

North Tyneside Council Report to Cabinet Date: 14 May 2012

ITEM 6 (h)(ii)(I)
Title: Introducing a Local Procurement Policy to reduce the Council's Carbon Footprint and create/support Local Employment

Portfolio(s): Finance

Transport and the Green Environment

Cabinet Member(s): Councillor Judith Wallace

Councillor Ed Hodson

Report from Directorate: Chief Executive's Office

Report Author: Viv Geary (Head of Legal, Governance and Commercial Services) (Tel: 643 5339)
Paul Hanson (Strategic Director of Community Services) (Tel: 643 7000)

Wards affected: All

PART 1

1.1 Purpose:

The purpose of the report is to inform Cabinet of the work being undertaken in relation to the Council's approach to local procurement and reducing the Council's Carbon Footprint and creating and supporting local employment as required in the Council Strategic Plan and 2012/13 Budget – Implementation Plan.

1.2 Recommendation(s):

It is recommended that Cabinet :

1. note and endorse the contents of the report and
2. agree to receive :
 - a report in June 2012 concerning the Council's proposed approach in relation to Council trading activity and
 - a further report in October 2012 in relation to the introduction of a Local Procurement Policy to reduce the Council's Carbon Footprint and create/support Local Employment.

1.3 Forward Plan:

This report does not appear on the current Forward Plan. However, it is required to be considered at this Cabinet meeting because the Report to Cabinet, Council Plan and 2012/13 Budget – Implementation Plan (Minute CAB181/03/12) requested that a further report be brought to the May 2012 meeting of Cabinet on the work being undertaken to

implement a local procurement policy to reduce the Council's Carbon Footprint and create/support local employment.

1.4 Council Plan and Policy Framework

The report relates to the Budget 2012/13 and the Council Strategic Plan for 2012/15.

1.5 Information:

1.5.1 Background

Cabinet will be aware that public sector procurement has an important part to play in supporting growth and influencing the way in which business is done in the UK.

In addition the Local Government Act 2000 places a duty on local authorities to prepare a community strategy for promoting or improving the economic, social and environmental well being of their area. In North Tyneside that Sustainable Community Strategy is developed by the Council with its partners and is the responsibility of the North Tyneside Strategic Partnership. Each partner aligns its relevant plans and strategies to those overall aims for the Borough.

In the case of the Council's procurement planning the Council has produced a Procurement Strategy and a Sustainable Procurement Strategy. The Council's Strategic Procurement Strategy for 2008-2012 is supported by the Sustainable Procurement Strategy which confirms the following:

"It is crucial that procurement activity contributes positively towards the Council's Sustainability Strategy and Environmental Policy both of which incorporate sustainable development and limit impact on the environment.

The Council will consider, in its procurement activity, sustainability factors, whole life costs, value for money and the impact on the local economy, and will seek to limit damage to the environment. It is acknowledged that economic growth cannot proceed without taking into account sustainability and environmental protection."

In practice this has meant a range of procurement activity on the part of the Council has had a significant impact on the Council's carbon footprint and created/supported local employment.

It is important to make a distinction on carbon impact; the Council's carbon impact is the consequence of the Council's operations – the services it delivers to the people of the Borough; the Borough's carbon impact is a consequence of life and business in North Tyneside. In both cases, good progress is being made to reduce carbon use in North Tyneside but Cabinet will wish to note that some procurement activity reduces the carbon impact of the Council's operations while some procurement activity reduces the carbon impact of life and business carried out in the Borough.

For example

- **The construction Joint Venture;** was procured with the intention of managing the risk to the Council's construction work force and procured in a manner that asked the Council's partner to have due regard to allowing local business access to the supply chain. The recent Overview and Scrutiny Task Group on the Joint Venture looked closely at the relationship of Kier with local businesses and was

presented with evidence of significant investment with local businesses which assists in supporting such businesses at a time of economic challenge.

- **The current recycling contract;** was clearly procured with the intention of increasing recycling rates and reducing North Tyneside's reliance on landfill with its subsequent carbon impact. That contract was let to a comparatively small and relatively new local entrant to the market based in the borough. Over the period of the contract the company has grown, providing new jobs, a better price for the Council and, more recently begun to provide services to North Tyneside schools in a way that saves the Council and the Schools money.
- **The solar PV project;** was also procured with the intention of reducing the Borough's carbon footprint and reducing costs to tenants. The successful provider E.on, chose a partnership with Kier North Tyneside for the vast majority of the 1463 installations. This provided local employment and increased skill in this sector.

