

## ECONOMIC DEVELOPMENT COMMITTEE

27 MARCH 2019

### PROCUREMENT UPDATE

#### **1.0 Purpose of Report**

1.1 This report seeks to update Members on the proportion of Council spending with local businesses and to recommend ways to support local businesses. It should be read in conjunction with the last report to Committee dated 28 March 2018.

#### **2.0 Background Information**

2.1 The Council's annual spend with 'local' suppliers continues to be reported through the Council's performance management system (Pentana). The proportion of spend with 'local' suppliers increased from 34.8% in 2016/17 to 40.2% in 2018/19. By removing spend with R.G Carter and Henry Boot this increases the percentages to 40.9% in 2016/17 and 57.2% in 2017/18. £4 million of the Council's 2016/17 expenditure and £9 million of the Council's 2017/18 spend was with Henry Boot and R.G. Carter on the construction of Gladstone House and Castle House respectively. Both companies are based outside the District but a significant proportion of the spend with these main contractors will have trickled down to local sub-contractors effectively increasing the proportion of the Council's total spend with local suppliers to more than the reported 40.2%.

2.2 The Public Services (Social Value) Act places a requirement on local authorities to consider the economic, environmental and social benefits of approaches to the procurement. In addition the Public Contract Regulations 2015 openly permits the inclusion of social value as award criteria, therefore increasing the ability for local authorities to take into account wider benefits to the community when awarding contracts.

Whilst the legislation does not expressly allow for positive discrimination in favour of local suppliers, it does enable the procuring authorities to ask potential suppliers how, through the delivery of the contract, they are able to benefit the local community.

#### **3.0 Spend Profile/Analysis**

3.1 The table below provides a more detailed breakdown of the Council's 17/18 spend profile:

| <b>Proportion of spend with 'Local' Suppliers:</b><br>(i.e. located in NG/LN postcode areas) |                   | <b>£11.6 million</b><br><b>(40.2%)</b> | <b>508 suppliers</b> |                      |
|--|-------------------|--|----------------------|----------------------|
| <b>Proportion of spend with 'Non-Local' Suppliers:</b>                                       |                   | <b>£17.3 million</b><br><b>(59.8%)</b> | <b>632 suppliers</b> |                      |
| Annual Spend Value with Supplier   | 'Local' Suppliers |  | 'Non-Local Suppliers |                      |
|  | No. of Suppliers  | Combined Total Spend                   | No. of Suppliers     | Combined Total Spend |
| Up to £10k   | 425               | £757k                                  | 506                  | £1.1m                |
| £10k-£75k  | 67                | £1.62m                                 | 100                  | £2.53m               |
| £75k-£181k*  | 9                 | £1.1m                                  | 16                   | £1.99m               |
| Over £181k*  | 7                 | £8.16m                                 | 10                   | £11.68m              |
| <b>TOTALS</b>  | <b>508</b>        | <b>£11.6m</b>                          | <b>632</b>           | <b>£17.3m</b>        |

\* OJEU thresholds: Supplies & Services contracts = £181,302; Works = £4,551,413

Clearly there is an opportunity for the Council to provide greater support to local businesses by actively seeking to 'redirect' spend that currently sits with 'non-local' suppliers, especially ad hoc discretionary expenditure below £10k that rests with Business Managers and (where appropriate) a proportion of the spend in the £10k-£75k range for which the Council's Contract Procedure Rules stipulate there is no specific requirement to advertise.

- 3.2 The Council continues to use Purchasing Cards to transact low-value ad hoc purchases. This allows designated cardholders to shop online and to 'shop around' by not having to open a credit account with suppliers. Over the last 10 years annual spend on Purchasing Cards has averaged £125,000 with an average card transaction value of £107.

