

Maximising benefits to the local economy from Derby City Council Procurement expenditure.

SUMMARY

- 1.1 The report identifies early actions which will be taken to ensure that the 'local' and 'social' impact of sourcing decisions will be considered when procuring contracts, whilst maintaining compliance with EU and UK Procurement regulations and obtaining best value (economy, efficiency and effectiveness) for the Council.
- 1.2 Further actions to embed this initiative within a revised procurement strategy for Derby will be developed.
- 1.3 It must be recognised that the actions listed in 4 are designed to raise awareness amongst potential suppliers and guide them to bid effectively. They will still be in competition and will have to offer value for money for the Council. If the Public Services (Social Value) Bill becomes law these actions will be a requirement for above threshold procurement. Procurement legislation does not permit the 'location' of a supplier to be part of the assessment criteria.

RECOMMENDATION

- 2.1 To note actions listed in section 4 and the fact that these will commence January 2012

REASONS FOR RECOMMENDATION

- 3.1 A 'thriving sustainable economy' is a key strand of the Council plan 2011 to 2014.
These actions listed in section 4 will support this goal.
- 3.2 From 2013/14 Council revenue will be dependent on business rates from within the city. Encouraging local suppliers will therefore have a direct financial impact.
- 3.3 Following the Bombardier issue, some Council procurement decisions have attracted negative publicity in the media where contracts have been awarded outside the local area. Whilst there will still be instances where for business reasons contracts are not awarded locally we would be able to point to the support and encouragement given to local businesses.

SUPPORTING INFORMATION

Background

- 4.1 Derby City Council spends over £100 million each year on a wide range of goods and services, this amount when added to Capital expenditure makes the authority a prime driver of local economic growth and prosperity in the form of jobs, skills training and business. 39% of suppliers are based in Derby & Derbyshire; this increases to 51% for East Midlands suppliers.
- 4.2 Public Procurement is highly regulated by the EU and the recent introduction of the remedies directive has brought with it significant financial penalties for non compliance. The regulations demand transparent and open competition, therefore contract award criteria based on geographic location or those which favour local business are not allowed. The full regulations apply to contracts valued over £173,934 for goods and services and £4,348,350 for works. The Government has indicated its desire to review the current legislation but changes are unlikely to be made for 2 or 3 years.
- 4.3 The Council has significant 'below threshold' procurement activity which does not attract the same level of regulatory scrutiny as the above threshold procurements.
- 4.4 The Public Services (Social Value) Bill if enacted will mandate the Council, when procuring above threshold services, to consider how the procurement might improve the economic, social and environmental well-being of the relevant area and how the authority might act to secure that improvement.
- 4.5 The drive to reduce costs has seen an increase in collaboration between authorities either directly or via consortia which has often resulted in larger value contracts as requirements are 'bundled' to obtain economies of scale. In certain cases this may reduce opportunities for 'local' Small and Medium Sized Enterprises (SMEs).

The following are actions to be taken to increase the local and social impact of procurement whilst maintaining compliance with procurement regulations.

- 4.6 Brief budget holders to include local SMEs on 'request for quote (RFQ) procurements where possible.
- 4.7 Roll out Corporate Procurement cards for low value requirements and use the card to buy locally where possible (the prompt payment will benefit cash flow of smaller businesses).
- 4.8 Proactively engage with businesses in the area via the Chamber of Commerce and other groups to raise awareness of Council procurement methods and sources of information and provide generic information to boost their chances of success in winning business. For example the Council already advertises contracts on the 'Source Derbyshire' website but suppliers have to be aware of it to be notified of opportunities. Participation in 'Meet the Buyer' events is also beneficial.
- 4.7 Joint training events for small businesses with Chamber of Commerce and Federation of Small Businesses designed to equip businesses with the skill to submit successful bids for tenders.

- 4.8 Proactively engage with Third sector voluntary organisations as above, via bodies such as Community Action Derby, to ensure they are aware of suitable opportunities.
- 4.9 Review Procurement documentation to ensure that unnecessary bureaucracy is removed and documents are appropriate to the value and complexity of the contract.
- 4.10 Consider local and social impact in all category sourcing strategies. Build economic, environmental and social benefits into the contract where appropriate. The Procurement team will develop template clauses to ensure these are compliant and non discriminatory. Particular attention must be made to ensure that the principle of obtaining 'best value' for the authority is not compromised, this can be achieved by agreeing the weighting for the award criteria, including social clauses, as part of the tender process.
- 4.11 If appropriate consider breaking the requirement into lots to match SME and Social Enterprise capacity. This must not be done to avoid EU thresholds.
- 4.12 Encourage collaborations of SMEs and Social Enterprises to bid for work.
- 4.13 Provide advance notice of upcoming procurements in order that local businesses / SMEs etc have sufficient time to bid. This is particularly important if they plan to form a consortium to bid.
- 4.14 Encourage larger suppliers to sub-contract to local SMEs and Social Enterprises. For example in larger capital projects. An explicit mandate to use suppliers from a particular area would not be allowed under the regulations.
- 4.15 When working collaboratively with other authorities, agree intended outcomes at the strategy planning stage so that requirements are harmonised and economic and social outcomes agreed jointly. Many collaborations take place for supplies without a local dimension (e.g. vehicles, energy) so local issues are not a barrier in these cases.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Service Director(s)	R. Kershaw
Other(s)	

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 Introducing 'social' criteria may increase costs. Care must be taken to identify where this has occurred and a decision taken which ensures that Value for Money is still obtained.

Legal

- 2.1 Social criteria must be carefully worded to ensure that they are non discriminatory. Templates will need to be checked by the legal team before use.

Personnel

- 3.1 None

Equalities Impact

- 4.1 Potential increased involvement of 'third sector' in Council supply chain.

Health and Safety

- 5.1 None

Environmental Sustainability

- 6.1 Local suppliers should have improved environmental impact. e.g. Fewer delivery miles.

Asset Management

- 7.1 None

Risk Management

- 8.1 Policies must be compliant and non discriminatory. By use of standard documents and planning risk of procurement challenge should be minimal. Use of smaller suppliers may increase risk of supplier failure, however if used on lower value less critical contacts with effective Contract Management the impact on Council business can be minimised.

Corporate objectives and priorities for change

- 9.1 A thriving sustainable economy.

