

## **TELFORD & WREKIN COUNCIL**

**CABINET - 23<sup>RD</sup> FEBRUARY 2009**

### **PROCUREMENT & LOCAL BUSINESS – SUMMARY REPORT**

#### **REPORT OF THE HEAD OF FINANCE**

#### **1.0 Purpose**

To provide Members with an update of the work currently being undertaken corporately to work with businesses including Small & Medium sized Enterprises (SME's) within Telford & Wrekin, developing understanding of the Councils requirements and improving SME and Third sector access to Council business.

Further to provide Members with details of planned work to increase the volume of business placed with local providers and action(s) the authority could take to increase business placed locally.

#### **2.0 RECOMMENDATIONS**

##### **Members are asked to:-**

- 2.1 Note and support the work being undertaken by the Corporate Procurement Unit (CPU) and individual service areas to promote and increase levels of business placed with Telford & Wrekin based providers.**
- 2.2 Support the approach to proactively seek out further methods of and opportunities to, work with local businesses and third sector providers.**

#### **3.0 Current Work**

- The current economic climate has enhanced our focus as a Local Authority on taking action to support businesses within Telford & Wrekin. Statistics for the 12 months to the end of November show that 49.6% (£63.5M) of our procurement spend was with organisations located in Telford. Further analysis of our spend profile is underway.
- EU Legislation exists which dictates that contracts over specific values must be advertised openly and transparently across all Member States.
- Much Central Government guidance has been written to support the use of third sector organisations and SME's. Most recently the *Glover Report – Accelerating the SME economic agenda*
- A balance must be struck between the national/regional agenda to collaborate and looking to build in support for the local business sector wherever possible.
- The CPU is currently working with the Shropshire Chamber of Commerce to promote Council business to Chamber members, including a Meet the Buyer event on the 29<sup>th</sup> Jan.
- The CPU is working with the Telford CVS to improve understanding of and access to Council business for Third Sector Organisations.
- Work is underway to re-design and simplify our standard tender documentation

- Work is already underway within individual service areas to develop the amount of business placed within Telford. Particular areas of note include Catering Supplies, Transport and Domiciliary and Residential Care
- Focus on the use of local artists by Arts & Culture team, including training & development programmes

#### **4.0 What More Can be Done**

- Build into our contract specifications clauses relating to community benefits. This could for example include the employment and re-training of local unemployed labour, where this is commensurate with the contract and is non-discriminatory.
- For below EU threshold contracts (£140k Good & Services: £3.4M Works) some increased scope exists to consider selection criteria which may enhance opportunities for local organisations. Care would need to be taken with such an approach.
- Make use of the Shropshire Chamber of Commerce Business Portal for below £50k contract opportunities
- Develop a Think Local/Buy Local Portal
- Support an organisation such as Transforming Telford in establishing a link role between the Council and local businesses
- Re-package our large contracts to make them more accessible to smaller, local providers
- Make increased use of Sustainability criteria when tendering, increasing the changes of local provider winning business.
- Increase use of local framework agreements for low value contracts. Spreading business across a wider range of local businesses.
- A process is being undertaken and it is possible to move our stationery contract from our current provider to a local provider whilst retaining value for money.
- Adjust Council Financial regulations for lower value contracts (less than £50k) to support in some way the need to consider local providers as a first point of call (subject to legal approval)
- Provide further targeted training to Businesses and the 3<sup>rd</sup> Sector in Telford.

#### **Legal Comment**

Regulation 39 of the Public Contracts Regulations 2006 allows us as a Local Authority to stipulate social and environmental conditions relating to the performance of a contract provided that these are set out in the OJEU notice and/or contract documents and comply with the EU law. The community benefits in question must be linked to the subject matter of the contract. There is case law that requires community benefit clauses to be verifiable and as a Local Authority we should always ensure that local labour provisions will help to achieve our policy objectives and do not conflict with Best Value.

Legal Services will continue to provide advice and assistance to CPU in the review of all documentation and also in the provision of advice in the area of 'community benefits' to help in the creation of sustainable communities including social, economic and environmental benefits.