#### **4.0 Planned Changes to the Procurement function**

- 4.1 In preparation for the planned retirement of the Council's Procurement Manager at the end of February 2019, Welland Procurement has been appointed to provide ongoing procurement support to Council officers. One of the potential benefits of a shared service is the ability to identify collaborative procurement opportunities whilst also providing a platform to give greater influence to deliver collective aspirations with regard to SME engagement, apprenticeships and social value. However, increased collaboration may result in higher total contract values leading to a greater number of higher threshold procurements. Whilst the aggregated spend on specific categories will open up greater opportunities to deliver savings and value for money, this may result in fewer opportunities for sourcing supplies & services locally. Consideration will need to be given to the most sustainable solution to achieve a balance between collaboration and supporting the local economy.

#### **5.0 Proposals**

##### Procurement by the Council

- 5.1 The procurement function should support the use of local suppliers wherever they offer value for money and where contracts can be legitimately awarded in compliance with relevant public procurement legislation and the Council's Contract Procedure Rules. A key focus for Welland Procurement should be to level the playing field by ensuring that local suppliers fully understand and can navigate the procurement process.
- 5.2 Consideration should be given to developing a formal training programme in conjunction with Welland Procurement that provides an oversight of the regulated public procurement process for the benefit of local small businesses to ensure they have the skills and knowledge to seek out and apply for contracts that are openly advertised through the Council's e-tendering platform. Any approach could be targeted to likely local businesses and suppliers through contacts and intelligence available through the employment and skills team within the Council.
- 5.3 Where appropriate, Business Managers will be encouraged to break down larger below-EU threshold collaborative contracts procured with the assistance of Welland Procurement into smaller 'lots' in order to encourage smaller businesses to bid and amend the Council's Contract Procedure Rules to reflect this requirement.

- 5.4 We can require main contractors on all large construction projects to sub-contract to local businesses wherever possible/feasible and ensure this requirement is reflected in tender and contract documentation.

#### Ability to Control Procurement beyond the Council

- 5.5 Members will be aware that in many sectors the Council cannot directly insist upon or influence the choices of individuals or organisations in terms of who is procured to deliver a particular service or product. There is an ability to directly influence in some areas of Council decision-making, most notably as part of a planning policy regime for major (defined as housing schemes of more than 10 houses or commercial schemes of greater than 10,000 square metres). There are many examples nationally where planning policy has been developed which seeks, depending on the scale and specialism of a particular project, a local focus for employment and procurement.
- 5.6 Members will be aware from the Forward Plan that the Planning Obligations Supplementary Planning Document is due to be revised and presented to this Committee at the next meeting. It is recommended that part of any revision should include the provision for a local procurement and/or employment requirement, based on best practice available.

#### **6.0 Equalities Implications**

- 6.1 None identified.

#### **7.0 Impact on Budget/Policy Framework**

- 7.1 None

#### **8.0 Comments of Director**

- 8.1 The increasing proportions of spend year-on-year to 'local' suppliers is welcome. It remains important that the organisation (via Business Managers) remains mindful of the need to invite local suppliers to tender. The ability to deliver training to potential local suppliers such they understand the process the Council must follow is positive. This is also the case in looking beyond the Council's own commissions to explore how the development industry can be required to appropriately and proportionately procure locally through a formally adopted planning policy.

#### **9.0 RECOMMENDATIONS that:**

- (a) the contents of this report be noted and Local Procurement be encouraged as far as practicable (including via Welland Procurement), monitored and reported back to the Economic Development Committee at the end of the 19/20 financial year;**
- (b) the Business Manager - Financial Services progress through Welland Procurement formal training/information packs for likely local providers on the public procurement process as detailed at paragraph 5.3 of the report; and**

- (c) the future report on the review of the Planning Obligations Supplementary Planning Document include a review on the feasibility of securing local procurement and/or employment via new major development proposals.

**Reason for Recommendations**

To allow flexibility to ensure products and services are procured locally where appropriate, whilst still ensuring value for money and compliance with procurement regulations.

**Background Papers**

Nil

For further information please contact Nick Wilson on Ext 5317.

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