLES analysis did not show the true value of the Council's total spend. Their analysis focused on net spend, which is total expenditure after taxation. A more accurate measure is gross spend, total spend before taxation. Net spend misconstrues the number of contracts over £100,000 as this fall from 327 to 320. Net spend does not reflect the true cost of a contract. Gross spend includes the total value of a contracts and the actual amount taken from RMBCs budget.
4.	Standard Industry Classification (SIC) is the classification code CLES used in the initial analysis and used in NOMIS business count data. The Council uses its own classifications and, though easier to understand and more detailed, this makes comparison with Government data on local markets difficult and more complex.
5.	<u>Defining Local</u>
6.	The social value policy seeks benefits from using local businesses in the Council's supply chain. Local businesses have a rich knowledge and insight into wants, needs and cultures, including beliefs and customs of residents, supplying goods and services residents want and value. How the Council defines "local" is key moving forward. "Local" is could be defined as having a definite spatial form or location in an area. This definition characterises a local business as one having a "Brick and Mortar" location with less weight being put on ownership. Meaning a local business can be wholly owned by a local resident or a corporate branch based in Rotherham. Therefore, the definition is a local business as a supplier with a premise in Rotherham.
7.	Currently inconsistencies exist in how "local" is defined. CLES used postcodes used for invoices in its classification methodology, therefore having

	a Rotherham postcode classified a supplier as local. 2019/20 spending data showed some corporations with local postcodes whilst others operated using their headquarter addresses. This example is repeated in numerous scenarios including NHS Rotherham CCG, headquartered in Wakefield but operates a local office in Bramley, Rotherham. NHS Rotherham CCG satisfies the local definition by having an office in Rotherham. Using the NHS Rotherham CCG as a local supplier, rather than using the postcode, increases local spend by £1.4 million. It is likely that correctly classifying businesses will have a significant impact on local spend share measurements.															
8.	The address listed by a supplier depends on which office the Council services communicate with. In some cases, the council will communicate with an organisations head office in others cases a regional or local office. It is recommended that companies should be advised to use a local office address or a regional office (i.e. Having a regional office in Sheffield would be classed as SCR spend).															
9	<u>Expanding the SCR definition</u>															
10.	Currently SCR only includes Rotherham, Doncaster, Sheffield, and Barnsley albeit that the Combined Authority (MCA) includes non-constituent councils in Nottinghamshire and Derbyshire including Bassetlaw, Bolsover, Chesterfield and North East Derbyshire. Suppliers in these selected districts numbered 15 in the top 300 Rotherham suppliers and 95 of the total (3,766) suppliers used in 2019/20. As local and SCR spend slowed down in 2019/20, the Council's spend in these districts increased. Graph 1 reveals top 300 spend in these districts grew by 83% from £3.3 million in 2018/19 to £5.8 million in 2019/20.															
11.	<p>A bar chart comparing SCR spend in millions for four categories. The Y-axis is labeled £ (Millions). The legend indicates 2019/20 Spend (green bars) and 2018/19 Spend (blue bars).</p> <table border="1"> <thead> <tr> <th>Category</th> <th>2019/20 Spend (£ Millions)</th> <th>2018/19 Spend (£ Millions)</th> </tr> </thead> <tbody> <tr> <td>SCR</td> <td>£61.0</td> <td>£63.1</td> </tr> <tr> <td>SCR (Inc. Selected Derbyshire & Nottinghamshire)</td> <td>£66.9</td> <td>£66.5</td> </tr> <tr> <td>External leakage</td> <td>£251.0</td> <td>£208.9</td> </tr> <tr> <td>External leakage (Exc. Selected Derbyshire & Nottinghamshire)</td> <td>£245.2</td> <td>£205.6</td> </tr> </tbody> </table>	Category	2019/20 Spend (£ Millions)	2018/19 Spend (£ Millions)	SCR	£61.0	£63.1	SCR (Inc. Selected Derbyshire & Nottinghamshire)	£66.9	£66.5	External leakage	£251.0	£208.9	External leakage (Exc. Selected Derbyshire & Nottinghamshire)	£245.2	£205.6
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12.	Table 1 below shows a list of 14 suppliers from the districts and their proximity to village halls in border areas of Rotherham. Proximity to Rotherham also allows residents to easily commute to our selected districts. One of the suppliers featured is health care provider Moorcroft Care Homes															