**Report Prepared by Adrian.D.Griffith: Procurement & Payments Manager**

## **TELFORD & WREKIN COUNCIL**

**CABINET - 23 FEBRUARY 2009**

### **PROCUREMENT & LOCAL BUSINESS – MAIN REPORT**

#### **REPORT OF THE HEAD OF FINANCE**

#### **1.0 Purpose**

To provide Members with an update of the work currently being undertaken corporately to work with businesses including Small & Medium sized Enterprises (SME's) within Telford & Wrekin, developing understanding of the Councils requirements and improving SME and Third sector access to Council business.

Further to provide members with details of planned work to increase the volume of business placed with local providers and action(s) the authority could take to increase business placed locally.

#### **2.0 RECOMMENDATIONS**

##### **Members are asked to:-**

**2.1 Note and support the work currently being undertaken by the Corporate Procurement Unit (CPU) and individual service areas to promote and increase levels of business placed with Telford & Wrekin based providers.**

**2.2 Support the approach to proactively seek out further methods of and opportunities to, work with local businesses and third sector providers.**

#### **3.0 Summary**

- 3.1 The current economic climate has enhanced our focus as a Local Authority on taking action to support businesses within Telford & Wrekin. Statistics for the 12 months to the end of November show that 49.6% (£63.5M) of our procurement spend was with organisations located in Telford.
- 3.2 EU Legislation exists which dictates that contracts over specific values must be advertised openly and transparently across all Member States. Regulation 39 of the "Public Contract Regulations 2006" ("The Regs") expressly allows 'contracting authorities' to stipulate social and environmental conditions relating to the performance of a contract, provided that these are set out in the OJEU notice and/or contract documents and also comply with the general principles of EU law, including non-discrimination and transparency. The community benefits in questions must be linked to the subject matter of the contract.
- 3.3 However, there has been much central government guidance written to support the use of third sector organisations and SME's. Most recently the *Glover Report – Accelerating the SME economic agenda*, published in Nov 2008. This report

outlines the positive steps public sector bodies can take to increase business with SME's.

- 3.4 There is a balance which must be struck between the national/regional agenda to collaborate and looking to build in support for the local business sector wherever possible.
- 3.5 The CPU is currently working with the Shropshire Chamber of Commerce to promote Council business to Chamber members. The CPU is also working with the Telford CVS to improve understanding of and access to Council business for Third Sector organisations. Procurement from third sector organisations also features as part of the Council's wider Third Sector strategy, being managed by Community Services.
- 3.6 Initial discussions have taken place with Transforming Telford to investigate how Council procurement can be used to support the Transforming Telford agenda.
- 3.7 Work is underway to re-design our standard tender documentation; a desired outcome of this work is to simplify documentation wherever possible to make doing business with the Council easier.
- 3.8 Work is already underway within individual service areas to develop the amount of business placed within Telford. Particular areas of note include catering supplies, transport, the TWS contract managed by Environmental Services and the third sector work mentioned above. Domiciliary and Residential Care services are also areas in which we spend considerable sums locally.

#### **4.0 Previous Minutes**

- 4.1 None

#### **5.0 Information**

##### **Background**

- 5.1 During the 12 months to December 08 The Council paid invoices to a total value of £128M of this £63.5M (49.6%) was paid to organisations and individuals with TF post codes. From this it is clear that the Council is already making considerable use of its spending power to benefit the local economy. In light of the credit crunch the focus is now on what the authority can do to further use its spending power to support and influence local communities.
- 5.2 Any work we do to increase levels of business with local organisations is likely to be heavily focused on working more widely with SME's. *The Glover Report (Nov 2008), Accelerating the SME economic agenda*, commissioned by The Treasury, reports on the hurdles which SME's face in accessing public sector contracts, providing 12 recommendations on what public sector bodies can do to make it easier for SME's to win public sector business. The 12 recommendations are split across the headings:-
  - Transparency