However, despite these successful examples it is important Cabinet are clear on the risks in pursuing too local a view of procurement.

1.5.2 Council's Ability to Prioritise Local Business

The Public Contract Regulations 2006 ("the Regulations") has a general requirement to be non-discriminatory against any EU Member State. This makes it unlawful, and subject to legal challenge, if a public body uses the word "local" in any contract notice, or uses "local" as criteria for the evaluation and award of contracts.

Where contracts fall below the relevant EU Procurement thresholds, the EU Treaty Principles of non-discrimination, transparency of award procedures and related decisions, equal treatment, proportionality and free movement of goods must still be applied. This is also coupled with the duty to provide value for money.

In a contract with a value that falls below the EU thresholds referred to above it is not prohibited by virtue of the Regulations to take into account location and local sources but the Council must still comply with the EU Treaty Principles described above.

Incorporating social issues such as carbon reduction and supporting the local economy may only be used as evaluation criteria where they are directly linked to the subject of the contract. It is also possible to incorporate social issues, as part of the contractual obligations with which suppliers must comply.

The Council is also required to comply with its own Contract Standing Orders when seeking goods and services. The Council has approached the opportunity to seek more local supply of goods and services by developing a policy which enables those undertaking the procurement exercises, where the total expenditure is under £50,000 to invite a quotation from at least one local supplier provided they are capable of fulfilling the Council's requirements.

The Procurement rules described above are of specific application to Public Bodies therefore any private sector supplier seeking to supply to the Council or otherwise is able to source its own supply chain which may in turn assist local businesses.

1.5.3 Policy development

The Council's current Procurement Strategy is due to be refreshed. Work has therefore been taking place as part of the Change Efficiency and Improvement Programme.

There are two significant developments Cabinet will wish to note.

- **The Council's Trading Activity;** work has been done to consider the Council's strategic approach to commercial and procurement activity, its approach to fees and charges and the next steps on trading activity. That work is reaching a conclusion and, subject to final agreements, is expected to be considered by Cabinet at its meeting in June. That report will reflect the need to consider environmental sustainability and the local economy in the Council's commercial and procurement activity
- **The procurement of a partner for business services;** procurement activity on behalf of the Council is included in the scope of this package of services. The Council's requirements in this area focus potential partners on their opportunities to improve environmental sustainability and develop the local economy. The procurement of a Business Partner will provide greater flexibility when engaging the local market in both supply chain opportunities and when procuring goods and services (other than when procuring on behalf of the Council) as the Business Partner would not be bound by the EU Treaty Principles or the Public Contract Regulations in such circumstances.

1.6 Decision options:

Cabinet is requested to note and endorse the contents of this report and to agree to receive further reports in June and October 2012.

1.7 Reasons for recommended option:

It is recommended Cabinet note the contents of this report and agree to receive further reports in June and October 2012. The report to be submitted to Cabinet in June will provide detail of the proposed next steps in the Council's trading activity. In October a report will be submitted to update on progressing those proposals relating to trading activity and reflecting how this work will be developed with a new partner for business services particularly in relation to the development of the local economy as well as providing the opportunity to produce the local Procurement Policy as appropriate.

1.8 Appendices:

There are no appendices to this report.

1.9 Contact officers:

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Alison Campbell, Financial Business Manager, Tel (0191) 643 7038

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) Report to Cabinet, Council Strategic Plan and 2012/13 Budget – Implementation Plan, 28 March 2012 (Minute CAB 181/03/12)
- (2) Procurement Strategy 2008-2012
- (3) Contract Standing Orders
- (4) Sustainable Procurement Strategy

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no financial or other resource implications arising directly from the information provided.

2.2 Legal

The legal implications are detailed in the main body of this report.

2.3 Consultation/community engagement

Consultation has taken place with the wider procurement community as part of the Change Efficiency and Improvement Programme and with the Senior Leadership Team.

Consultation with local suppliers has taken place as part of the attendance at regular meet the buyer events held within the borough and regionally, aimed at widening the knowledge and requirements of the Council's business.

The Cabinet Member for Finance has been consulted on this report.

The Strategic Director of Finance & Resources has been consulted on this report.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

There are no equality and diversity implications directly arising from this report.

2.6 Risk management

Following a risk assessment there are currently no risks attached to this report. If any risks do arise in the future they will be discussed with the Risk Management Team and added to the relevant Council's risk registers.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Strategic Director(s)
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager, Policy and Partnerships