	Ltd located in Killamarsh, North East Derbyshire, 3.7 miles away from Harthill village hall. Census 2011 data shows the average commute in Rotherham is 7 miles, looking at all 95 suppliers in these districts, 52.6% are located within a 7 miles radius of a Rotherham border village. Having a close proximity to Rotherham allows these businesses to create opportunities for Rotherham residents including apprenticeships, training, and employment.																																																																																																
13.	<table border="1"> <thead> <tr> <th>Supplier name</th><th>Spend Value</th><th>Local Authority (LA)</th><th>Distance from Harthill Village Hall</th><th>Distance from Woodsetts Village Hall</th><th>Distance to Firbeck Village Hall</th></tr> </thead> <tbody> <tr><td>TMS Limited</td><td>£ 198,851.80</td><td>Bassetlaw</td><td>16.9</td><td>12.1</td><td>12.3</td></tr> <tr><td>Dukeries Healthcare Ltd</td><td>£ 337,593.23</td><td>Bassetlaw</td><td>14.3</td><td>9.1</td><td>9.0</td></tr> <tr><td>Avanti Steel Fabrications</td><td>£ 137,415.45</td><td>Bassetlaw</td><td>22.5</td><td>17.3</td><td>16.6</td></tr> <tr><td>H W Martin Waste Ltd</td><td>£ 1,627,028.40</td><td>Bolsover</td><td>19.1</td><td>23.5</td><td>27.2</td></tr> <tr><td>Autism East Midlands</td><td>£ 133,401.00</td><td>Bolsover</td><td>5.9</td><td>8.6</td><td>12.4</td></tr> <tr><td>Hillcare 3 Ltd</td><td>£ 435,712.46</td><td>Chesterfield</td><td>11.9</td><td>17.5</td><td>20.5</td></tr> <tr><td>Heitcorp Limited/Devonshire Care</td><td>£ 270,782.25</td><td>Chesterfield</td><td>12.1</td><td>17.7</td><td>20.7</td></tr> <tr><td>Whiston Hall Limited</td><td>£ 682,879.20</td><td>Chesterfield</td><td>11.7</td><td>17.3</td><td>20.3</td></tr> <tr><td>Hermes Care Limited</td><td>£ 340,277.35</td><td>Chesterfield</td><td>11.1</td><td>16.7</td><td>19.6</td></tr> <tr><td>Royal Mail</td><td>£ 281,656.76</td><td>Chesterfield</td><td>12.5</td><td>18.1</td><td>21.1</td></tr> <tr><td>Moorcroft Care Homes Ltd</td><td>£ 147,194.88</td><td>North East Derbyshire</td><td>3.7</td><td>8.8</td><td>11.1</td></tr> <tr><td>Independent Contractor Security Ltd</td><td>£ 630,094.37</td><td>North East Derbyshire</td><td>5.4</td><td>10.9</td><td>13.3</td></tr> <tr><td>Landmarks</td><td>£ 424,169.18</td><td>North East Derbyshire</td><td>5.1</td><td>10.5</td><td>12.8</td></tr> <tr><td>Hall Plant Hire Ltd</td><td>£ 179,867.57</td><td>North East Derbyshire</td><td>15.8</td><td>21.4</td><td>23.9</td></tr> <tr><td></td><td>£ 5,826,923.90</td><td></td><td></td><td></td><td></td></tr> </tbody> </table> <p>Table 1 - Proximity of businesses in parts of Derbyshire and Nottinghamshire bordering Rotherham (Top 300)</p>	Supplier name	Spend Value	Local Authority (LA)	Distance from Harthill Village Hall	Distance from Woodsetts Village Hall	Distance to Firbeck Village Hall	TMS Limited	£ 198,851.80	Bassetlaw	16.9	12.1	12.3	Dukeries Healthcare Ltd	£ 337,593.23	Bassetlaw	14.3	9.1	9.0	Avanti Steel Fabrications	£ 137,415.45	Bassetlaw	22.5	17.3	16.6	H W Martin Waste Ltd	£ 1,627,028.40	Bolsover	19.1	23.5	27.2	Autism East Midlands	£ 133,401.00	Bolsover	5.9	8.6	12.4	Hillcare 3 Ltd	£ 435,712.46	Chesterfield	11.9	17.5	20.5	Heitcorp Limited/Devonshire Care	£ 270,782.25	Chesterfield	12.1	17.7	20.7	Whiston Hall Limited	£ 682,879.20	Chesterfield	11.7	17.3	20.3	Hermes Care Limited	£ 340,277.35	Chesterfield	11.1	16.7	19.6	Royal Mail	£ 281,656.76	Chesterfield	12.5	18.1	21.1	Moorcroft Care Homes Ltd	£ 147,194.88	North East Derbyshire	3.7	8.8	11.1	Independent Contractor Security Ltd	£ 630,094.37	North East Derbyshire	5.4	10.9	13.3	Landmarks	£ 424,169.18	North East Derbyshire	5.1	10.5	12.8	Hall Plant Hire Ltd	£ 179,867.57	North East Derbyshire	15.8	21.4	23.9		£ 5,826,923.90				
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14.	<u>Local Market insight</u>																																																																																																
15.	According to Governments Standard Industrial Classification (SIC), the Council purchased goods and services from 48 industries in 2019/20. NOMIS (2020) revealed Rotherham had 7,435 enterprises in 2020, of these enterprises 6,355 (85.5%) were situated in industries that the Council purchase goods and services from.																																																																																																
16.	1,061 local businesses were used by the council in 2019/20 resulting in 17% of all eligible local businesses appearing in total expenditure. With 17% of local businesses being utilised in local spend there is scope for further growth subject to the capacity of organisations to deliver at the scale / quality required. Graph 9 shows the percentage of Rotherham businesses being utilised by industry. Both Utilities and Mining & Quarrying recorded 0% utilisation. NOMIS shows Rotherham had 10 being registered as utilities, however no business provides the production of electricity. This means that the Council purchased electricity from major supplier N Power in 2019/20. In some instances, such as production of electricity, there no local alternative with start-up costs and capital investment needed too high for a local supplier to enter the market, resulting in an external national supplier being used. However, plans are underway to develop a Rotherham district heating network at the Templeborough biomass plant converting excess heat into low cost renewable energy for Rotherham's town centre. In the long term, solutions like the heat network will allow opportunity for utility expenditure to move locally. Traditional industries including Mining and Quarrying are no longer seen as viable with greener and cleaner alternatives being developed meaning investment in such industries are not worth investing in.																																																																																																
17.	It should be noted that an anomaly exists in this dataset for the health industry. Data shows 637 health businesses used a Rotherham postcode therefore classified as local, however according to NOMIS there are only 275																																																																																																