- Simplicity
- Strategic Procurement
- Measurement

Some of the 12 recommendations are practical, a number are aspirational whilst others are specifically focused on Central Government. However, the headings are valid and as an authority we can demonstrate that we are, looking to build on the level of **Transparency** in our contracts, are working to **Simplify** how we procure and are working to procure in a more **Strategic** manner. The available management information we have means that it is not currently possible to effectively **Measure** the amount of business we place with SME's as our systems do not hold this information

### What are we currently doing?

- 5.3 Over the last 4 years the CPU have consistently worked with the Shropshire Chamber of Commerce to create member awareness of What, How and Why the Council buys. This has included attendance at a number of Chamber events and the delivery of tailored training.

The CPU working alongside The Shropshire Chamber, Shropshire County and West Mercia Supplies recently delivered a Meet the Buyer event held in Shrewsbury on the 29<sup>th</sup> Jan. This event was open to all Telford businesses (not just Chamber members).

The CPU has also secured access to the on-line business portal, recently introduced by The Chamber. This will allow the Council to advertise contracts up to £50k to Telford (and Shropshire) businesses first. The system is free and easy to use with numbers of local businesses registered on the system growing by the week.

The CPU is also working with the CVS to develop understanding and suitable capacity within third sector organisations. This will include assisting the CVS with recruitment to a procurement role and the provision of training and guidance to CVS members.

The CPU has also had some initial discussions with colleagues from Transforming Telford, with more work planned; as it is felt Council procurement can help deliver in this area.

The CPU with input from Legal Services is also in the early stages of reviewing all documentation used as part of the tendering process. This will simplify our lower value procurement processes and it is hoped this will encourage more SME's to bid for Council contracts.

- 5.4 In addition to the circa 50% of invoiced spend we currently have with Telford based organisations a number of initiatives exist within specific areas to increase local business and foster improved relationships with local providers. These include:-

- Catering Services have built a clause into their food contracts which states that wherever possible local suppliers will be used. Catering Services have also been successful in encouraging suppliers further down our supply chain to also buy local.
- Mobility & Development are currently working with TWS to maximise the use of local suppliers and labour through that contract
- ACC are working, with particular emphasis on the Learning Disability Service, to ensure placements are undertaken locally. Further ACC have noted a lack of local provision for residential services for older people. One outcome of this being a new building provision within the borough in partnership with Coverage Care.
- The Transport team are working through a number of contracts to increase the use local companies. This includes a trial for the use of bio fuels and vehicle servicing & repairs being conducted locally.
- Community Services through the Safer Stronger Priority Plan are heavily engaged in efforts to develop a third Sector strategy and are working to develop a strategic approach to using the third sector ideally involving the LSP.
- Local dealerships are used to acquire all leased vehicles, unless specific circumstances dictate otherwise.
- The CPU and HR are currently re-letting the corporate contract for Agency Staffing. As part of this process there will be an opportunity for a number of Telford based providers who chose not to join our existing framework, to re-engage with the Council.

### **What more could we do?**

- 5.5 For Goods & Services contracts with a value greater than £140k and Works contract greater than £3.5M EU Legislation exists which constrains the Local Authority's ability to impose local labour, local sourcing or local 'sub-contracting' requirements on suppliers.

However, there is nothing to prevent us building into specifications and contracts, requirements relating to community benefits to be delivered to the locality, provided that there is no direct or indirect discrimination for instance, an example of an acceptable local labour provision could include specifying that an agreed number of employment opportunities, training opportunities and/or work placements are provided by the contractor in connection with the project.

- 5.6 For below EU threshold contracts (£140k Good & Services: £3.4M Works) some increased scope exists to consider selection criteria which may enhance opportunities for local organisations. Care would need to be taken with such an approach.

- 5.7 **Make use of the Shropshire Chamber Business Portal** – Financial Regulations stipulate that for procurements with a value less than £50k Officers are required to seek a minimum of 3 quotations. In many instances Officers will have list of suppliers they consistently use, many of which are likely to be outside of Telford & Wrekin. Officers could make use of the Business Portal and/or look to source goods and services from Telford & Wrekin based organisations by other means.

- 5.8 **Develop a “Think Local/Buy Local” Portal -**  
A number of authorities, including Staffordshire and Sandwell have developed web sites to promote local business. The Shropshire Chamber portal could be used to do much of this work; we could further enhance the impact by developing a portal of our own.
- 5.9 Support an organisation such as Transforming Telford in establishing a **link role between the Council and local businesses**
- 5.10 **Consider how we package our contracts –**  
Consider opportunities to re-package our contracts in a way which will assist smaller businesses in bidding for and winning our business, for example by breaking large contracts down into smaller lots. The potential downsides which would need to be balanced here are increased workloads, the increased number of contracts to manage and the loss of economies of scale.
- 5.11 Move our **stationery contract** from Banner Business Supplies to Lyreco (if WMS remain uncompetitive for office stationery)
- 5.12 Make increased use of **local framework agreements**, spreading business across a wider range of local businesses
- 5.13 Increase use of **sustainability criteria –**  
By enhancing the use of sustainability as a selection criterion we could compliantly improve the chances of local businesses in winning our business, an example being the consideration of food miles.
- 5.14 Adjust Council **Financial Regulations** for lower value contracts (less than £50k) to support in some way the need to consider local providers as a first point of call (subject to legal approval)
- 5.15 Provide further targeted **training** to Businesses and the 3<sup>rd</sup> Sector in Telford.
- 5.16 Make use of **contract criteria** around employment of local labour and re-training – This is only likely to apply to major, high value contracts, for example construction.

There is nothing to prevent us building into specifications and contracts requirements relating to community benefits to be delivered to the locality, provided that there is no direct or indirect discrimination. We would need to be careful to understand the cost and process impacts of any such criteria.

## **6.0 Equality & Diversity**

- 6.1 In general terms public authorities have legal duties to eliminate discrimination, promote equality of opportunity and promote good community relations. This applies to our role as a procurer of services as well as a provider of services and as an employer. In many circumstances this legal duty also applies to contractors delivering public services on behalf of the Council. The work identified at 3.1, 3.2 & 5 above is being moved forward to ensure that the Council is meeting its legal duties within procurement processes and promoting best practice across the organisation.

## **7.0 Environmental Impact**

- 7.1 By purchasing locally the Council have the opportunity to foster local economic regeneration and create employment opportunities with money which may previously have been spent outside of the Borough. The environmental benefits of, sourcing goods from within Telford and Wrekin are that they will carry a much smaller carbon footprint than goods sourced from other parts of the UK or abroad. Transport miles are substantially lower; in addition there may be the opportunity to reduce levels of protective packaging.

## **8.0 Legal Comment**

- 8.1 Regulation 39 of the Public Contracts Regulations 2006 allows us as a Local Authority to stipulate social and environmental conditions relating to the performance of a contract provided that these are set out in the OJEU notice and/or contract documents and comply with the EU law. The community benefits in question must be linked to the subject matter of the contract. There is case law that requires community benefit clauses to be verifiable and as a Local Authority we should always ensure that local labour provisions will help to achieve our policy objectives and do not conflict with Best Value.

Legal Services will continue to provide advice and assistance to CPU in the review of all documentation and also in the provision of advice in the area of 'community benefits' to help in the creation of sustainable communities including social, economic and environmental benefits.

## **9.1 Links with Corporate Priorities**

- 9.1 Community Ambitions 1, 3 and 7.

## **10.0 Opportunities and Risks**

- 10.1 The opportunities and risks associated with this decision/option/project have been identified and assessed. Arrangements will be put in place to manage the risks and maximise the opportunities that have been identified.

## **11 Financial Implications**

- 11.1 Current activities are being met from within existing budgets. In relation to the potential actions identified there will be financial implications which will have to be quantified as part of any formal appraisal.

### **Background Papers**

Procurement Strategy

### **End of Report**

***Report prepared by Adrian Griffith: Corporate Procurement & Payments Manager.***