	<p>registered health related businesses in Rotherham. Therefore, giving a false local utilisation score 232% in graph 2. A deeper analysis reveals discrepancy only existed in health providers operating in social work activities without accommodation where 592 local businesses appear in local spend, however, only 85 businesses were registered under this classification in Rotherham. Multiple reasons could explain this including: duplication of companies in data, companies misclassifying themselves or potentially shell companies operating under a Rotherham address but based elsewhere. Further research is needed to explain this irregularity.</p>																																
18.	<table border="1"> <thead> <tr> <th>Industry</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Wholesale and Retail</td><td>4%</td></tr> <tr><td>Utilities</td><td>0%</td></tr> <tr><td>Transport & Storage</td><td>6%</td></tr> <tr><td>Public Administration</td><td>5%</td></tr> <tr><td>Other Service</td><td>19%</td></tr> <tr><td>Mining and Quarrying</td><td>0%</td></tr> <tr><td>Manufacturing</td><td>8%</td></tr> <tr><td>Information & Communication</td><td>4%</td></tr> <tr><td>Health</td><td>232%*</td></tr> <tr><td>Education</td><td>26%</td></tr> <tr><td>Construction</td><td>5%</td></tr> <tr><td>Business Activities</td><td>8%</td></tr> <tr><td>Administrative Activities</td><td>7%</td></tr> <tr><td>Accommodation and Food Services</td><td>5%</td></tr> </tbody> </table> <p>Graph 2 – Number of Rotherham companies being utilised (All Businesses)</p>	Industry	Percentage	Wholesale and Retail	4%	Utilities	0%	Transport & Storage	6%	Public Administration	5%	Other Service	19%	Mining and Quarrying	0%	Manufacturing	8%	Information & Communication	4%	Health	232%*	Education	26%	Construction	5%	Business Activities	8%	Administrative Activities	7%	Accommodation and Food Services	5%		
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19.	<p>Graph 3 breaks down the Council's spend by industry specifically looking at how much of that spend went to local businesses. Though health accounted 31% of local spend, only 8% channelled to Rotherham based suppliers. With 637 health related businesses in the Council's spend in 2019/20 spare capacity exists to increase the number of health care providers within the top 300.</p>																																
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21. Table 2 shows a percentage breakdown of all industries in Rotherham eligible to be included in local spend based on industries the Council procures from. Wholesale & Retail form the largest industry group in the borough equating to 19% of all businesses in Rotherham. In total 229 Wholesale & Retail appeared on the Council's 2019/20 spend with 5 appearing in the top 300 spend. This highlights a limited capacity for the council to commission and procure goods and service from the borough's largest industries. Though the Council purchases are limited from such industries, more can be done to achieve outcomes where top 300 local spend is not nil in Wholesale & Retail, Information & communication, and Utilities for local spend.

Industry	Total Rotherham enterprises	% of total Rotherham Enterprises
Accommodation and Food Services	485	8%
Administrative Activities	510	8%
Business Activities	1145	18%
Construction	930	15%
Education	145	2%
Health	275	4%
Information & Communication	365	6%
Manufacturing	205	3%
Mining and Quarrying	0	0%
Other Service	405	6%
Public Administration	20	0%
Transport & Storage	640	10%
Utilities	10	0%
Wholesale and Retail	1220	19%
Total	6,355	

Table 2 – Total number of Eligible Rotherham enterprises per industry